IFC International Finance Corporation
World Bank Group

WE CAN END EXTREME POVERTY IN A GENERATION AND BOOST SHARED PROSPERITY

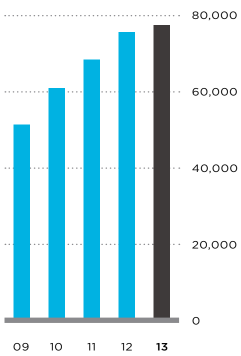
THE POWER OF PARTNERSHIPS

Annual Report 2013

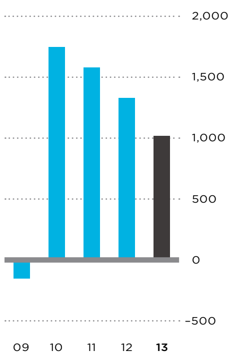
IFC Year in Review

In FY13, our investments climbed to an all-time high of nearly $25 billion, leveraging the power of the private sector to create jobs and tackle the world's most pressing development challenges.

Total Assets
Dollars in millions



Net Income (Loss) Attributable to IFC
Dollars in millions



IFC Financial Highlights	2013	2012	2011	2010	2009
Dollars in millions, as of and for the years ended June 30*					
Net income (loss) attributable to IFC	**$ 1,018**	$ 1,328	$ 1,579	$ 1,746	$ (151)
Grants to IDA	**$ 340**	$ 330	$ 600	$ 200	$ 450
Income before grants to IDA	**$ 1,350**	$ 1,658	$ 2,179	$ 1,946	$ 299
Total assets	**$77,525**	$75,761	$68,490	$ 61,075	$51,483
Loans, equity investments and debt securities, net	**$34,677**	$31,438	$29,934	$25,944	$22,214
Estimated fair value of equity investments	**$13,309**	$ 11,977	$ 13,126	$ 10,146	$ 7,932
KEY RATIOS					
Return on average assets (GAAP basis)	**1.3%**	1.8%	2.4%	3.1%	-0.3%
Return on average capital (GAAP basis)	**4.8%**	6.5%	8.2%	10.1%	-0.9%
Cash and liquid investments as a percentage of next three years' estimated net cash requirements	**77%**	77%	83%	71%	75%
Debt-to-equity ratio	**2.6:1**	2.7:1	2.6:1	2.2:1	2.1:1
Total resources required ($ billions)	**$ 16.8**	$ 15.5	$ 14.4	$ 12.8	$ 10.9
Total resources available ($ billions)	**$ 20.5**	$ 19.2	$ 17.9	$ 16.8	$ 14.8
Total reserve against losses on loans to total disbursed loan portfolio	**7.20%**	6.60%	6.6%	7.4%	7.4%

*See Management's Discussion and Analysis and Consolidated Financial Statements for details on the calculation of these numbers: http://www.ifc.org/ifcext/annualreport.nsf/Content/AR2013_Financial_Reporting

IFC Operational Highlights	2013	2012	2011	2010	2009
Dollars in millions, for the year ended June 30					
NEW INVESTMENT COMMITMENTS					
Number of projects	**612**	576	518	528	447
Number of countries	**113**	103	102	103	103
For IFC's own account	**$18,349**	$ 15,462	$ 12,186	$ 12,664	$ 10,547
CORE MOBILIZATION*					
Syndicated loans[1]	**$ 3,098**	$ 2,691	$ 4,680	$ 1,986	$ 1,858
Structured finance	**–**	–	–	$ 797	$ 169
IFC initiatives & other	**$ 1,696**	$ 1,727	$ 1,340	$ 2,358	$ 1,927
Asset Management Company (AMC) Funds	**$ 768**	$ 437	$ 454	$ 236	$ 8
Public-Private Partnership (PPP)[2]	**$ 942**	$ 41	–	–	–
Total core mobilization	**$ 6,504**	$ 4,896	$ 6,474	$ 5,377	$ 3,962
INVESTMENT DISBURSEMENTS					
For IFC's own account	**$ 9,971**	$ 7,981	$ 6,715	$ 6,793	$ 5,640
Syndicated loans[3]	**$ 2,142**	$ 2,587	$ 2,029	$ 2,855	$ 1,958
COMMITTED PORTFOLIO					
Number of firms	**1,948**	1,825	1,737	1,656	1,579
For IFC's own account	**$49,617**	$45,279	$42,828	$38,864	$34,502
Syndicated loans[4]	**$13,633**	$ 11,166	$ 12,387	$ 9,302	$ 8,299
ADVISORY SERVICES					
Advisory Services program expenditures	**$ 232.0**	$ 197.0	$ 181.7	$ 166.4	$ 157.8
Share of program in IDA countries[5]	**65%**	65%	64%	62%	52%

*Financing from entities other than IFC that becomes available to client due to IFC's direct involvement in raising resources.
1. Includes B-Loans, Parallel Loans and A-Loan Participation Sales (ALPS).
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 entity.
3. Includes B-Loans and Agented Parallel Loans.
4. Includes B-Loans, A-Loan Participation Sales (ALPS), Agented Parallel Loans, and Unfunded Risk Participations (URPs).
5. All references in this report to percentages of advisory program expenditures in IDA countries and fragile and conflict-affected areas exclude global projects.

