

Annual Report 2019

Investing for Impact



IFC

ABO

IFC

Contents

Letter from the IFC Board 2
Letter from **David Malpass**,
World Bank Group President 4
Letter from **Philippe Le Houérou**,
IFC CEO 6
Our Management Team 11

INVESTING FOR IMPACT 12

IFC YEAR IN REVIEW 24
IFC Operational Highlights 26
IFC Financial Highlights 27
World Bank Group Summary
Results 30

STORIES OF IMPACT 34

Boosting Growth 36
Improving Lives 50
Scaling Up 60
Promoting Sustainability 68

ABOUT US 76

Our Expertise 77
Measuring Up 85
Our People & Practices 91

Additional information is available on
IFC's Annual Report 2019 website:
www.ifc.org/AnnualReport.

UNIT

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in developing countries.

Established in 1956, IFC is owned by 185 member countries, a group that collectively determines our policies.

We leverage our products and services — as well as those of other institutions across the World Bank Group — to create markets that address the biggest challenges of our time that developing countries face. We apply our financial resources, technical expertise, global experience, and innovative thinking to provide sustainable market-based solutions that bring widespread benefits.

IFC is also a leading mobilizer of third-party resources for projects. Our willingness to engage in difficult environments and our leadership in crowding in private finance enable us to have a development impact well beyond our direct resources.

Cover: In today's technology-driven global economy, IFC ignites the energy of the private sector to find solutions to some of the greatest challenges in development — investing for impact.

IFC BOARD

Fiscal 2019 saw a change in leadership and notable achievements for the World Bank Group. The Board unanimously selected David Malpass as President for a five-year term, which began on April 9, 2019. We actively engaged with management, and with the President upon his joining, in strategic areas, including implementing the *Forward Look* vision for the Bank Group and capital package, strengthening the accountability framework of the Compliance Advisor Ombudsman, making operational adjustments under the IDA18 program, and scaling up transformational projects.

We discussed policy measures and internal reforms to help carry out key deliverables in the *Forward Look* vision for the Bank Group and the capital package commitments, such as private sector mobilization and organizational and workforce realignments.

We endorsed the Bank Group's *Action Plan on Climate Change Adaptation and Resilience*. We also welcomed progress on gender and development, and the Bank Group's approach to closing the gaps between men and women and between boys and girls. We recognized advances in diversity and inclusion among staff and management and urged continued work internally and with client countries.

We discussed the Bank Group's leadership role on issues such as debt sustainability, disruptive and transformative technology, human capital development, the future of work, regional integration and trade promotion, and gender equality. We stressed the importance of collaboration in mobilizing finance for development across the Bank Group. We also encouraged advancing partnerships with the private sector, financial institutions, governments, and others on reforms to improve productivity and invest in human capital and infrastructure, which are key to delivering on our twin goals and the Sustainable Development Goals by 2030.

We continued engaging with management on a number of sectoral priorities related to manufacturing, fintech, education, and capital markets. We also discussed the approach to equity investing,



the IDA18 Private Sector Window, and the first IFC report on operations. We initiated discussions on impact investing to help contribute to measurable positive social and environmental impact, alongside a financial return.

We noted IFC's ambitious approach to develop new and stronger markets for private sector solutions, particularly in IDA countries and fragile and conflict-affected situations. Under the implementation of the IFC 3.0 strategy, we welcomed the renewed focus on upstream engagement and deeper collaboration within the Bank Group and elsewhere, with the ultimate intention to deliver strong developmental results. An important contribution to the focus on development impact is IFC's use of a project rating system, the Anticipated Impact Measurement and Monitoring (AIMM) system, which has enhanced the Board's capacity to assess investment projects for their potential to generate positive development results.

STANDING

(Left to Right)

Erik Bethel
United States (Alternate)

Masanori Yoshida
Japan

Werner Gruber
Switzerland

Adrián Fernández
Uruguay

Nathalie Francken
Belgium (Alternate)

Kunil Hwang
Korea

Jean-Claude Tchatchouang
Cameroon

Richard Hugh Montgomery
United Kingdom

Jorge Alejandro Chávez Presa
Mexico

Koen Davidse
The Netherlands

Susan Ulbaek
Denmark

Guenther Schoenleitner
Austria

Yingming Yang
China

Roman Marshavin
Russian Federation

Armando Manuel
Angola (Alternate)

SEATED

(Left to Right)

Juergen Karl Zattler
Germany

Shahid Ashraf Tarar
Pakistan

Aparna Subramani
India

Hesham Alogeel
Saudi Arabia

Anne Kabagambe
Uganda

Merza Hussain Hasan
Kuwait (Dean)

Kulaya Tantitemit
Thailand

Patrizio Pagano
Italy

Christine Hogan
Canada

Hervé de Villeroché
France (Co-Dean)

Fabio Kanczuk
Brazil

LETTER FROM DAVID MALPASS

World Bank Group President

DAVID MALPASS



Our development mission is clear: to advance shared prosperity and end extreme poverty. The challenges remain urgent. For many countries, poverty reduction has slowed or even reversed, while investment and growth will not be enough to raise living standards. Poorer countries face many challenges in achieving basic development gains, including severe deficits in clean water, electricity, health, education, jobs and private sector competitiveness; barriers to the full inclusion of women in economies and societies, alongside policies that too often favor elites rather than creating work opportunities and support for those most in need; the urgency of environmental and climate challenges; and the surge in debt that is not bringing true benefits.

Economic growth has been the key engine of poverty reduction around the world. However, in many countries, especially resource-based economies, the benefits of growth weren't allowed to spread—growth helped increase average incomes, yet it did not increase median incomes or lift the poorest 40 percent of the population. With global growth slowing, median income growth is sluggish in much of the world and declining in many poorer countries. In middle-income countries slower growth erodes the living standards of the middle class, with many joining the ranks of the poor. This adds to the challenges facing the 2030 Sustainable Development Goals, and the key poverty reduction goal is at risk of not being met.

World Bank Group commitments to help countries achieve better development outcomes were nearly \$60 billion in the fiscal year that ended on June 30, 2019. With weak investment

prospects in many developing countries and recession risk in Europe, it has become even more urgent for the Bank Group—IBRD, IDA, IFC, and MIGA—to step up our effectiveness and impact.

Working together, these institutions have the tools to help address the challenges emerging around the world. The IBRD-IFC capital package, approved by the Board of Governors in October 2018, will provide additional lending capacity along with institutional and financial reforms designed to ensure IBRD's long-term financial sustainability. IBRD has further strengthened its financial management by introducing a Financial Sustainability Framework, including a sustainable annual lending limit. A strong IDA19 replenishment in December 2019 will extend our ability to support good development outcomes and better lives for the poorest people around the world.

We are sharpening our focus on selective and impactful country programs to improve growth and development outcomes. IBRD commitments exceeded \$23 billion this year. Commitments by IDA, which provides grants and low-interest loans to the world's 75 poorest countries, were \$22 billion, of which nearly \$8 billion were grants. Together, these Bank programs helped more countries come closer to achieving their development priorities.

Demand for human capital investments continued to grow over the fiscal year—reflecting the significant role this financing can play in promoting long-term inclusive growth and alleviating poverty. Over 60 percent of Bank operations helped address gender gaps and encouraged full incorporation of women in economies and societies. Several once-closed societies are allowing welcome

improvements in the legal, economic, and social conditions for girls and women. Much more progress is absolutely necessary.

The need for the rule of law and greater transparency is an increasingly accepted development priority. In development finance, transparency in sovereign debt and debt-like contracts is vital to improve the quality and profitable allocation of capital and new investment.

For fiscal 2019, 31 percent of IBRD/IDA commitments contained climate co-benefits, exceeding the Bank's target of 28 percent by 2020. In December 2018, the Bank announced a \$200 billion five-year mobilization target to help countries address climate challenges and put adaptation finance on a par with mitigation.

Our goal is for countries to achieve economic success and broad improvements in living conditions. As they advance, our relationship with them should evolve so that a growing share of our IBRD lending is available to countries in lower-income thresholds. For example, China achieved major increases in GDP, median income, and prosperity, so our interactions are becoming more technical as lending declines. China's policies are changing rapidly to improve global public goods, address environmental and climate change problems, and reduce plastic and micro-plastic in its rivers. China has evolved from a large-scale borrower to an important voice in the development dialogue and a key contributor to IDA.

We are working in fragile areas, such as the Sahel and the Horn of Africa, to help countries build stronger foundations so that young people are more able to stay rather than seeking to migrate. IDA commitments to countries affected by fragility, conflict, and violence reached \$8 billion in fiscal 2019.

Many countries will need a much bolder agenda for boosting private sector growth to generate more and better jobs. This entails major changes in the business climate so that the private sector can compete with the state on a level playing field—critical for generating jobs, profit, and innovation.

The World Bank Group is increasing financing for economic and institutional reforms to enhance private investment and job creation

in developing countries. As the largest global development institution focused on the private sector, IFC creates markets and opportunities for sustainable private investment where they are needed most. IFC is shifting its focus to working upstream to create a pipeline of bankable projects that will increase private investment in the world's poorest countries. MIGA is the largest multilateral political risk insurance provider, with a mandate of creating development impact by helping attract foreign direct investment to developing countries. Nearly 30 percent of MIGA's guarantee program over the fiscal year supported projects in IDA countries and fragile settings, and almost two-thirds contributed to climate change adaptation or mitigation.

Across IBRD/IDA, IFC, and MIGA, we are working to increase our commitments to lower-income countries as they improve their development outlook and to shift resources toward countries suffering from fragility, conflict, and violence. We will be improving our effectiveness and budget discipline throughout the year to make more resources available to meet client needs and challenges.

I am deeply optimistic that courageous, enlightened leadership and strong policies can work to improve living conditions for those most in need. I saw first-hand the scope and urgency of the development challenges during my trip to Sub-Saharan Africa in April. I am hopeful there is a path forward, having seen Prime Minister Abiy and his team launching ambitious reforms in Ethiopia, the potential of the world's largest solar energy plant in Egypt, the resilience of the people of Mozambique after the devastation of twin cyclones, and the inspiration for the people of Madagascar after its first peaceful leadership transition.

The people in developing countries are facing immense challenges. The World Bank Group and all our personnel and resources are committed to working with our partners around the world toward policies and solutions that improve their lives.



David Malpass
World Bank Group President

LETTER FROM
PHILIPPE LE HOUÉROU

IFC Chief Executive Officer

Fiscal 2019 marked the second full year of implementing IFC's ambitious new strategy to create markets and unleash private sector investments and solutions, particularly in regions with the highest rates of poverty and fragility. Called "IFC 3.0," the strategy has required us to fundamentally reshape our business model and the way we work. It has demanded that we be more proactive, entrepreneurial in spotting market opportunities, and innovative in designing profitable projects that maximize development impact.



We made significant progress over the past fiscal year in rolling out new tools and approaches to support the full implementation of IFC 3.0. Country strategies were introduced to improve our country-level engagement. Upstream units were launched to sharpen our focus on creating new projects. An Anticipated Impact Measurement and Monitoring (AIMM) system was fully rolled out for all investment projects to enhance development impact assessment. And a new Accountability and Decision-Making Framework was put in place to clarify decision-making roles and accountabilities and to increase operational efficiency.

We also continued to integrate the previously rolled out IDA18 Private Sector Window, Country Private Sector Diagnostics, and our “Cascade” approach to pursuing private sector solutions where sustainable while preserving scarce public resources for where they are needed the most.

Complementing these actions were organizational changes that will help us better respond to the needs of our clients and shareholders. A workforce planning exercise was undertaken to ensure that we have the right people in the right roles throughout IFC.

DELIVERING RESULTS IN VOLATILE MARKETS

Macroeconomic volatility in emerging markets made it a difficult year for investors. Currencies depreciated between 10 and 30 percent in many large countries where IFC operates. Growth slowed in many more, and equity values suffered.

Despite deep internal reforms and volatile market conditions, we delivered \$19.1 billion of long-term financing through 269 projects in FY19. Over a third of these were directed toward private sector development in the

world's poorest countries—those eligible to borrow from the World Bank's International Development Association (IDA)—as well as fragile and conflict-affected situations (FCS). In addition, IFC extended \$4.5 billion in short-term trade finance, of which \$2.5 billion was in IDA and FCS countries.

We continued to prioritize advisory services for challenging markets as well. In FY19, we delivered nearly 60 percent of our advisory program to clients in IDA countries, while 21 percent went to FCS. Sub-Saharan Africa accounted for the largest share of our advisory services in FY19, with about one-third of the total.

IMPROVING COUNTRY-LEVEL ENGAGEMENT

Our ability to deliver IFC 3.0 at scale will depend in large part on cultivating proactive and upstream country-level engagement. Our new FY19 country strategies uncover areas where projects and markets can be created, and they will build stronger project pipelines and increasingly guide the deployment of IFC resources. Over the past fiscal year, 25 strategies were developed and 26 more are under development for FY20.

Another key step to support country-level engagement was our creation of upstream units. Introduced in FY19, these units will become operational in FY20. Working off priorities outlined in our country strategies, the upstream units will play the role of incubator and integrator in imagining and designing new projects, and they will help to coordinate upstream efforts across the entire World Bank Group.

UNEARTHING GREEN SHOOTS

The Nachtigal Hydropower project in Cameroon demonstrates what can be achieved under the IFC 3.0 approach to market creation when we work with governments,

private sector partners, other development finance institutions, and World Bank Group colleagues. The project will increase Cameroon's power-generation capacity by nearly one-third, bring clean affordable power to millions while helping to sustain economic growth, and save the country \$100 million in generation costs annually.

Similarly, in Rwanda where there are about 3,000 mortgages in the banking system for more than 3 million households, IFC and the World Bank are collaborating to build the foundations of a mortgage market by supporting capital market development and expanding access to housing finance. The Rwanda Affordable Housing project will facilitate the creation of a mortgage refinancing company that incentivizes lenders to scale up their housing financing through the provision of long-term funding for affordable housing.

IFC also continued to replicate the success of the World Bank Group's Scaling Solar program in FY19, moving beyond four African countries to Uzbekistan. Scaling Solar is a "one-stop shop" program for governments to rapidly mobilize private sector funded, grid-connected solar projects at competitive tariffs. Uzbekistan, which is heavily dependent on natural gas for its electricity generation, is looking to develop up to 5 gigawatts of solar power by 2030 and is using the Scaling Solar approach to tender at least an initial 100 megawatts.

Throughout FY19, IFC and our clients received more than 40 prestigious awards. To mention a few, IFC was named the Development Finance Institution of the Year for the Middle East and North Africa by *IJGlobal*. Our Nachtigal Hydropower project was named the Multilateral Development Deal of the Year by *Project Finance International* and the African Power Deal of the Year by *IJGlobal*. And we received the Excellence in Latin American Local Capital Market Development award from *LatinFinance*.

ASSESSING OUR IMPACT

The AIMM system, which underscores IFC's seriousness in achieving development impact, became fully operational for all new investment projects last fiscal year, with more than 750 projects having been assessed and scored. Starting in July 2019, the AIMM system is being rolled out on a pilot basis for advisory services.

Launching a Movement

Impact Principles

The Operating Principles for Impact Management were launched at our Spring Meetings in April 2019. Sixty institutions committed to follow the principles. The founding institutions endorsed a groundbreaking new set of standards that bring much-needed discipline, transparency, and credibility to impact investing. More have adopted the principles since, and the list is expected to grow in the coming year.

Initial Adopters

- 1 IFC
- 2 Actis
- 3 Acumen Capital Partners
- 4 AlphaMundi Group
- 5 Amundi
- 6 AXA Investment Managers
- 7 Baiterek National Managing Holding
- 8 Belgian Investment Company for Developing Countries (BIO)
- 9 Blue like an Orange Sustainable Capital
- 10 BlueOrchard Finance
- 11 BNP Paribas Asset Management
- 12 Calvert Impact Capital
- 13 Capria Ventures



- 14 Cardano Development (ILX Fund and TCX)
- 15 CDC Group
- 16 CDP—Cassa Depositi e Prestiti
- 17 COFIDES
- 18 Community Investment Management (CIM)
- 19 Cordiant Capital
- 20 Credit Suisse
- 21 DEG—Deutsche Investitions- und Entwicklungsgesellschaft mbH
- 22 Development Bank of Latin America (CAF)
- 23 European Bank for Reconstruction and Development (EBRD)

- 24 European Development Finance Institutions (EDFI)
- 25 European Investment Bank (EIB)
- 26 FinDev Canada
- 27 Finnfund
- 28 Flat World Partners
- 29 FMO—the Netherlands Development Finance Company
- 30 IDB Invest, a member of the Inter-American Development Bank Group
- 31 IFC Asset Management Company (AMC)
- 32 IFU—Investment Fund for Developing Countries
- 33 Incofin Investment Management
- 34 Investisseurs & Partenaires—I&P

- 35 Islamic Corporation for the Development of the Private Sector (ICD, a member of IsDB Group)
- 36 Kohlberg Kravis Roberts & Co.
- 37 LeapFrog Investments
- 38 LGT Impact
- 39 LGT Venture Philanthropy
- 40 MicroVest Capital Management
- 41 Multilateral Investment Guarantee Agency (MIGA)
- 42 Norfund
- 43 Nuveen
- 43 Obviam
- 45 Oesterreichische Entwicklungsbank AG (OeEB)
- 46 Overseas Private Investment Corporation (OPIC)

- 47 Partners Group
- 48 Phatisa
- 49 Proparco
- 50 Prudential Financial
- 51 responsAbility
- 52 STOA Infra & Energy
- 53 Swedfund
- 54 Swiss Investment Fund for Emerging Markets (SIFEM)
- 55 The Rise Fund
- 56 The Rock Creek Group
- 57 UBS
- 58 Water.org
- 59 WaterEquity
- 60 Zurich Insurance Group

IFC is committed to creating markets and opportunities under our IFC 3.0 strategy, especially for countries that have least benefited from private-sector led investment and solutions.

SETTING STANDARDS

IFC believes in leading from the front. We have been a leader in environmental and social standard setting for two decades, promoting and advancing such initiatives as the Equator Principles and Green Bond Principles. Building on this history, IFC launched with partners the Operating Principles for Impact Management at the 2019 Spring Meetings of the World Bank Group and International Monetary Fund.

These Principles seek to set the market standard for credible impact investing. As of the end of June 2019, they have been signed by 63 institutions, and we are in discussions with more than 40 others to sign the Principles. In addition, IFC published the report *Creating Impact: The Promise of Impact Investing*, which provides the analytical underpinning for the Principles.

BEING ACCOUNTABLE AND TRANSPARENT

Accountability could not be more important to IFC. We are accountable to the people benefiting from and affected by the projects we support, as well as to our creditors and borrowers, shareholders, and development partners.

To support our shift to more challenging markets, we decided to move our Environmental, Social, and Governance (ESG) Advice and Solutions Department to our Operations vice presidency effective July 2019. This will increase the ownership of ESG issues by investment and advisory project teams and strengthen our focus on ESG impact at the project and sector levels. At the same time, to improve Environmental and Social (E&S) risk management and accountability throughout the

project cycle and to ensure independence from operations, we announced the creation of a new E&S Policy and Risk Department from July 2019 to serve as the E&S “regulator” with a direct reporting line to the Chief Executive Officer.

We also introduced in FY19 our first Quarterly Operations Report to the Board of Directors. This report improves transparency by providing IFC’s year-to-date operational performance, including program, portfolio, operational risk, and pipeline overview. In particular, for the first time in IFC history, we delivered a multi-year pipeline presentation to the Board.

LOOKING FORWARD

IFC is committed to creating markets and opportunities under our IFC 3.0 strategy, especially for countries that have least benefited from private-sector led investment and solutions. To effectively deliver IFC 3.0 at scale and to meet our client and shareholder expectations, we will continue to refine our tools and approaches to support implementation of our strategy while amplifying efforts to invest for impact. In doing so, we will be more proactive and innovative, accelerate upstream initiatives, and operationalize the “Cascade” approach to leverage the private sector to solve development challenges.



Philippe Le Houérou
IFC Chief Executive Officer

Our Management Team

Philippe Le Houérou
Chief Executive Officer



Our leadership team ensures that IFC's resources are deployed effectively, with a focus on maximizing development impact and meeting the needs of our clients. IFC's Management Team benefits from years of development experience, a diversity of knowledge, and distinct cultural perspectives. The team shapes our strategies and policies, positioning IFC to create opportunities where they are needed most.



Stephanie Von Friedeburg
Chief Operating Officer



Georgina Baker
Vice President, Latin America and the Caribbean, and Europe and Central Asia



Elena Bourgangskaia
Chief of Staff



Marcos Brujis
CEO, IFC Asset Management Company



Karin Finkelston
Vice President, Partnerships, Communication, and Outreach



John Gandolfo
Vice President and Treasurer



Mohamed Gouled
Vice President, Risk and Finance



Hans Peter Lankes
Vice President, Economics and Private Sector Development



Monish Mahurkar
Vice President, Corporate Strategy and Resources



Sérgio Pimenta
Vice President, Middle East and Africa



Nena Stoilkovic
Vice President, Asia and Pacific



Ethiopis Tafara
Vice President and General Counsel, Legal, Compliance Risk & Sustainability

FRAMING THE AGENDA

IFC's Track Record of Influence

Coined the phrase "**emerging markets**" and created a database that became the foundation for the world's first **emerging markets equity indexes**.



1981

Inspired the **Equator Principles**, environmental and social standards widely used in commercial project finance.

Launched the World Bank Group's annual **Doing Business** report, comparing countries' business regulatory environments.



2003

Started the **Sustainable Banking Network**, a community of emerging-market financial sector regulators committed to sustainability.



2012





IFC is more than an investor and adviser. We shape the thinking on private sector development.

We bring key players together around shared goals, working in tandem to mobilize private capital to create jobs, reduce poverty, and improve lives. This collaborative approach enables our impact to reach far beyond the amounts we provide from our own resources. Success comes from de-risking markets, attracting more investment for market-based solutions that create a more equitable and sustainable world.

We are looking to the future, building on more than six decades of experience as the world's largest global development finance institution focused on the private sector. As we begin delivering on the goals of our record 2018 \$5.5 billion capital increase, we draw on our strengths as a World Bank Group institution: We are always thinking about new ways to bring the private sector's innovative, market-driven approach into the areas where it is needed most.

Supported the creation of the **Green Bond Principles**.

Launched the **Excellence in Design for Greater Efficiencies (EDGE)** green building standards and certification system.



2014

Played a leading role in establishing principles for the ways in which multilateral development banks and development finance institutions use **blended finance**.



2017

Led the **impact investing** industry's creation of the **Operating Principles for Impact Management**.



2019



Country Strategies

Completed this Fiscal Year

Angola Argentina
Armenia Bhutan China
Côte d'Ivoire Dominican Republic
El Salvador Ghana Indonesia Jamaica
Mexico Mongolia Morocco Myanmar
Nigeria North Macedonia Papua New Guinea
Paraguay Philippines Senegal Serbia
Sierra Leone South Africa
Timor-Leste

Underway

Albania
Arab Republic of Egypt
Brazil Cambodia Central African Republic
Colombia Democratic Republic of Congo
Ethiopia Fiji Haiti Honduras
Kazakhstan Madagascar Maldives Pakistan
Republic of Congo Rwanda Sri Lanka
Turkey Ukraine Uzbekistan
Vietnam and others



SETTING NEW STRATEGIES

IFC brings private sector solutions to some of the world's toughest development challenges, freeing up budget-constrained governments to make the most of their scarce public resources.

In each country where we work, we identify the most promising opportunities for engagement, after assessing the socioeconomic context, the state of the local business community, and key trends in global industries and markets. This analysis is prominent in the new country strategies we began producing in July 2018, building on joint IFC/World Bank Country Private Sector Diagnostics that outline key reforms needed to spur business growth and create jobs.

These country strategies drive us into earlier-stage, more proactive work. Their insights allow IFC's operations to be integrated more deeply into the World Bank Group's multiyear Country Partnership Frameworks—increasing our impact.

IFC is a global partner in private sector development — sharing knowledge, building synergies, and helping to take the most promising ideas to scale.

This year we launched new partnerships to enable deeper collaboration with other development finance institutions. Through these initiatives, we will work more closely with France's Proparco and the United Kingdom's CDC Group to create investment opportunities for the private sector in a few pilot countries.

