

# Investing for Impact



# Five Institutions, One World Bank Group



The World Bank Group has adopted two ambitious goals:

- Ending extreme poverty: the percentage of people living with less than \$1.90 a day to fall to no more than 3% globally by 2030
- Promoting shared prosperity: foster income growth for the bottom 40% of population in developing countries



Issues Bonds under: IDA



Issues Bonds under: World Bank



Issues Bonds under: IFC



## What We Do



### Investment

- Debt (loans, bonds and other fixed income instruments)
- Equity
- Trade and commodity finance
- Derivative and structured finance
- Blended finance

**\$19.1 billion committed in FY19**

### Advice

- Financial sector
- Investment climate
- Public-private partnerships
- Agribusiness
- Energy and resource efficiency

**over \$300 million in advisory services income annually**

### Mobilization

- Mobilization of third party investment in debt and equity format
- Syndications
- IFC Asset Management Company (AMC)

**\$26 billion syndicated in 5 years  
13 funds with \$10.1 billion under AMC's management**

## Investment Project Cycle



IFC invests in productive private enterprises targeting satisfactory economic returns and development impact





# Sustainability: Alignment with United Nations' SDGs



IFC has two overarching goals:  
Ending extreme poverty by 2030 and  
boosting shared prosperity

Across sectors and regions, IFC seeks to promote:

- » Employment creation and economic growth
- » Gender equality in business and life
- » Environmental and social sustainability
- » Climate change adaptation and mitigation
- » Partnership with private investors to mobilize new sources of finance



Promote Investment Services and Advisory Services for strategic sectors including:

- » Infrastructure
- » Agriculture
- » Financial inclusion
- » Health and education

The above is not an exhaustive mapping but represents an overview of IFC's approach to support the achievement of the SDGs. Given that cross-sectoral impact is delivered through investments and advisory operations in the strategic sectors, some overlaps exist in this mapping.

## IFC's Development Impact



Development Impact indicators are measured on an annual basis. In 2018, IFC's 2,000 private sector clients provided overall:



**2.1**  
million jobs



power, water, and  
gas distribution  
to more than

**37**  
million customers



health services to

**49.9**  
million patients

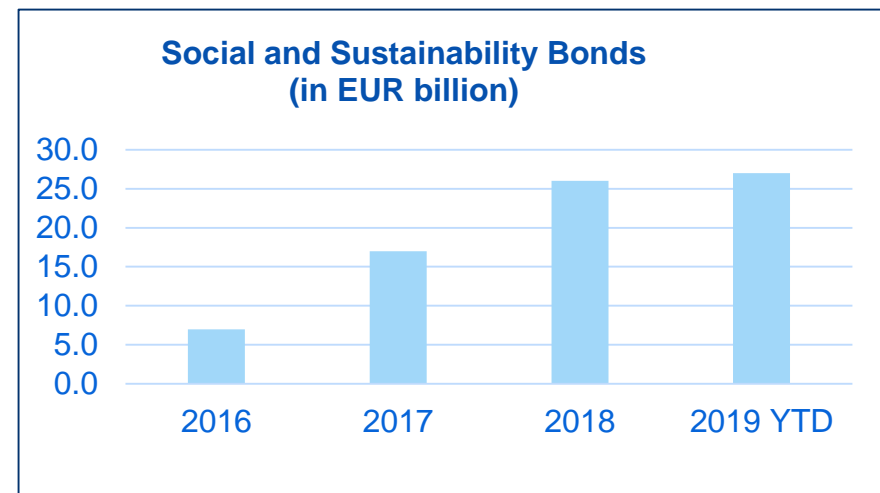
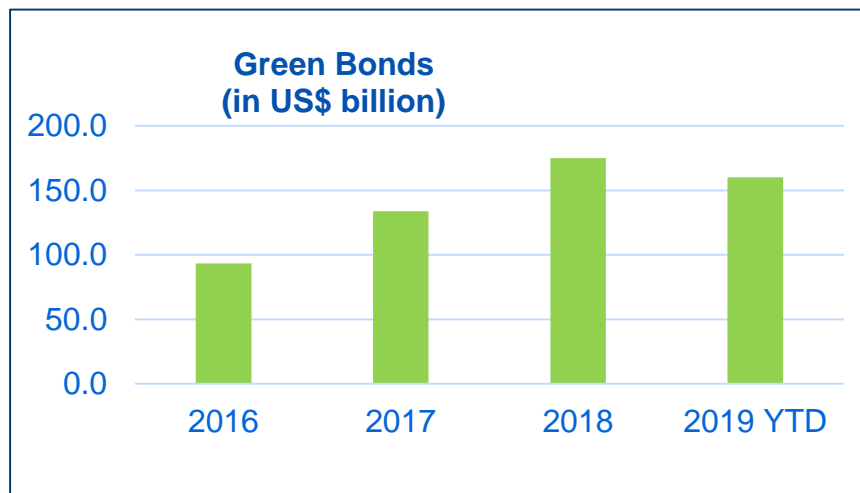


