

SUPPORTING AFRICA IFC'S APPROACH

IFC Tokyo Office, Autumn 2018



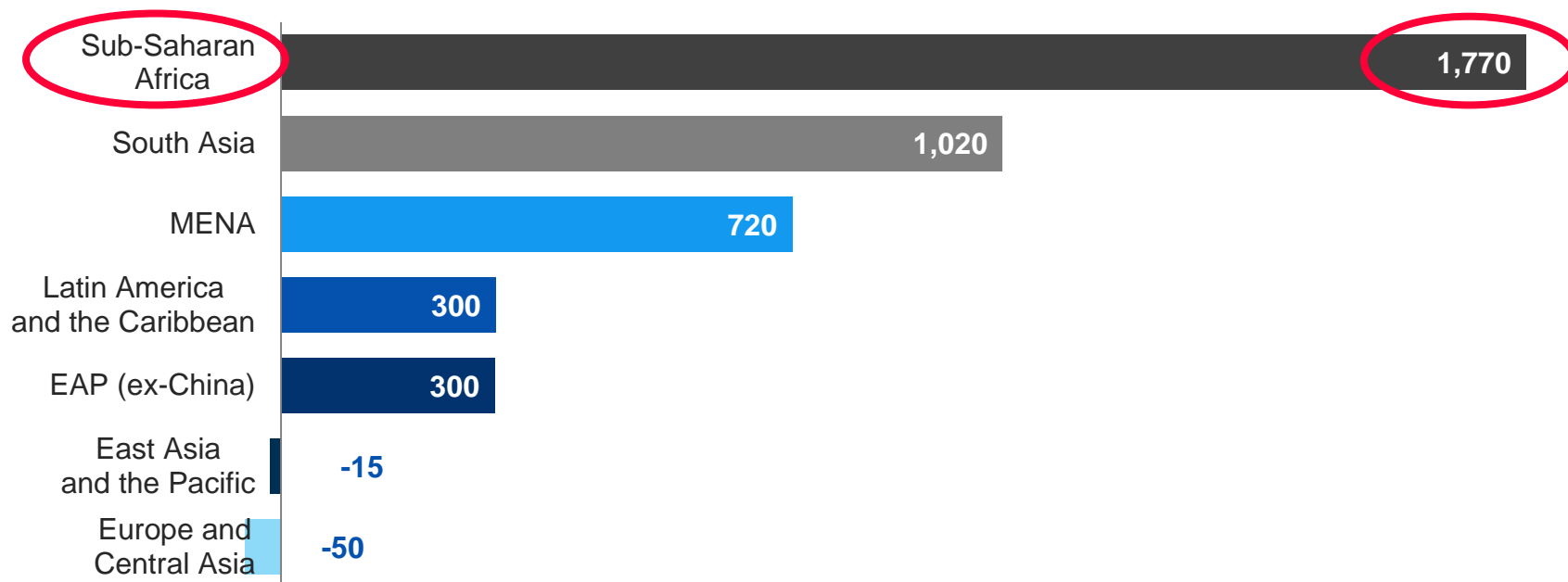
Creating Markets, Creating Opportunities

Discussion Purposes Only

What are the challenges?

More than 3 million new jobs are needed every month in Africa, MENA and South Asia...