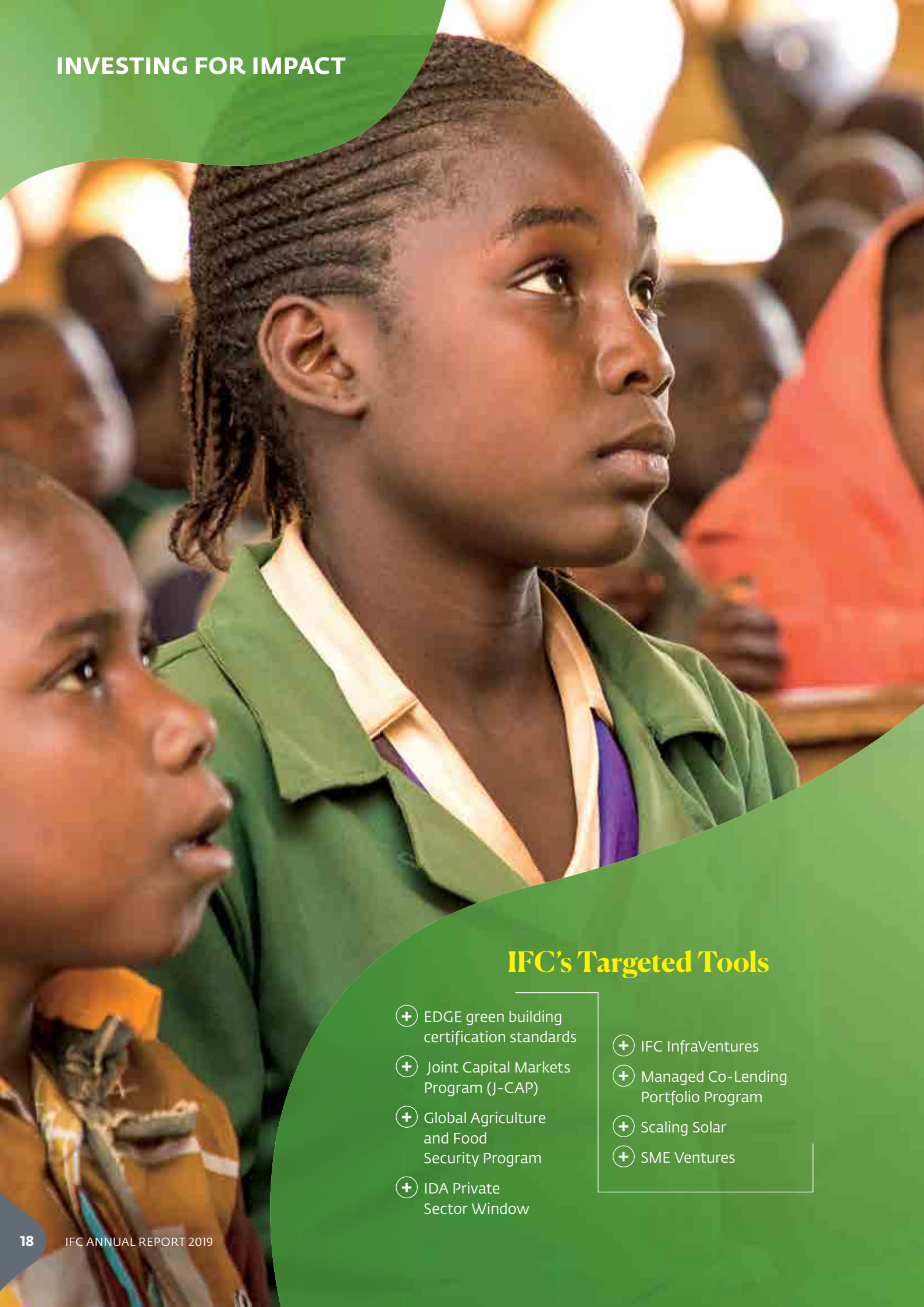
We are also working with our peer group institutions to track the amount of private investment mobilized for low- and middle-income countries each year and to establish principles for the ways in which blended finance should best be used to build the private sector in challenging markets.

FORGING NEW PARTNERSHIPS

Thought Leadership

IFC's report ***Moving Toward Gender Balance in Private Equity and Venture Capital*** (see page 75), released this year, explores the link between financial returns and gender diversity in emerging market private equity and venture capital funds.

The findings and the principles have been shared with investors, launching important conversations about the role of women as allocators and recipients of capital.



IFC's Targeted Tools

- + EDGE green building certification standards
- + Joint Capital Markets Program (J-CAP)
- + Global Agriculture and Food Security Program
- + IDA Private Sector Window
- + IFC InfraVentures
- + Managed Co-Lending Portfolio Program
- + Scaling Solar
- + SME Ventures



UNLOCKING OPPORTUNITIES

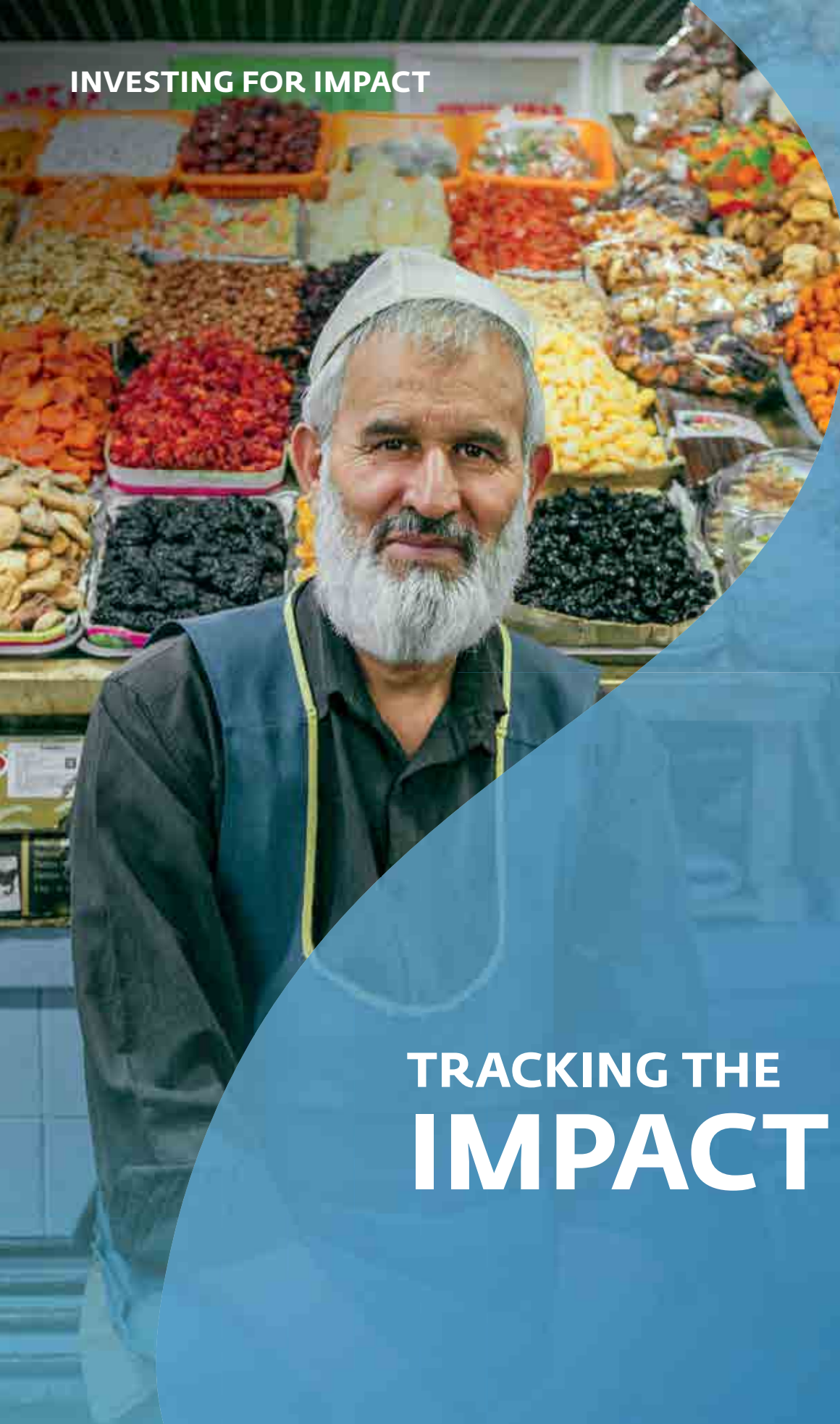
IFC focuses on promoting reforms and creating markets that help developing countries build long-term foundations for growth and prosperity. These proactive steps steer private capital and expertise in new directions—where they can have significant impact in improving people's lives.

We use a variety of innovative tools to act on these ideas, especially in the poorest countries.

In Cameroon, where nearly 40 percent of people lack access to electricity, power supply has increased by almost one-third. This leap was made possible by the new €1.2 billion Nachtigal Hydropower Plant (see pages 54–55) jointly developed by IFC and Électricité de France.

The financing package for Nachtigal uses a broad range of IFC instruments to attract private capital, as well as guarantees from the World Bank and the Multilateral Investment Guarantee Agency (MIGA). Set to open in 2023, the 420-megawatt plant on the Sanaga River comes as the result of critical sector reforms the government enacted with IFC and World Bank support, creating a more conducive environment for developing similar high-impact public-private partnerships.

INVESTING FOR IMPACT



TRACKING THE IMPACT

The Anticipated Impact Measurement and Monitoring (AIMM) system launched in 2017 estimates and measures the development impact of all new IFC investments.

This analytical tool gauges the effectiveness of our projects from the outset. It focuses on the key changes we expect to provoke—especially in creating markets. The system is evidence-based, estimating the development impact we foresee in ways that are explicitly tied to monitoring indicators.

Used in the Nachtigal Hydropower Plant in Cameroon and many other projects this year, AIMM has strengthened the way we measure our impact through our involvement in a project.

Measuring and Monitoring

The AIMM system has been mainstreamed in IFC operations over the past two years, focusing initially on measuring the expected development outcomes of new projects. It is now also strengthening the way we monitor performance.

Starting in fiscal 2020, we will be connecting our early estimates of projects' impact ratings with assessments we track in supervision. The result: a better "end-to-end" approach to results measurement at IFC.

2019 GLOBAL AWARDS

IFC and our clients received more than 40 prestigious awards this year, highlighting our achievements in a broad range of areas.



DEVELOPMENT FINANCE INSTITUTION OF THE YEAR

In the Middle East and North Africa

IJGLOBAL



MULTILATERAL DEAL OF THE YEAR

For the Nachtigal Hydropower Plant transaction in Cameroon

PROJECT FINANCE INTERNATIONAL



GREEN BOND DEVELOPMENT BANK OF THE YEAR

Honoring IFC's global leadership, best practice, and innovation in green finance

CLIMATE BONDS INITIATIVE Green Bonds Pioneer Awards



INNOVATION IN ENABLING BUSINESS GROWTH

Recognizing IFC's Cities Initiative for helping emerging-market cities become more inclusive and address key challenges

FINANCIAL TIMES Innovative Lawyers Award



IMPACT REPORT OF THE YEAR

For IFC's *Social Bond Impact Report: Financial Year 2018*

ENVIRONMENTAL FINANCE



EXCELLENCE IN LATIN AMERICAN LOCAL CAPITAL MARKET DEVELOPMENT

In appreciation of IFC's role "at the forefront of efforts to develop capital markets in Latin America and the Caribbean"

LATINFINANCE

FY19

AWARDS

GLOBAL AWARDS

GLOBAL

Initiative of the Year and Green Bond Fund of the Year

To the Amundi Planet Emerging Green One fund, a partnership of IFC and Amundi Asset Management
Environmental Finance

Green Finance Collaboration of the Year
To the Amundi Planet Emerging Green One fund
Environmental Finance

100 Most Influential People in Gender Policy
Recognition for **Henriette Kolb**, head of the gender secretariat at IFC
Apolitical Network

IAIA Individual Award
Recognition for **Lori Anna Conzo**, IFC senior environmental specialist
International Association for Impact Assessment

Global Sponsor of the Year

To Enel Green Power, the IFC-financed Ngonye solar plant in Zambia and other renewable energy projects worldwide
Project Finance International

Best Supranational Dollar Deal of the Year

For IFC's \$2 billion 2018 global bond issue
Global Capital

Power Performer

For IFC's social bond issuance
MTN-i Uridashi Awards, Japan

Deal of the Year — Emerging Market and Frontier Foreign Exchange Risk

For IFC's Uzbek soum-denominated bond issue
MTN-i Uridashi Awards, Japan

Grand Award for Best Annual Report (USA)
For IFC's Annual Report
ARC Awards

Best Annual Report — Banking, Financial Services, Insurance, and Real Estate
For IFC's Annual Report
International Stevie Awards

American Graphic Design Awards
For IFC's Annual Report
Graphic Design USA

REGIONAL AWARDS

EAST ASIA AND THE PACIFIC

Multilateral Agency of the Year

To IFC
The Asset Triple A Asia Infrastructure Awards

Best Multilateral Bond

To IFC's Philippine peso-denominated green bond supporting geothermal power
The Asset Triple A Asia Best Deal — Southeast Asia Awards

The Asset Triple A Asia Best Deal — Southeast Asia Awards

Thepthong Award
For IFC's green investments in Thailand
Broadcaster's Association of Thailand

Deal of the Year — Early Stage Technology

To Jungle Ventures' investment in Deskera, Singapore
AVCJ (Asian Venture Capital Journal)

EUROPE AND CENTRAL ASIA

Best Power Deal
For the Osmangazi Elektrik expansion and modernization in Turkey, sponsored by Zorlu Enerji
EMEA Finance

Best Infrastructure Deal
For Belgrade Nikola Tesla Airport, Serbia
EMEA Finance

European Airport Deal of the Year
For Belgrade Nikola Tesla Airport, Serbia
IJGlobal

European Onshore Deal of the Year
For the Cibuk 1 wind farm in Serbia
IJGlobal

LATIN AMERICA AND THE CARIBBEAN

Latin America Power Deal of the Year
For the CELSE/Port of Sergipe project, Brazil
Project Finance International

Best Bond and Best Infrastructure Financing in Brazil
For CELSE/Port of Sergipe
LatinFinance

Project Finance Deal of the Year/Brazil and Latin America
For CELSE/Port of Sergipe
Bonds & Loans

Project Finance Deal of the Year/Americas
For CELSE/Port of Sergipe
International Financial Law Review

Blue Planet Prize International
For the Reventazón hydroelectric project, Costa Rica
International Hydroelectricity Association

Medical Excellence in Diabetics
For Clínicas del Azúcar, Mexico
Premio Nacional de Salud, Mexico

MIDDLE EAST AND NORTH AFRICA

Best Sustainability Program
For IFC's renewable energy work with Gaia Energy, Morocco
EMEA Finance

Project Finance and Finance Achievement
For IFC's Egyptian Fertilizers Company refinancing transaction
EMEA Finance

Project Finance — Wind
For the Daehan Wind Power Plant in Jordan sponsored by Korea Southern Power Co.
EMEA Finance

Portfolio Company of the Year — Social Impact
To AfricInvest's investment in the Esprit private engineering school, Tunisia
Private Equity Africa

SUB-SAHARAN AFRICA

African Power Deal of the Year
For the Nachtigal Hydropower Plant, Cameroon
IJGlobal

African Refinancing Deal of the Year
For the Bujagali hydropower transaction, Uganda
IJGlobal

Best Wind Farm in Africa
For the Kipeto wind power project, Kenya
EMEA Finance

Best Structured Finance Deal in Africa
For the Tema Port expansion, Ghana
EMEA Finance

Best Chemicals Deal in Africa
To the Indorama Eleme Fertilizer & Chemicals expansion, Nigeria
EMEA Finance

African Petrochemicals Deal of the Year
To Indorama Eleme Fertilizer & Chemicals
Project Finance International

African Commodities Finance Deal of the Year
For the Addax Energy trade finance transaction in Mauritania
TFX Magazine

Woman Investor To Runa Alam, co-founding partner and CEO of Development Partners International
Private Equity Africa

Exceptional Investor
To private equity fund manager XSML
Private Equity Africa

Development Impact Deal of the Year
For LeapFrog's investment in Goodlife Pharmacy, Kenya
Private Equity Africa

Specialist Deal — Consumer
To Helios Investment Partners' investment in GBFoods
Private Equity Africa

SOUTH ASIA

Best Partnership for Sustainable Sugarcane Development
To DCM Shriram, India
Bonsucro

Green Company of the Year
To Commercial Bank of Ceylon
Asian Corporate Excellence and Sustainability Awards

Sustainability and Operational Excellence Challenge
To Aavishkaar, India
EMPEA

IFC Year in Review

In FY19, IFC invested \$19.1 billion, including \$10.2 billion mobilized from other investors. Our comprehensive approach helped businesses innovate, build internationally competitive industrial sectors, and create better jobs.



EAST ASIA AND THE PACIFIC:

\$3.6B
(BILLION)

in long-term
investment
commitments

15.2M
(MILLION)

micro, small, and
medium loans
provided

\$2.4B
(BILLION)

in tax payments to
governments

\$8.7B
(BILLION)

in goods and services
purchased from
domestic suppliers



EUROPE AND CENTRAL ASIA:

\$1.3B
(BILLION)

in long-term
investment
commitments

2.4M
(MILLION)

micro, small, and
medium loans
provided

\$12.7B
(BILLION)

in goods and services
purchased from
domestic suppliers

15
POLICY REFORMS

in 10 countries to
support growth and
promote investments



LATIN AMERICA AND THE CARIBBEAN:

\$6.2B
(BILLION)

in long-term
investment
commitments

14M
(MILLION)

micro, small, and
medium loans
provided

\$179.1M
(MILLION)

in new financing
for firms with
improved corporate
governance practices

\$13.8B
(BILLION)

in goods and services
purchased from
domestic suppliers



MIDDLE EAST AND NORTH AFRICA:

\$891M
(MILLION)

in long-term investment commitments

1.1M
(MILLION)

micro, small, and medium loans provided

1M
(MILLION)

more than 1 million farmers reached

4.5M
(MILLION)

patients cared for



SOUTH ASIA:

\$3.0B
(BILLION)

in long-term investment commitments

21.6M
(MILLION)

micro, small, and medium loans provided

\$575M
(MILLION)

in financing facilitated for infrastructure through public-private partnerships

1.5M
(MILLION)

farmers reached



SUB-SAHARAN AFRICA:

\$4.0B
(BILLION)

in long-term investment commitments

3.1M
(MILLION)

micro, small, and medium loans provided

7.4M
(MILLION)

patients cared for

47M
(MILLION)

people benefitted from power generation and distribution services

Operational Highlights

Dollars in millions, for the years ended June 30

	2019	2018	2017	2016	2015
Long-Term Investment Commitments					
FOR IFC'S OWN ACCOUNT	\$ 8,920	\$11,629	\$11,854	\$11,117	\$10,539
Number of projects	269	366	342	344	406
Number of countries	65	74	75	78	83
MOBILIZATION¹	\$10,206	\$11,671	\$ 7,461	\$ 7,739	\$ 7,133
Syndicated loans	\$ 5,824	\$ 7,745	\$ 3,475	\$ 5,416	\$ 4,194
IFC initiatives & other	\$ 2,857	\$ 2,619	\$ 2,207	\$ 1,054	\$ 1,631
Asset Management Company (AMC) Funds	\$ 388	\$ 263	\$ 531	\$ 476	\$ 761
Public-Private Partnership (PPP) ²	\$ 1,137	\$ 1,044	\$ 1,248	\$ 793	\$ 548
TOTAL INVESTMENT COMMITMENTS	\$19,126	\$23,301	\$19,316	\$18,856	\$17,672
Investment Disbursements					
For IFC's account	\$ 9,074	\$11,149	\$10,355	\$ 9,953	\$ 9,264
Syndicated loans	\$ 2,510	\$ 1,984	\$ 2,248	\$ 4,429	\$ 2,811
TOTAL INVESTMENT DISBURSEMENTS	\$11,584	\$13,133	\$12,602	\$14,382	\$12,075
Portfolio Exposure³					
Number of firms	1,930	1,977	2,005	2,006	2,033
For IFC's account	\$58,847	\$57,173	\$55,015	\$51,994	\$50,402
Syndicated loans	\$15,787	\$16,210	\$16,047	\$16,550	\$15,330
TOTAL PORTFOLIO EXPOSURE	\$74,635	\$73,383	\$71,062	\$68,544	\$65,732
Short-Term Finance					
Average outstanding balance	\$ 3,256	\$ 3,435	\$ 3,185	\$ 2,807	\$ 2,837
Advisory Services					
Advisory Services program expenditures	\$ 295.1	\$ 273.4	\$ 245.7	\$ 220.6	\$ 202.1
Share of program in IDA countries ⁴	59%	57%	63%	62%	65%

1. Defined as "core mobilization"—financing from entities other than IFC that becomes available to client due to IFC's direct involvement in raising resources. Excludes \$607 million of unfunded risk transfers that are accounted for under IFC's own account.

2. Third-party financing made available for public-private partnership projects due to IFC's mandated lead advisor role to national, local, or other government entities.

3. Portfolio exposure is defined as the sum of the (i) committed exposure for IFC's debt investments, (ii) fair market value of IFC's equity investments, and (iii) total undisbursed equity commitments. Effective July 1, 2018, to accommodate change in accounting standards impacting how IFC reports its equity holdings, IFC has introduced the new term "Portfolio Exposure," which, instead of disbursed and outstanding balance, uses the fair market value of IFC's equity investments. Therefore, FY19 Portfolio Exposure for IFC's account and prior years are not directly comparable.

4. All references in this report to percentages of advisory program expenditures in IDA countries and fragile and conflict-affected areas exclude global projects.

Financial Highlights

Dollars in millions, as of and for the years ended June 30*

	2019	2018	2017	2016	2015
Net income (loss) attributable to IFC	93	1,280	1,418	(33)	445
Grants to IDA	–	80	101	330	340
Income before grants to IDA	93	1,360	1,523	296	749
Total assets	99,257	94,272	92,254	90,434	87,548
Loans, equity investments, and debt securities, net	43,462	42,264	40,519	37,356	37,578
Estimated fair value of equity investments	13,113	14,573	14,658	13,664	14,834

Key Ratios

Return on average assets (GAAP basis)	0.1%	1.4%	1.6%	0.0%	0.5%
Return on average capital (GAAP basis)	0.3%	5.0%	5.9%	(0.1)%	1.8%
Cash and liquid investments as a percentage of next three years' estimated net cash requirements	104%	100%	82%	85%	81%
Debt-to-equity ratio	2.2:1	2.5:1	2.7:1	2.8:1	2.6:1
Total resources required (\$ billions)	21.8	20.1	19.4	19.2	19.2
Total resources available (\$ billions)	27.8	24.7	23.6	22.5	22.6
Total reserve against losses on loans to total disbursed loan portfolio	4.7%	5.1%	6.1%	7.4%	7.5%

*Financial results in 2019 are not directly comparable to the prior periods due to the adoption of a new accounting standard. A full explanation of the change and its implications is available in Management's Discussion and Analysis and Consolidated Financial Statements. The document can be found at <http://www.ifc.org/FinancialReporting>.

For more information, see the Financial Performance Summary on page 108.

FY19 Long-Term Commitments

Dollar amounts in millions, for IFC's own account as of June 30, 2019

Total	\$ 8,920	100.00%	
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By Industry

Financial Markets	\$ 5,024	56.32%	
Infrastructure	\$ 1,056	11.84%	
Manufacturing	\$ 534	5.98%	
Tourism, Retail & Property	\$ 522	5.85%	
Agribusiness & Forestry	\$ 501	5.61%	
Funds	\$ 499	5.60%	
Health & Education	\$ 374	4.20%	
Natural Resources ¹	\$ 280	3.13%	
Telecommunications & Information Technology	\$ 131	1.47%	

By Region²

Latin America and the Caribbean	\$ 2,491	27.93%	
South Asia ³	\$ 1,848	20.72%	
Sub-Saharan Africa	\$ 1,724	19.32%	
East Asia and the Pacific	\$ 1,575	17.66%	
Europe and Central Asia	\$ 745	8.36%	
Middle East and North Africa	\$ 520	5.83%	
Global	\$ 16	0.18%	

By Product

Loans ⁴	\$ 7,138	80.02%	
Equity ⁵	\$ 999	11.20%	
Guarantees	\$ 742	8.32%	
Risk-management products	\$ 42	0.47%	

FY19 Portfolio Exposure⁶

Dollar amounts in millions, for IFC's own account as of June 30, 2019

Total	\$58,847	100%	
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By Industry

Financial Markets	\$22,622	38%	
Infrastructure	\$11,193	19%	
Funds	\$ 4,950	8%	
Manufacturing	\$ 4,580	8%	
Agribusiness & Forestry	\$ 3,809	6%	
Tourism, Retail & Property	\$ 2,792	5%	
Health & Education	\$ 2,760	5%	
Trade Finance	\$ 2,255	4%	
Natural Resources ¹	\$ 1,962	3%	
Telecommunications & Information Technology	\$ 1,926	3%	

By Region⁷

Latin America and the Caribbean	\$12,245	21%	
South Asia	\$10,856	18%	
East Asia and the Pacific	\$ 9,311	16%	
Sub-Saharan Africa	\$ 8,728	15%	
Europe and Central Asia	\$ 8,263	14%	
Global	\$ 5,161	9%	
Middle East and North Africa	\$ 4,282	7%	

1. Includes IFC's activities in oil, gas, and mining.

2. Amounts include regional shares of investments that are officially classified as global projects.

3. Includes Pakistan and Afghanistan.

4. Includes loan-type, quasi-loan products.

5. Includes equity-type, quasi-equity products.

6. Portfolio exposure is defined as the sum of the (i) committed exposure for IFC's debt investments, (ii) fair market value of IFC's equity investments, and (iii) total undisbursed equity commitments.

7. Excludes individual country shares of regional and global projects.

FY19 Long-Term Commitments by Environmental and Social Category

CATEGORY	COMMITMENTS (\$ MILLIONS)	NUMBER OF NEW PROJECTS
A	\$ 923	15
B	\$2,301	93
C	\$ 89	18
FI ¹	\$ 29	0
FI-1	\$ 117	1
FI-2	\$3,950	93
FI-3	\$1,511	49
Total	\$8,920	269

1. FI category applies to new commitments on previously existing projects. Visit www.ifc.org/escategories for information on category definitions.