education  
to

**4.7**  
million students

## International Primary Markets

- Social bond issuance is growing rapidly, underpinned by the success of green bonds
- Primary supply is **driven by sub-nationals, multi-laterals and financial institutions**
  - In 2018, 61% of the social bonds were issued by sub-nationals, 24% by multi-laterals and 15% by financials.
- **Examples of private sector issuance**
  - Social bonds: BPCE, Danone, National Australia Bank, Garanti Bank, etc.
  - Sustainability bonds: Starbucks, Turkish Bank TSKB, etc.



Source: Dealogic (As of August 12th 2019)

## 2016 - 2030

### US\$ 23 TRILLION

Is the investment opportunity  
for climate in emerging  
markets that needs to be  
financed by 2030

#### East Asia and Pacific

- US\$ 16,046 billion

#### Latin America and the Caribbean

- US\$ 2,640 billion

#### South Asia

- US\$ 2,234 billion

#### Europe and Central Asia

- US\$ 665 billion

#### Sub-Saharan Africa

- US\$ 783 billion

#### Middle East and North Africa

- US\$ 265 billion

#### Buildings

- \$US 16,334 billion

#### Transport

- \$US 3,699 billion

#### Renewables

- \$US 1,765 billion

#### Electric transmission and distribution

- \$US 413 billion

#### Industrial Energy Efficiency

- \$US 307 billion

#### Waste

- \$US 115 billion

Source: An IFC Analysis – Climate Investment Opportunities in Emerging Markets



## Typical projects that can be financed through green bond proceeds



**ENERGY:** Low carbon generation, energy efficiency, storage, smart grids, sustainable energy access



**TRANSPORTATION:** Energy efficient components, fuels and logistics