IFC Annual Report 2013

THE POWER OF PARTNERSHIPS

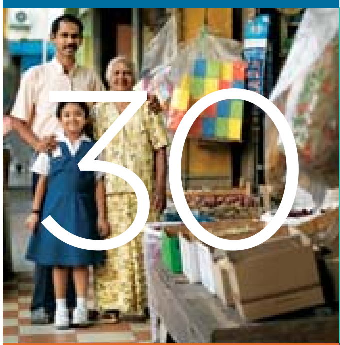
ABOUT IFC

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

Established in 1956, IFC is owned by 184 member countries, a group that collectively determines our policies. Our work in more than 100 developing countries allows companies and financial institutions in emerging markets to create jobs, generate tax revenues, improve corporate governance and environmental performance, and contribute to their local communities.

IFC's vision is that people should have the opportunity to escape poverty and improve their lives.

This report summarizes IFC's role in helping the private sector create jobs and opportunity in developing countries. It highlights how we spur innovation (*pages 32–39*), influence policy (*pages 40–47*), provide a demonstration effect for others (*pages 48–55*), and strive to maximize our development impact (*pages 56–63*).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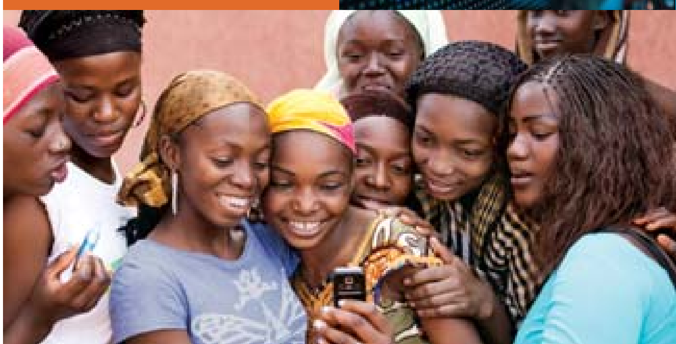
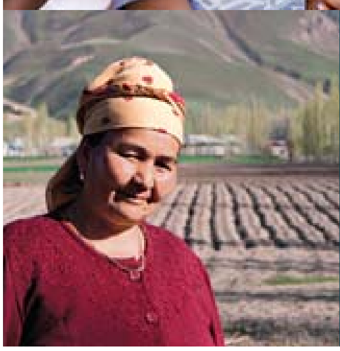




Leadership Perspectives

A Letter from **WORLD BANK GROUP PRESIDENT JIM YONG KIM**

We are at an auspicious moment in history. Thanks to the successes of the past few decades and a favorable economic outlook, developing countries now have an unprecedented opportunity: the chance to end extreme poverty within a generation. This opportunity must not be squandered.

Earlier this year, we in the World Bank Group set two specific and measurable goals for ourselves and our partners in the development community: effectively ending extreme poverty by shrinking the share of people living on less than $1.25 a day to 3 percent by 2030, and promoting shared prosperity by raising the incomes of the poorest 40 percent of the population in every developing country.

These are ambitious goals, and success is far from inevitable. Nearly five years after the global financial crisis began, in 2008, the world's economic recovery remains fragile. Developed countries struggle with high unemployment and weak economic growth. Developing countries are growing more slowly than before the crisis. Moreover, the fight against poverty will become increasingly difficult as we push toward our target, since those who remain poor will be the hardest to reach.

Other challenges could pose new threats to poverty reduction. Conflict and political instability present major risks, because they increase poverty and create long-term obstacles to development. Moreover, a warming planet could increase the prevalence and size of drought-affected areas, and make extreme weather events more frequent, with unpredictable costs in terms of lives and financial resources.

Yet, I remain optimistic that achieving the goals is within our reach. Doing so will require systemic and relentless collaboration from the World Bank Group, our 188 member countries, and other partners.

IFC will play an important role by mobilizing the power of the private sector to create jobs and opportunity where they are needed most.

> *This year, IFC provided a record of nearly $25 billion in financing for private sector development, $6.5 billion of which was mobilized from investment partners.*

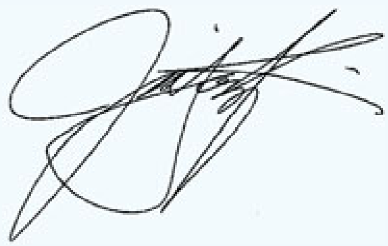
This year, IFC provided a record of nearly $25 billion in financing for private sector development, $6.5 billion of which was mobilized from investment partners. Nearly half of IFC's 612 investment projects took place in the poorest countries served by the International Development Association. More than $5 billion went to support private sector development in Sub-Saharan Africa, and more than $2 billion went to South Asia.