IFC's Largest Country Exposures²

June 30, 2019 (Based on IFC's Account)

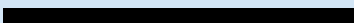
GLOBAL COUNTRY RANK	PORTFOLIO EXPOSURE ³ (\$ MILLIONS)	% OF GLOBAL PORTFOLIO
1 India	\$8,045	13.67%
2 China	\$3,832	6.51%
3 Turkey	\$3,675	6.25%
4 Brazil	\$2,860	4.86%
5 Argentina	\$1,644	2.79%
6 Mexico	\$1,574	2.67%
7 Colombia	\$1,499	2.55%
8 South Africa	\$1,352	2.30%
9 Egypt, Arab Republic of	\$1,236	2.10%
10 Vietnam	\$1,168	1.98%

2. Excludes individual country shares of regional and global projects.








3. Portfolio exposure is defined as the sum of the (i) committed exposure for IFC's debt investments, (ii) fair market value of IFC's equity investments, and (iii) total undisbursed equity commitments.

FY19 Advisory Services Program Expenditures









Dollar amounts in millions

Total	\$295.1	100%	
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By Region

Sub-Saharan Africa	\$ 96.5	33%	
East Asia and the Pacific	\$ 55.1	19%	
Europe and Central Asia	\$ 38.9	13%	
South Asia	\$ 36.4	12%	
Latin America and the Caribbean	\$ 30.4	10%	
Global	\$ 20.6	7%	
Middle East and North Africa	\$ 17.2	6%	

By Business Area

Advisory by IFC Industry	\$167.4	57%	
Financial Institutions Group	\$ 65.2	22%	
Transaction Advisory	\$ 43.8	15%	
Manufacturing, Agribusiness & Services	\$ 33.7	11%	
Infrastructure & Natural Resources	\$ 19.4	7%	
Telecoms, Media, Technology, Venture Capital & Funds	\$ 5.2	2%	
Advisory via Equitable Growth, Finance, and Institutions (GPs)	\$114.1	39%	
Environment, Social & Governance	\$ 13.5	5%	

World Bank Group 2019 Summary Results

The Institutions of the World Bank Group

The **World Bank Group** is one of the world's largest sources of funding and knowledge for developing countries, consisting of five institutions with a common commitment to reducing poverty, increasing shared prosperity, and promoting sustainable development.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

Lends to governments of middle-income and creditworthy low-income countries.

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

Provides financing on highly concessional terms to governments of the poorest countries.

INTERNATIONAL FINANCE CORPORATION (IFC)

Provides loans, equity, and advisory services to stimulate private sector investment in developing countries.

MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)

Provides political risk insurance and credit enhancement to investors and lenders to facilitate foreign direct investment in emerging economies.

INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES (ICSID)

Provides international facilities for conciliation and arbitration of investment disputes.

World Bank Group Financing for Partner Countries

by fiscal year, millions of dollars

World Bank Group	2014	2015	2016	2017	2018	2019
Commitments ¹	58,190	59,776	64,185	61,783	66,868	62,341
Disbursements ²	44,398	44,582	49,039	43,853	45,724	49,395
IBRD						
Commitments	18,604	23,528	29,729	22,611	23,002	23,191
Disbursements	18,761	19,012	22,532	17,861	17,389	20,182
IDA						
Commitments ³	22,239	18,966	16,171	19,513 ³	24,010 ⁴	21,932 ⁵
Disbursements	13,432	12,905	13,191	12,718 ³	14,383	17,549
IFC						
Commitments ⁶	9,967	10,539	11,117	11,854	11,629	8,920
Disbursements	8,904	9,264	9,953	10,355	11,149	9,074
MIGA						
Gross issuance	3,155	2,828	4,258	4,842	5,251	5,548
Recipient-Executed Trust Funds						
Commitments	4,225	3,914	2,910	2,962	2,976	2,749
Disbursements	3,301	3,401	3,363	2,919	2,803	2,590

1. Includes IBRD, IDA, IFC, Recipient-Executed Trust Fund (RETF) commitments, and MIGA gross issuance. RETF commitments include all recipient-executed grants, and therefore total World Bank Group commitments differ from the amount reported in the Corporate Scorecard, which includes only a subset of trust-funded activities.

2. Includes IBRD, IDA, IFC, and RETF disbursements.

3. Figures include the commitment and disbursement of a \$50 million grant for the Pandemic Emergency Financing Facility.

4. Figure does not include \$185 million in approved IDA18 IFC-MIGA Private Sector Window instruments, of which IDA has exposure of \$36 million in guarantees and \$9 million in derivatives.

5. Figure does not include \$393 million in approved IDA18 IFC-MIGA Private Sector Window instruments, of which IDA has exposure of \$106 million in guarantees, \$25 million in derivatives, and \$1 million through funding of IFC-PSW related equity investment.

6. Long-term commitments for IFC's own account. Does not include short-term finance or funds mobilized from other investors.

Global Commitments

The World Bank Group maintained its support for developing countries over the past year as the Group focused on delivering results more quickly, increasing its relevance for clients and partners, and bringing global solutions to local challenges.

\$62.3
BILLION

in loans, grants, equity investments, and guarantees to partner countries and private businesses.

Total includes multiregional and global projects. Regional breakdowns reflect World Bank country classifications.



\$7.5

BILLION

EAST ASIA AND THE PACIFIC

\$5.8

BILLION

EUROPE AND CENTRAL ASIA



\$10.7

BILLION

**LATIN AMERICA
AND THE CARIBBEAN**

\$8.2

BILLION

**MIDDLE EAST AND
NORTH AFRICA**



\$11.7

BILLION

SOUTH ASIA

\$18.4

BILLION

SUB-SAHARAN AFRICA

STORIES OF IMPACT

IFC's proactive, methodical approach to problem-solving enables us to scale up our impact. Building on our 63-year legacy, we will continue to work with the private sector to innovate, leverage the benefits of modern infrastructure and technology, and expand opportunities for people and communities.



**BOOSTING
GROWTH** Page **36**



**IMPROVING
LIVES** Page **50**



SCALING UP Page **60**



**PROMOTING
SUSTAINABILITY** Page **68**

16 stories highlighting some of IFC's most impactful projects in the fiscal year

BOOSTING GROWTH

IFC focuses on sectors that have the greatest potential to generate growth and job creation.

Page **38**

Creating Markets
Preparing the
Ground for Private
Investment

Page **40**

Infrastructure
Long-Term
Commitments to
Large-Scale Impact

Page **42**

Human Capital
Innovations in
Health Care
and Education



Page **44**

Agribusiness

Stronger Farming
Yields Jobs —
and Markets

Page **46**

Access to Finance

Assuring the
Availability of
Essential Financial
Services

Page **48**

Technology

Expanding
Opportunities
Through
New Platforms



Although poverty rates have declined, progress has been uneven, and the number of people living in extreme poverty remains unacceptably high. Around the globe, the majority of poor people reside in fragile and rural areas, where it is more difficult to reach them. That's why this is a crucial time in development—and IFC understands that we cannot wait for opportunities to come to us.

Preparing the Ground for Private Investment

As we carry out IFC's Creating Markets strategy, we collaborate with the World Bank to seek development opportunities and work with governments to create conditions that will attract private finance.

IFC is partnering to introduce solutions that remove barriers to market development and establish a sound framework for projects to bear fruit. Scaling Solar, a World Bank Group program designed to make it faster, easier, and cheaper for developing countries to procure utility-scale solar power, is an example of this work. By providing standardized documents designed for a simple, transparent, and rapid tendering process, Scaling Solar facilitates the engagement of developers in new markets. This allows small countries to benefit from the economies of scale typical to larger countries and ensures competition from committed industry players.

The results speak for themselves: After Scaling Solar was signed in four African countries, the program was expanded beyond the region in FY19 — to Uzbekistan. The country's

government signed a mandate with IFC for a 100-megawatt project, making it the nation's first competitive tender to select an independent power producer. This step forward is critical for a country where an ambitious program of market reforms has recently opened the door to private investment.

Scaling Solar mandates signed by June 2019 — in Ethiopia, Madagascar, Senegal, Uzbekistan, and Zambia — total 1.2 gigawatts of new solar power generation. In several of these markets, including in Zambia, where the first Scaling Solar plant came online this year, the program achieved a substantial reduction in local solar energy prices.

A joint IFC-World Bank approach is also being used to create new markets in Haiti, which is still recovering from the devastating 2010 earthquake. World Bank Group support helped the government remove legal barriers to facilitate the country's first leasing entity and pave the way for private investment. Now, Ayiti Leasing, a subsidiary of the Alternative Insurance Company, helps owners of small and medium enterprises (SMEs) lease critical equipment on favorable terms. IFC provided

an \$11 million loan to the firm that included funding from the IDA Private Sector Window and a private investor as well as advisory support to help the company ramp up its operations. In Ayiti Leasing's first two years, it financed more than \$6.6 million in leased assets — more than 80 percent of that going to SMEs. The firm is expected to finance at least \$15 million by May 2020.

Implementing IFC's strategy to develop new and stronger markets for private sector solutions has required reshaping the way we work. Country strategies — based on country and private sector diagnostics — now help us establish sector priorities and potential engagements. The ability to assess development impact and market creation potential before the start of a project — achieved by our Anticipated Impact Measurement and Monitoring (AIMM) system (see page 86) — has influenced IFC's project selection and design, and it will lead to more projects that can create markets.

Photo: This utility-scale solar power plant in Zambia opened in March 2019, financed with private investment that the World Bank Group's Scaling Solar program helped attract.



Long-Term Commitments to Large-Scale Impact

IFC helps develop infrastructure projects that can meaningfully improve peoples' lives, especially in emerging markets where the speed and scale of urbanization presents critical needs in power, utilities, and transportation.

We partner with governments, developers, and investors to support such priority infrastructure projects with financial as well as technical support. In Brazil, IFC's \$288 million, 15-year loan and a \$534 million local-currency parallel loan to UTE GNA I Geração de Energia S.A. (GNA I) supports the development, construction, and operation of an integrated 1.3-gigawatt liquefied-natural-gas-to-power facility.

IFC's long-term loan to GNA I is our largest single local-currency commitment to date. The facility, expected to become operational in 2021, will serve as a backup to the country's power system, allowing for further use of renewable energy sources. It is expected to contribute to an annual reduction in Brazil's emissions by 139,000 tons of carbon dioxide equivalent based on the anticipated use of the plant.

Transportation infrastructure for electric mobility is the focus of IFC's \$8 million investment in Lithium, India's first electric fleet operator company. The project will provide job opportunities for up to 8,000 drivers over five years. This is IFC's inaugural investment in electric mobility. The project supports electrification of transportation, which will help avoid annual greenhouse emissions of more than 25,000 metric tons per year.

In Serbia, IFC provided a €182 million financing package — including €72 million for our own account — to help expand Belgrade Nikola Tesla Airport. The project, the first large-scale transport public-private partnership in Serbia, is expected to more than double the airport's capacity, boost the country's tourism and transport industry, and encourage economic growth.

To support renewable energy projects in Vietnam, IFC invested \$75 million in an infrastructure-focused listed green bond that was issued by Philippine power company AC Energy, which aims to develop up to 5GW of renewables across East Asia and the Pacific by 2025. IFC's subscription is dedicated to selected AC Energy's wind and solar projects in Vietnam totaling up to 360MW. Our investment anchored the \$300 million green bond and helped mobilize international and institutional financing for deployment into AC Energy's regional projects.



Photos: An IFC-supported green bond helps client AC Energy build renewable energy projects across East Asia and the Pacific (far left).

In Serbia (near left), IFC's €182 million financing package will help Belgrade Nikola Tesla Airport more than double its capacity.

In some Middle Eastern countries, inequitable access to health care — alongside inconsistent quality of services, long wait times, and high absenteeism among doctors — plagues patients as much as their ailments do. The prescription? A new website and mobile

Innovations in Health Care and Education

app from Egyptian tech company Zezeeta that empowers patients in Egypt, Jordan, Lebanon, and Saudi Arabia to connect to — and rate — health-care providers.

Since Zezeeta's 2012 launch, it has helped 2 million people find doctors and book appointments — a service that is especially useful for patients in remote rural areas. IFC's \$1 million investment will support Zezeeta in its plan to expand its operations.

This is just one way that IFC's financing for health and education companies helps people and societies thrive. In fiscal year 2019, we provided \$670 million in financing, including funds mobilized from other investors. Our clients helped deliver health care to 49.9 million patients and education to 4.7 million students.

In Mexico, where diabetes is the leading cause of death and disability, we are helping Clínicas del Azúcar offer more effective care to low- and middle-income patients. Because continuous disease management is critical, Clínicas del Azúcar offers a one-stop-shop retail approach that combines multidisciplinary care teams, behavioral science, and a subscription model with annual fixed-fee payment plans. IFC's \$4 million equity investment in the company will support the launch of 100 new clinics and the development of its digital strategy. Clínicas del Azúcar has treated more than 100,000 diabetes patients since 2011. With IFC's backing, the chain is looking to reach 2 million patients in the next five years.

Ensuring excellence among health care service providers, especially in emerging markets, motivated the design of IFC's Health Quality Assessment Tool. In FY19, Hallelujah General Hospital in Ethiopia signed an agreement to receive this comprehensive assessment, joining a list of health providers from seven countries, including Nepal and Pakistan. The evidence-based strategy to improve operations will include recommendations on enhancing corporate processes, minimizing patient safety risks, and making the company more attractive to international partners, such as investors and insurance companies. The tool also helps prepare hospitals and clinics to pursue national or international health-care accreditations.

Education is an equally important priority in Ethiopia, where IFC is working with Gebeya, a pan-African education technology and online job placement company, on an advisory-services program that will strengthen innovative tech start-ups owned or led by women.





The Digital Gender-Ethiopia Program, supported by the Women Entrepreneurs Finance Initiative and the Creating Markets Advisory Window, will help train 250 female software developers and provide seed funding to at least 20 women entrepreneurs.

In Colombia, IFC's long-term loan of \$25 million will improve infrastructure on five campuses of the Universidad Santo Tomás, which offers high-quality higher education to about 35,000 students in regions that include remote cities and conflict-affected areas.

Photos: IFC invests in innovation, supporting clients like education technology firm Gebeya in Ethiopia (left), Egyptian-based online and mobile health care information provider Zezeeta (above, right) and Mexican diabetes clinic chain Clínicas del Azúcar (below, right).





Stronger Farming Yields Jobs — and Markets

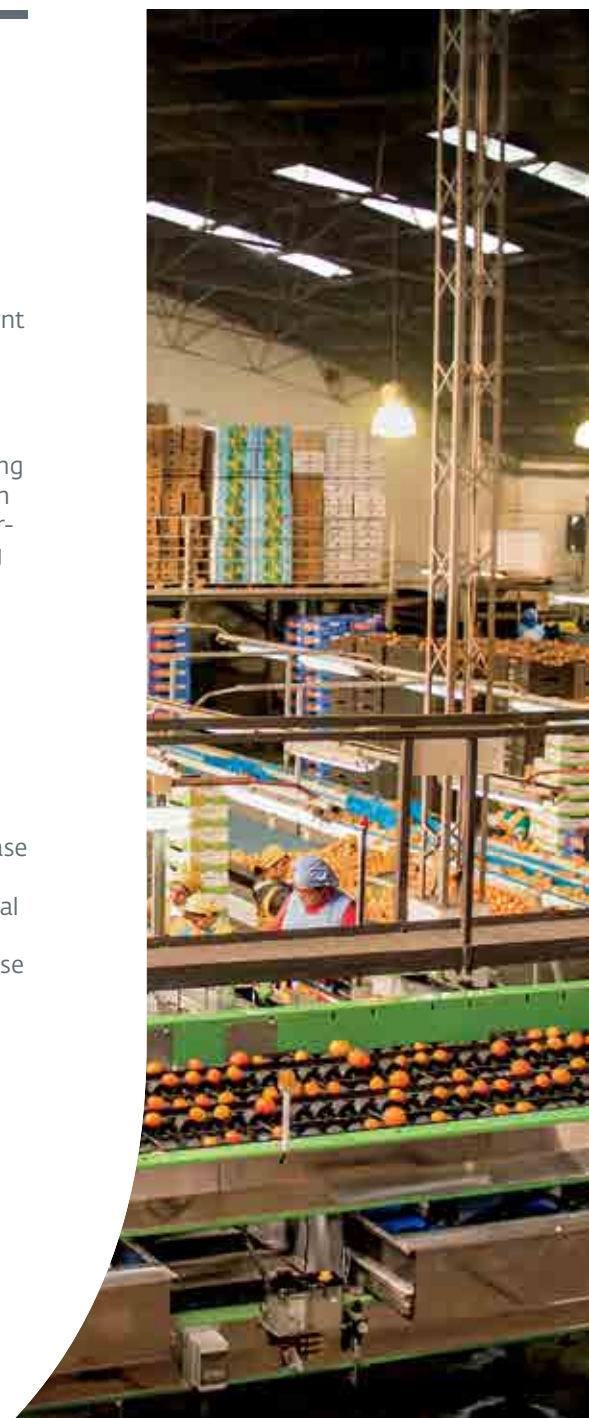
IFC has made agribusiness a priority because of the sector's broad development impact and potential for poverty reduction. Our investment and advice help companies address higher demand and escalating food prices in an environmentally sustainable and socially inclusive way.

In Latin America, IFC and partners arranged a \$100 million financing package to grow Argentina-based San Miguel, a major industrialized and fresh citrus exporter. Strengthening San Miguel's operations in Argentina, Peru, and Uruguay will help the company create jobs, apply environmental and social best practices, and improve agricultural productivity.

In India, IFC's \$35 million investment in DCM Shriram Ltd. will support the expansion of the company's sugarcane processing capacity in the low-income state of Uttar Pradesh. The financing comes along with an ongoing advisory program that is helping train 185,000 sugarcane farmers in advanced farming techniques.

In South Africa, IFC's €30 million loan, together with its advice, are fertilizing the growth of United Exports (formerly Mbiza), a family-owned South African business that plants, packs, and exports fruits. Technology and infrastructure upgrades will increase efficiency and add up to 250 new permanent jobs and 4,200 seasonal jobs in communities with high unemployment rates. Many of these positions will be filled by women.

Photos: Oranges being processed in a plant owned by San Miguel, an Argentine company that has received a \$100 million financing package from IFC and partners.



Assuring the Availability of Essential Financial Services

For Sione Tau, a Tongan who picks strawberries in New Zealand, sending money back home was often complicated and expensive: he had to withdraw cash from his bank, negotiate with a remittance agent, and pay a high fee before his wife, back in Tonga, could access the funds.

The Ave Pa'anga Pau (“Send Money Securely”) remittance service, developed by IFC and the Tonga Development Bank (TDB), has changed that. This secure, mobile-based system transfers funds from bank accounts in New Zealand to bank branches and savings accounts in Tonga, making life easier for overseas workers like Tau. About half of the Tongan

seasonal workers based in New Zealand now use this system. IFC and TDB are working to expand the voucher system for Tongans living in Australia.

Access to basic financial services—a bank account, a mortgage, an insurance policy, or in Tau’s case, a means to send money home—is essential for economic growth. It enables people and businesses to build assets, increase income, and reduce financial risks. Yet about 1.7 billion adults lack basic bank accounts, and around 200 million small and medium enterprises (SMEs) in developing countries lack financing.

IFC provides investment and advice to expand access to finance for millions of individuals and micro, small, and medium enterprises

(MSMEs)—working with financial institutions and governments to achieve impact. In FY19, we advised 87 financial institutions on ways to expand access to finance. Our clients provided more than \$230 billion in financing for MSMEs.

Enabling access to finance for SMEs was also behind IFC’s \$100 million subordinated loan to Equity Bank Kenya. The loan will enable the bank to expand its lending to SMEs and climate-finance to save costs and support renewable energy, green buildings, energy efficiency, and climate-smart agricultural projects.

In the Kyrgyz Republic, we invested \$8 million in a new private equity fund from Highland Capital, an investment management firm, to help expand access to finance for SMEs. The financing package included \$4 million for IFC’s own account blended with \$4 million from the IDA Private Sector



Photos: A remittance service developed by IFC and the Tonga Development Bank has made it easier for people like Sione Tau (right), a migrant strawberry picker in New Zealand, to send money back to their families in Tonga.

Window. The fund will provide critical growth capital to businesses in services, agricultural processing, health, education, telecommunications, media, and technology.

Our FY19 report *The Unseen Sector: A Report on the MSME Opportunity in South Africa*, examines South Africa's small-business landscape and recommends how to expand opportunities for MSMEs. Findings feed into the IFC SME Push Program, which will channel up to \$3 billion over the next five to seven years to increase lending to small South African businesses and create jobs.



Modern information and communication technologies enable poor people to obtain access to services, resources, and opportunities—making markets and institutions more efficient. But half the world's population is still offline.

Expanding Opportunities Through New Platforms

The situation is particularly challenging in Africa, where only 22 percent of the population has access to the Internet. IFC and partners' investment of up to \$100 million in CSquared, a firm that promotes the use of shared infrastructure to make Internet services more affordable and reliable to underserved countries in Africa, aims to change that. After laying more than 1,600 kilometers (km) of fiber-optic cables in Ghana and Uganda, CSquared started operations in Liberia. With close to 140 km of cables already installed in the country, the network is expected to facilitate the rapid growth of both fixed and mobile broadband data in the region.

Around the world, we partner with mobile and broadband service providers to help them expand and upgrade their network infrastructure. In FY19, we invested \$399 million in telecommunications, media, and technology, including funds mobilized from other investors. Our portfolio is now \$2.7 billion.

In Argentina, our loan of \$310 million to Telecom Argentina, which offers fixed and mobile high-speed connections and pay TV, will boost expansion of broadband coverage, including in underserved regions. The financing package—provided at a time when many Argentine companies are struggling to obtain funding to grow their operations—includes \$110 million from IFC, with additional funding mobilized from international banks. This second financing follows one in 2016.

IFC's advisory support to M-Pesa Mozambique, a mobile money platform, will increase financial inclusion in a country where nearly 60 percent of citizens lack access to financial services. Ten months after implementation, the number of active M-Pesa customers rose by nearly 70 percent. More than 1,280 small and medium enterprises (SMEs) have signed on since the project was launched.

Liftit, a Latin American-based tech firm that connects truck drivers to businesses that need cargo delivered, will be able to expand operations in Mexico and Colombia after IFC's \$2.8 million equity investment. Liftit's platform provides companies with more efficient, reliable, and affordable cargo delivery while making it easier for truck drivers to find work and be paid promptly.

Photos: IFC equity investment is fueling the expansion of Liftit, an innovative digital platform connecting truck drivers to businesses needing deliveries in Colombia and Mexico.



IFC also helped expand the TechEmerge platform to Brazil, where it connects start-ups with leading corporations in emerging economies to form new partnerships. In Brazil, it has matched 20 tech companies from seven countries with 15 health-care providers to conduct pilot projects that include fast and noninvasive diagnostic exams and artificial intelligence solutions for genetics and imaging diagnostics. TechEmerge, a World Bank Group initiative, was launched in India in 2016 to improve health-care delivery and patient outcomes in the country.



IMPROVING LIVES

IFC's work improves the lives of poor people in some of the most challenging areas of the world.

Page **52**

IDA and Conflict-Affected Areas

Boosting Growth Where It Matters Most

Page **54**

Sub-Saharan Africa

Accelerating Change on the Continent

Page **56**

South Asia

Private Sector Solutions to Strengthen Economies



Page **58**

**Middle East and
North Africa**

Overcoming Obstacles
Through Private
Investment

Boosting Growth Where It Matters Most

The small island nation of Timor-Leste is experiencing its longest period of stability since achieving independence in 2002. But as in many fragile and conflict-affected areas, past volatility left behind poor infrastructure and limited economic development.

To jumpstart progress, IFC worked with Timor-Leste's government to deliver the Tibar Bay Port, the country's first public-private partnership (PPP) project. When the port becomes operational in 2021, it will reduce congestion at the existing port, easing a significant economic bottleneck. IFC support enabled legislation for this PPP, helped build capacity to develop and implement the necessary contracts, and facilitated a transparent tender process that attracted investors. The new port will create 500 direct jobs.

This multipronged approach illustrates IFC's strategy in fragile and conflict-affected situations. We help create and strengthen institutions, mobilize investment, and promote private entrepreneurship—demonstrating throughout how this approach addresses critical development challenges. In FY19, our investments in fragile and conflict-affected areas totaled nearly \$545 million, including funds mobilized from other investors. By 2030, we expect 40 percent of IFC's annual investment commitments to be in IDA countries—those eligible to borrow from the World Bank's International Development Association.

Today, about 1.3 billion people live in IDA countries. Afghanistan is one of them, and we are helping make a difference for citizens trying to recover from three decades of conflict. One of the legacies of this instability is electricity consumption that is among the lowest in the world. Fewer than 30 percent of Afghans are connected to the grid. The country imports up to 80 percent of its energy, and frequent blackouts affect some parts of the country for up to 15 hours a day. IFC is working with the government to design a 40-megawatt solar-power plant that will more than double the country's current solar energy capacity and that will offer a new model for subsequent solar projects.