**WATER:** Capture, treatment, conservation, wastewater treatment, access



**AIR & ENVIRONMENT:** Carbon credits, trading and offsets



**BUILDINGS:** Low carbon strategy, energy efficiency, sustainable materials



**MANUFACTURING:** Green chemicals, RE/EE supply chain, cleaner production



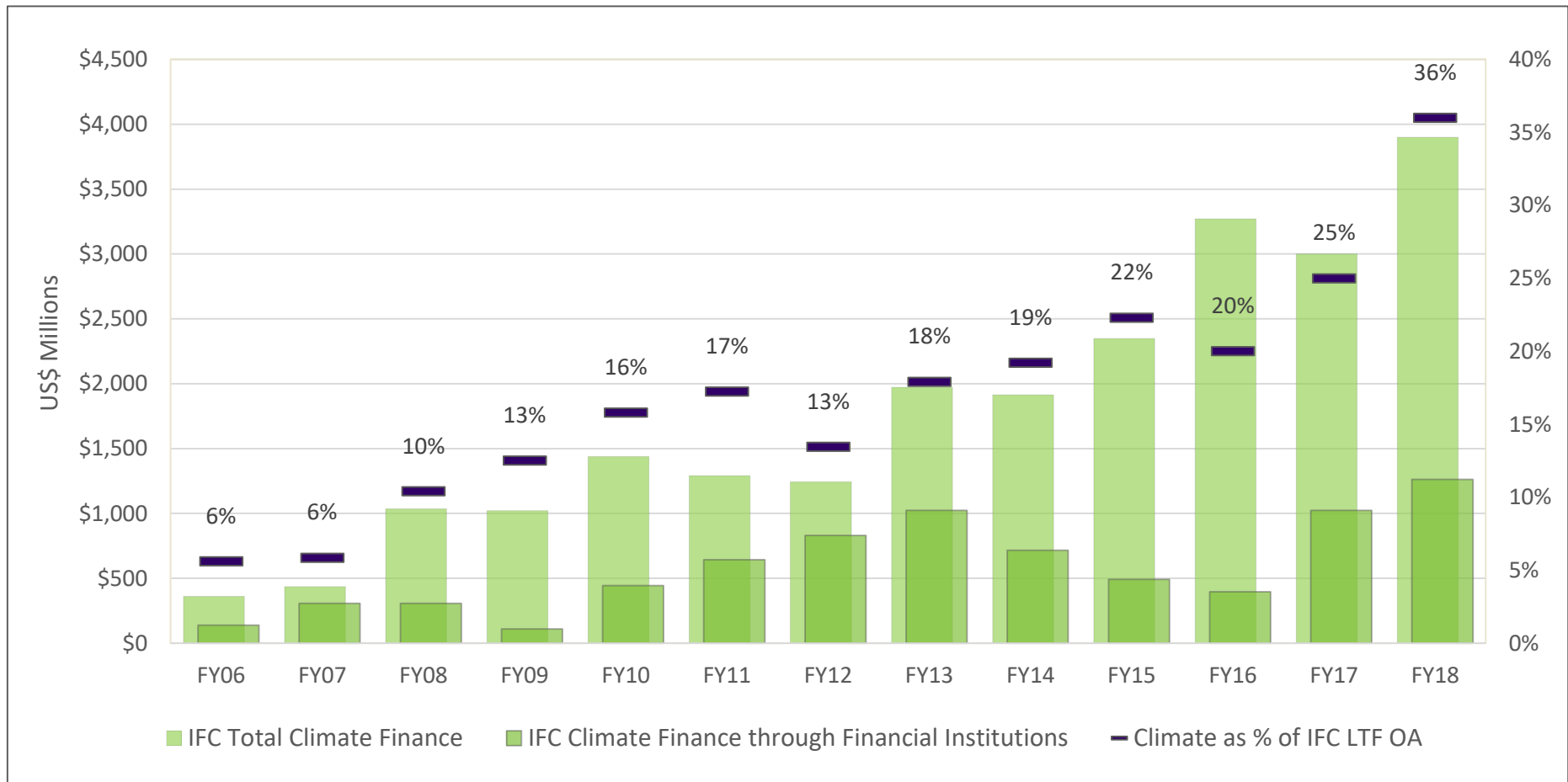
**AGRICULTURE & FORESTRY:** Land mgmt, low carbon and adaptation strategies, biomass



**RECYCLING & WASTE:** Recycling and waste treatment services

*A wide range of options are available for the Use of Green Bond Proceeds*

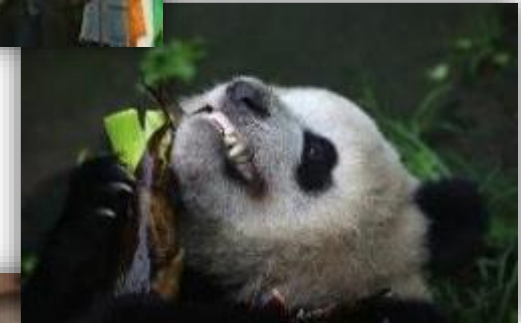
IFC has grown its climate business penetration to **36%** as of **FY18**  
 WBG as a whole has committed to reaching **28%** climate penetration by **FY20**



# IFC has been a Leader as an Issuer and Investor in Green Bonds



- IFC is a co-founder of the Green Bond Principles and sits on its Executive Committee.
- As an **ISSUER**:
  - IFC has issued 104 Green Bonds in multiple currencies raising US\$7.4 billion.
  - In Feb 2013, IFC issued a US\$1.0 billion green bond, the largest issued then by any entity and the first liquid benchmark green issue that helped [mainstream](#) green bonds as a market instrument.
- As an **INVESTOR**:
  - In 2014, IFC became the first international investor in an emerging market Green Bond (YES Bank).
  - Since 2005, IFC has invested \$18.3 billion in long-term financing from its own account and mobilized another \$11 billion for climate investments.
  - IFC worked with more than 150 financial institutions in 50 countries.
  - In partnership with Amundi, IFC has set-up the world's largest green bond fund in 2018.