Increase in working age population per month
Over the next 15 years, thousands

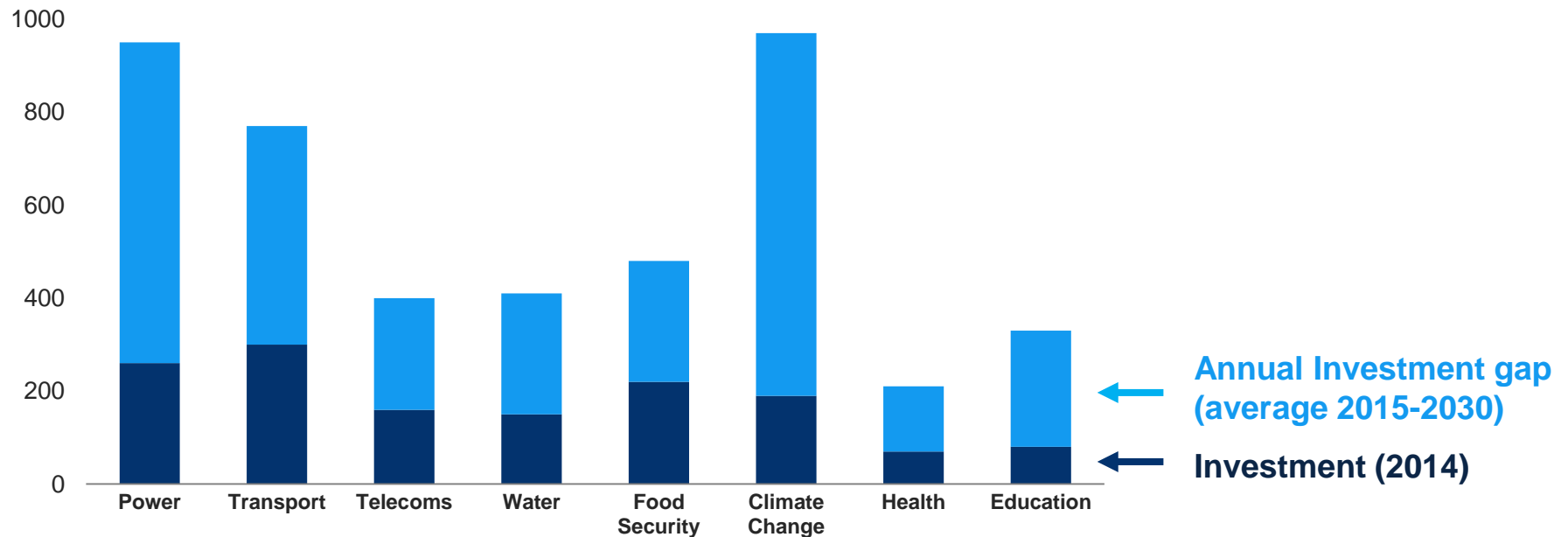


Source: World Bank and United Nations Population Division's World Population Prospects

What are the challenges?

\$3 trillion per year are needed to reach SDG goals, including ...

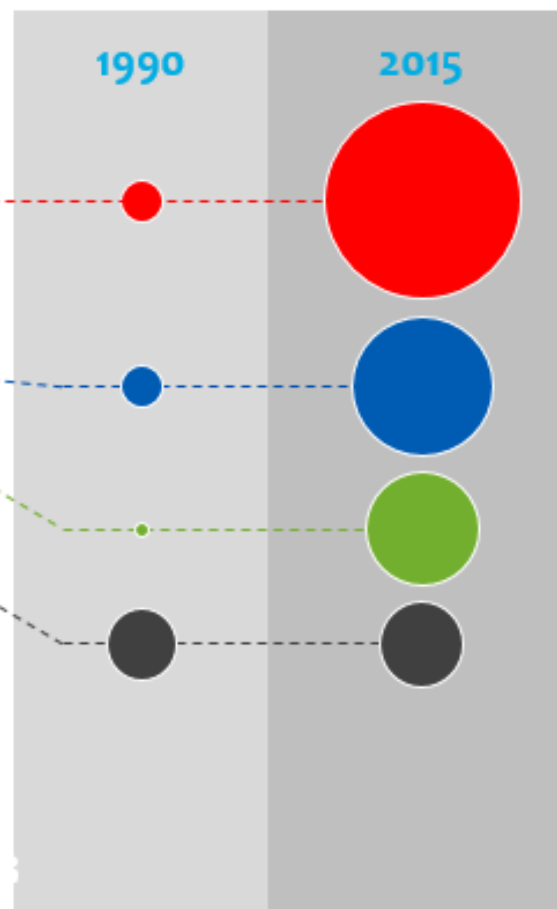
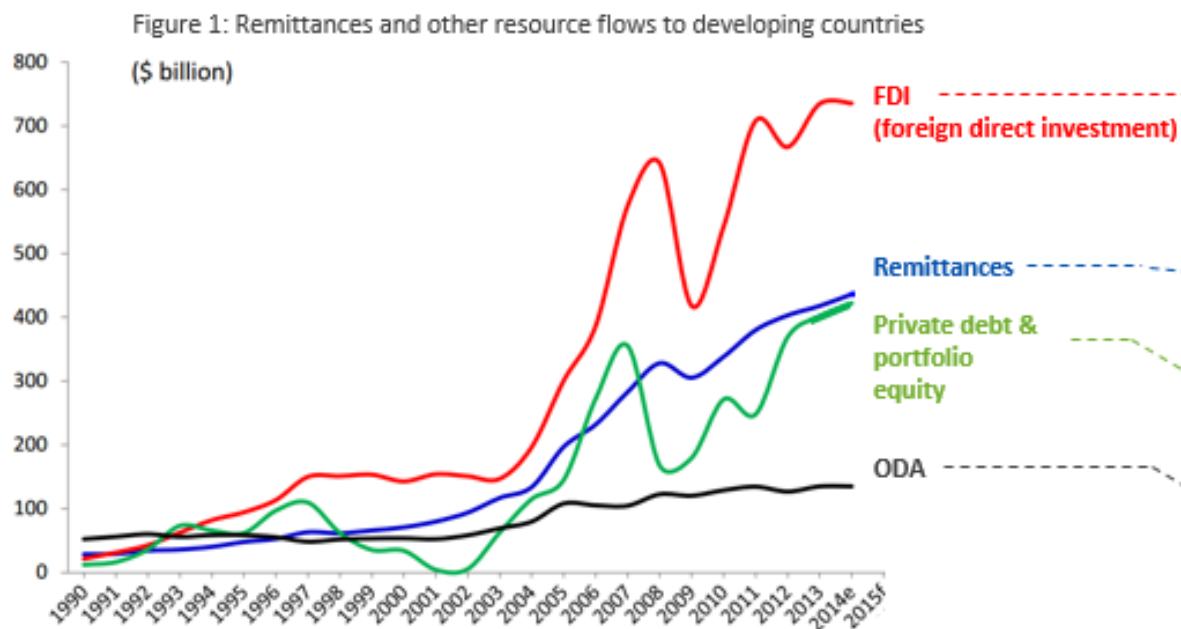
Investment Gaps in Reaching SDG¹
In US\$ Billion