Small and medium enterprises (SMEs) are important drivers of growth in the world's poorest countries, but their growth is often hindered by limited access to financial services. Our Small Loan Guarantee Program (SLGP) pools a portfolio of IFC risk-sharing facilities and synchronizes with broader World Bank Group efforts to improve the enabling environment for these SMEs to access finance. In FY19, we increased our existing investment in SLGP by \$400 million. The program is supported by an IDA Private Sector Window first-loss guarantee of up to \$120 million. This is expected to enable up to \$800 million in SME lending in low-income countries around the world. In Haiti, for example, a \$2.5 million risk-sharing facility we committed



with Société Générale de Solidarité (Sogesol) is expected to help the microfinance institution provide more than 500 loans to SMEs and agribusinesses by 2023, fostering economic growth and job creation.

IFC also backs companies that can successfully scale up their business in one challenging market and then leverage that experience to expand across borders. For example, we provided a €24 million financing package to Gaselia Group, one of the largest beverage and packaging groups in West Africa. The investment will help the company expand operations in Côte d'Ivoire and Mali and set up a soft-drink project in Guinea.



Photos: Girls in Timor-Leste look forward to a bright future. IFC is helping the government of this once conflict-ridden country attract investment for a new port that will boost business and create jobs.



For Marie-Paule Effagon, a 48-year-old teacher living in Yaoundé, Cameroon, two-day power outages—which are not uncommon—wreak havoc on her family’s routine. Yet Effagon is considered lucky: nearly 40 percent of Cameroon’s citizens have no access to electricity at all. To improve lives and long-term economic prospects, IFC and the World Bank are helping to finance the Nachtigal Hydropower Plant, a privately owned and operated

Photos: Teacher Marie-Paule Effagon (above) is one of many in Cameroon who will benefit from new power to be produced by the privately financed Nachtigal Hydropower Plant.



Accelerating Change on the Continent

420-megawatt power plant. It will increase the country's installed power capacity by nearly one-third and bring clean, affordable power to millions when it begins operations in 2023.

Our early engagement helped confirm Nachtigal's technical, financial, and environmental feasibility and address bureaucratic bottlenecks. Key project development and structuring support came from across the World Bank Group. IFC is directly investing €60 million in equity, lending up to €110 million for our own account, and mobilizing another €806 million from a global syndicate, including four commercial banks and 10 other development finance institutions. We also provided interest rate swaps to help mitigate interest rate risk. Through the development of inclusive community engagement strategies with Nachtigal, IFC is helping create tangible benefits to surrounding communities and identifying ways of mitigating gender-based violence risks.

The Nachtigal project — IFC's largest power investment on the continent — illustrates our "upstream" work and proactive approach to development across Sub-Saharan Africa, home to almost half of all people who live in extreme poverty. In FY19, our long-term investments in the region totaled \$4.1 billion, including nearly \$2.3 billion mobilized from other investors.

We often seek out companies that use technology and innovation to unlock sustainable development in the region. With support from the Private Sector Window of the Global Agriculture and Food Security Program, IFC co-led the financing of \$10.3 million to help Kenyan start-up Twiga Foods to expand operations and to connect more than 13,000 rural, smallholder farmers to urban vendors. The firm's platform uses mobile-phone technology to coordinate supply and demand and to pay farmers within 24 hours. IFC is also advising Twiga Foods on aligning food safety practices with global standards and ensuring the traceability of produce.

In Nigeria, we led a \$6 million equity investment in Kobo360, a tech-enabled e-logistics platform that connects truckers to transportation services seeking cargo haulers. The investment will help the company reduce costs and increase access

to logistics services for small and medium enterprises (SMEs), including those in underserved regions. It will also enable faster payment schedules as well as new financing and savings programs for truck owners and drivers.

With support from the IDA Private Sector Window, IFC is also providing a multicurrency facility of \$21.1 million equivalent to Baobab Group, a leading global microfinance network. Support extends to Baobab's affiliates in Burkina Faso, Côte d'Ivoire, Democratic Republic of Congo, Madagascar, Nigeria, and Senegal. Baobab, a long-time IFC client, is a pioneer in digital financial services across the continent. It is known for helping entrepreneurs access credit even though they often lack the required collateral or credit history. It expects to provide credit to even more entrepreneurs and people with limited access to banking services.

Photo: In Bangladesh, IFC is building the skills of female supervisors in the garment sector as part of our commitment to increasing opportunities across South Asia.



Private Sector Solutions to Strengthen Economies

When Mosammat Janata Khatun was promoted from working on the sewing line to supervising others at Dhaka's Jinnat Knitwears, she was nervous. After all, 19 of every 20 line supervisors in Bangladesh's ready-made garment factories are men, even though women comprise 80 percent of line workers. IFC's Gender Equality and Returns (GEAR) program helped prepare her for the new role. By combining technical and soft-skills training, the program equips women like Khatun with the skills to advance their careers.

GEAR is among the IFC programs helping make Bangladesh's garment industry internationally competitive, sustainable, and safe for its workers. The industry is a major driver of Bangladesh's economy: It accounts for more than 80 percent of the country's exports and employs more than 4 million people.

Strengthening economies is critical because more than 250 million South Asians live in extreme poverty. Close to 500 million people across the region are not connected to the grid. In FY19, we provided almost \$3.0 billion in financing for businesses in South Asia, including \$1.1 billion mobilized from other investors, expanding our portfolio in the region to \$11.5 billion.

As part of our continuing work in Bangladesh's garment sector, IFC's \$14.4 million loan to the Epyllion Group will help set up a new manufacturing facility that will nearly double the garment manufacturer and exporter's production capacity,

upgrade machinery, and add more value-added items to its product line. IFC's multiyear engagement with the Bangladeshi garment sector includes investment and advisory services and is focused on promoting women's employment and the sector's sustainable growth.

To help Bangladesh counter declining natural gas supplies and deliver clean energy to its citizens, we provided a \$20 million long-term loan to Omera Petroleum, to help the company double its capacity and increase the availability of liquefied petroleum gas. This effort will expand access of cooking gas to 350,000 additional households—reducing the use of firewood, coal, and natural gas.

In India, we invested \$100 million in the India Resurgence Fund to create a dedicated platform for distressed assets resolution. The fund will restructure potentially viable mid- to large-size nonperforming companies, helping preserve existing jobs and create new ones. The restructuring will enable banks to dispose of nonperforming loans, freeing up capital for their lending activity.

To help mechanize farming in India, IFC invested \$100 million in Mahindra & Mahindra Financial Services. This will enable the company to extend loans to farmers for tractors, vehicles, and other equipment and to finance small and medium enterprises (SMEs). The effort contributes to the government's target of doubling farmers' incomes by 2022 and increasing agricultural productivity, which contributes to food security.

Overcoming Obstacles Through Private Investment

After 24-year-old Hana'a Mehyar Awad graduated from Palestine Ahliya University College's corporate governance program, an IFC initiative to promote corporate governance in the Middle East and North Africa, she landed a job at the Palestine Investment Bank. Now, the Hebron native hopes to help drive economic growth in her hometown—the largest Palestinian city in the West Bank, which generates one-third of the area's GDP.

Training future leaders like Awad—and more than 1,100 other graduates of the corporate governance program—is the goal of this decade-long project between IFC and the Palestine Capital Market Authority (PCMA). It's part of IFC's support for the Middle East and North Africa's private sector, a potential source

of jobs and innovation. Economic growth rates in the region have halved since the 2011 Arab Spring, unemployment is high, and conflict has displaced vast numbers of people. To strengthen the region, in FY19, we invested \$891 million, including \$370 million mobilized from other investors.

To help expand access to electricity—a major hurdle to regional growth—IFC assembled a \$71 million financing package that included funds raised through the Managed Co-Lending Portfolio Program (MCP) to support the construction of Jordan's Daehan Wind Power Plant. This was IFC's second major investment in the country's wind sector in FY19. The 51-megawatt plant will supply clean energy to homes and businesses across the country. Since 2011, IFC has invested close to \$300 million in 13 renewable projects in Jordan, enabling about \$1 billion in private sector investments in the nation's power sector.



Photos: Small businesses in Lebanon are growing with financing from Fransabank, an IFC client (left).

Investment and advice from IFC is helping Egypt's Middle East Glass Manufacturing Company increase production, reduce energy consumption, and cut greenhouse-gas emissions (right).



Alongside syndications partners, IFC provided up to \$100 million in debt financing to the Middle East Glass Manufacturing Company (MEG), Egypt's leading maker of glass containers. This will help MEG ramp up production to supply a variety of clients, from beverage makers to pharmaceutical firms. IFC is also providing advice to help MEG reduce energy consumption and cut greenhouse-gas emissions as part of our effort to bolster resource efficiency and reduce costs in the manufacturing sector and to help companies compete internationally.

In Lebanon, IFC is the anchor investor in Fransabank SAL's green bonds program. Our \$75 million investment will help Fransabank provide financing to eco-friendly projects in commercial energy efficiency, renewable energy, and green buildings. We also provided \$100 million in debt financing to Société Générale de Banque au Liban to boost access to finance for small and medium enterprises (SMEs) and to help develop climate finance. IFC's advisory team will work with the bank to help enhance its capacity to finance climate-smart projects and to help mitigate climate change. The loan includes funding from several MCPP participants alongside IFC's own funding.

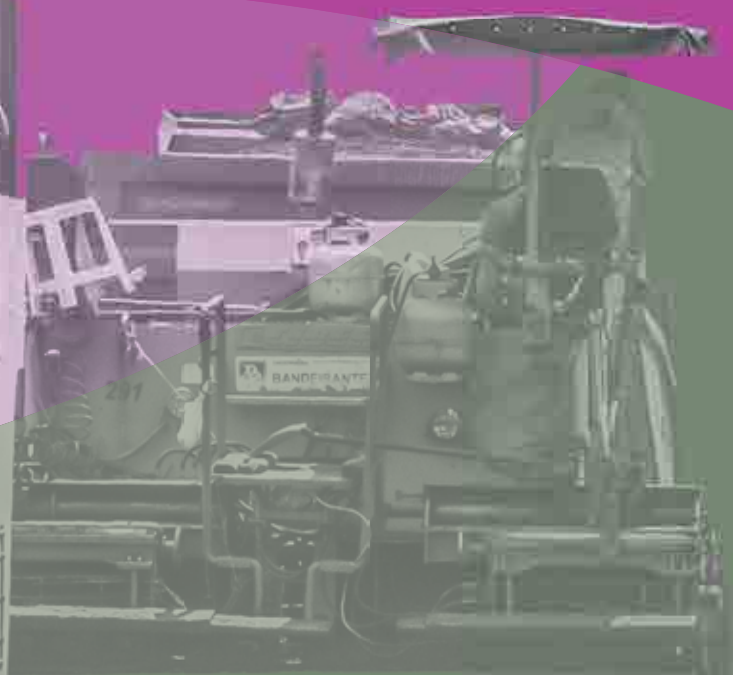


SCALING UP

IFC is taking an increasingly proactive approach to accelerate private sector development — creating markets and opportunities where they are needed most.

Page **62**
Guiding Impact
Ushering Impact
Investing into
the Mainstream

Page **64**
**Local Capital
Markets**
Ideas and Actions
to Spur Domestic
Growth



Page **66**

Mobilization

Attracting Capital to
Meet Development
Needs

Ushering Impact Investing into the Mainstream

AllLife, the only insurer of people living with HIV/AIDS in South Africa, is accustomed to making the impossible possible. The firm was created to insure people without access to affordable life insurance—people who were previously viewed as uninsurable. That might not sound like a formula that investors would jump at. But the company's mission was in sync with that of IFC client LeapFrog Investments: to support "purpose-driven businesses with real social impact." Following on

a \$13.9 million investment from LeapFrog, AllLife has expanded its team, opened a second call center, launched new products, and more than doubled its revenue.

The pursuit of investments that can generate a measurable positive impact on society—while also generating positive returns for the investor—is proving its worth. Although the market is still relatively small, measured in billions, the potential is enormous. Investor appetite could be as much as \$5 trillion in private markets—private equity, nonsovereign private debt, and venture capital—and as much as \$21 trillion in publicly traded stocks and bonds, according to the IFC 2019 report *Creating Impact—The Promise of Impact Investing*. Realizing this potential depends on the creation

THE IMPACT THESIS OF IMPACT INVESTING

INTENT

Desire to improve social and environmental outcomes

CONTRIBUTION

Investment capital (either at market or concessional terms)

AND/OR

Additional assistance (e.g., knowledge transfer, control, influence)

INVESTMENT



of investment opportunities and vehicles that enable investors to pursue impact—and financial returns—in sustainable ways.

As one of the world’s largest impact investors, IFC has a decades-long track record. We are shaping the impact-investing market as it becomes a large-scale force for good. This year, with partners, we developed the Operating Principles for Impact Management, establishing a common discipline and market consensus around the management of investments for impact. These impact-investing principles reflect best practices across a range of public and private institutions and integrate impact considerations into all phases of the investment life cycle: strategy, origination and structuring, portfolio management, exit, and independent verification.

But that’s not all. Accountability is key, so the principles require annual disclosure and periodic independent verification of how they have been implemented. This offers investors additional confidence and enhances the market’s credibility. As of June 2019, 63 institutions had signed the principles—creating for the first time a market standard for impact-investing management.

See www.ifc.org/DevelopmentImpact/OPIM for IFC’s disclosure statement on impact.

Inset: IFC’s *Creating Impact—The Promise of Impact Investing* report surveyed the vast potential of this kind of financing, which brings both financial and social results.

MEASURABLE IMPROVEMENTS

Creation or improvements of markets

Improvements in enterprise’s outputs or processes

Increases or improvements in social and environmental outcomes

ENTERPRISE (OR SECTOR) IMPACT



Photos: IFC helps to build strong local capital markets in a wide range of countries including Kenya (above) and Kazakhstan (at right).



Ideas and Actions to Spur Domestic Growth

Strong capital markets are an important driver of economic growth. Businesses can tap into those markets as a source of long-term, local-currency finance. Governments can access them to finance roads, schools, and hospitals. But although developing countries account for more than one-third of the world's economic output, they represent just 10 percent of global stock-market capitalization. These countries also make up a very small share of the global market for corporate bonds.

We issue local-currency bonds to finance projects in a manner that protects companies from foreign currency fluctuations and encourages global investors to participate in bond offerings. We also help governments draft policies and regulations that strengthen capital markets. We often support local institutions to issue and invest in local-currency bonds, a move that can attract global investors.

In addition, IFC provides tools that enable clients to swap foreign-currency obligations into local currency and to access capital markets through their own bond issuances, which are made more creditworthy with an IFC partial credit guarantee. We also help mobilize local bank lending into priority sectors through our risk-sharing facility product.

Our work in Kazakhstan illustrates our approach. We issued our first-ever Kazakhstani tenge bond, raising 8.6 billion tenges (\$25 million) to help develop local capital markets. The bond's proceeds have been invested in KazFoodProducts, a leading food processing group in the country, to support the group's expansion plans and to boost the country's agricultural sector.

In Costa Rica, we raised 5.7 billion colones (\$10 million) through a triple-A rated bond issued in the domestic market. The proceeds will be used to boost housing finance for low- and middle-income families that lack access to mortgage loans.

IFC also joins initiatives that help countries develop thriving and sustainable capital markets — from regulation and policy to institution-building. One of them is the Joint Capital Markets Program (J-CAP), a World Bank Group-wide initiative. In FY19, J-CAP identified opportunities to expand private sector engagement to deliver capital-markets financing in areas such as climate, small and medium enterprises (SMEs), and infrastructure. In Kenya, J-CAP is now working with leading pension funds to establish a capital-market vehicle that will provide long-term financing for infrastructure and affordable housing projects. J-CAP is supported by IFC's Creating Markets Advisory Window and development partners.



Attracting Capital to Meet Development Needs

Guinea has nearly one-third of the world's reserves of bauxite, the primary source of aluminum. Yet the country's mining sector has long struggled to reach its potential. IFC is working in partnership with the government, mining companies, investors, and local communities to help the country develop this resource and achieve its economic goals.

The IFC-supported Sangarédi-GAC bauxite mine—one of the largest foreign investments in Guinea—will strengthen the country's status as a world-class producer and exporter of bauxite and develop new infrastructure

to ease integration between the country's mining sector and global markets. Collaboration across the World Bank Group made significant financing possible for the \$1.5 billion Sangarédi project. IFC's expertise in mobilizing private capital on a vast scale helped deliver \$750 million in financing to the project—\$150 million for our own account and the remainder mobilized from a group of investors including seven commercial banks. The World Bank's support for sector reforms and transparency initiatives and for technical assistance in public financial management paved the way for the investment. A political-risk insurance policy issued by the Multilateral Investment Guarantee Agency (MIGA) gave additional comfort to investors.

IFC mobilizes private capital through two primary platforms. The first is our debt syndications program, which since 1959 has mobilized more than \$70 billion

from over 500 financing partners for more than 1,100 projects in over 115 emerging markets. Our syndications portfolio of outstanding investment commitments totaled \$16 billion as of June 2019. In FY19, IFC mobilized \$5.8 billion for debt investments in developing countries. The second platform, IFC Asset Management Company, has raised \$10.1 billion in assets and manages 12 investment funds.

We continue to innovate and develop new products, expanding our debt platforms to reach a bigger share of the potential \$80 trillion in untapped liquidity from global institutional investors. These products and platforms, together with our traditional syndications products, enable us to mobilize billions in private capital to emerging economies, including to the world's poorest countries—those eligible to borrow from the World Bank's IDA.

Photo: Working with World Bank Group partners, IFC mobilized large-scale financing for Guinea's \$1.5 billion Sangarédi bauxite mine—one of the country's largest foreign investments.

In FY19, we provided an additional \$600 million financing to 22 projects in 17 countries using credit insurance policies as de-risking tools provided by private insurance companies. Some of these projects are taking place in fragile economies with limited or no alternative financing resources. We continued to expand the Managed Co-Lending Portfolio Program (MCLPP), created in 2013.

Delivering local-currency financing solutions to our clients was another focus area in FY19. We mobilized the equivalent of \$1.2 billion in local currencies to 11 projects in six countries, using various local-currency loan-syndication products. In Brazil, IFC mobilized an additional 150 million reais (about \$40 million) following a similar investment to support the development of digital infrastructure by Phoenix Towers. The company builds telecommunications towers that allow mobile network operators to deploy 4G networks in underserved parts of the country.



PROMOTING SUSTAINABILITY

IFC helps businesses in developing countries overcome key obstacles to sustainable growth.

Page **70**
Sustainability
Innovative
Solutions
for Improving
Cities

Page **72**
Climate
Mainstreaming
Green-Business
Opportunities



Y

Page **74**

Gender

Helping Women
Bridge the
Opportunity Gap

Innovative Solutions for Improving Cities

More than half of all people live in urban areas, which helps explain why cities consume close to two-thirds of the world's energy and account for more than 70 percent of global greenhouse-gas emissions. As more people move to cities, the speed and scale of urbanization also accelerates the demand for affordable housing, well-connected transport systems, and other infrastructure, basic services, and jobs.



Photo: IFC helped municipal leaders in Bogotá introduce a new cable car system that bypasses crowded city streets, cutting some commutes by up to 45 minutes.

To meet such vast needs, IFC works with governments and the private sector to build inclusive, safe, resilient, and sustainable cities that serve residents and businesses. Areas of focus include green buildings, public transportation, electric vehicles, waste management, water supply, and renewable energy.

IFC's \$8 billion Cities Initiative illustrates how our sustainability principles are already transforming

hundreds of urban areas across more than 60 countries. In Bogotá, Colombia, for example, drivers and passengers used to endure bumper-to-bumper traffic because of outdated transportation infrastructure. IFC helped the city build cable cars that cut some commutes by 45 minutes. Riders are also safer, following IFC-led community engagements that revitalized surrounding parks, gardens, and community centers. New IFC-backed bus rapid transit lines have shortened travel times across the city.

IFC's model for engaging with cities — combining investment and advice — has been replicated in Argentina, where IFC and the Buenos Aires city government partnered to improve urban mobility. IFC provided a \$50 million loan to

finance sustainable infrastructure such as the new Metrobus and bicycle routes. We have also offered technical advice to support low-emission transport and energy efficiency options for the city, which last year hosted Urban 20, an IFC-supported G20 initiative that brought together mayors from around the world to discuss ways the private sector can promote environmentally friendly urban solutions.

In Mariupol, Ukraine, where an influx of more than 100,000 refugees since 2014 has strained the city's resources, the aging public transport fleet struggles to meet local needs. IFC's €12.5 million loan has added efficient and comfortable buses to the fleet alongside a new bus depot, bus workshop tools and equipment, and a traffic planning and management system. IFC is also providing advice to improve the transport system's governance structure, bolster private sector participation, and enhance long-term financial and operational sustainability.

Expanding access to basic infrastructure and essential services to low-income communities in a sustainable way is one of the ultimate objectives of our Social Bond Program. Proceeds from these bonds contribute to financing projects in these areas. In FY19, we issued 12 social bonds in seven currencies, raising the equivalent of \$538 million. In January 2019, in response to investor demand, we more than doubled the outstanding volume of our Australian dollar Kangaroo social bond, raising an additional 400 million Australian dollars.



Mainstreaming Green-Business Opportunities

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o confront the challenge of fostering climate resilience, economies must become climate-smart. IFC is mainstreaming climate business across sectors, focusing on clean energy, green finance, green buildings, climate-smart cities, and climate-smart agribusiness.

In FY19, we met our climate target, providing \$5.8 billion in climate-smart financing, including \$3.2 billion mobilized from other investors.

This accounted for 30 percent of our total commitments for the year. Our investments have helped avoid the emission of 15.5 million tons of carbon dioxide equivalent.

IFC helps agribusiness companies become more productive by using climate-smart technologies and practices in high-emission sectors such as fertilizer. In India, we put together a \$60 million package for Deepak Fertilisers and

Petrochemicals Corporation Limited to help the company install nitrous oxide abatement facilities. IFC will also support the company to implement an environmental and social action plan.

Green buildings continue to be a priority. IFC's Excellence in Design for Greater Efficiencies (EDGE) program now covers more than 150 countries to certify green buildings. EDGE creates an attractive investment opportunity for IFC and other banks. In five years, IFC's investments in green buildings rose from \$160 million to \$761 million for both IFC's own account and mobilized capital. One of these investments is a loan package of \$275 million to support PT Trans Corpora in Indonesia to open 125 green retail stores across 25 cities by 2025. PT Trans Corpora is expected to create more than 30,000 jobs and work with more than 6,000 suppliers, nearly 70 percent of whom are small and medium enterprises (SMEs).





Renewable energy remains a significant part of IFC's climate investments. IFC invested \$2.4 billion in FY19 and is increasingly working upstream to open markets for new technologies. We partnered with the World Bank's Energy Sector Management Assistance Program (ESMAP) to explore new markets for offshore wind and floating solar photovoltaics. We are also working with companies and regulators to scale storage markets in emerging economies, enabling more renewable energy to enter the grid.

Green bonds are a key way of providing long-term capital to issuers to drive climate business. IFC issued 37 green bonds totaling \$1.6 billion in 11 currencies. This included a Sterling green bond of 350 million British pounds in July 2018 — the first such bond to be issued by a multilateral development bank since 2015. In Indonesia, IFC issued an inaugural Indonesian

rupiah Komodo green bond that raised the equivalent of \$134 million. We also issued our first Colombian peso-denominated green bond of 35 billion Colombian pesos (\$10 million equivalent) that was placed in the offshore market.

IFC is also building the market by investing in green bonds issued by financial institutions and other companies. IFC committed \$150 million in a green bond issued by Indonesia's Bank OCBC NISP, contributing to the government's target of a 29 percent reduction in greenhouse emissions by 2030. In Thailand, IFC became the sole investor in TMB Bank's \$60 million green bond. This is the first green bond issued by a commercial bank in Thailand. IFC also created the first global green bond fund targeting corporate issuers in emerging markets, the Real Economy Green Investment Opportunity (REGIO) Fund. It is expected to catalyze at least

\$500 million in private capital to support climate-smart investments in developing countries.

IFC is increasingly building climate risk considerations into our business and sharing lessons globally. We piloted climate risk assessment in FY19. IFC and the World Bank act as the Secretariat for the Carbon Pricing Leadership Coalition, which works with governments, corporations, and civil society to advocate for effective ways to price carbon. IFC discloses under the guidelines recommended by the Task Force on Climate-related Financial Disclosures (see page 104).

Photo: Jakarta-based Asia Green Real Estate uses EDGE, IFC's green building standards and certification program.

Helping Women Bridge the Opportunity Gap

Ho Thi Hai Ngan, a Vietnamese businesswoman, launched two ventures, but they both failed because of a lack of financing. Yet she persevered and opened an electronics store after receiving a \$25,000 loan from Vietnam Prosperity Commercial Joint Stock Bank (VPBank). Within six months, the value of her business quadrupled to \$400,000.

IFC's \$125 million investment in VPBank helped make Ngan's loan possible. At \$1.4 trillion, the gap for financing women-owned small and medium enterprises (SMEs) in emerging markets is immense. IFC has long worked with financial institutions to increase the flow of capital to women. Through our Banking on Women program, we have invested and provided advisory services to 88 financial institutions in 50 countries to increase financing for women-owned and women-led SMEs. As of June 2019, our portfolio totaled \$2.2 billion.

We mobilize our investment partners to get more money into the hands of female business owners. In Brazil, where women-owned SMEs face a \$19 billion financing gap, we arranged a \$225 million loan for Banco Santander Brasil, which includes \$75 million mobilized from a commercial bank. The funding is earmarked for women-owned firms.