# IFC has Played a Leading Role in Developing SRI Bond Regulation and Markets



- **International/local policy and regulatory support**
  - Support in the development of local regulations and guidelines aligned to the international best practices;
  - IFC is an active member of the Executive Committee of the Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines of ICMA;
  - IFC also serves as co-chair of ICMA's Social Bond Working Group.
- **IFC is the #1 SRI investor in Emerging Markets**
  - All projects financed by IFC adhere to IFC's stringent environmental and social requirements focusing on transparency and accountability;
  - Works with issuers to identify climate and social financing opportunities and screen their portfolios for eligible projects;
  - Transfer knowledge and guide the issuance process to comply with international best practices.
- **Mobilization of investors for increased climate and social financing through capital markets**
  - Onboarding of new investors into the green and social bond market by sharing IFC's investment approach;
  - Acts as anchor investor to catalyze bond issuance.
- **IFC is a leading issuer of green and social bonds**
  - IFC's green bond and social bond programs align with ICMA's principles.

## Three main areas of support:





# Supporting Green & Social Bond Regulations and Issuances



## Country assessment:

- What are green/social finance policies in force in the country, what kind of incentives set for various sectors;
- What kind of green/social assets local banks already support (this might include portfolio review support for some top banks), and what is the current trend;
- What is the appetite for plain vanilla bond & green/social bond issuance from the local FIs;
- What is regulators' interest in developing green standards for their market.

## Capacity building & Policy development support

- Technical training to the working groups formed by banking associations and/or central banks, and/or capital market regulators.
- Expert support for green bond policy drafting and stakeholder consultation
- Policy launching and implementation support.

# Supporting Green & Social Bond Regulations and Issuances



## Work with the issuer to:

- Identify climate/social finance market opportunities
- Screen issuer's pipeline/ portfolio to identify eligible green/social assets
- Provide issuer with tools to measure and report impact



## Provide training on:

- Green/Social/ Sustainability Bond Principles
- Structuring a bond to comply with the principles including:
  - *Use of proceeds* Criteria
  - *Impact reporting* Parameters
  - *Reporting* mechanism (CAFI tool)



## Build issuer's capacity to:

- Offer / scale up green/social finance with their clients
- Manage the green/social bond process
- Provide targeted training to improve climate finance capacity and pipeline development
- Support client's market development



## Portfolio Supervision (Post disbursement):

- Sub-project monitoring on a periodic basis
- Portfolio feedback in line with the stated criteria and requirements

**Flexible investment horizon and approach**

# Supporting Green & Social Bond Regulations and Issuances



- ***Deepen and widen the debt capital market:***
  - IFC offers a wide range of instruments: funded and unfunded.
  - Act as an Anchor investor for pioneer issuances
  - Ability to attract off-shore investors
  - Ability to invest in LCY and FCY issuances
- ***A flexible approach to support the issuance process:***
  - Support in establishing a bond program to facilitate multiple issuances
  - Standardization of documentation for issuers
  - Transfer knowledge and guide the issuance process to comply with the Green Bond Principles

## IFC's Funding Program

- IFC's funding program includes traditional and themed bonds issued across a variety of markets
  - The funding program for FY18 was **US\$14 billion, raised through 389 bonds in 28 currencies**
  - IFC has issued themed bonds as part of its funding program **since 2010** when the **Green Bond Program** was founded
  - The breadth of IFC's themed bond products expanded **in 2013** with the creation of the **Banking on Women Bond Program** and **in 2014 the Inclusive Business Bond Program**
  - In 2017, IFC's Banking on Women (BOW) and Inclusive Business Bond Programs were amalgamated into the **IFC Social Bond Program**.

### IFC Green Bond Program

- **US\$9.2 billion** cumulative issuance since 2010, as of June 2018
- **148 green bonds** issued across **18 currencies**

### IFC Social Bond Program

- **US\$919 million** total issuance volume as of June 2018
- **16 social bonds** issued across 6 different currencies

# Green Bonds issued in FY19: Expected Impact



## FY19 Highlights

**24 new projects** committed across **6 sectors**

- Energy Efficiency
- Biomass
- Green Banking
- Green Buildings
- Solar Energy
- Wind Energy

**37**  
GREEN BONDS

totalling  
**\$1.6 billion**

in  
**11**  
CURRENCIES



Expected to reduce:  
**137,056 MWh in energy consumption** per year, equivalent to electricity use of **16,900 homes** over one year

## IMPACT<sup>1</sup>

Expected to reduce:  
greenhouse gas emissions by **2.6 million metric tons** of CO<sub>2</sub>-equivalent per year,

equivalent to **113.5 million trash bags** of waste recycled instead of landfilled



Expected to generate:  
**3,053,627 megawatt hours in renewable energy** in one year, equivalent to the energy use of **260,000 homes** (the size of Luxembourg)<sup>2</sup> over one year