IFC Asset Management Company, an IFC subsidiary that mobilizes capital from third-party investors for investment in developing countries, increased its assets under management to $5.5 billion. This represents a significant milestone for a company set up just four years ago. In addition, IFC mobilized more than $3 billion from other investors in the form of syndicated loans.

This Annual Report shows the crucial role IFC has played in providing support for small and medium entrepreneurs, expanding access to finance for the poor, creating jobs, and generating opportunities for women.

In Côte d'Ivoire, for example, IFC arranged a financing package that will allow the Azito power plant to increase energy production by 50 percent without using additional gas. This will help reduce power shortages in the country and support its economic recovery. In Latin America, IFC is extending quality healthcare to poor communities in the Brazilian state of Bahia with a highly innovative public-private partnership model. And, working under a joint strategy with the World Bank, IFC is bringing new opportunity to Myanmar, a country whose economic development has lagged significantly behind that of its East Asian counterparts.

IFC is also making important strides in helping the private sector address climate change. Earlier in 2013, IFC issued the world's largest "green" bond, raising $1 billion that will be directed to climate-related projects across the globe. In addition, IFC helped over 10 building developers in Asia, Latin America, and other regions adopt more energy-efficient designs. These are the types of steps we must take to ensure that climate change does not wipe out the hard-won development gains the world has achieved in recent decades.



—

JIM YONG KIM
World Bank Group President

Leadership Perspectives

A Letter from **IFC EXECUTIVE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER JIN-YONG CAI**

Across the world, the challenges of development are vast—and growing. So are the needs of entrepreneurs, investors, and businesses in developing countries, which struggle to overcome constraints in finance, infrastructure, employee skills, and the regulatory environment.

For IFC, this represents a tremendous opportunity: to engage the creativity and resources of the business community to change the world for the better. By helping companies overcome obstacles to sustainable growth, we help them create opportunity and improve lives. We enlist them as partners in the global effort to end extreme poverty and promote shared prosperity.

We believe strongly in the power of partnerships to make a transformational difference. As the world's largest global development institution focused on the private sector, we worked this year with nearly 2,000 private sector clients and a wide array of governments, donors, and other stakeholders. The result was another record year for IFC—we invested and mobilized more money for private sector development than ever before, helping sustain development in more than 100 countries.

Our new investments climbed to an all-time high of nearly $25 billion in FY13, including funds mobilized from other investors, providing capital to more than 600 projects and companies across the world. We invested $18.3 billion for our own account and mobilized $6.5 billion from other investors. In a time of declining official aid flows to developing countries, these investments had an impact in every region of the world.

We now have an investment portfolio of nearly $50 billion in nearly 2,000 companies in 126 countries. This diversification has contributed to our strong risk-adjusted returns—and to our development impact.

At the end of 2012, our investments provided jobs for 2.7 million people in developing countries. With our support, our clients treated 17.2 million patients, educated 1 million students, and improved opportunities for 3.1 million farmers. They generated power for 52.2 million customers, and distributed water to 42 million.

> *We believe strongly in the power of partnerships to make a transformational difference.*

We focused strongly on promoting prosperity in the world's poorest and most fragile regions.

In FY13, nearly half of our projects—totaling more than $6 billion—were in the poorest countries served by the World Bank's International Development Association, most of them in Sub-Saharan Africa. About two-thirds of our advisory program expenditures were in IDA countries. Our investments in fragile and conflict-affected regions climbed to nearly $600 million.

Our Advisory Services achieved significant results for our clients—businesses and governments alike. Development-effectiveness ratings for Advisory Services reached a record of 75 percent while client-satisfaction ratings climbed to an all-time high of 90 percent. The advice we provide is a crucial element of the value we bring to our clients, and in FY13 we achieved notable progress in providing client solutions that integrate investment and advice—we had active advisory projects with 250 investment clients.

In FY13, our advice helped mobilize almost $1 billion in private investment through public-private partnerships, which are expected to improve infrastructure and health services for millions of people. In addition, we helped more than 40,000 small and medium enterprises obtain $4.5 billion in financing secured with movable property, through our work with collateral registries. We also provided training and capacity-building to about 350,000 people—including farmers, entrepreneurs, and managers of small and medium enterprises.

In addition, IFC Asset Management Company continued to grow, increasing its assets under management to $5.5 billion across six investment funds, with a strong mix of reputable investors. It has launched two new funds—including the IFC Catalyst Fund, which focuses on climate-smart investments, and the Global Infrastructure Fund, which will invest scarce equity risk capital in the critically important infrastructure sector.