But women entrepreneurs require more than credit to succeed. It is also important to provide access to training and networks. The Women Entrepreneurs Finance Initiative (We-Fi), a collaborative partnership hosted by the World Bank Group, addresses those needs. In FY19, we partnered with WEConnect International, a global network that connects women-owned businesses to qualified buyers, to boost access to markets for women-owned SMEs in emerging markets.

In Nigeria, IFC worked with AXA Mansard to design insurance products for women. AXA increased the number of policies sold to

Photo: Business began to boom for Vietnam's Ho Thi Hai Ngan when she received financing from IFC client VP Bank. IFC works with local financial institutions worldwide to help close the \$1.4 trillion gap in financing for women-owned SMEs in emerging markets.





women to more than 40,000 as of December 2018 from 19,000 in late 2016, when the project was launched. The company plans to insure 60,000 Nigerian women by 2020. With support from We-Fi, we are now working in Cameroon, Ghana, and the Philippines to bring insurance coverage to more women.

We also promote diversity in corporate leadership. Nominations of female board members in firms where we have investments rose to 36 percent from 15 percent in 2011, when we started monitoring the data. Our goal is to reach 50 percent by 2030.

Our research highlighting the business case for narrowing the gender gap is yielding significant findings as well. IFC's FY19 report *Moving Toward Gender Balance in Private Equity and Venture Capital* found that private equity and venture capital funds with gender-balanced senior investment teams generated up to 20 percent higher returns compared with funds that have a majority of male or female leaders. The findings of the report suggest that the lack of women as allocators and recipients of capital may reduce investment returns and hurt female entrepreneurs.



About Us

IFC strives to deliver what cannot be obtained elsewhere. We call that special edge our “additionality.” Using it to maximize our development impact is a cornerstone of our strategy.

77

OUR EXPERTISE

- 78 Where We Work
- 79 What We Do
- 83 Our Industry Expertise

85

MEASURING UP

- 86 Understanding Our Development Impact

91

OUR PEOPLE & PRACTICES

- 92 Our Governance
- 93 Accountability
- 94 Global Partnerships
- 97 Portfolio Management
- 98 Managing Risks
- 100 Our Approach to Sustainability
- 104 Reporting Under the Task Force on Climate-related Financial Disclosures
- 106 Independent Auditor’s Limited Assurance Report on a Selection of Sustainable Development Information
- 108 Financial Performance Summary

OUR EXPERTISE

IFC combines investment with advice and resource mobilization to help the private sector advance development.

Where We Work

As the largest global development institution focused on the private sector, IFC has a staff presence in 93 countries. We apply lessons learned in one region to solve problems in another—just as we show companies how to match their expertise to opportunities in other developing countries.



What We Do

IFC provides investment, advice, and asset management to clients in developing countries. These offerings complement each other, giving us a unique advantage as we help the private sector create opportunities. Our products and services are tailored to a client's specific needs, adding value every step of the way. Our ability to attract other investors brings additional benefits, introducing our clients to new sources of capital and better ways of doing business.

INVESTMENT

Our financial products enable companies to manage risk and expand their access to foreign and domestic capital markets. Since IFC operates on a commercial basis, we invest exclusively in for-profit projects in developing countries and charge market rates for our products and services.

Our offerings are designed to meet the specific needs of member countries across different industry sectors—with a special focus on infrastructure, manufacturing, agribusiness, services, and financial markets. In FY19, we made \$19.1 billion in long-term investments in 269 projects to support the private sector in developing countries. This includes \$10.2 billion mobilized from other investors.

PRODUCT LINES

Loans

IFC finances projects and companies through loans for our own account, typically for seven to 12 years. We also make loans to intermediary banks, leasing companies, and other financial institutions for on-lending.

While IFC loans traditionally have been denominated in the currencies of major industrial nations, we have made it a priority to structure local-currency products. IFC has provided financing in 73 local currencies.

In FY19, we made commitments for \$7.1 billion in new loans for our own account.

Equity

Equity investments provide developmental support and long-term growth capital that private enterprises need. We invest directly in companies' and financial institutions' equity and also through private-equity funds. In FY19, equity investments accounted for about \$1.0 billion of commitments we made for our own account.

IFC generally invests between 5 percent and 20 percent of a company's equity. We encourage the companies we invest in to broaden share ownership through public listings, thereby deepening local capital markets. We also invest through profit-participating loans, convertible loans, and preferred shares.

Trade and Commodity Finance

The IFC Global Trade Finance Program guarantees trade-related payment obligations of approved financial institutions. The program extends and complements the capacity of banks to deliver trade finance by providing risk mitigation on a per-transaction basis for more than 218 banks across 71 countries.

In FY19, IFC had a commitment of \$4.5 billion in trade finance, more than half of which was committed in International Development Association (IDA)* countries and fragile and conflict-affected situations (FCS).

Syndications

IFC's Syndications Program is the oldest and largest among multilateral development banks. It works to enable IFC's public and private partners—commercial banks, institutional investors, insurance companies, sovereign funds, and other development institutions—to participate alongside us as we provide loans to companies in emerging markets.

By mobilizing our partners' capital, we forge new connections that can help increase foreign investment in the world's poorest countries and provide a fund-raising path for other growing local enterprises to follow. In FY19, IFC syndicated a total of \$5.8 billion to 70 partners through B loans, parallel loans, credit mobilization, local currency syndications, and the award-winning Managed Co-Lending Portfolio Program, which creates bespoke portfolios of emerging-market loans for investors.

Syndications accounted for 57 percent of the total third-party funds mobilized by IFC for our clients in FY19, and 37 percent of these funds went to borrowers in IDA and FCS countries. At year-end, Syndications managed a total portfolio of \$15.8 billion on behalf of its investment partners.

Derivatives and Structured Finance

IFC makes derivatives products available to our clients, solely for hedging purposes. By allowing these companies to access international derivatives markets to hedge currency, interest-rate or commodity-price risks, we enable them to enhance their creditworthiness and improve their profitability. In offering risk-management products, IFC acts generally as an intermediary between the market and private companies in emerging markets. IFC also provides structured-finance products for clients seeking to raise funds on global and local capital markets and manage financial risk. IFC has assisted first-time client issuers in accessing the markets through partial credit guarantees. We also assist clients in structuring and placing securitizations with capital-markets investors.

*This refers to IDA-17.

Blended Concessional Finance

IFC uses several tools to crowd in private financing that would otherwise not be available for high-impact development projects. One tool that is helping us move into more challenging environments is blended finance. This involves blending concessional funds—typically from development partners—with our own financing and that of our co-investors. Blended finance can help de-risk or improve the risk-reward profile of transactions that are on the threshold of commercial viability, making them more attractive to private sector investors.

IFC's blended concessional finance facilities cover a range of countries, sectors, and thematic areas that are essential to IFC's strategy. One of these facilities, the IDA Private Sector Window, for example, is playing a crucial role in mobilizing investment into some of the world's least developed countries.

In FY19, we committed more than \$236 million of concessional donor funds, catalyzing \$589 million in investments for IFC's own account. IFC also plays a leadership role in the implementation of Development Finance Institutions' Blended Finance Principles, which call for a disciplined approach to blended concessional finance to avoid market distortions and crowd in private sector investment.

ADVICE

Providing advice is a critical part of IFC's strategy to create markets—an effort coordinated with governments and the World Bank. Through our advisory programs, we work with clients—including companies, financial institutions, industries, and governments—to transform ideas into bankable projects. We help establish the necessary conditions that will attract capital, enabling the private sector to grow.

Our advisory work is informed by the IFC-World Bank Country Private Sector Diagnostics, the World Bank Group's multiyear Country Partnership Frameworks, and IFC's Sector Deep Dives.

- We help companies attract private investors and partners, enter new markets, and increase their impact. We provide tailored market insights as well as advice on how to improve companies' operational performance and sustainability.
- We help industries adopt good practices and standards to increase competitiveness and productivity.
- We help governments structure public-private partnerships to improve people's access to high-quality infrastructure and basic services. We also advise on improving the business environment through reforms that promote investment, spur growth, and create jobs—while providing support for the implementation of these reforms.

- We work in collaboration with the World Bank to provide upstream policy advice that helps create markets and support future transactions in multiple industries.

Particularly in the poorest and conflict-affected areas of the world, we work with clients to improve their environmental, governance, and social practices—including those related to gender. We also help potential investment clients improve their operational performance and management practices to attract the financing they need.

In FY19, our advisory portfolio grew to \$1.5 billion, encompassing 783 advisory projects in 116 countries. Fifty-nine percent of IFC's advisory program was in IDA countries, 21 percent was in FCS areas, and 24 percent of our advisory program was climate-related. Forty-two percent included efforts to improve gender-related issues. Our advisory staff members remain close to clients, with almost 80 percent based in the field.

HOW WE WORK WITH COMPANIES

Agribusiness: We help companies improve productivity and standards by creating efficient value chains, ensuring food security, enabling strong links with smaller farming enterprises and rural communities, and improving the focus on positive economic, social, and environmental outcomes across the food supply chain.

Infrastructure and Natural Resources: We help companies develop high-impact bankable projects by supporting them to provide increased benefits to local communities to mitigate local risks in projects. We also help companies use resources such as energy and water more efficiently, support the development of renewable-energy markets, and help expand people's access to modern energy services.

Corporate Finance Services: We help companies enter new markets, attract investors, and structure complex projects, offering advice on the design and execution of mergers, acquisitions, and partnerships.

Green Buildings: We offer tools and training to help companies construct buildings that use energy, water, and materials more efficiently. We also help governments establish related policy frameworks and work with banks to launch green-finance products.

Small and Medium Enterprises (SMEs): We help SMEs strengthen their skills and performance, improving their ability to participate in the supply and distribution networks of larger firms. We advise companies and governments on how to improve working conditions and boost the competitiveness of the textile sector's supply chain.

Gender Equality: We work with companies to enhance the recruitment, retention, and promotion of women. We also help companies increase women's access to financial services, technology, information, and markets.

Corporate Governance: We help companies improve access to capital, mitigate risk, and safeguard against mismanagement by improving their corporate governance.

Environmental and Social Risk Management: We help integrate environmental and social risk-management considerations into companies' operations to achieve long-term success.

HOW WE WORK WITH FINANCIAL INSTITUTIONS AND FUNDS

Financial Institutions: We help clients strengthen risk management and diversify product offerings in categories such as SME finance, gender, housing finance, and sustainable energy. We also promote universal access to finance, strengthen capital markets, and establish credit bureaus and collateral registries.

Fund Managers: We help develop the private equity industry in frontier markets and provide advice to fund managers and SMEs in which the funds invest.

HOW WE WORK WITH GOVERNMENTS

Public-Private Partnerships (PPPs): We help governments design and implement PPPs that are tailored to local needs, help solve infrastructure bottlenecks, and achieve national development goals.

Financial Sector: We work with governments and the private sector to build resilient, transparent, and smooth-functioning financial systems and capital markets.

Investment Climate: We help improve the business environment through reforms that promote investment, spur growth, and create jobs.

Cities Initiative: We help local governments, municipalities, and provinces prioritize and develop sustainable, resilient infrastructure services for their citizens.

Joint World Bank Group Initiatives: Operating within World Bank Group joint global practices, we work upstream to create a business enabling environment where financial stability, access to finance, and risk management provide a foundation to crowd in private sector investment, create capital markets, and accelerate equitable growth. We complement these efforts by working through the Joint Capital Markets Program (J-CAP), a World Bank Group initiative to develop local capital markets.

IFC ASSET MANAGEMENT COMPANY

IFC Asset Management Company, LLC, a wholly owned subsidiary of IFC, mobilizes and manages capital for businesses in developing countries and frontier markets. Created in 2009, AMC provides investors with unique access to IFC's emerging-markets investment pipeline, while also expanding the supply of long-term capital to these markets. AMC enhances IFC's development impact and generates profits for investors by leveraging IFC's global platform and investment standards.

As of June 30, 2019, AMC had raised approximately \$10.1 billion, including about \$2.3 billion from IFC. It manages 12 investment funds covering equity, debt, and fund-of-fund products on behalf of a wide variety of institutional investors, including sovereign wealth funds, pension funds, and development-finance institutions.

AMC FUNDS

IFC Capitalization Fund: The \$3 billion IFC Capitalization Fund consists of two subfunds—an equity fund of \$1.3 billion and a subordinated debt fund of \$1.7 billion. Launched in 2009, the fund helped systemically strengthen important banks in emerging markets, bolstering their ability to cope with financial and economic downturns. As of June 30, 2019, the fund had made 41 investment commitments totaling \$2.8 billion.

IFC African, Latin American, and Caribbean Fund: The \$1 billion IFC African, Latin American, and Caribbean Fund was launched in 2010. The fund invests in equity and equity-related investments across a range of sectors in Sub-Saharan Africa and in Latin America and the Caribbean. As of June 30, 2019, the fund had made 38 investment commitments totaling \$876 million.

Africa Capitalization Fund: The \$182 million Africa Capitalization Fund was launched in 2010 to invest in systemically important commercial-banking institutions in Africa. As of June 30, 2019, the fund had made eight investment commitments totaling \$130 million.

IFC Catalyst Fund: The \$418 million IFC Catalyst Fund was launched in 2012 and invests in funds that provide growth capital to companies developing innovative ways to address climate change in emerging markets. It also may invest directly in those companies. As of June 30, 2019, the fund had made 22 commitments totaling \$365 million.

IFC Global Infrastructure Fund: The \$1.2 billion IFC Global Infrastructure Fund was launched in 2013 and co-invests with IFC in equity and equity-related investments in the infrastructure sector in emerging markets. As of June 30, 2019, the fund had made 22 investment commitments totaling \$702 million.

China-Mexico Fund: Launched in 2014, the \$1.2 billion China-Mexico Fund is a country-specific fund that makes equity, equity-like, and mezzanine investments along with IFC in Mexico. It focuses on infrastructure alongside other sectors, including manufacturing, agribusiness, services, and banking. As of June 30, 2019, the fund had made three investment commitments totaling \$320 million.

IFC Financial Institutions Growth Fund: The \$505 million IFC Financial Institutions Growth Fund is a follow-on fund to the IFC Capitalization Fund and makes equity and equity-related investments in financial institutions in emerging markets. As of June 30, 2019, the fund had made five investment commitments totaling \$158 million.

IFC Global Emerging Markets Fund of Funds: Launched in 2015, the \$800 million IFC Global Emerging Markets Fund of Funds invests mainly in private equity funds that are focused on growth companies in various sectors across emerging and frontier markets. The fund also invests directly in such companies. As of June 30, 2019, the fund had made 28 investment commitments totaling \$740 million.

IFC Middle East and North Africa Fund: Launched in 2015, the \$162 million IFC Middle East and North Africa Fund makes equity and equity-related investments in the MENA region. As of June 30, 2019, the fund had made four investment commitments totaling \$66 million.

Women Entrepreneurs Debt Fund: The \$115 million Women Entrepreneurs Debt Fund, launched in 2016, extends senior loans to commercial banks for on-lending to women-owned small and medium enterprises in emerging markets. This is a component of the \$600 million Women Entrepreneurs Opportunity Facility, a partnership established in March 2014 between IFC and the Goldman Sachs 10,000 Women initiative. As of June 30, 2019, the fund had made investment commitments to 10 banks amounting to \$110 million.

IFC Emerging Asia Fund: The \$693 million IFC Emerging Asia Fund, launched in 2016, makes equity and equity-like investments across all sectors in emerging markets in Asia. As of June 30, 2019, the fund had made five investment commitments of \$145 million.

Our Industry Expertise

IFC's leadership role in sustainable private sector development reflects the depth and breadth of expertise we have acquired over 60 years of helping emerging-market firms succeed and grow. This is a unique advantage in the marketplace.

We leverage our global industry knowledge to tackle the biggest development challenges of our era—including unemployment, climate change, and food and water security.

AGRIBUSINESS AND FORESTRY

Agribusiness plays an important role in poverty reduction. The agricultural sector accounts for at least half of GDP and employment in many developing countries—making it a priority for IFC.

We provide financing and advisory support for the private sector to address the demand for food in an environmentally sustainable and socially inclusive way.

IFC offers long-term financing and working-capital solutions to help clients finance inputs, including seeds, fertilizers, and crop-care chemicals for farmers.

We pursue investments in logistics and infrastructure such as warehouses and cold chains to improve the efficiency of supply chains and reduce food waste. To improve agricultural productivity, we work to expand the adoption of efficient operational techniques and technologies that allow the best use of inputs and resources and help mitigate climate-change impacts. IFC also provides advisory support to strengthen client operations, increase operational capacity of smallholder farmers, address climate-change impacts, improve food safety, and unlock new markets.

In FY19, our new long-term commitments for our own account in agribusiness and forestry totaled about \$501 million.

FINANCIAL INSTITUTIONS

Well-functioning, inclusive, and sustainable financial markets ensure efficient resource allocation and are essential for achieving the World Bank Group's twin goals to end extreme poverty and boost shared prosperity, as well as meeting the United Nations' Sustainable Development Goals.

IFC's work with financial intermediaries helps strengthen financial institutions and overall financial systems, expanding existing capital markets and creating new ones, which includes bolstering their environmental and social risk management practices. This allows IFC to support micro, small, and medium enterprises and enables the growth of digital financial services delivery channels to a far greater extent than we would be able to support on our own.

As IFC operates through financial intermediaries, we encourage them to become more involved in priority sectors—such as women-owned businesses and climate change—and in fragile and conflict-affected states, as well as in housing, insurance, infrastructure, and social services.

In FY19, our new long-term commitments for our own account in financial markets totaled about \$5 billion.

HEALTH AND EDUCATION

Health care and education are basic human needs—but they remain beyond the reach of many people in developing countries.

Expanding access to health care and education is a central element of any strategy to end poverty and boost prosperity. IFC supports health-care providers and life-sciences companies by providing financing and advisory support, sharing industry knowledge, raising management and clinical standards, improving adherence to global quality standards for medicines, helping shape government policy, and supporting public-private collaboration.

In education, we support private enterprises to complement the work of the public sector and create more opportunities for people so that they are productive in rapidly changing economies. We work with technology-based solutions and vocational education providers, and also tertiary education institutions, to improve employability options for their students.

IFC is the world's largest multilateral investor in private health care and education. In FY19, our new long-term commitments for our own account in health and education totaled about \$374 million.

INFRASTRUCTURE

Modern infrastructure spurs economic growth, improves living standards, and can help address emerging development challenges, including rapid urbanization and climate change. IFC focuses on supporting private infrastructure projects whose innovative, high-impact business models can be widely replicated. This work includes early-stage and strategic engagement with governments, developers, and investors. We are committed to it because the private sector can make a significant contribution to infrastructure, providing essential services to large numbers of people—and do so efficiently, affordably, and profitably.

Our work to support infrastructure advances people's access to power, transportation, and water. Additionally, we advise governments on public-private partnerships, collaborate with mayors to improve municipal and environmental infrastructure, and find solutions to urban transport and other challenges. We mitigate risk and leverage specialized financial structuring and other capabilities to make projects bankable. We also help mitigate project risks by helping companies engage multiple stakeholders and support benefit sharing activities with local communities.

In FY19, our new long-term commitments for our own account in this sector totaled about \$1.1 billion.

MANUFACTURING

The manufacturing sector plays a vital role in creating opportunity and reducing poverty in developing countries. We work with our clients to increase production scale and complexity—introducing more value-added manufactured products and using more advanced industrial-process technologies. Fostering the production of basic materials such as cement, chemicals, and metals can have a ripple effect across value chains—with the potential to create formal jobs in manufacturing as well as in associated services.

We have maintained our focus on manufacturing, including in construction materials, textiles and garments, industrial equipment, and transportation machinery. We invest in and advise companies that seek a more complex model of production. We promote best practice standards in areas such as energy efficiency, carbon emissions, human resources, and gender. We also provide advisory support on improving workforce and operational productivity for mid-size manufacturing clients.

In FY19, our new long-term commitments for our own account in the manufacturing sector totaled about \$534 million.

NATURAL RESOURCES

Industries that can harness natural resources are vital for many of the world's poorest countries. They are a key source of jobs, energy, and government revenues. They also provide a wide array of benefits for local economies through sustainable supply chains and benefit-sharing programs.

IFC's mission in the oil, gas, and mining sector is to help developing countries realize these benefits, while helping promote sustainable solutions for community development. We provide financing and advice for private sector clients, and also help governments adopt effective regulations and strengthen their capacity to manage these industries across the value chain.

In FY19, our new long-term commitments for our own account in the sector totaled about \$280 million.

TELECOMMUNICATIONS AND INFORMATION TECHNOLOGY

The rise of digital technologies offers emerging markets a once-in-a-generation opportunity to lay the foundation for economic growth, social inclusion, innovation, job creation, and access to high-quality services that would have been unimaginable even a decade ago.

Because IFC has one of the largest footprints in emerging markets, we are shaping the ways that the enabling infrastructure for digital technologies such as telecommunications towers, broadband, and data centers is developed and financed. We are also investing in ventures and growth-stage companies that offer innovative technologies or business models geared at emerging markets in areas including health care, education technology, e-commerce, and clean technology.

In FY19, our new commitments for our own account in this sector totaled about \$131 million.

TOURISM, RETAIL, AND PROPERTY

The tourism, retail, and property sectors contribute significantly to job creation, tax revenues, and economic growth for developing countries.

Our investments promote the development of business-enabling infrastructure—including business hotels, warehousing, and commercial property. We work with our retail and hotel clients to create jobs, increase tax revenues, improve business and trading conditions along their value chains, and raise labor standards. We also invest in property companies to expand affordable housing. In each of these areas, green buildings play a key role in our investment and advisory work.

In FY19, our new long-term commitments for our own account in tourism, retail, and property totaled about \$522 million.

MEASURING **UP**

IFC offers clients a unique combination of investment and advice designed to promote sustainable private sector development in emerging markets. We use this special edge to maximize our development impact.

Understanding Our Development Impact

IFC is at the forefront of measuring development outcomes for private sector operations. We set corporate targets for development impact and measure the results of our work to gain a critical understanding of how effective our strategies are—and to determine if we and our clients are reaching the people and markets that most need our help.

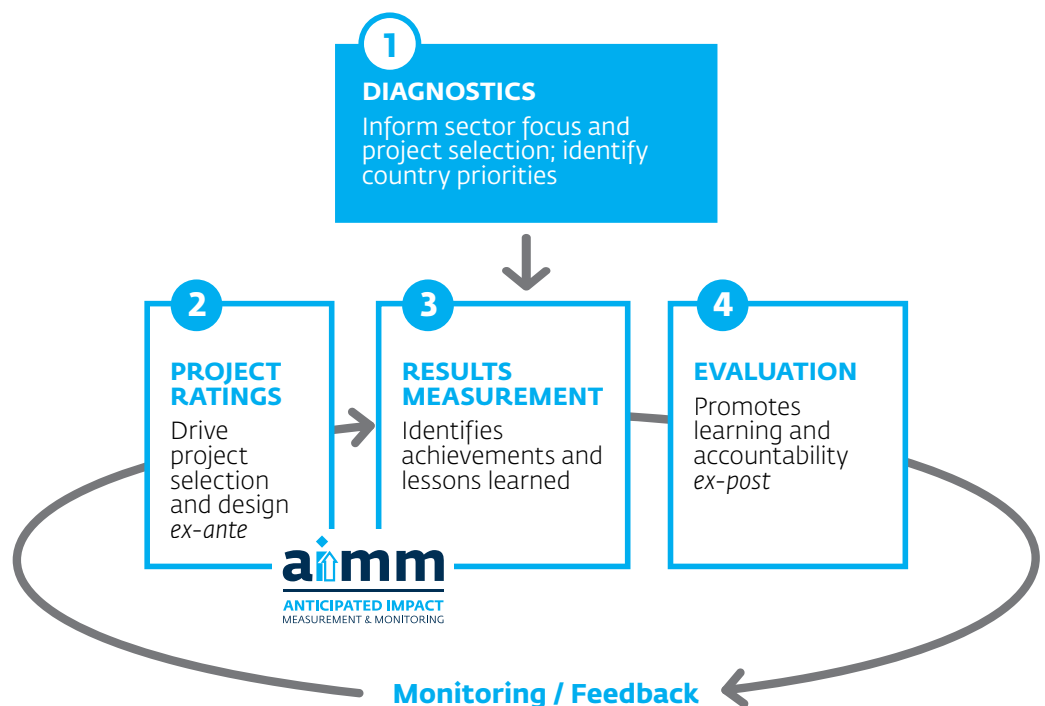
IFC'S APPROACH TO DEVELOPMENT IMPACT

IFC has developed a comprehensive approach to manage for greater development impact and improve our performance each year. The process, which includes the use of scorecard targets, begins with country and sector diagnostics. This leads to the development of country strategies that identify sector priorities and potential engagements. The process is strengthened by an assessment of anticipated development outcomes that informs project selection and design. Regular monitoring of project results—and eventually, selective evaluation of mature projects to identify outcomes achieved and lessons learned—allows us to meet our goals.

DIAGNOSTICS—IDENTIFYING THE NEEDS AND BARRIERS

IFC's work begins with a diagnosis of the opportunities and constraints to private sector solutions to development challenges in specific countries. Country Private Sector Diagnostics (CPSDs)—a joint IFC-World Bank tool—identify constraints to private sector investment and recommend specific actions in priority areas to address those constraints. They also identify sectors with significant potential for private sector engagement and development impact.

