



IFC Annual Report 2008

External assurance statement and commentary on certain nonfinancial aspects of the report

Introduction

IFC has commissioned Corporate Citizenship to provide IFC's management with external assurance and commentary on certain nonfinancial aspects of its 2008 Annual Report, specifically economic, social, and environmental sustainability and development effectiveness information contained in this report. IFC's management has prepared the report and is solely responsible for its content. Our objectives were to review specific aspects of its content and presentation, to conduct selected checks of underlying corporate records, and to provide this statement, for which we have sole responsibility, in accordance with the terms of reference with IFC. As part of our assignment, we have examined IFC's Development Outcome Tracking System (DOTS), which measures the development effectiveness of IFC's investments and advisory services. In addition, we have reviewed certain development results for investments published on IFC's report web site.

Corporate Citizenship is a specialist management consultancy advising organizations that seek to improve their economic, social and environmental performance around the world. A detailed note describing our relationship with IFC and the assurance process we have adopted appears at the end of this statement.

Our opinion

In our opinion, having reviewed relevant underlying IFC systems, the report provides a fair and balanced representation of the progress IFC is making in carrying out its stated commitments as set forth in the text sections on the five strategic pillars and "Where We Work" in the "Creating Opportunity" chapter. We have relied entirely on data and information provided by IFC and published on IFC's web site, except where we expressly state to the contrary in our note on the assurance process. Where we have identified material gaps in the completeness of available performance data and responsiveness to stakeholders, we note these below in the Commentary section.

In forming our opinion and making our comments, we have referred to the principles underlying the international assurance standard AA1000 (www.accountability21.net), notably those concerning materiality, completeness and responsiveness. We have also considered the reporting principles for defining content and the reporting principles for defining quality contained in Global Reporting Initiative's (GRI's) G3 sustainability reporting guidelines (www.globalreporting.org).

In reviewing DOTS, described on page 41, nothing came to our attention to suggest that IFC's methodology, which is consistent with the good practice standards for private sector evaluation agreed among multilateral development banks, had not been applied. Nor did it come to our attention that information had been materially misstated. Our methodology for testing DOTS is presented in the note on our assurance process.

Commentary

This is IFC's second Annual Report that combines information on its investments and advisory services, sustainability, development effectiveness and donor partnerships. We believe this approach to reporting performance to be a good reflection of IFC's commitment to integrate economic, social, and environmental considerations into its activities around the world. Having pioneered a new approach to its reporting last year, we believe that IFC's 2008 Annual Report has been refined on several fronts, marking a step forward from last year's report. IFC's report clearly articulates its activities to fulfill its mission through the overview of its operations, case studies, human interest stories, and discussion of its development results.

Non-financial reports, such as this one, should explain how an organization impacts society, taking account of the key economic, social and environmental concerns of its stakeholders. Reports should show how crucial decisions are made and differing interests reconciled. They should be both balanced and honest about shortcomings. Our commentary is designed to assist readers in understanding the extent to which this report measures up against that objective.

Tackling the world's development challenges in a sustainable manner often raises difficult dilemmas at both the policy and project level and requires balancing different stakeholder concerns. A report in line with best practice would illustrate the approach to and resolution of dilemmas and challenges and allow stakeholders to see values in action. While the report does address IFC's material operations, providing various levels of detail about different activities, it could do much more to explain to readers how policy dilemmas and project-level challenges have been managed and resolved, particularly with regard to potentially conflicting stakeholder interests.

One such specific challenge that IFC faces is the corruption found in some of the countries where it does business. IFC has enhanced practices related to its internal anti-corruption program and has an approach for considering corruption when evaluating potential investments. The report would be more complete if it discussed more fully these activities and other steps IFC is taking to combat corruption in relation to its activities, both internally and more widely in society.

Another major challenge is climate change, and we acknowledge the reference to IFC's climate change strategy in the report and the work done to measure its own direct environmental impacts including carbon emissions. We recommend incorporating into the report an emissions reduction component, covering targets for direct emissions. More challenging is to measure indirect emissions, where work has begun, but reporting is not planned. However, given the importance of the issue and IFC's leadership position, we recommend that IFC does report on the progress it is making on defining and measuring indirect emissions, describing its approach and providing even partial data when it becomes available.

We recognize IFC's efforts in the report to address key findings from stakeholder feedback, including feedback we gathered on IFC's Annual Report 2007. Responsiveness to stakeholder concerns would be further strengthened, if the report discussed the lessons learned from such engagement and how these lessons were applied to other projects.