Source: World Bank Group. 2017. Global Economic Prospects, January 2017

Resources to meet the challenges?

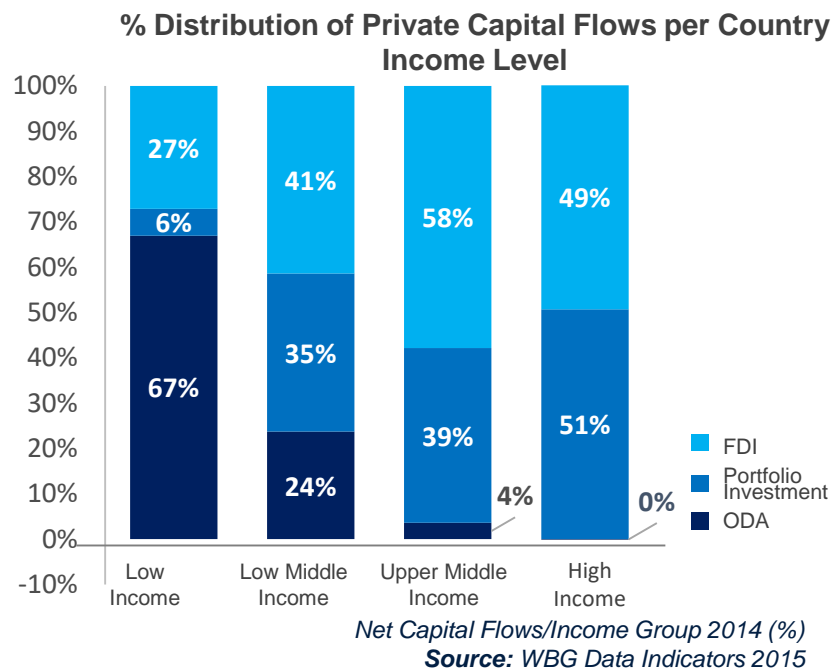
ODA flat, FDI soaring... But, only limited resources reaching to the needy...



Sources: World Bank Staff calculations, World Development indicators, OECD.
Private debt includes portfolio investment bonds, and commercial banks and other lending

Besides...

Private capital is not flowing to lower income countries

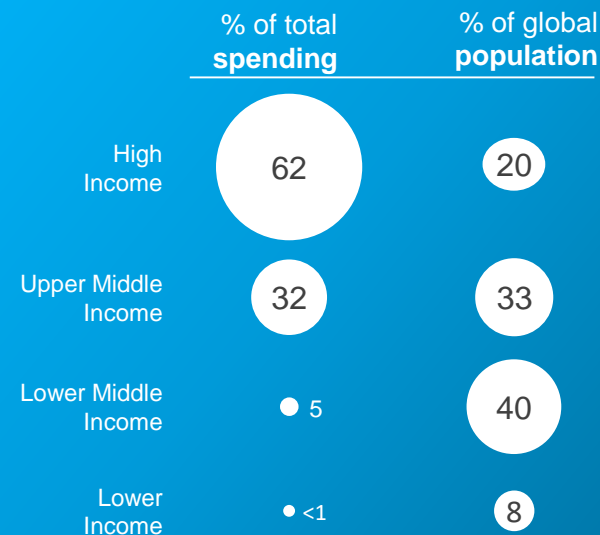


“We note with concern that many LDCs continue to be largely side-lined by FDI that could help diversify their economies, despite improvements in their investment climates.”

- The Addis Ababa Action Agenda of the Third Conference on Financing for Development

Infrastructure Example:

62% of annual infrastructure spending is in High Income, while MICs and LICs, with 80% of population, receive 37% of this investment.