AN END-TO-END SUPPORT SYSTEM FOR IMPACT ASSESSMENT



CPSDs tap into IFC’s extensive knowledge of the private sector and its needs and limitations across sectors and geographies and into the World Bank’s expertise in promoting country policy reforms and dialogue with governments.

In FY19, we published CPSDs on Angola, Ethiopia, Kenya, Nepal, and Rwanda and finalized another seven—Burkina Faso, Guinea, Morocco, Senegal, Philippines, South Africa, and Uzbekistan. As of June 2019, an additional 15 CPSDs were being developed—Egypt, Côte d’Ivoire, Democratic Republic of Congo, Ecuador, Haiti, Indonesia, Jordan, Kyrgyz Republic, Lebanon, Madagascar, Mozambique, Myanmar, Nigeria, Tunisia, and Ukraine—and we have a robust pipeline of CPSDs for FY20. Published CPSDs are available at www.ifc.org/cpsd.

To promote cross-institutional collaboration on diagnostics work, IFC, the World Bank, and other development finance institutions—including the European Bank for Reconstruction and Development, the European Investment Bank, the United Kingdom’s Department for International Development, and the Swedish International Development Cooperation Agency—launched the Country Diagnostic Platform in FY19. The website makes available diagnostic papers that identify obstacles to progress as well as opportunities for private sector development in emerging economies. Published diagnostics are available at www.countrydiagnostics.com.

AIMM—ASSESSING EXPECTED IMPACT AND MEASURING RESULTS

The Anticipated Impact Measurement and Monitoring (AIMM) system, launched in July 2017, is IFC’s development impact rating system. Potential projects are rated and selected on the basis of their expected development outcomes. This approach enables us to set ambitious yet achievable targets, select projects with the greatest potential for development impact, and optimize project design.

The AIMM system enables IFC to assess a project’s outcomes as well as its effect on market creation. It looks at how project beneficiaries—including employees, customers, and suppliers—are affected. It also examines broader effects on the economy and society. With the AIMM system, IFC can examine how a project promotes objectives that contribute to the creation of markets—by enhancing competitiveness, resilience, integration, inclusiveness, and sustainability. Ultimately, the system helps IFC maintain a line of sight from our intermediate objectives to the World Bank Group’s twin goals and the UN Sustainable Development Goals.

The AIMM system incorporates country context in all of its assessments and captures greater development impact potential in projects that seek to address the widest gaps in the most difficult environments.

IFC has developed sector frameworks that provide the analytical support to facilitate the assessment of a project’s expected outcomes and contribution to market creation. Sector frameworks present the development impact thesis that motivates IFC’s involvement in a sector.

IFC has now assessed more than 750 investment projects for their expected development impact and assigned ex-ante—or expected—AIMM scores to each of them. Ex-ante AIMM scores are fully integrated into investment teams’ decision making, allowing IFC managers to weigh development impact considerations against a range of strategic objectives, including return, risk, country, and thematic priorities.

WHAT EX-ANTE AIMM SCORES SAY ABOUT IFC’S DEVELOPMENT IMPACT

At the start of FY19, IFC established development impact targets for new committed projects in the fiscal year. These targets are: for AIMM-scored, committed projects, an average ex-ante AIMM score of 56, with 15 percent of committed projects rated “very strong” for market creation potential. For the first time, we defined in quantitative terms IFC’s development impact ambitions for new projects at the start of a fiscal year.

During the year, IFC committed 187 projects that were scored for ex-ante development impact using the AIMM system. The average ex-ante AIMM score for these projects was 64, or “good.” The share of AIMM-scored projects that were rated “very strong” for ex-ante market creation potential totaled 12 percent.

The tables that follow summarize key outcomes from the first year of implementing the AIMM system on an ex-ante basis.

Average AIMM Scores for Committed Projects in IDA/FCS Countries and for Blended Finance

DESCRIPTION	AVERAGE AIMM SCORE
Committed projects in FCS countries	69
Committed projects in FCS/LIC/IDA17 countries	70
Committed projects in IDA countries	68
Committed projects using blended finance	76

FY19 Committed Projects: Ex-Ante AIMM Score

BY REGION	NUMBER OF PROJECTS SCORED	AIMM SCORE AVERAGE	RATED VERY STRONG MARKET	
Sub-Saharan Africa	44	66	8	18%
Latin America and the Caribbean	38	59	4	11%
East Asia and the Pacific	37	64	5	14%
Middle East and North Africa	12	56	2	17%
Europe and Central Asia	14	62	2	14%
Global	8	70	2	25%
South Asia	34	69	0	0%

BY INDUSTRY	NUMBER OF PROJECTS SCORED	AIMM SCORE AVERAGE	RATED VERY STRONG MARKET	
Manufacturing, Agribusiness, and Services	63	63	3	5%
Financial Institutions Group	84	61	8	10%
Infrastructure and Natural Resources	19	67	4	21%
Telecom, Media, Technology, and Venture Investing	34	71	10	29%

With respect to specific investment projects, several themes emerged during the first year of the AIMM system's implementation:

- IFC's expected development impact was most pronounced in three priority regions: Sub-Saharan Africa, South Asia, and the Middle East and North Africa. Projects in these regions drew from a range of IFC focus areas. Examples include the following:

Nachtigal Hydropower Project, Cameroon: This joint World Bank Group project supports a greenfield, 420-megawatt, run-of-river hydropower plant that adds 30 percent of installed generation capacity and brings clean, affordable power to millions. The World Bank Group's engagement in Cameroon's power sector over the past two decades has helped create an enabling environment for private sector participation, demonstrating the feasibility of a contractual structure that allows for optimal risk-sharing among stakeholders. (See page 54 for more information.)

HDB Financial Services Limited, India: IFC's support to HDB Financial Services Limited, a nonbanking finance company, increases the number and volume of micro and small loans to individuals and very small enterprises in India's low-income states. IFC's investment seeks to increase HDB's micro and small and medium enterprise customer base to more than 2 million clients by 2021 while demonstrating the viability of lending to these enterprises. This will also build investor confidence in mainstreaming financing opportunities for self-employed, low-income households. Our backing is among the first by an international institutional investor in HDB.

DrBridge Holding Limited (ESIP Vezeeta), Middle East and North Africa:

Vezeeta connects patients with doctors throughout the Middle East and North Africa. Its digital platform offers accountability, addressing deficiencies that make it difficult for people to access high-quality health care. Increased transparency with respect to patients' experiences of care, cost, and availability is expected to motivate doctors to improve the quality of services and reduce wait times. The project will also enhance connectivity in the health-care system, increasing coordination of care across different providers. (See page 42 for more information.)

- Several projects highlight the focus on climate, gender, and inclusion of underserved groups in IFC's activities. Of the 187 AIMM-scored projects that were committed in FY19, 60 are expected to contribute to improving market sustainability and/or inclusiveness on a systemic basis.

InfraV-Gaia, Sub-Saharan Africa: This project, undertaken through IFC InfraVentures—IFC's early-stage project development facility—prioritizes development of renewable energy in countries where wind power would be competitive but has no or limited active development. It leverages early-stage risk capital, including concessional resources from the Finland-IFC Blended Finance for Climate Program, and IFC's expertise to develop projects with significant potential to demonstrate the feasibility of wind energy. It establishes a track record for wind power and provides a basis for replication throughout a continent with significant wind potential. The project also adds power generation capacity from a locally available energy resource, helping the power systems in target countries better respond to and withstand potential energy supply shocks.

Financiamiento Progreseemos, Mexico: IFC's debt financing will help Progreseemos triple its portfolio of support to underfunded micro, small, and medium enterprises (MSMEs) in Mexico's frontier regions. About 70 percent of Progreseemos' clients live in rural areas and 45 percent in frontier regions, places that Progreseemos can focus on by leveraging its network of small microfinance institutions (MFIs) with a strong local presence and proximity to clients. IFC expects that the success of this investment will help demonstrate the viability of this model. For larger financial institutions, including banks and larger MFIs, this model will provide efficiency in accessing underserved areas as they leverage the expertise and knowledge of smaller MFIs.

- Among the projects with the highest anticipated impact are those that involved significant upstream work and close collaboration with the World Bank. These include the following:

UTE GNA I Geração de Energia S.A. (GNA I), Brazil:

This project involves the design, construction, and operation of an integrated liquefied natural gas (LNG)-to-power facility. The World Bank program, Revisiting Power and Gas Reforms in Brazil, in place since 2016, consists of complementary studies and consultations to diagnose issues and challenges faced by these sectors in Brazil. World Bank Group diagnostics have included assessments on financing of energy infrastructure and measures that enable the development of a competitive and sustainable gas market. Successful implementation of GNA I—one of the first privately owned and integrated LNG-to-power projects in the country—is expected to unlock additional private investment. The project is also expected to encourage highly efficient backup power capacity plants that displace inefficient and polluting thermal power plants based on heavy fuel oil and diesel. (See page 41 for more information.)

Ayiti Leasing, Haiti: This project provides financing to Ayiti Leasing, the first leasing company in Haiti. It follows a broader engagement by the World Bank Group's Finance, Competitiveness & Innovation Global Practice to lay the groundwork for a leasing market in the country. Since 2014, IFC has offered advisory services to help the company establish a business plan, policies, and procedures, information technology infrastructure, and organizational framework. The project is supported by a second IFC advisory project, which aims to build capacity to scale leasing operations in a commercially sustainable way. IFC's funding will help it expand a new financial product that is well suited to the needs and risk profiles of SMEs, increasing the company's portfolio to 660 leases worth \$21 million by 2022. This will contribute to greater sector competitiveness. (See page 39 for more information.)

Based on a conservative estimate, IFC will contribute to the creation of 1.5 million to 1.9 million jobs over the lifetime of the projects it financed in FY19. These estimates include direct and indirect jobs generated and are derived from projects accounting for about 80 percent of IFC's FY19 investment commitments.¹

In FY19, IFC's investments helped our clients reduce annual greenhouse gas emissions by 15.4 tons of carbon dioxide equivalent.

Starting in FY20, IFC will use the AIMM system to assess the development effectiveness of our portfolio, absorbing the Development Outcomes Tracking System (DOTS). For the past 14 years, DOTS has assigned ratings to IFC projects during supervision and aggregated those ratings to obtain an overall assessment of IFC's impact. The capability of the AIMM system to assess portfolios, when combined with its ex-ante project assessment capability, will provide an end-to-end framework for impact measurement and monitoring.

IFC's development effectiveness results for FY19 are available at www.ifc.org/AnnualReport/DevelopmentEffectiveness

LEARNING FROM SELF-EVALUATIONS AND INDEPENDENT EVALUATIONS

IFC, other World Bank institutions, and the Independent Evaluation Group (IEG) have developed evaluation principles that guide the selection, conduct, and use of self-evaluations and independent evaluations to inform operational strategy and policy.

IFC conducts demand-driven evaluations related to impact evidence that fill strategic knowledge gaps, improve operational decision making, and meet demands from clients and stakeholders. IFC is formulating a new, three-year evaluation strategy and plans to introduce a greater degree of formality and rigor into the process of evaluation topic selection and the conduct and review of these evaluations.

IFC conducts mandatory self-evaluations on investment and advisory operations once they have reached operational maturity, and we conduct self-evaluations on advisory operations once they have reached closure. Investment self-evaluations are performed on a sample of projects, typically five years following approval, and are validated by IEG. Advisory self-evaluations are performed on 100 percent of projects, and a sample is validated by IEG.

1. Employment estimates are computed for individual projects using IFC's economic impact assessment framework. The framework comprises sector-specific models and a variety of assumptions across countries and sectors. For financial intermediaries, the estimate includes on-lending of IFC funds only. Client banks' portfolios grow more than the IFC funding alone, partly because IFC's contribution catalyzes additional funding and partly because the growth is contractually agreed with IFC. This additional expansion, which is hard to attribute precisely, could represent the creation of several million jobs.

In FY19, IFC initiated a pilot program to provide additional support to teams preparing these evaluations. IFC has observed a decline in our portfolio development effectiveness ratings over the past several years. This initiative is aimed at curtailing this trend, strengthening the quality of these analyses, and complementing efforts to improve work quality. Already, IFC has committed significant staff resources to supporting operational teams' self-evaluations and has embarked on regular consultations with IEG to identify processing efficiencies to improve staff understanding of lessons learned from evaluations.

Selected lessons learned from FY19 completed evaluations include:

Women Entrepreneurs in Romania: This report studied the effects of IFC's gender finance facility on Garanti Bank Romania's (GB) clients, particularly the business performance of women-led SMEs that borrowed from the bank between 2011 and 2015. The study found that financial services from GB have had a positive effect on the SMEs' business growth and performance. Additional research and more rigorous evidence are needed to attribute the performance of the SMEs to GB or to IFC.

Secured Transactions in Sub-Saharan Africa: An evaluation showed that the OHADA Uniform Act on Secured Transactions led to \$3.82 billion of domestic credit to the private sector in seven member states—Burkina Faso, Cameroon, Central African Republic, Comoros, Mali, Senegal, and Togo—between 2011 and 2015. The impact of the reform is especially encouraging in the context of conflict-affected countries, where mobilizing private resources is very difficult. For instance, in Central African Republic, OHADA reforms led to an increase of \$33 million in domestic credit to the private sector. This number is much higher in Mali, at \$607 million, even though the country's economy is still recovering from unrest in 2012. IFC's Investment Climate Program supported the OHADA Secretariat and the member states to enact and implement the OHADA Uniform Act on Secured Transactions.

OUR PEOPLE & PRACTICES

IFC's commitment to alleviating poverty and creating opportunity for the developing world's most vulnerable people is reflected in our corporate culture.

Our Governance

OUR PLACE IN THE WORLD BANK GROUP

The World Bank Group is a vital source of financial and technical assistance to developing countries. IFC is one of five members of the Bank Group, although IFC is a separate legal entity with separate articles of agreement, share capital, financial structure, management, and staff.

Membership in IFC is open only to member countries of the World Bank. As of June 30, 2019, IFC's paid-in capital of about \$2.57 billion was held by 185 member countries. These countries guide IFC's programs and activities.

IFC works with the private sector to create opportunity where it's needed most. Since our founding in 1956, we have committed more than \$249 billion of our own funds for private sector investments in developing countries, and we have mobilized more than \$53 billion more from others.

In working to end extreme poverty and to boost shared prosperity, we collaborate closely with other members of the Bank Group.

Our Member Countries— Strong Shareholder Support

OUR MEMBER COUNTRIES	PERCENTAGE OF CAPITAL STOCK
United States	22.18
Japan	6.33
Germany	5.02
France	4.71
United Kingdom	4.71
India	4.01
Russian Federation	4.01
Canada	3.17
Italy	3.17
China	2.41
175 OTHER COUNTRIES	40.28

OUR BOARD

Each of our member countries appoints one governor and one alternate. Corporate powers are vested in the Board of Governors, which delegates most powers to a board of 25 directors. Voting power on issues brought before them is weighted according to the share capital each director represents.

The directors meet regularly at World Bank Group headquarters in Washington, D.C., where they review and decide on investments and provide overall strategic guidance to IFC management. The President of the World Bank Group is also President of IFC.

EXECUTIVE COMPENSATION

The salary of the President of the World Bank Group is determined by the Board of Directors. The salary structure for the IFC Chief Executive Officer (CEO) is determined by positioning a midpoint between the salary structure of staff at the highest level, as determined annually by independent U.S. compensation market surveys, and the salary of the World Bank Group President. The compensation of our executive leadership is transparent.

IFC CEO Philippe Le Houérou receives an annual salary of \$424,000, net of taxes.

■ Accountability

INDEPENDENT EVALUATION GROUP

The Independent Evaluation Group (IEG) is an independent unit that reports directly to IFC's Board of Directors. IEG's mission is to strengthen World Bank Group institutions through evaluations that inform strategies and future work—and lead ultimately to greater development effectiveness.

IEG assesses the results of IFC operations and offers recommendations for improvement. IEG also contributes to internal learning by informing new directions, policies and procedures, and country and sector strategies. This year, IEG evaluated IFC's contributions to creating markets and mobilizing private capital under its new strategy—IFC 3.0. IEG recommended enhancing understanding of market-creating opportunities, increasing access to markets for underserved groups, and regularly assessing IFC's risk-taking capabilities to carry out activities in economies that are structurally weak.

IEG's annual reviews of World Bank Group results and performance and of other major reports are available on IEG's website at <http://ieg.worldbankgroup.org>.

OFFICE OF THE COMPLIANCE ADVISOR OMBUDSMAN

Communities affected by adverse environmental and social impacts of IFC projects may voice their concerns to the Office of the Compliance Advisor Ombudsman (CAO), the independent accountability mechanism for IFC. CAO reports directly to the President of the World Bank Group.

CAO is mandated to address complaints from people affected by IFC projects in a manner that is fair, objective, and equitable—with the objective of enhancing environmental and social project outcomes and fostering greater public accountability of IFC.

CAO works to resolve issues between affected communities and IFC project operators using a collaborative problem-solving approach through its dispute-resolution function. CAO's compliance function independently verifies project due diligence and policy compliance to ensure that IFC project outcomes are aligned with their environmental and social commitments. Through its advisory function, CAO delivers learning on broader environmental and social concerns to improve institutional performance.

In FY19, CAO's caseload comprised 60 cases related to IFC and MIGA projects in 33 countries. Of these, 12 were new eligible complaints, and CAO closed nine cases during the year. More information about how IFC is engaging with CAO's work is available at www.cao-ombudsman.org.

Global Partnerships

IFC and our development partners work together to create markets and mobilize private sector investment for development. Our partnerships provide essential funding for IFC's work, help incubate new ideas, and allow proven solutions to be scaled up. They facilitate knowledge transfer and build business and institutional capacity. They strengthen our impact by channeling resources to initiatives that improve the lives of the poor, empower women and youth, and promote sustainable private sector development.

WORKING WITH DEVELOPMENT PARTNERS

IFC partners with more than 30 governments, 20 foundations and corporations, and a variety of multilateral and institutional entities. In FY19, our development partners committed \$390 million for IFC's advisory services and \$122 million for blended finance initiatives to support priority areas, including increasing private sector investments in International Development Association (IDA) countries and fragile and conflict-affected situations, as well as projects related to gender, climate, financial inclusion, sustainable infrastructure, agribusiness, and manufacturing. This includes new types of partnerships, such as that with the Bill & Melinda Gates Foundation to support agricultural technology firms to scale solutions that address constraints faced by smallholder farmers in India. We also strengthened partnerships through strategic events such as the Development Finance Forum, a World Bank Group flagship event that took place in Rwanda this year. The forum brought together key private and public entities to support business innovation and private sector development solutions in the East African Community.

FY19 commitments from development partners included the following:

Strengthening private sector development in IDA and FCS: Recognizing that the private sector is a leading driver of economic growth and job creation in low-income and fragile countries, our partners have expanded their support to key advisory platforms. The *IFC Support for the G20 Compact with Africa Initiative (ISCA)* received additional support from the Netherlands and Norway with the goal of improving the conditions for attracting private sector investment to the continent. The *Conflict-Affected States in Africa (CASA)* initiative celebrated its 10th anniversary and received additional support from Ireland and Norway to continue work toward sustainable private sector development in conflict-affected economies. The *Infrastructure Development Collaboration Partnership Fund (DevCo)* received further support from the Private Infrastructure Development Group (PIDG) to help governments in low-income countries structure transactions with the private sector for infrastructure projects. The *Partnership for Resilient, Efficient and Sustainable SMEs (PRESS)* was launched with support from Luxembourg with the aim to advance inclusive growth and job creation in IDA and FCS, with a special focus on Africa.

In addition, partners increased support for regional efforts in Sub-Saharan Africa, including the *West Africa Trade Facilitation* project, supported by the United States; the *OHADA (Organisation for the Harmonization of Corporate Law in Africa) Business Law Reform Program* in West and Central Africa, supported by France; and the *AgTech East Africa* project, supported by Norway.

Country-specific private sector development initiatives in Africa were also strengthened. They focused on countries such as Ethiopia, supported by Norway, Sweden, and the United Kingdom; Kenya, supported by the Netherlands; Liberia, supported by Sweden; Mali, supported by Denmark; Mozambique, supported by Sweden; and Somalia, supported by Denmark, the European Commission, and the United Kingdom.

Expanding innovative solutions for gender equality: Partners are committed to supporting IFC's advisory programs focused on closing gaps in female participation in the economy, access to vital services, and opportunities for entrepreneurship and corporate leadership. The *Advancing Women in the Workplace* program, which received support from Canada, reduces women's barriers to paid work through enhancing gender equality in the workplace, reducing gender-based violence and addressing unpaid care.

The *Leveraging the Financial System to Empower Women in Bangladesh* program received support from Norway and seeks to advance access to finance for women-owned small and medium enterprises (SMEs) and women who are underserved by financial institutions.

Gender equality also features as a key component of broader programs supported by our partners, including the *Partnership on Jobs and Education for Forcibly Displaced Persons and Host Communities*, supported by the Netherlands; the *Fiji Partnership*, supported by Australia; and the *Papua New Guinea Partnership*, with additional support from New Zealand.

Continuing our commitment to address climate

change: Together with our partners, IFC is ramping up programs seeking to address the challenges posed by climate change. The *Market Accelerator for Green Construction* program is the first partnership with the United Kingdom that combines advisory services and blended finance to incentivize construction of certified green buildings in emerging markets. The new *Climate Advisory Partnership* received support from the Netherlands to focus on advisory work that accelerates market transformation toward low-carbon economic activity. The *Sustainable Cities Platform* received additional support from Switzerland to help cities in Eastern Europe, Central Asia, the Middle East, and Africa.

Other programs that address climate change and received new support from our partners are the *Scaling Energy Access in Developing Countries* program, supported by the IKEA Foundation; the *Climate Change Partnership Program* and the *ECA Cities Platform*, both supported by Austria; the *Green Building Market Transformation* program in Nigeria and the *Casablanca City* program, both supported by Japan; the *Clean Energy Access Program*, supported by Italy; the *Pacific Risk Sharing Facility*, supported by New Zealand; the *Energy Efficiency Support Program for Ukraine*, supported by the European Commission and Germany; and the *Finland-IFC Blended Finance for Climate Program*.

WORKING WITH INTERNATIONAL INSTITUTIONS

IFC engages with key international institutions to strengthen the role of the private sector in development finance. These institutions include the United Nations, the Organisation for Economic Co-operation and Development, multilateral development banks (MDBs), and development finance institutions (DFIs).

IFC has built strong partnerships with these institutions while sharing lessons from our more than six decades of experience in emerging markets. We have shaped the global agenda on private sector solutions for development impact and engaged our clients to align their business models to new market opportunities presented by the Sustainable Development Goals (SDGs). This engagement is helping enhance the ever-growing role of the private sector in achieving development impact.

In the spirit of SDG 17—which calls for strengthened global partnerships to support and achieve the ambitious targets of the 2030 Agenda for Sustainable Development—we enhanced our partnership with the International Fund for Agricultural Development (IFAD) in FY19. This partnership involves sharing country investment strategies, advice, and consultation on new financial products, and potential joint advisory and investment activities.

IFC collaborates with MDBs through the MDB Heads platform, where our management regularly discusses issues of strategic importance to the MDB system. Notable achievements include harmonizing the way we define and measure mobilization of private finance, climate finance, blended concessional finance, and additionality in private sector operations. IFC is leading an effort to increase collaboration with other DFIs in strategic countries to increase efficiency and collective impact.

Furthermore, IFC worked with other MDBs to publish a joint report on the mobilization of private finance by MDBs and DFIs, using a common measurement framework and methodology. The report, published in June 2018, found that MDBs and DFIs mobilized more than \$160 billion from private investors in 2017. This included mobilization by the European Development Finance Institutions (EDFIs). IFC continues to chair the MDB/DFI work on blended concessional finance that led to the adoption of the DFI Enhanced Principles for Blended Concessional Finance for Private Sector Projects.

Development partner commitments

FINANCIAL COMMITMENTS TO IFC ADVISORY SERVICES (US\$ MILLION EQUIVALENT)

Summary	FY19	FY18
Governments	290.11	192.01
Institutional/Multilateral Partners	95.12	76.34
Corporations, Foundations, and NGOs	5.00	0.00
Total	390.23	268.35
Governments	FY19	FY18
Australia	2.75	3.05
Austria	3.15	8.19
Canada	2.66	3.78
Denmark	10.31	5.02
Finland	1.77	0.00
France	2.29	0.00
Germany	16.02	23.24
Ireland	1.04	1.08
Israel	0.00	0.80
Italy	9.00	0.00
Japan	8.26	6.25
Korea, Republic of	0.00	9.00
Luxembourg	1.39	9.28
The Netherlands	84.01	4.91
New Zealand	6.57	1.24
Norway	15.09	13.72
Sweden	21.68	7.12
Switzerland	16.51	24.89
United Kingdom	76.60	70.43
United States	11.02	0.00
Total	290.11	192.01
Institutional/Multilateral Partners	FY19	FY18
Climate Investment Funds (CIF)	2.20	0.25
European Commission	73.07	50.54
MENA Transition Fund	0.35	0.00
Private Infrastructure Development Group (PIDG)	19.50	0.00
TradeMark East Africa (TMEA)	0.00	0.35
Women Entrepreneurs Finance Initiative (We-Fi)	0.00	25.20
Total	95.12	76.34
Corporations, Foundations, and NGOs	FY19	FY18
Stichting IKEA Foundation	5.00	0.00
Total	5.00	0.00

FINANCIAL COMMITMENTS TO IFC BLENDED FINANCE INITIATIVES (US\$ MILLION EQUIVALENT)

Development Partner	FY19	FY18
Canada	0.00	310.54
Finland	0.00	134.31
Gates Foundation	5.00	0.00
New Zealand	2.50	0.00
The Netherlands	11.60	0.00
United Kingdom	102.51	0.00
Women Entrepreneurs Finance Initiative (We-Fi)	0.00	24.20
Total	121.61	469.06

Portfolio Management

Building and proactively managing a portfolio that produces strong financial results and development impact is at the core of IFC's approach to portfolio management. We achieve this by pairing a strong presence on the ground with deep sector expertise. This enables us to stay close to our clients and markets, monitor trends, and anticipate impacts on our clients.