We commend IFC on its continued efforts to openly assess, clearly quantify and systematically report the development effectiveness of its investments and advisory services and on the inclusion of additional information provided on the results measurement web site. With the implementation of DOTS-2 during FY09, we expect data scope and quality to improve further. The comparability of development results for investments across industries and regions would be further enhanced if development results reflected varying degrees of challenge and risk associated with different types of investments and recipient countries.

Reporting the development effectiveness of advisory services has been challenging for IFC, as the application of the monitoring and evaluation framework is still in its early stages. However, efforts to enhance consistent data capture exist, and we expect the streamlining of results indicators to enhance data quality and coverage.

Note on our relationship with IFC and on the assurance process

Our relationship with IFC

This is the third year that Corporate Citizenship is providing assurance services for IFC. Beyond this assurance engagement, we have not undertaken any work with IFC except as noted below.

In 2006, we supported the development of a corporate social responsibility implementation plan for an IFC client based in the Middle East. During 2007 and 2008 our New York office has been conducting a limited piece of work advising an IFC client in Colombia on good practices in sustainability reporting.

The assurance process

As there are no statutory guidelines for economic, social, environmental and development effectiveness reporting, we have formed our judgements based on the scope of work agreed in the proposal provided to IFC, our interpretation of emerging best practices among other companies, the principles of the assurance standard AA1000AS, the approach of GRI, the stated views of principal stakeholders and our own professional expertise and experience.

A team of five, led by a director of Corporate Citizenship, undertook the assurance and commentary process in connection with this statement regarding the report. Another director acted as adviser to the group. The team has extensive relevant professional and technical competencies and experience. For a fuller description, please refer to our web site. The work was commissioned in March 2008 and was completed in September 2008. Detailed records were kept of meetings, assurance visits and correspondence relating to the materiality, completeness and responsiveness of the report and relating to technical matters of the accuracy and presentation of data.

Our external assurance and commentary process for the 2008 report has involved the following elements:

1. In-depth interviews with 13 stakeholders, including client companies, Equator Principle institutions/partner banks, governments, non-governmental organizations/academia, other multilateral organizations and IFC/World Bank employees to gather views on IFC's Annual Report 2007.
2. Examination of the report at specific stages of its development and testing of a sample of assertions on economic, social, and environmental information as well as development effectiveness information throughout the report on a section-by-section basis, drawing from evidence and supporting documentation provided to the team by IFC.
3. Meetings and discussions with a cross-section of IFC's managers and staff selected by our team about IFC's non-financial management approach, policies, activities, performance, challenges and relations with stakeholders.
4. Review of reports from IFC, other multilateral organizations and relevant private sector companies compared to best practice reporting standards.
5. A review of a sample of published information sources obtained by our team and provided by IFC about the views and opinions of external stakeholders, including inter-governmental and governmental agencies, academic institutions and special interest groups.
6. Consideration of the results of IFC's own internal checks and procedures, notably from the Independent Evaluation Group (IEG), Internal Audit Department (IAD) and the Ombudsman.
7. An assessment of the internal IFC assurance process, notably the procedures adopted to ensure responsiveness, completeness, materiality and data accuracy.

Regarding the assessment of the DOTS for investments and advisory services we conducted the following activities:

1. Review of the internal quality assurance procedures applied to the data captured in DOTS for investments, including the comprehensive portfolio review conducted by the Development Effectiveness Unit for the development results of investment projects approved between 1999 and 2004.
2. Review of the internal quality assurance procedures applied to the data captured in DOTS for advisory services and the quality review conducted by the Results Measurement Unit for the development results of advisory services projects with approved completion between June 2006 and July 2007.
3. Review of internal quality assurance procedures applied to the reported developmental reach indicators.

4. Review of relevant databases, documentation published on the results measurement portals and other relevant documentation, including training materials.
5. Interviews with representatives from the Development Effectiveness Unit responsible for quality assurance of development results for investments, the Results Measurement Unit responsible for quality assurance of development results for advisory services and the Independent Evaluation Group (IEG) to further test the functioning of DOTS.
6. Interviews with staff based at IFC headquarters and some field offices including environmental and social specialists, who are responsible for capturing the development results for investment and advisory services projects to test the data entering the DOTS system.
7. Tests of the reliability of reported development results, including reach indicators, based on reviewing a random sample of projects and reported indicators. This includes additional development results data published on IFC's report web site (www.ifc.org/annualreport).

Our work did not extend to a complete audit of the report's contents. We were not responsible for the preparation of the 2008 report nor in devising the internal management and reporting systems that yielded the data contained therein.

The opinions expressed in this external assurance statement and commentary are intended to extend understanding of certain selected elements of IFC's non-financial performance. No third-party is entitled to rely on this assurance process or this statement.

Corporate Citizenship
www.corporate-citizenship.com
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