Source: McKinsey

Yet, resources are out there...a rich man sitting on a pot of gold?
Market reality - Capital just shies away from those projects that are not bankable

**US\$2
trillion**

assets
held by the
world's ten
largest
pension
funds

**US\$4.5
trillion**

assets
held by the
world's
largest
insurance
companies

**US\$5
trillion**

assets
held by
the world's
largest
sovereign
wealth
funds

**US\$100
trillion**

global
bond
market

IFC's New Strategy - *Creating Markets*

Transform the unbankable to bankable, and mobilize private capital

Building on WBG core competence

Develop more projects in challenging markets

- Cascade approach
- Mainstreaming the upstream ... Leveraging WB/IMF
 - Focus the use of ODA
 - Enhance advisory services
- De-risking unbankable projects ... Leveraging IDA
 - Private sector window (PSW)

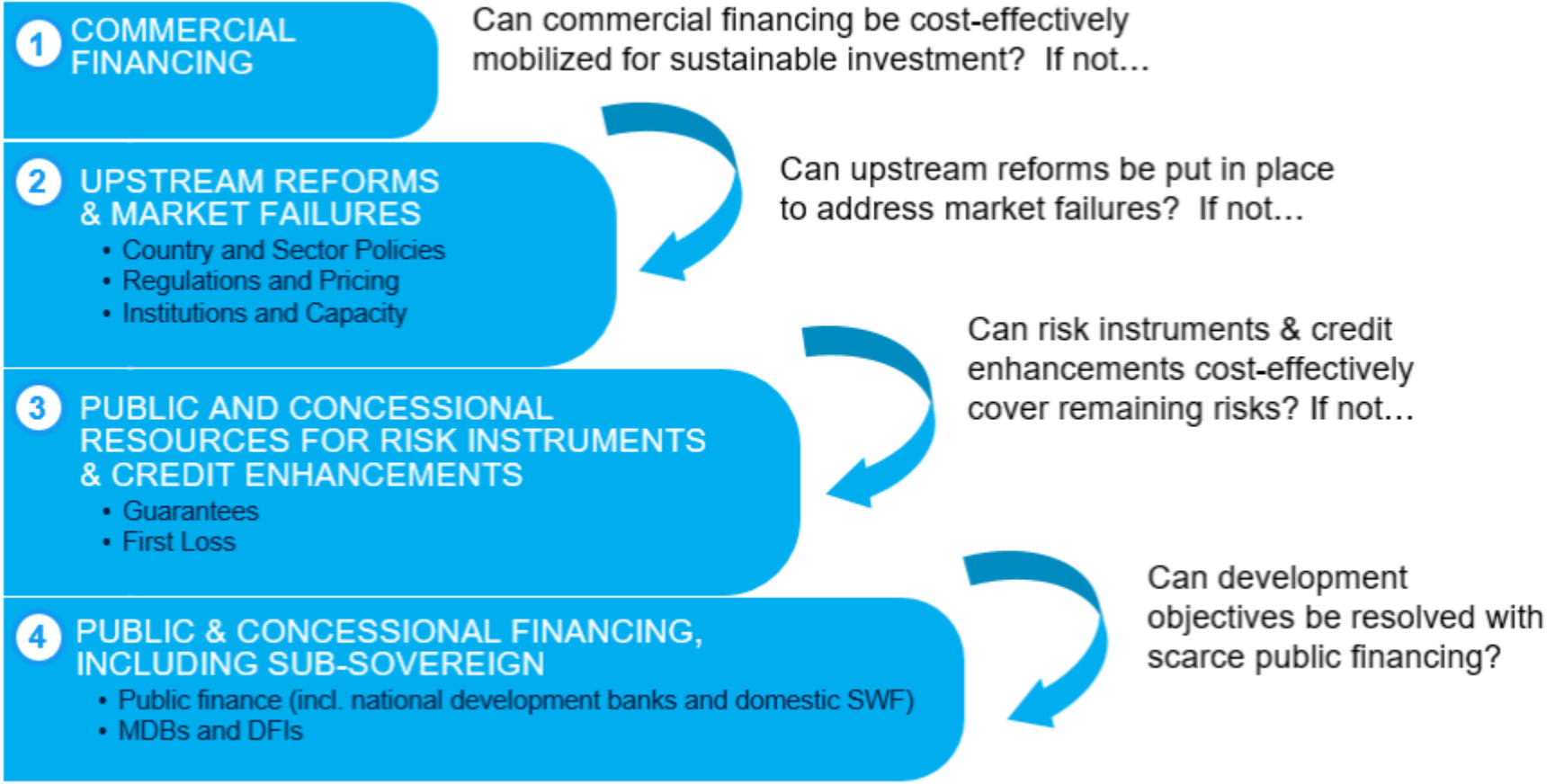
Mobilize private capital from untapped sources

- IDA 18 capital mobilization
- MCPP
- AMC

Coordinate with other MDBs

Apply the Cascade...