Expected to construct:  
**1,251 megawatts in renewable energy capacity**

TO LEARN MORE, SCAN THE CODE BELOW USING YOUR SMARTPHONE:



<sup>1</sup> <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>  
<sup>2</sup> <https://statistiques.public.lu/catalogue-publications/luxembourg-en-chiffres/2018/luxembourg-figures.pdf>



# Green Bonds: Expected Cumulative Impact



## Celebrating Transparency: 6-year Cumulative Impact Highlights

IFC's green bond program began in 2010 and although IFC had previously been reporting on the use of proceeds for its Green Bond Program, in FY14 we began reporting in accordance with the [Harmonized Framework for Impact Reporting](#). This change represented a response to investor requests for more robust reporting. IFC set a precedent by upholding a higher standard of transparency through the provision of more data points and information per project.

Between FY14-19

**133**  
GREEN BONDS

totaling  
**\$7.1 billion**

in  
**18**  
CURRENCIES<sup>5</sup>

**200 projects**  
committed totaling  
**\$7.7 billion**

## 6-YEAR IMPACT SUMMARY

Expected to reduce:

greenhouse gas emissions by **18.4 million metric tons** of CO<sub>2</sub>-equivalent per year,

equal to taking **3.9 million passenger cars** off the road for one year



Expected to reduce:  
**721,223 megawatt hours in energy consumption** per year, sufficient to power 89,000 homes (**the size of the Isle of Man, UK**)<sup>3</sup> for one year



Expected to generate:  
**20,468,892 megawatt hours of renewable energy** in one year, equivalent to the energy use of a country the size of Ireland<sup>4</sup>



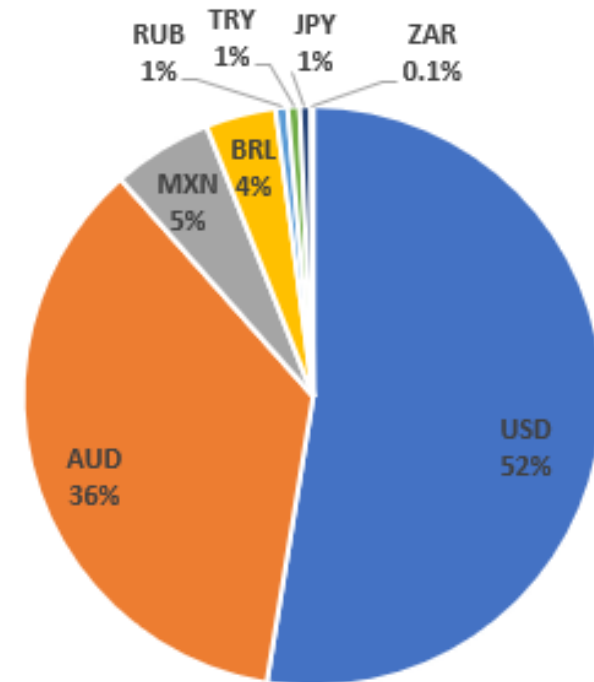
Expected to construct:  
**7,558 megawatts in renewable energy capacity**

<sup>3</sup> <https://www.gov.im/media/1355784/2016-isle-of-man-census-report.pdf>  
<sup>4</sup> [http://www.seai.ie/Publications/Statistics\\_Publications/Energy\\_in\\_Ireland/Energy-in-Ireland-1990-2014.pdf](http://www.seai.ie/Publications/Statistics_Publications/Energy_in_Ireland/Energy-in-Ireland-1990-2014.pdf)  
<sup>5</sup> These numbers specifically refer to bond issuances in the period FY14-FY19 and exclude \$2.2 billion issued in green bonds in FY10-FY13. As at end of FY19, IFC's overall green bond program issuance was \$9.23 billion raised from 148 bond in FY10-FY19.