An IFC management committee—the Corporate Portfolio Committee—regularly reviews the entire portfolio of about \$58.8 billion for IFC's own account, looking at broad trends as well as select individual projects. This review is complemented by monthly in-depth discussions about IFC's key sector and country exposures. Quarterly reviews of IFC's portfolio results are presented to the Board, along with an in-depth analysis at the end of each fiscal year. Our investment and portfolio teams, largely based in field offices, complement global reviews with asset-by-asset quarterly assessments, for both debt and equity investments.

At the corporate level, IFC combines analysis of our portfolio performance with sector expertise, local market intelligence, and projections of global macroeconomic and market trends to inform decisions about future investments. We also regularly conduct stress tests to assess the performance of the portfolio against possible macroeconomic developments, and to identify and address risks.

At the project level, our multidisciplinary teams—including investment and sector specialists—closely monitor investment performance and compliance with investment agreements. We do this through site visits to evaluate project implementation, and through active engagement with sponsors and government officials, where relevant, to identify potential problems early on and formulate appropriate solutions. We also monitor our clients' environmental and social performance in a risk-based manner and measure financial performance and development results.

Following the strong growth of our equity portfolio in the past 10 years, IFC has implemented significant changes to our equity approach, leading to more moderate growth and greater selectivity in the near term. In parallel, we have been proactively assessing our equity portfolio to identify assets ready for divestment, after IFC's development role has been completed. This rebalancing of the equity portfolio results from analyses that take into account market conditions, opportunities, expected returns, and risks—and is periodically adjusted as required. The changes aim to assure alignment of our portfolio with our strategic priorities.

Newly appointed global equity heads of industry are expected to play a critical role in central oversight, managing IFC's larger and more complex equity positions throughout the investment lifecycle. As our procedures are being adjusted around this new structure, we are encouraged by steady improvements in our portfolio performance over the past two years.

For projects in financial distress, our Special Operations Department determines the appropriate remedial actions. It seeks to keep the project operational to achieve the original development impact intended and negotiates agreements with creditors and shareholders to share the burden of restructuring. Investors and other partners participating in IFC's operations are kept informed, and IFC consults with or seeks their consent as appropriate.

Active portfolio management depends on timely and accurate information to drive business decisions. IFC continues to invest in information technology systems to better support the management of our portfolio. We have also strengthened our portfolio support structure through the creation of the corporate Operations Support Unit, to be extended over time to sector and regional teams.

Managing Risks

ENTERPRISE RISK MANAGEMENT

IFC provides long-term investments to the private sector in emerging markets, and this work includes expanding the investment frontier into the most challenging markets. In doing so, IFC is exposed to a variety of financial and nonfinancial risks. Active monitoring and sound management of evolving risks are critical to fulfilling our mission.

IFC's framework for enterprise risk management is designed to enable the prudent management of financial and reputational impacts that originate from our business activities. In this context, IFC's risk-management efforts are designed specifically to help align our performance with our strategic direction.

IFC has developed risk-appetite statements that determine our willingness to take on risks in fulfillment of our development goals. These statements reflect our core values of maximizing development impact, preserving our financial sustainability, and safeguarding our brand.

TREASURY

IFC raises funds in the international capital markets for private sector lending and to ensure sufficient liquidity to safeguard IFC's triple-A credit ratings.

Issuances include benchmark bonds in core currencies such as U.S. dollars, thematic issuances to support strategic priorities such as climate change, and issuances in emerging-market currencies to support the development of capital markets. Most of IFC's lending is denominated in U.S. dollars, but we borrow in many currencies to diversify access to funding, reduce borrowing costs, and support local capital markets.

IFC's funding program has kept pace with investment activity—in FY19, new core and short-term borrowings totaled approximately \$11.2 billion.

FY19 total borrowing

CURRENCY		AMOUNT (US\$ EQUIVALENT)	PERCENT
U.S. dollar	USD	3,324,159,146	29.7%
Australian dollar	AUD	1,225,660,000	10.9%
Japanese yen	JPY	452,014,430	4.0%
Russian ruble	RUB	254,930,936	2.3%
Brazilian real	BRL	383,323,910	3.4%
Turkish lira	TRY	648,046,452	5.8%
Indian rupee	INR	99,991,290	0.9%
Other		4,808,566,197	42.9%
TOTAL		11,196,692,361	100.0%

LIQUIDITY MANAGEMENT

Liquid assets on IFC's balance sheet totaled \$39.7 billion as of June 30, 2019, compared to \$38.9 billion a year earlier. Most liquid assets are held in U.S. dollars. The exposure arising from assets denominated in currencies other than U.S. dollars is hedged into U.S. dollars or matched by liabilities in the same currency to eliminate overall currency risk. The level of these assets is determined with a view to ensure sufficient resources to meet commitments even during times of market stress. IFC maintains liquid assets in interest-bearing instruments managed actively against stated benchmarks.

The level of liquid assets is determined to ensure IFC has sufficient resources to meet cash-flow requirements for both a normal planning horizon and in a period of market stress. We use liquidity coverage ratios to assess IFC's liquidity needs.

TREASURY RISK MANAGEMENT

Treasury risks are managed through a two-tier risk framework: (1) a comprehensive policy framework and (2) a hard economic-capital limit for treasury activities. The policy framework is based on four principles:

- (1) Investment in high-quality assets
- (2) Diversification via position size/concentration limits
- (3) Tight limits on market risks (credit spread, interest rate, and foreign-exchange risk)
- (4) Proactive portfolio surveillance

In line with changes that occur in global financial markets, IFC enhanced our Treasury policy framework in FY19.

CAPITAL ADEQUACY AND FINANCIAL CAPACITY

Sound risk management plays a crucial role in ensuring IFC's ability to fulfill our development mandate. The very nature of IFC's business, as a long-term investor in dynamic yet volatile emerging markets, exposes us to financial and operational risks.

Prudent risk management and a solid capital position enable us to preserve our financial strength and maintain our lending during times of economic and financial turmoil. IFC's financial strength results in low borrowing costs, allowing us to provide affordable financing to our clients.

The soundness and quality of IFC's risk management and financial position can be seen in our triple-A credit rating, which has been maintained since coverage began in 1989.

We assess IFC's minimum capital requirement in accordance with our economic capital framework, which is aligned with the Basel framework and leading industry practice. Economic capital acts as a common currency of risk, allowing us to model and aggregate the risk of losses from a range of different investment products as well as other risks.

Consistent with industry and regulatory practice, IFC calculates economic capital for the following risk types:

- *Credit risk*: the potential loss due to a client's default or downgrade
- *Market risk*: the potential loss due to changes in market variables (such as interest rates, currency, equity, or commodity prices)
- *Operational risk*: the potential loss resulting from inadequate or failed internal processes, people, and systems or from external events

IFC's total resources available consist of paid-in capital, retained earnings net of designations and certain unrealized gains, and total loan-loss reserves. Excess available capital, beyond that required to support existing business, allows for future growth of our portfolio while also providing a buffer against unexpected external shocks. As of June 2019, total resources available stood at \$27.8 billion, while the minimum capital requirement totaled \$21.8 billion.

Our Approach to Sustainability

Sustainability is a critical component of good development impact. It is key to enhancing outcomes for all stakeholders—including a company's customers and the communities in which it operates—and is critical to business success.

IFC research shows that companies perform better financially when their environmental, social, and corporate-governance performance is strong. Nearly 90 percent of our clients believe that our work is key in helping them reach their long-term business goals, improve their relations with stakeholders and local communities, and boost their brand value and recognition. IFC's Sustainability Framework and our Corporate Governance Methodology are designed to help our clients achieve those objectives.

IFC asks our clients to understand and manage the risks they face and those they pose to their surrounding environment and communities. We partner with industry and other stakeholders to find innovative solutions that open up opportunities for economically, socially, and environmentally sustainable private investment—which contribute in turn to jobs and inclusive growth. This may include leveraging the capacity of other institutions of the World Bank Group to address environmental, social, and governance challenges that are beyond the ability or responsibility of a company to solve alone.

In all of our investment decisions, IFC gives weight and attention to environmental, social, and governance risks, just as we do to credit and financial risks. This enables us to take informed risks to achieve both development impact and financial sustainability.

IFC'S SUSTAINABILITY FRAMEWORK

The Sustainability Framework articulates IFC's strategic commitment to sustainable development and is an integral part of our approach to risk management. The Sustainability Framework consists of the Policy on Environmental and Social Sustainability, the Performance Standards, and the Access to Information Policy.

POLICY ON ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

The Policy on Environmental and Social Sustainability describes IFC's commitment to environmental and social due diligence, categorization, and monitoring of our clients. Our approach to diligence involves identifying any gaps between client practice and the IFC Performance Standards in order to agree on a plan of action that, if successfully implemented by the client, will progressively bring their operations in line with good international industry practice. While IFC cannot ensure outcomes, we monitor our clients' progress and performance throughout the life of our investment, providing support where we can and using our contractual leverage if necessary.

IFC PERFORMANCE STANDARDS

At the core of our Sustainability Framework are IFC Performance Standards—which describe how we ask our clients to avoid, mitigate, and manage risk as a way of doing business sustainably. The standards, and the wide array of guidance that supports them, help clients devise solutions that are good for business, good for investors, good for the environment, and good for communities.

Our Performance Standards have become a global benchmark of sustainability practices. The Equator Principles, which are built on the Performance Standards, have been adopted by 97 financial institutions in 37 countries. In addition, many financial

The IFC Performance Standards

1

Assessment and Management of Environmental and Social Risks and Impacts



2

Labor and Working Conditions



3

Resource Efficiency and Pollution Prevention



4

Community Health, Safety, and Security



institutions, including development banks and export credit agencies, ask their clients to meet the IFC Performance Standards. IFC also serves as the Secretariat for the Sustainable Banking Network, a global knowledge-sharing group of banking regulators and banking associations, to help develop guidance and capacity for banks to incorporate environmental and social risk management into credit decision making.

ACCESS TO INFORMATION POLICY

IFC's Access to Information Policy reaffirms and reflects our commitment to enhance transparency about our activities, improve development effectiveness, and promote good governance. Openness promotes engagement with stakeholders, which in turn improves the design and implementation of projects and policies, and strengthens development outcomes. IFC supports several transparency initiatives that encourage responsible investment and reporting practices among the private sector, the community of international financial institutions, and the community of development finance institutions. These include the International Aid Transparency Initiative (IATI), Principles for Responsible Investment (PRI), and the Global Reporting Initiative (GRI). Visit www.ifc.org/projects for more information.

INTEGRATED GOVERNANCE

Corporate governance is a paramount consideration in an investor's decision-making process—and, increasingly, so is the way companies behave on a variety of environmental and social indicators. Investors see businesses' management of environmental and social issues as a test of how they would handle all strategic and operational challenges. It is essential, therefore, to assess environmental, social, and governance practices in an integrated fashion.

In 2018, IFC updated its Corporate Governance Methodology to include key corporate governance considerations and integrate environmental and social issues consistent with IFC's Policy on Environmental and Social Sustainability.



The Corporate Governance Methodology includes the assessment of six key corporate governance parameters—commitment to better practices of corporate governance, the structure and functioning of the Board of Directors, the control environment, disclosure and transparency, treatment of minority shareholders, and governance of stakeholder engagement. It is available for six kinds of companies: publicly listed, family- or founder-owned, state-owned, small and medium enterprises, financial institutions, and funds.

As of June 2019, the updated methodology had been adopted by 35 development bank signatories of the Corporate Governance Development Framework, creating a common platform for evaluating and improving governance practices in investee companies.

The IFC Toolkit for Disclosure and Transparency and Guidance has also expanded this year. This helps companies in emerging markets prepare comprehensive and best-in-class annual reports that are appropriate for their size and organizational complexity and that are adapted to the context of operation. The objective is to provide useful information for investors and other stakeholders.

The application of our integrated approach to corporate governance goes beyond the companies we invest in. We also use it in our advisory work with regulators and stock exchanges—to help them apply higher disclosure standards to corporate listings, reporting requirements, and other disclosure obligations.

5

Land Acquisition and Involuntary Resettlement



6

Biodiversity Conservation and Sustainable Management of Living Natural Resources



7

Indigenous Peoples



8

Cultural Heritage



CORPORATE RESPONSIBILITY

IFC will continue to consider sustainability an integral part of our internal business operations. We hold ourselves accountable to the same environmental and social standards we ask of our clients. This commitment connects IFC's mission with how we run our business.

OUR STAFF

IFC's employees are our most important asset, bringing innovative solutions and global best practices to our clients. Our employees' knowledge, skills, diversity, and motivation are key to our comparative advantage.

INDICATOR	FY19	FY18	FY17
Total full-time staff	3,744	3,921	3,860
Non-U.S.-based staff (%)	53.8%	54.9%	55.9%
Short-term consultants/temporaries (FTEs)	1,085	1,092	1,018
Employee engagement index	67%	75%	75%
Diversity			
Women managers (target 50%)	39.2%	39.5%	35.5%
Part II managers (target 50%)	41.0%	40.5%	38.9%
Women GF+ Technical (target 50%)	47.8%	46.7%	46.2%
Sub-Saharan/Caribbean GF+ (target 12.5%)	13.5%	11.2%	10.9%

Note: FTE is full-time equivalent (staff); GF+ refers to salary grade GF or higher—i.e., professional staff; Managers include Directors, Vice Presidents, and CEO.

WHERE WE WORK

STAFF AT ALL GRADE LEVELS		
United States	1,730	46%
Other Countries	2,014	54%
Total	3,744	

NATIONAL ORIGIN

	STAFF AT OFFICER LEVEL AND HIGHER		MANAGERIAL CADRE	
Part 1 Countries ¹	1,001	41%	128	59%
Part 2 Countries ²	1,451	59%	89	41%
Total	2,452		217	

1. Staff with primary nationality from countries that declared themselves as IDA donors at the time of joining the World Bank Group.

2. Staff of all other nationalities.

GENDER

	STAFF AT OFFICER LEVEL AND HIGHER		MANAGERIAL CADRE	
Female	1,171	48%	85	39%
Male	1,281	52%	132	61%
Total	2,452		217	

Advancing diversity and inclusion:

IFC works with clients across the globe. That broad reach is reflected in our staff, a group of people who represent 151 nationalities and who work from 93 countries. Having a diverse workforce with critical skill sets and diverse perspectives is key for IFC to deliver on our strategic agenda.

IFC is committed to go beyond the inherent diversity we have as an international institution. This year, we refreshed our Diversity and Inclusion Compact targets—which commit IFC to measurable diversity and inclusion targets at the corporate and vice presidency unit level—following the end of the 2014 Compact period. In the process, we recalibrated our baseline, reflected on the progress made, and set goals based on remaining gaps.

Targeted recruitment efforts and strategic partnerships were implemented globally in FY19, and IFC has exceeded our 12.5 percent target of Sub-Saharan Africans and Caribbean nationals at the GF+ level.

Enriching staff development:

IFC's Leadership and Management Framework provides development programs for leaders across the organization. Two new leadership development programs were added in the past two years: Sponsorship and Reverse Mentorship. Both focus on diverse representation in the selection process and are now showing positive results.

IFC's Sponsorship program builds a pipeline of diverse leaders by offering sponsor–advisee relationships between top talent (selected through a review process) and vice presidents. The program allows exposure to strategic thinking through shadowing, opportunities for cross collaborations, and enriched career networks. Most participants in the second cohort, which concluded the program in FY19, have had opportunities to work in cross-functional and corporate projects. As of June 2019, 16 of the participants—or half of the group—had progressed to higher responsibilities.

IFC's Reverse Mentorship program was inaugurated in June 2018. It pairs junior staff—most of them millennials—with mid-level managerial and nonmanagerial staff so that the junior staff can act as mentors. The program boosts innovation through greater cross-functional collaborations and inclusion of youth in the organization. Survey results indicate a greater feeling of inclusiveness among the 20 mentor–mentee pairs in the first cohort.

OUR OFFICES

Minimizing IFC's impact on the environment is a priority for us. IFC continues to be carbon-neutral for global business operations, including air travel. We design and manage our buildings in a sustainable way and offset emissions that cannot be eliminated. More details can be found at www.ifc.org/corporateresponsibility.

Reporting Under the Task Force on Climate-related Financial Disclosures

CLIMATE-RELATED FINANCIAL DISCLOSURE

IFC released our first disclosure under the guidelines recommended by the Task Force on Climate-related Financial Disclosures (TCFD) in the IFC's *Annual Report 2018*. Since then, IFC has worked to maintain and strengthen our climate-related financial risk assessment, management, and reporting practices. This second disclosure can be found online with links to all relevant reports and references.

GOVERNANCE

IFC's climate business and risk are overseen by IFC's CEO, who reports to the President of the World Bank Group on climate business performance and climate risk evaluation. The World Bank Group President reports to the IFC Board of Directors. As part of the capital increase endorsed by IFC's Board in 2018, the Board has mandated that IFC meet a number of climate-related requirements, including screening all investments for climate risk and scaling up climate-related commitments. IFC has a dedicated climate business department that supports investment teams to mitigate risk through carbon pricing and tools to evaluate physical risk. The department also helps identify low-carbon investment opportunities by providing the assistance from sector experts, metrics, financial tools, and strategy. Progress against the corporation's climate targets are reported by the Climate Business Department to both the Board and the Management Team regularly. The World Bank Group also reports annually to the Board on progress toward climate targets. The most recent annual update to the Board was on November 20, 2018.

IFC's Climate Anchors Network continues to integrate climate business throughout the corporation. The Climate Anchors Network comprises senior staff in each industry and regional department. Climate anchors report to their department director and to the Climate Business director. This year, the Climate Anchors Network expanded to include a senior lawyer to bring awareness and knowledge of climate litigation.

IFC is a member of several climate-related corporate leadership initiatives, such as the World Economic Forum's Alliance of CEO Climate Leaders, the Principles for Responsible Investment, the TCFD (where IFC is a supporting institution), One Planet Summit, the One Planet Lab, the Global Green Bond Partnership, the Carbon Pricing Leadership Coalition, and the Fashion Industry Charter for Climate Change (where IFC is a supporting institution).

STRATEGY

IFC's climate business plan is part of the Climate Change Action Plan 2016–2020 and continues to build upon the IFC Climate Implementation Plan noted in IFC's FY18 disclosure. IFC's climate commitments are aligned with the World Bank Group's climate targets for 2021–2025. IFC continues to focus on five strategic investment areas—clean energy, climate-smart agribusiness, green buildings, climate-smart cities, and green finance. Below is progress toward this strategy.

Increasing IFC's share of investment in climate business: In FY19, IFC's total climate-related commitments amounted to \$2.6 billion, or 29 percent of our new investments (see Table 1). IFC has new targets as noted in the Targets and Metrics section (see page 105).

Opening new markets to create new investment opportunities: Over time, IFC's climate business has diversified. Just over 10 years ago, renewable energy investments comprised almost 40 percent of IFC's annual climate business. Today, IFC's renewable energy business remains strong at \$2.4 billion in FY19 of IFC's own account investments and mobilized capital, and IFC has additional business in green buildings (\$761 million), manufacturing (\$380 million), climate-smart agribusiness (\$162 million), and climate investments through financial institutions (\$1.98 billion). IFC is targeting new business opportunities in energy storage, transportation logistics, distributed renewables, and off-shore wind.

Catalyzing external investment: IFC brings partners into our investments in climate projects. Mobilizing external capital limits IFC's own exposure in the near term and builds more robust markets in the long run. In FY19, IFC directly mobilized \$3.2 billion in climate investments through syndications, public-private partnerships, and platforms that crowd in external capital. IFC also works with policy makers on enabling conditions, which reduces risks in new and emerging sectors.

Table 1: Climate business commitments: Five-year trend

TOTAL CLIMATE COMMITMENTS (US\$ MILLIONS)	FY19	FY18	FY17	FY16	FY15	FY14
Own account long-term finance	\$2,603	\$3,910	\$3,001	\$1,986	\$2,349	\$1,915
Direct mobilized finance	\$3,172	\$4,542	\$1,775	\$1,218	\$2,122	\$1,260
Total climate commitments	\$5,775	\$8,452	\$4,776	\$3,204	\$4,471	\$3,175

RISK MANAGEMENT

In FY19, IFC expanded our existing climate risk management of both physical and transition risk.

Physical risk: IFC is completing our risk screening pilot for ports, waterways, airports, roads, insurance, forestry, and pulp and paper.¹ IFC will evaluate the pilot in early FY20.

Transition risk: IFC uses carbon pricing to address transition risk and avoid stranded assets. Since May 2018, a carbon price is included in the economic analysis of project finance transactions with estimated annual emissions of more than 25,000 tons of carbon dioxide equivalent in the cement, chemicals, and thermal power generation sectors. These are the most greenhouse gas-intensive projects and account for over half of IFC's greenhouse gas footprint from its investments. For these investments, IFC includes in the Board papers the impact of the carbon price on the project's economic performance. In FY19, IFC initiated a new carbon pricing pilot for projects in all real sectors—both project finance and corporate finance with known use of proceeds—with estimated annual emissions of more than 25,000 tons of carbon dioxide equivalent. This pilot will be evaluated in early FY20.

As part of our efforts to address climate risks and minimize our indirect exposure to coal-related projects, IFC does not provide loans to financial institutions for coal-related activities. To further reduce exposure to coal, IFC no longer provides general purpose loans to financial institutions. Targeted loans are directed to key strategic sectors, such as micro, small, and medium enterprises, women-owned businesses, climate-related projects, and housing finance. The use of proceeds is disclosed on IFC's Project Information Portal.

In addition, IFC evaluates—and discloses to the Board—the development impact of our projects, including climate impacts. For that, we use the Anticipated Impact Measurement and Monitoring (AIMM) system.

TARGETS AND METRICS

Targets: In FY19, IFC's climate investments comprised 29 percent of total commitments, exceeding the corporate target of 28 percent. In December 2018, the World Bank Group announced that climate investments² will comprise, on average, 35 percent of IFC's own-account investments over the FY21–25 period, accelerating last year's commitment over the next five years. The Bank Group also plans to mobilize at least \$200 billion over the same period. The IFC corporate target is translated to investment teams through departmental and regional climate business targets.

Investment disclosure: IFC reports climate finance commitments in this annual report (see page 104) and

SECTOR SPOTLIGHT:

Creating markets for certified green buildings

IFC has identified an investment opportunity of almost \$25 trillion for green buildings in emerging markets, because of high population growth, urbanization trends, and deployment of existing technologies for resource efficiency. To tap into this potential, IFC created EDGE—Excellence in Design for Greater Efficiencies—a green building certification program for more than 150 countries.

EDGE defines a green building as 20 percent more resource efficient in energy, water, and embodied energy in materials. The EDGE software enables property developers to identify the most cost-effective solutions to design green and for IFC and other banks to identify green building investments.

The EDGE program enables IFC and other banks to invest in more efficient buildings, supporting new products such as green mortgages, green bonds, and green construction financing. In only five years, IFC's investments in green buildings have risen from \$160 million to \$761 million in FY19, with a high of \$1.37 billion in FY18 for both IFC's own account and mobilized capital.

in the *Joint Report on Multilateral Development Banks' Climate Finance*. In its annual *Green Bond Impact Report*, IFC also reports on the environmental impact of projects financed through the green bonds that IFC issues.

Emissions disclosure: IFC continues to report aggregate greenhouse-gas emissions reductions from IFC investments through this annual report. IFC also discloses project-level emissions for projects with estimated annual emissions of more than 25,000 metric tons of carbon dioxide equivalent through the publicly available *Environmental and Social Review Summary*.

IFC has been carbon-neutral in all our business operations including business travel (Scope 1 and 2 emissions) since FY09, and previous targets have cut energy use in IFC's headquarters by 18 percent. In FY19, IFC set a global, internal carbon-reduction commitment to cut our facility-related emissions by 20 percent by 2026, from a 2016 baseline. This target is IFC's contribution to the Bank Group's commitment to reduce facility-related emissions by 28 percent over the same period.

1. IFC's risk screening pilot systematically screens projects at the appraisal stage for physical climate risk in the seven industries.

2. IFC's Definitions and Metrics for Climate-Related Activities identifies projects and sectors that qualify as climate investments; these definitions are harmonized with other multilateral development banks. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/climate+business/resources/ifc-climate-definition-metrics

Independent Auditor's Limited Assurance Report on a Selection of Sustainable Development Information

To the President,

In response to your request, we, EY & Associés, performed a limited assurance engagement on a selection of sustainable development information in the annual report (the "Annual Report") for the year ended June 30, 2019, including quantitative indicators (the "Indicators") and qualitative statements (the "Statements"). We selected the Indicators and Statements that were deemed to be of particular stakeholder interest, to involve a potential reputation risk for IFC, and/or to value IFC's corporate responsibility, management and performance.