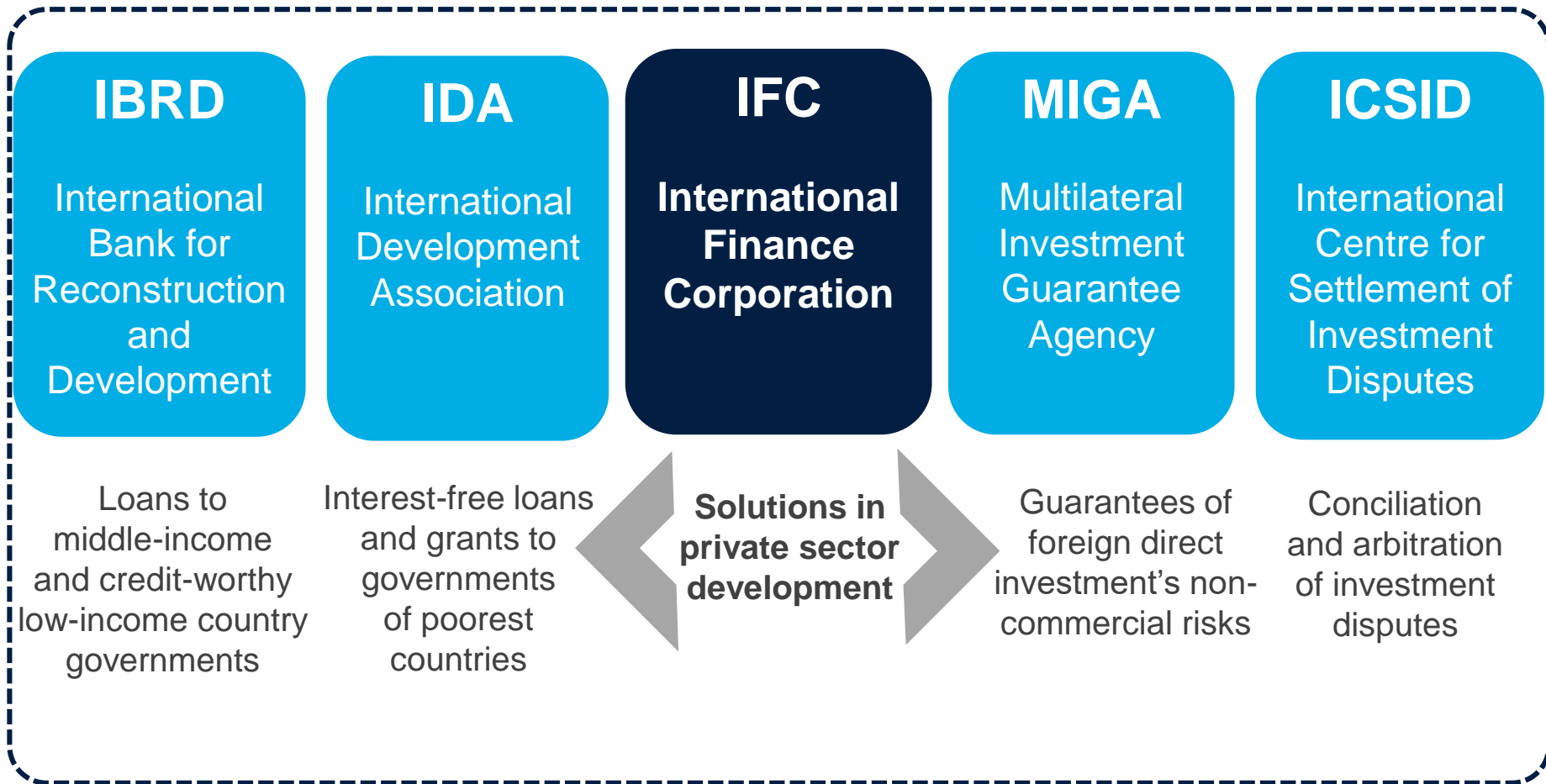
This will ensure that scarce public funds are used in the most strategic and catalytic way



Harness the group potential - THE WORLD BANK GROUP



WORLD BANK GROUP



De-risk ...PSW facilities

	Risk Mitigation Facility (RMF)	Blended Finance Facility (BFF)	MIGA Guarantee Facility (MGF)	Local Currency Facility (LCF)
<i>Instruments offered to end-use clients</i>	Project-based guarantees without sovereign indemnity	Loans, subordinated debt, equity, guarantees and risk sharing	MIGA Political Risk Insurance (PRI)	Local currency denominated loans to clients who operate in markets where there are limited currency hedging capabilities
<i>Sector(s)</i>	Infrastructure & PPPs	High-impact pioneering investments across sectors	Infrastructure, agribusiness, manufacturing and services, financial markets & PPPs	Sectors will be linked to the underlying loans
<i>Indicative Allocation</i>	US\$1,000M	US\$600m	US\$500m	US\$400m

Employ IFC's extensive footprints



Use fresh capital ... CAPITAL INCREASE

\$13 bn

CAPITAL INCREASE

In April 2018, shareholders approved a landmark \$13 billion capital increase package:

- \$7.5 billion for the World Bank
- \$5.5 billion for IFC

MORE THAN

3X

PAID-IN CAPITAL

This more than triples the amount of paid-in capital IFC has received since inception in 1956.