# Social Bonds



- IFC's Social Bonds offer investors an opportunity to finance IFC projects that aim to address access to essential services and income generation to underserved target populations in developing countries
- IFC's Social Bond Program was launched in 2017 and IFC has issued in the public and private markets. IFC's Social Bond Program aligns with the Social Bond Principles
- In March 2017, IFC issued a \$500 million transaction – the first ever USD labelled Social Bond benchmark, meeting the demand of institutional investors with interest in ESG
- Total issuance of Social Bonds equivalent to \$1.5 billion in 8 currencies as of FY19-end



*As of FY19-end*

## Social Bonds issued in FY19: Expected Impact



- In FY18, IFC issued 13 social bonds for a total of \$407 million through six currencies (US dollars, Australian dollars, Brazilian real, Mexican peso, Turkish lira and South African rand)
- The program committed 38 new projects

Over the **next 4 years**, **PROJECTS SUPPORTED** in FY18 by **IFC's social bonds** are expected to:



Reach  
**1,313,414**  
Farmers



Support  
**137,441**  
Students



Supply ICT  
Services to  
**42,780,000**  
People



Provide  
**1,545,191**  
Microloans



Distribute  
**88,161**  
Loans For  
Women



Provide  
**37,391**  
Housing Loans

## BCP Morocco



### A pioneer in the local bond market

- On June 22, 2017 Banque Centrale Populaire (BCP), one of the largest banking groups in Morocco and an existing IFC client, issued its inaugural green bond of EUR 135 million, with a 10-year maturity
- The issuance represented Morocco's first foreign currency green bond and the first foreign currency bond issued onshore. The proceeds of the issuance has been used to provide long-term financing to renewable energy projects in Morocco

### IFC as an Enabler

- As key enabling step, through a related Advisory Services project, IFC provided support to the local capital markets authority (AMMC) in setting guidelines for green bond issuance in Morocco
- Following publication of these new green bond guidelines during the COP22 forum in November 2016, three Moroccan banks, including BCP, announced their green bond issuance plans
- Beyond its role in supporting the development of green bond guidelines in Morocco, IFC introduced BCP to the Green Investment Bank, a UK-based independent external reviewer, which produced a Green Impact Report on BCP's green projects assessing the emissions to air and fossil fuels consumption avoided as a result of the projects
- IFC also provided BCP with the CAFI tool, an IFC-developed tool for GHG accounting for financial intermediaries, which ensures the establishment of best practice in GHG savings monitoring and reporting

### Issuance Summary

<b>Issuer</b>	BCP, Banque Centrale Populaire Morocco
<b>Issuance Status</b>	Green Bond program, Senior Unsecured
<b>Issue Date</b>	June 22, 2017
<b>Size</b>	EUR 135 million
<b>Maturity</b>	2027
<b>Tenor</b>	10-year
<b>Listing</b>	Not Listed
<b>Arranger</b>	Upline Corporate Finance, BCP's IB subsidiary
<b>Second Opinion</b>	Green Investment Bank, U.K.

### IFC investment

- IFC was instrumental in the success of this transaction, as it provided guidance for ensuring alignment with the Green Bond Principles, in addition to investing EUR100 million (approximately US\$112 million)
- IFC also played a catalytic role for bringing Proparco for an additional investment of EUR35 million (approximately US\$39 million), which represents Proparco's first investment in a green bond
- This transaction is IFC's first green bond in MENA and is part of a broader program for expanding climate finance throughout the region

## Fransabank Green Bond Program



### A pioneer in the local bond market

- First-ever Green Bond program in Lebanon and the Levant region to reinforce the bank's position and its growing market in the clean energy space.
- The Green Bond program enabled Fransabank to diversify its funding sources and provide long-tenor funding.
- Fransabank is the first bank in Lebanon and Levant to adopt the Green Bond Principles framework.

### IFC as an Investor

- IFC as an anchor investor subscribed through a private placement US\$45 mn in the first issuance US\$ 60mn issuance of the Green Bond program and mobilized US\$15mn from other investors.
- IFC mobilized its AS and IS effectively that ensured a successful turn key deliverable to a like minded long standing partner.

### Issuance Summary

Issuer	Fransabank SAL
Issuance Status	Green Bond program, Senior Unsecured
Issue Date	April 5, 2018
Size	US\$ 60mn
Maturity	2025
Tenor	7 years
Listing	Not-Listed
Arranger	Fransabank Invest
Second Opinion	Moody's

### IFC investment

- IFC leveraged its global expertise and launched a new financial product in the market, by structuring the first-ever Green Bond program in the country.
- IFC has also leveraged its advisory work, engaging with the Lebanese Capital Market Authority to prepare guidelines for issuing green bonds in Lebanon under the *Green Bond Principles* framework.

### Achievement

- The Green Bond program is a result of a multi-year-phased SEF advisory program in which IFC and Fransabank have engaged since 2013
- Potential to promote and grow a number of climate finance instruments offered by Lebanon's financial institutions and Capital Markets Authority