We have reviewed the Statements made in all the chapters of the Annual Report: "Investing For Impact" (pages 12–23 and 34–75), "IFC Year in Review" (pages 24–33, with the exclusion of the "Financial Highlights") and "About Us" (pages 76–105), with a particular focus on impacts (including AIMM) and climate finance (including IFC's reporting under TCFD).

The following Indicators have been reviewed:

MATERIAL AREAS	INDICATORS
FY19 long-term commitments by Environmental and Social category (page 29)	Long-term commitments (\$ millions) and projects (number) by Environmental and Social category
Ex-ante AIMM scores of FY19 committed projects (pages 87–88)	Average ex-ante AIMM scores by categories, regions and industries
FY19 investment in climate business (pages 104–105)	Own account long-term commitments in climate-related investments (\$ millions)

IFC is responsible for:

- the preparation of the Indicators and Statements in accordance with the reporting criteria applicable during the year ended June 30, 2019 (the "Reporting Criteria"), consisting of IFC's instructions, procedures and guidelines specific to each Indicator, a summary of which is provided in the Annual Report or on IFC's website;
- the presentation of the Statements in accordance with "IFC's Access to Information Policy," which is available on IFC's website¹ and the principles of relevance, completeness, neutrality, understandability and reliability as defined by international standards.²

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance and ethical requirements, professional standards and applicable legal and regulatory requirements.

1. <https://disclosures.ifc.org>

2. ISAE 3000 from IFAC, Global Reporting Initiative (GRI), or AA1000 Accountability Standard.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the Indicators and the Statements based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000³ ("ISAE 3000") issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the Indicators and Statements are free from material misstatement. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal controls, and the procedures performed in response to the assessed risks.

NATURE AND SCOPE OF OUR LIMITED ASSURANCE ENGAGEMENT

We performed the following procedures:

- We assessed the Reporting Criteria, policies and principles, with respect to their relevance, completeness, neutrality and reliability.
- We read the content of the Annual Report to identify key Statements regarding the sustainability and development areas listed above.
- At the corporate level, we conducted interviews with more than twenty people responsible for reporting to assess the application of the Reporting Criteria or to substantiate the Statements.
- At the corporate level, we implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the Indicators.
- We collected supporting documents for the Indicators or Statements, such as reports to the Board of Directors or other meetings, loan agreements, internal and external presentations and reports, or survey results.
- We reviewed the presentation of the Statements and the Indicators in the Annual Report and the associated notes on methodology.

LIMITATIONS OF OUR PROCEDURES

Our limited assurance engagement was limited to the Statements and the Indicators identified in the table above and did not cover other disclosures in the Annual Report.

Our tests were limited to document reviews and interviews at IFC's headquarters in Washington, D.C. Within the scope of work covered by this report, we did not participate in any activities with external stakeholders or clients and only conducted limited testing aimed at verifying the validity of information on a sample of individual projects.

LIMITED ASSURANCE CONCLUSION

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that:

- the Indicators were not prepared, in all material respects, in accordance with the Reporting Criteria;
- the Statements were not presented, in all material respects, in accordance with "IFC's Policy on Disclosure of Information" and the principles of relevance, completeness, neutrality, clarity and reliability as defined by international standards.

OTHER INFORMATION ABOUT THE REPORTING CRITERIA AND THE STATEMENTS PREPARATION PROCESS

With regards to the Reporting Criteria and the Statements preparation policies and principles, we wish to make the following comments:

IFC is on track to reach the target of having 28% climate investments by FY20, as set out in its 2016 Climate Implementation Plan. For the FY21–25 period, IFC has already committed to a more ambitious target (35% on average), while simultaneously increasing total investments. With the progress of knowledge and in coordination with other Multilateral Development Banks, IFC periodically refines the definitions and typologies used for identifying, promoting, and tracking climate-related investment and advisory projects. The typology has been stable for the past years but the methodology may be modified over the next year for the period 2021–2025. The target would be re-calibrated if the methodology is revised.

Where relevant, IFC calculates gross GHG emissions and GHG savings. While gross GHG emissions are monitored over time, GHG savings are calculated ex-ante and are not tracked. IFC is currently developing a methodology to calculate net GHG emissions in three sectors.

Given the lack of data in its countries of operations and the absence of adequate recognized methodologies, IFC is not yet able to quantify the compatibility of its annual commitments with a 2°C or lower scenario, as recommended by the TCFD.

Paris-La Défense, August 8, 2019

The Independent Auditor
EY & Associés



Building a better
working world

Caroline Delérable
Partner, Sustainable Performance & Transformation

3. ISAE 3000: "Assurance Engagement other than reviews of historical data," International Federation of Accountants, International Audit and Assurance Board, December 2003.

Financial Performance Summary

From year to year, IFC's net income is affected by a number of factors that can result in volatile financial performance. Beginning in FY19, IFC's net income includes all unrealized gains and losses on investments in equity securities, resulting from adopting ASU 2016-01, Recognition and Measurement of Financial Assets and Liabilities (ASU 2016-01), as discussed in more detail in Note A to the FY19 consolidated financial statements. This has resulted in, and will continue to cause, volatility in net income given the size of IFC's current equity portfolio, the

higher balances of equity investments recorded at fair value through net income, and the volatility inherent in security prices and resulting impact on investment valuations. The adoption of ASU 2016-01 also impacted the comparability of IFC's financial results between FY19 and the year ended June 30, 2018 (FY18), see MD&A Section VII. RESULTS OF OPERATIONS. The main elements of IFC's net income and comprehensive income and influences on the level and variability of net income and comprehensive income from year to year are:

ELEMENTS	SIGNIFICANT INFLUENCES
Net income:	
Yield on interest earning assets	Market conditions including spread levels and degree of competition. Nonaccruals and recoveries of interest on loans formerly in nonaccrual status and income from participation notes on individual loans are also included in income from loans.
Liquid asset income	Realized and unrealized gains and losses on the liquid asset portfolios, in particular the portion of the liquid assets portfolio funded by net worth, which are driven by external factors such as: the interest rate environment and liquidity of certain asset classes within the liquid asset portfolio.
Income from the equity investment portfolio	Global climate for emerging markets equities, fluctuations in currency and commodity markets, and company-specific performance for equity investments. Overall performance of the equity portfolio.
Provisions for losses on loans and guarantees	Risk assessment of borrowers, probability of default, loss given default and loss emergence period.
Other income and expenses	Level of advisory services provided by IFC to its clients, the level of expense from the staff retirement and other benefits plans, and the approved and actual administrative expenses and other budget resources.
Gains and losses on other non-trading financial instruments accounted for at fair value	Principally, differences between changes in fair values of borrowings, excluding IFC's credit spread (beginning in FY19, changes attributable to IFC's credit spread are reported in other comprehensive income, prior to FY19, such changes were reported in net income) and associated derivative instruments and unrealized gains or losses associated with the investment portfolio including puts, warrants, and stock options which in part are dependent on the global climate for emerging markets. These securities may be valued using internally developed models or methodologies utilizing inputs that may be observable or non-observable.
Grants to IDA	Level of the Board of Governors-approved grants to IDA.

Other comprehensive income:

Unrealized gains and losses on debt securities accounted for as available-for-sale	Global climate for emerging markets, fluctuations in currency and commodity markets and company-specific performance and consideration of the extent to which unrealized losses are considered other than temporary. Debt securities may be valued using internally developed models or methodologies utilizing inputs that may be observable or non-observable.
Unrealized gains and losses attributable to instrument-specific credit risk on borrowings at fair value under the fair value option	Fluctuations in IFC's own credit spread measured against US dollar LIBOR resulting from changes over time in market pricing of credit risk. As credit spreads widen, unrealized gains are recorded and when credit spreads narrow, unrealized losses are recorded.
Unrecognized net actuarial gains and losses and unrecognized prior service costs on benefit plans	Returns on pension plan assets and the key assumptions that underlay projected benefit obligations, including financial market interest rates, staff expenses, past experience, and management's best estimate of future benefit cost changes and economic conditions.

The overall market environment has a significant influence on IFC's financial performance. Emerging equity markets were volatile during FY19 with a significant decline in the first half of the year and an improvement in the second half, primarily in FY19 Q3; commodity prices, including oil, declined for the year and IFC's major investment currencies depreciated against IFC's reporting currency, the US dollar.

IFC reported net income of \$93 million in FY19, \$1,187 million lower than FY18 (\$1,280 million) and \$1,329 million lower than the year ended June 30, 2017 (FY17) (\$1,422 million). The decline in net income in FY19 was primarily due to lower valuations on equity investments in the three months ended September 30, 2018 (FY19 Q1) and the three months ended December 31, 2018 (FY19 Q2) contributing to a net loss of \$446 million in FY19 Q1 and a net loss of \$401 million in FY19 Q2 with a significant improvement in the three months ended March 31, 2019 (FY19 Q3) (\$655 million net income) and the three months ended June 30, 2019 (FY19 Q4) (\$285 million net income). IFC's

net income was also impacted by lower realized gains on sales of equity investments and higher debt security impairment losses due to the significant depreciation of a currency that was deemed other than temporary in FY19 Q1. However, IFC also recorded higher foreign currency transaction gains on non-trading activities on foreign exchange hedges of the exposure in these investments, which substantially offset the impact of the debt security impairment losses. IFC also recorded higher income from liquid asset trading activities, higher loan and debt security net interest income, and higher net foreign currency gains on non-trading activities.

IFC reported income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA of \$311 million in FY19, as compared to income of \$1,272 million in FY18. The \$961 million decrease in income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA in FY19 when compared to FY18 was principally a result of the following:

Change in net income FY19 vs FY18 (US\$ millions)

	INCREASE (DECREASE) FY19 VS FY18
Higher unrealized losses on equity investments and associated derivatives, net	(935)
Lower realized gains on equity investments and associated derivatives, net	(567)
Higher charges on borrowings	(534)
Higher other-than-temporary impairments on debt securities	(208)
Lower dividend income on equity investments	(44)
Higher income from loans and guarantees, realized gains and losses on loans and associated derivatives	397
Lower other-than-temporary impairments on equity investments	446
Higher income from liquid asset trading activities	520
Other, net	(36)
Change in income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	\$(961)

IFC's net income (loss) for each of the past five fiscal years ended June 30, 2019, is presented below (US\$ millions):

IFC's net income (loss), fiscal years 2015–2019

Fiscal year ended June 30 (US\$ millions)

2015	445
2016	(33)
2017	1,418
2018	1,280
2019	93

Management uses Income Available for Designations (a non-GAAP measure) as a basis for designations of retained earnings. Income Available for Designations generally comprises net income excluding: net unrealized gains and losses on equity investments and net unrealized gains and losses on non-trading financial instruments accounted for at fair value, income from consolidated entities other than AMC, and expenses reported in net income related to prior year designations. In FY19, Income Available

for Designations is calculated under accounting standards for equity investments in effect prior to July 1, 2018, which formed the basis of IFC's approach to designations and sliding scale formula approved by IFC's Board in FY17, and is consistent with the approach to calculating Income Available for Designations in FY18 and FY17.

Income Available for Designations was \$909 million in FY19, \$1,318 million in FY18 and \$1,233 million in FY17.

Reconciliation of reported net income to income available for designations (US\$ millions)

	FY19	FY18	FY17
Net income attributable to IFC	\$ 93	\$1,280	\$1,418
Add: Net gains attributable to non-controlling interests	–	–	4
Net income	\$ 93	\$1,280	\$1,422
Adjustments to reconcile Net Income to Income Available for Designations			
Unrealized losses (gains) on investments	1,121	(198)	(287)
Advisory Services Expenses from prior year designations	54	60	64
Unrealized losses (gains) on borrowings	15	93	(74)
Grants to IDA	–	80	101
Adjustments to conform to approach to designations approved by IFC's Board in FY17	(377)	–	–
Other	3	3	7
Income Available for Designations	\$ 909	\$1,318	\$1,233

Based on the Board-approved distribution policy, the maximum amount available for designation was \$122 million. On August 8, 2019, the Board of Directors approved a designation of \$24 million of IFC's retained earnings for Advisory Services, and,

subject to the conditions, a designation of \$98 million of IFC's retained earnings for grants to IDA. These designations are expected to be noted with approval by the Board of Governors, and subject to the above conditions, concluded in FY20.

Selected financial data as of and for the last five fiscal years (US\$ millions)

AS OF AND FOR THE YEARS ENDED JUNE 30	2019	2018	2017	2016	2015
Consolidated income highlights:					
Income from loans and guarantees, including realized gains and losses on loans and associated derivatives	\$ 1,774	\$ 1,377	\$ 1,298	\$ 1,126	\$ 1,123
Provision for losses on loans, guarantees, accrued interest and other receivables	(87)	(90)	(86)	(359)	(171)
(Loss) income from equity investments and associated derivatives	(253)	853	707	518	427
Income from debt securities, including realized gains and losses on debt securities and associated derivatives	126	363	282	129	132
Income from liquid asset trading activities	1,291	771	917	504	467
Charges on borrowings	(1,575)	(1,041)	(712)	(409)	(258)
Other income	622	578	528	501	505
Other expenses	(1,746)	(1,662)	(1,617)	(1,464)	(1,423)
Foreign currency transaction gains (losses) on non-trading activities	159	123	(188)	(46)	53
Income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	311	1,272	1,129	500	855
Net unrealized (losses) gains on non-trading financial instruments accounted for at fair value	(218)	88	394	(204)	(106)
Income before grants to IDA	93	1,360	1,523	296	749
Grants to IDA	–	(80)	(101)	(330)	(340)
Net income (loss)	93	1,280	1,422	(34)	409
Less: Net (gains) losses attributable to non-controlling interests	–	–	(4)	1	36
Net income (loss) attributable to IFC	\$ 93	\$ 1,280	\$ 1,418	\$ (33)	\$ 445

AS OF AND FOR THE YEARS ENDED JUNE 30	2019	2018	2017	2016	2015
Consolidated balance sheet highlights:					
Total assets	\$99,257	\$94,272	\$92,254	\$90,434	\$87,548
Liquid assets ¹	39,713	38,936	39,192	41,373	39,475
Investments	43,462	42,264	40,519	37,356	37,578
Borrowings outstanding, including fair value adjustments	54,132	53,095	54,103	55,142	51,265
Total capital	\$27,606	\$26,136	\$25,053	\$22,766	\$24,426
of which					
Undesignated retained earnings	\$25,905	\$23,116	\$21,901	\$20,475	\$20,457
Designated retained earnings	366	190	125	133	184
Capital stock	2,567	2,566	2,566	2,566	2,566
Accumulated other comprehensive (loss) income (AOCI)	(1,232)	264	458	(431)	1,197
Non-controlling interests	–	–	3	23	22

1. Net of securities sold under repurchase agreements, payable for cash collateral received and associated derivatives.

KEY FINANCIAL RATIOS
2019
2018
2017
2016
2015
Financial ratios^a:

Return on average assets (GAAP basis) ^{*b}	0.1%	1.4%	1.6%	0.0%	0.5%
Return on average assets (non-GAAP basis) ^c	1.4%	1.4%	1.3%	0.5%	1.3%
Return on average capital (GAAP basis) ^{*d}	0.3%	5.0%	5.9%	(0.1)%	1.8%
Return on average capital (non-GAAP basis) ^e	4.9%	5.1%	4.9%	1.8%	4.6%
Overall liquidity ratio ^f	104%	100%	82%	85%	81%
Debt to equity ratio ^g	2.2:1	2.5:1	2.7:1	2.8:1	2.6:1
Total reserves against losses on loans to total disbursed portfolio ^h	4.7%	5.1%	6.1%	7.4%	7.5%
Capital measures:					
Total Resources Required (US\$ billions) ⁱ	21.8	20.1	19.4	19.2	19.2
Total Resources Available (US\$ billions) ^j	27.8	24.7	23.6	22.5	22.6
Strategic Capital ^k	6.0	4.6	4.2	3.3	3.4
Deployable Strategic Capital ^l	3.2	2.2	1.8	1.0	1.1
Deployable Strategic Capital as a percentage of Total Resources Available	11.6%	8.7%	7.8%	4.4%	5.4%

* This ratio is not directly comparable due to the adoption of ASU 2016-01.

a. Certain financial ratios, as described below, are calculated excluding the effects of unrealized gains and losses on investments, other non-trading financial instruments, Accumulated Other Comprehensive Income (AOCI), and impacts from consolidated Variable Interest Entities (VIEs).

b. Net income for the fiscal year as a percentage of the average of total assets at the end of such fiscal year and the previous fiscal year.

c. Return on average assets is defined as Net income, excluding unrealized gains/losses on investments accounted for at fair value, income from consolidated VIEs and net gains/losses on non-trading financial investments, as a percentage of total disbursed loan and equity investments (net of reserves), liquid assets net of repos, and other assets averaged for the current and previous fiscal year.

d. Net income for the fiscal year as a percentage of the average of total capital (excluding payments on account of pending subscriptions) at the end of such fiscal year and the previous fiscal year.

e. Return on average capital is defined as Net income, excluding unrealized gains/losses on investments accounted for at fair value, income from consolidated VIEs and net gains/losses on non-trading financial investments, as percentage of the paid-in share capital and accumulated earnings (before certain unrealized gains/losses and excluding cumulative designations not yet expensed) averaged for the current and previous fiscal year.

f. Overall Liquidity Policy states that IFC would at all times maintain a minimum level of liquidity, plus undrawn borrowing commitments from the IBRD, that would cover at least 45% of the next three years' estimated net cash requirements.

g. Leverage (Debt/equity) ratio is defined as the number of times outstanding borrowings plus committed guarantees cover paid-in capital and accumulated earnings (net of retained earnings designations and certain unrealized gains/losses).

h. Total reserves against losses on loans to total disbursed loan portfolio is defined as reserve against losses on loans as a percentage of the total disbursed.

i. Total resources required (TRR) is the minimum capital required to cover the expected and unexpected loss on IFC's portfolio, calibrated to maintain IFC's triple-A rating. TRR is the sum of the economic capital requirements for IFC's different assets, and it is determined by the absolute size of the committed portfolio, the product mix (equity, loans, short-term finance, and Treasury portfolio assets), and by operational and other risks.

j. Total resources available (TRA) is the total capital of the Corporation, consisting of (i) paid-in capital; (ii) retained earnings net of designations and some unrealized gains and losses; and (iii) total loan loss reserves. TRA grows based on retained earnings (profit minus distributions) and increases in reserves.

k. Total resources available less total resources required.

l. 90% of total resources available less total resources required.

COMMITMENTS

In FY19, the Long-Term Finance program was \$8,920 million, as compared to \$11,630 million in FY18, and Core Mobilization was \$10,206 million, as compared to \$11,671 million for FY18, a decrease in the total of Long-Term Finance and Core Mobilization of \$4,175 million or 18%. Program outcomes reflect a challenging year for IFC with its organizational realignment and workforce planning exercise and the introduction of an Accountability and Decision-Making Framework. Macroeconomic volatility in some of our key markets also impacted program delivery.

In addition, the average outstanding balance for Short-Term Finance was \$3,256 million at June 30, 2019, as compared to \$3,435 million at June 30, 2018.

CORE MOBILIZATION

Core Mobilization is financing from entities other than IFC that becomes available to clients due to IFC's direct involvement in raising resources.

FY19 and FY18 long-term finance and core mobilization (US\$ millions)

	FY19	FY18
Total Long-Term Finance and Core Mobilization	\$19,126	\$23,301
Total Long-Term Finance	\$ 8,920	\$11,630
Total Core Mobilization	\$10,206	\$11,671

Asset Management Company (AMC)

Funds managed by AMC and their activities FY19 vs FY18 (US\$ millions unless otherwise indicated)

	THROUGH JUNE 30, 2019					
	TOTAL FUNDS RAISED SINCE INCEPTION				FOR THE YEAR ENDED JUNE 30, 2019	
	TOTAL	FROM IFC	FROM OTHER INVESTORS	CUMULATIVE INVESTMENT COMMITMENTS**	INVESTMENT COMMITMENTS MADE BY FUND***	INVESTMENT DISBURSEMENTS MADE BY FUND
Investment Period						
China-Mexico Fund, LP (China-Mexico Fund)	\$ 1,200	\$ –	\$1,200	\$ 320	\$ –	\$ 50
IFC Financial Institutions Growth Fund, LP (FIG Fund)	505	150	355	158	25	6
IFC Middle East and North Africa Fund, LP (MENA Fund)	162	60	102	66	14	12
IFC Emerging Asia Fund, LP (Asia Fund)	693	150	543	145	55	45
Post Investment Period						
IFC Capitalization (Equity) Fund, LP (Equity Capitalization Fund)	1,275	775	500	1,226	–	–
IFC Capitalization (Subordinated Debt) Fund, LP (Sub-Debt Capitalization Fund)	1,725	225	1,500	1,614	–	–
IFC African, Latin American and Caribbean Fund, LP (ALAC Fund)	1,000	200	800	876	–	5
Africa Capitalization Fund, Ltd. (Africa Capitalization Fund)	182	–	182	130	–	–
IFC Catalyst Fund, LP, IFC Catalyst Fund (UK), LP and IFC Catalyst Fund (Japan), LP (collectively, Catalyst Funds)	418	75	343	365	5	62
IFC Global Infrastructure Fund, LP (Global Infrastructure Fund)*	1,430	200	1,230	931	40	55
IFC Global Emerging Markets Fund of Funds, LP and IFC Global Emerging Markets Fund of Funds (Japan Parallel), LP (collectively, GEM Funds)	800	150	650	740	343	100
Women Entrepreneurs Debt Fund, LP (WED Fund)	115	30	85	110	23	24
IFC Russian Bank Capitalization Fund, LP (Russian Bank Cap Fund)****	550	250	300	82	–	–
Total	\$10,055	\$2,265	\$7,790	\$6,763	\$505	\$359

* Includes co-investment fund managed by AMC on behalf of Fund LPs.

** Net of commitment cancellations.

*** Excludes commitment cancellations from prior periods.

**** The Russian Bank Cap Fund has completed the exit from all its investments and was liquidated during FY18.

	THROUGH JUNE 30, 2018				FOR THE YEAR ENDED JUNE 30, 2018	
	TOTAL FUNDS RAISED SINCE INCEPTION			CUMULATIVE INVESTMENT COMMITMENTS**	INVESTMENT COMMITMENTS MADE BY FUND***	INVESTMENT DISBURSEMENTS MADE BY FUND
	TOTAL	FROM IFC	FROM OTHER INVESTORS			
Investment Period						
IFC Catalyst Fund, LP, IFC Catalyst Fund (UK), LP and IFC Catalyst Fund (Japan), LP (collectively, Catalyst Funds)	\$ 418	\$ 75	\$ 343	\$ 379	\$ 73	\$ 70
IFC Global Infrastructure Fund, LP (Global Infrastructure Fund)*	1,430	200	1,230	891	23	44
China-Mexico Fund, LP (China-Mexico Fund)	1,200	–	1,200	320	–	75
IFC Financial Institutions Growth Fund, LP (FIG Fund)	505	150	355	133	–	–
IFC Global Emerging Markets Fund of Funds, LP and IFC Global Emerging Markets Fund of Funds (Japan Parallel), LP (collectively, GEM Funds)	800	150	650	397	189	120
IFC Middle East and North Africa Fund, LP (MENA Fund)	162	60	102	52	25	2
Women Entrepreneurs Debt Fund, LP (WED Fund)	115	30	85	87	19	32
IFC Emerging Asia Fund, LP (Asia Fund)	693	150	543	90	20	11

Post Investment Period

IFC Capitalization (Equity) Fund, LP (Equity Capitalization Fund)	1,275	775	500	1,226	–	–
IFC Capitalization (Subordinated Debt) Fund, LP (Sub-Debt Capitalization Fund)	1,725	225	1,500	1,614	–	–
IFC African, Latin American and Caribbean Fund, LP (ALAC Fund)	1,000	200	800	876	–	25
Africa Capitalization Fund, Ltd. (Africa Capitalization Fund)	182	–	182	130	–	–
IFC Russian Bank Capitalization Fund, LP (Russian Bank Cap Fund)****	550	250	300	82	–	–
Total	\$10,055	\$2,265	\$7,790	\$6,277	\$349	\$379

* Includes co-investment fund managed by AMC on behalf of Fund LPs.

** Net of commitment cancellations.

*** Excludes commitment cancellations from prior periods.

**** The Russian Bank Cap Fund has completed the exit from all its investments and was liquidated during FY18.

LETTER TO THE BOARD OF GOVERNORS



The Board of Directors of IFC has had this annual report prepared in accordance with the Corporation's by-laws. The President of IFC and Chairman of the Board of Directors has submitted this report with the audited financial statements to the Board of Governors.

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WEB & SOCIAL MEDIA RESOURCES

IFC's website, www.ifc.org, provides comprehensive information on every aspect of our activities. It includes contact information for offices worldwide, news releases and feature stories, data on results measurement, disclosure documents for proposed investments, and key policies and guidelines.

The online version of IFC's 2019 Annual Report, www.ifc.org/annualreport, provides downloadable PDFs of all materials in this volume and translations as they become available.

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