IFC's annual IDA transfers have also been suspended. Along with the paid-in capital, these provides a total of **\$9.2 billion in new capital to support IFC operations.**

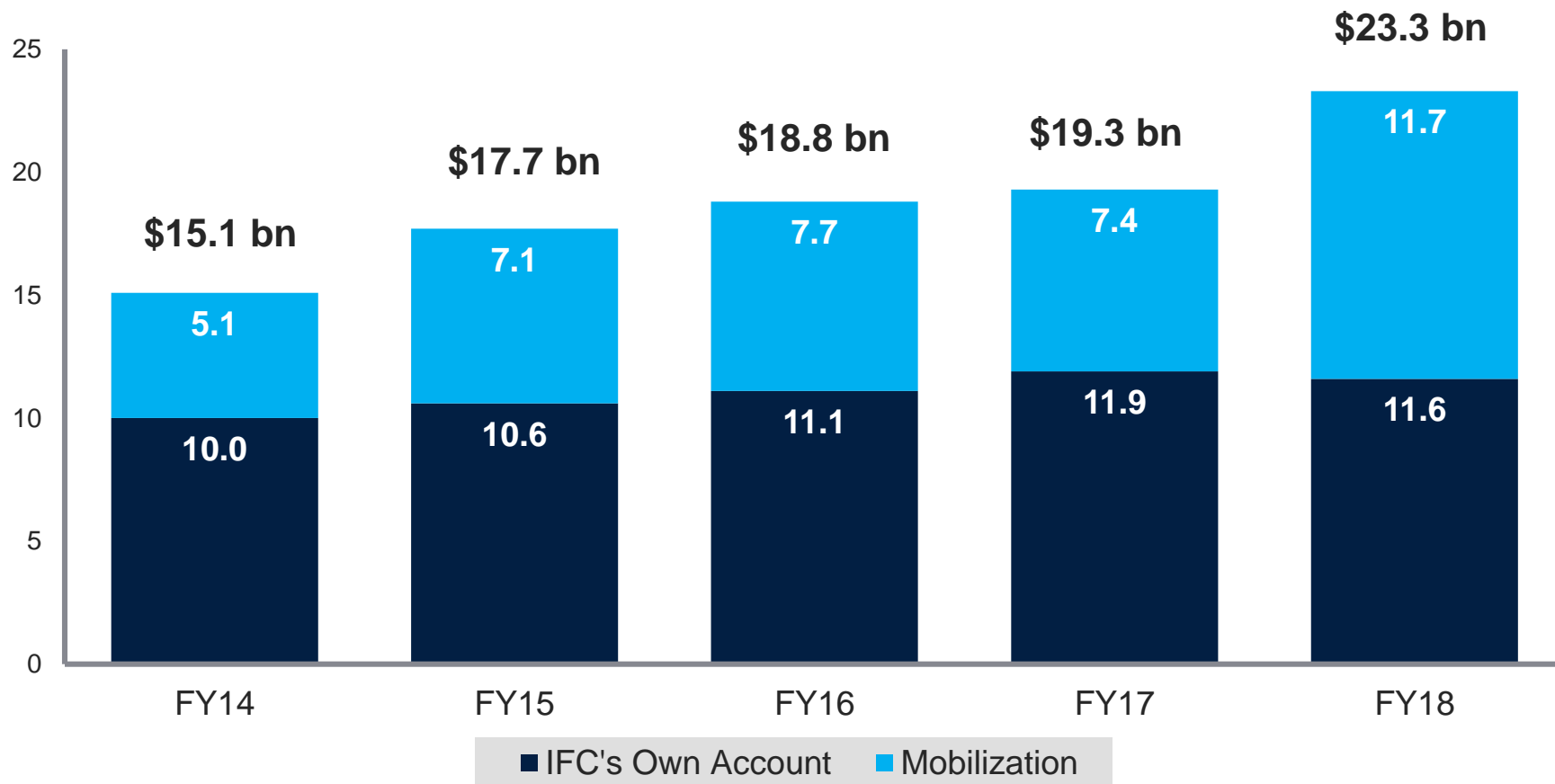
CAPITAL INCREASE

What it Means for IFC

By 2030, IFC is now targeting:

- Increasing annual investment commitments to **\$48 billion** (\$25 billion for IFC's own account, \$23 billion mobilized from others)
- Having 40% of these investments be in **IDA countries and fragile and conflict-affected areas**
- Making 35% of its own-account investments **climate-related**
- Scaling up on **gender**: investing \$2.6 billion per year in financial institutions targeting women and increasing by 50% the number of women directors on companies where IFC has a board seat.

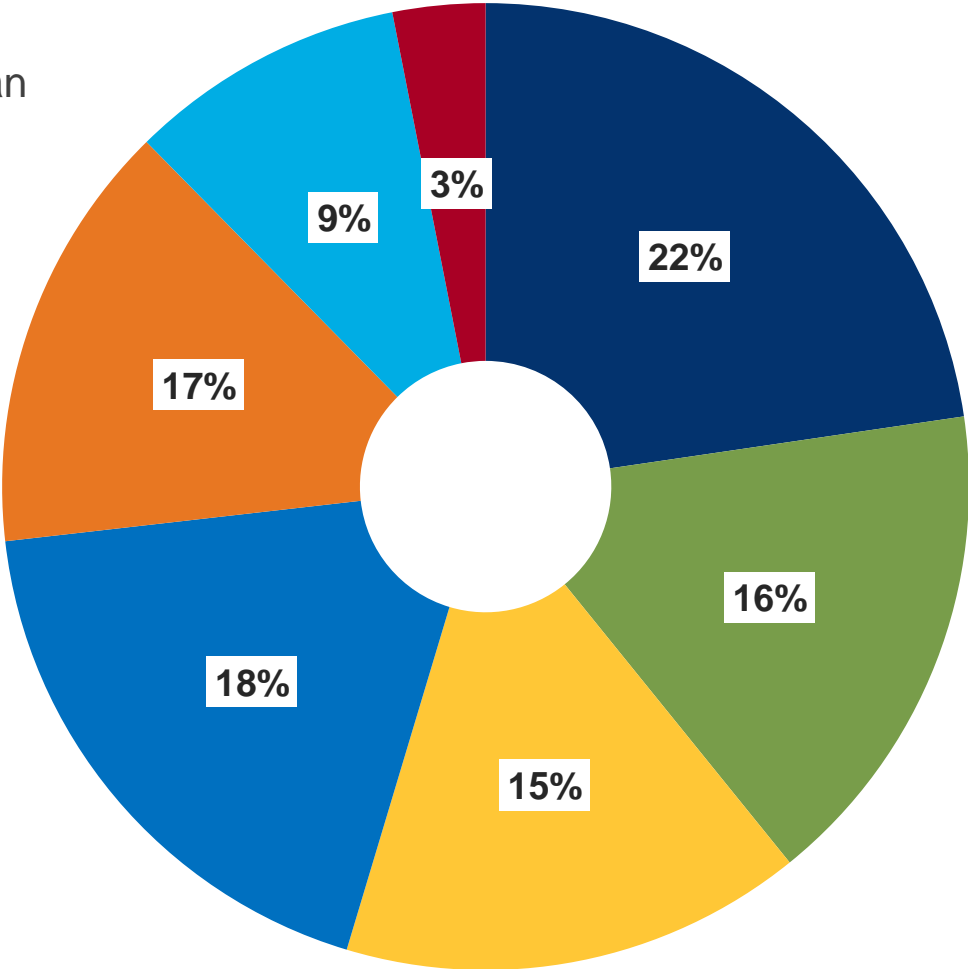
FY18 LONG-TERM INVESTMENT COMMITMENTS: \$23.3 BILLION



FY18 COMMITTED INVESTMENT PORTFOLIO BY REGION

TOTAL PORTFOLIO: \$57.2 BILLION

- Latin America and the Caribbean
- East Asia and the Pacific
- Sub-Saharan Africa
- Europe and Central Asia
- South Asia
- Middle East and North Africa
- Global



Over 60 years of IFC's experience...

Linking Japanese companies to Africa

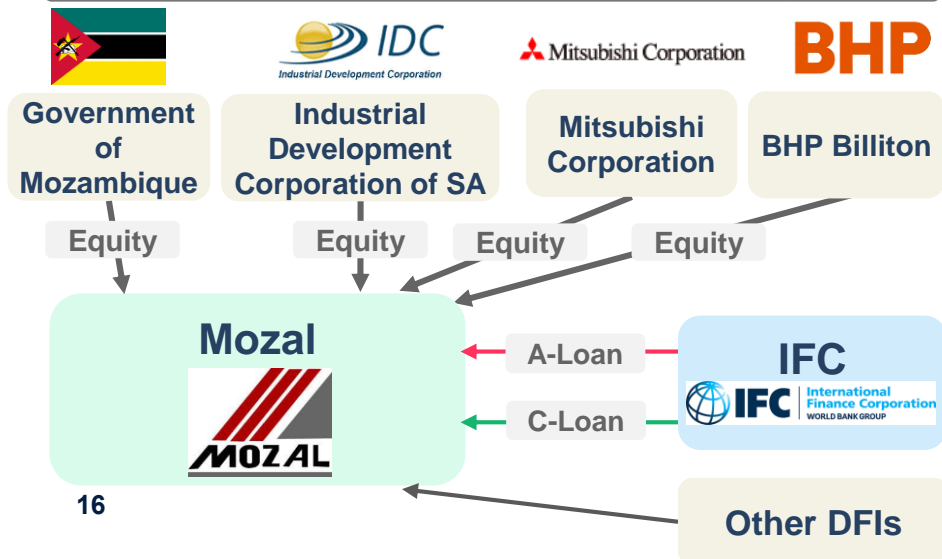
IFC's Involvement
Equity + A / C-Loan



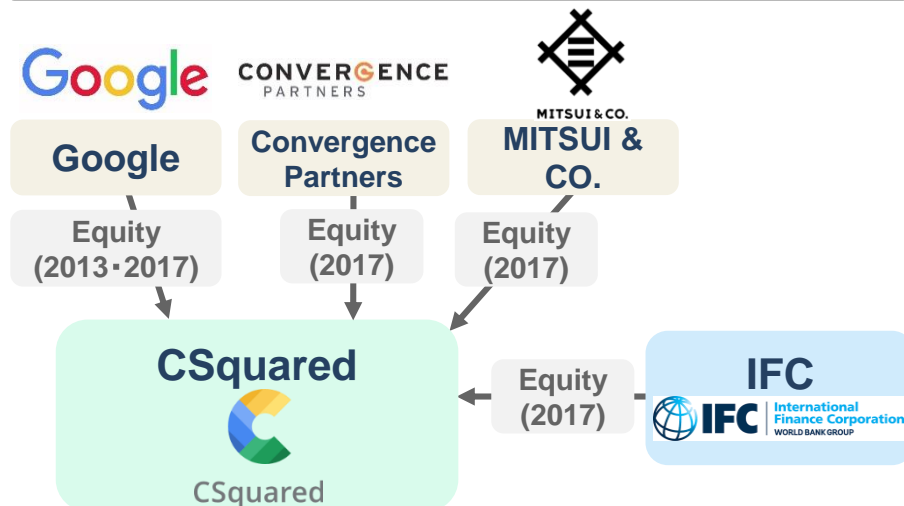
- In June 1998, IFC committed US\$120 million (quasi-equity investment of up to US\$65 million and a loan of up to US\$55 million) for the establishment of the Mozal aluminum smelter project in **Maputo, Mozambique**. IFC also committed, in June 2001, US\$25 million of A-loan to help double the capacity of the smelter. Mozal was established in 1998 jointly by the Government of Mozambique, **Mitsubishi Corporation**, BHP Billiton, and Industrial Development Corporation of South Africa (IDC). The original project consisted of the construction and development of a 245,000-ton-a-year aluminum, of which total project cost estimated to be US\$1.36 billion.
- At the time of the investment, Mozambique was emerging from a 17-year civil war. The project boosted the country's economy by providing employment opportunities, developing Mozambique's infrastructure, directly contributing to the country's industrialization and significantly enhancing regional trade.
- This project is said to be **IFC's first large financing to support Japanese company's African business**.

- In May 2017, IFC, Google Inc., Convergence Partners, and **Mitsui & Co.** have agreed to invest up to US\$100 million in CSquared, a partnership focused on deploying wholesale, carrier-neutral, open-access fiber optic networks across Sub-Saharan Africa.
- The investment is expected to help improve broadband connectivity in a region where the lack of dependable internet access impairs economic growth, competitiveness, and the development of basic services. It will expand Google's existing operations in **Uganda and Ghana**, with the goal of entering several new markets over the next five years.
- By supporting this project, IFC expects to promote shared infrastructure, reducing entry barriers and deployment costs in the telecommunications sector, increasing affordability, and enabling the development of digital economies.

Project Overview



Shareholding Structure after Mitsui & Co.'s Investment



Zalar, establishment in 1974, is a leading vertically integrated operator handling grain imports, feed production, broiler, and meat processing in Morocco and West Africa.

- In 2013, IFC invested USD24MM equity for a 17.9% ownership.
- In 2014, Zalar issued a public bond of MAD350MM and a MAD125 million private placement from EBRD.
- In 2016, Seaboard Corporation, a US industrial conglomerate specialized in the agribusiness sector and maritime transport and trading, invested USD18MM equity for a 12% ownership.
- In 2018, Mitsui & Co. invested USD25MM.

IFC supported Zalar to:

- Invite global agribusiness partners as co-investors
- provide a stamp of approval to the capital markets, reinforcing Zalar's image in the market
- lower the Company's leverage and enhance its capital structure
- establish a solid base for continued growth from Morocco to Western Africa.

Capital Structure