I am confident IFC can achieve even greater impact going forward. This year was my first as IFC's CEO, and I traveled to nearly three dozen countries—in every region of the world—to meet with our clients and staff. I saw first-hand what we can achieve by being ambitious, unafraid of risk, client-focused, and open to new ideas. We can tackle the big problems that have long hindered development—such as access to finance, energy and climate change, and food security.

IFC is a unique organization, one that has managed to combine a businesslike commercial approach with a passionate, focused commitment to achieving meaningful and measurable development impact. Strong, profitable growth builds resources for greater development impact in the future.

Developing countries need transformative solutions. Working with our partners, IFC is well positioned to provide them.

—

JIN-YONG CAI
IFC Executive Vice President
and Chief Executive Officer

MANAGEMENT TEAM

Our seasoned team of executives 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—qualities that enhance IFC's uniqueness. The team shapes our strategies and policies, positioning IFC to help improve the lives of more poor people in the developing world. Our executives are vital in maintaining IFC's corporate culture of performance, accountability, and engagement.

Jingdong Hua
Vice President, Treasury and Syndications

Janamitra Devan
Vice President, Financial and Private Sector Development

Jean Philippe Prosper
Vice President, Sub-Saharan Africa, Latin America and the Caribbean

Saadia Khairi
Vice President, Risk Management and Portfolio

Karin Finkelston
Vice President, Asia-Pacific

Dorothy Berry
Vice President, Human Resources, Communications, and Administration

Ethiopis Tafara
Vice President, General Counsel

Dimitris Tsitsiragos
Vice President, Europe, Central Asia, Middle East and North Africa

Jin-Yong Cai
IFC Executive Vice President and CEO

Nena Stoiljkovic
Vice President, Business Advisory Services

Gavin Wilson
CEO, IFC Asset Management Company

Rashad Kaldany
Vice President and Chief Operating Officer

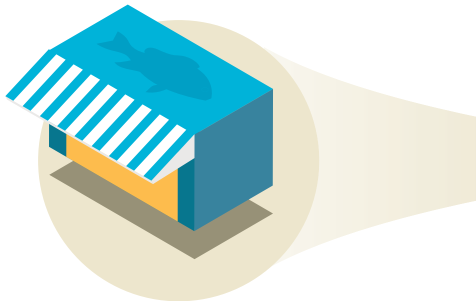
Jorge Familiar Calderon
Vice President and Corporate Secretary
(not pictured)

ANNUAL REPORT 2013

With a global presence in more than 100 countries, a network of more than 900 financial institutions, and nearly 2,000 private sector clients, IFC is uniquely positioned to create opportunity where it's needed most.

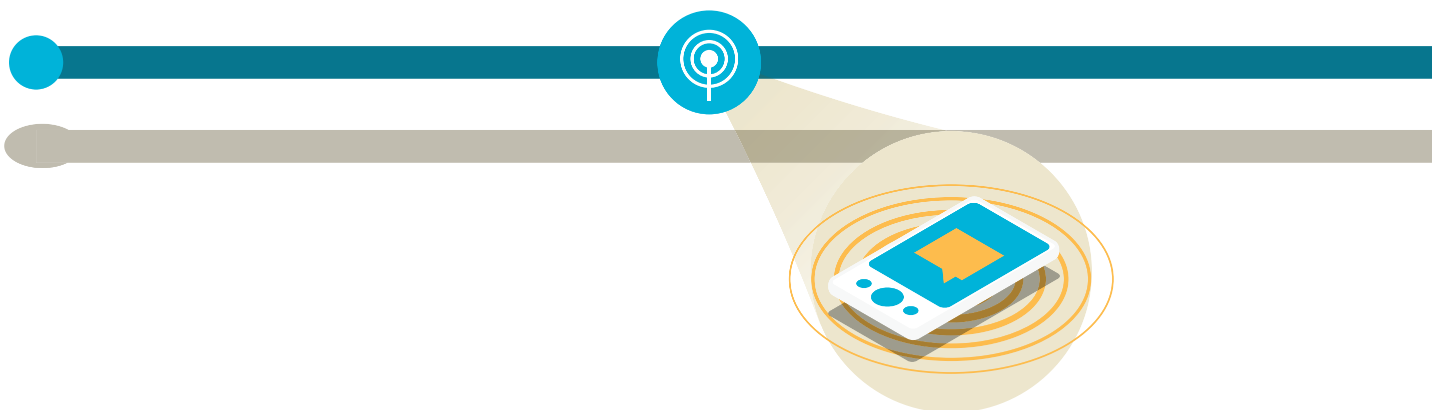
We use our capital, expertise, and influence to help change the world for the better—to eliminate extreme poverty and to boost shared prosperity.

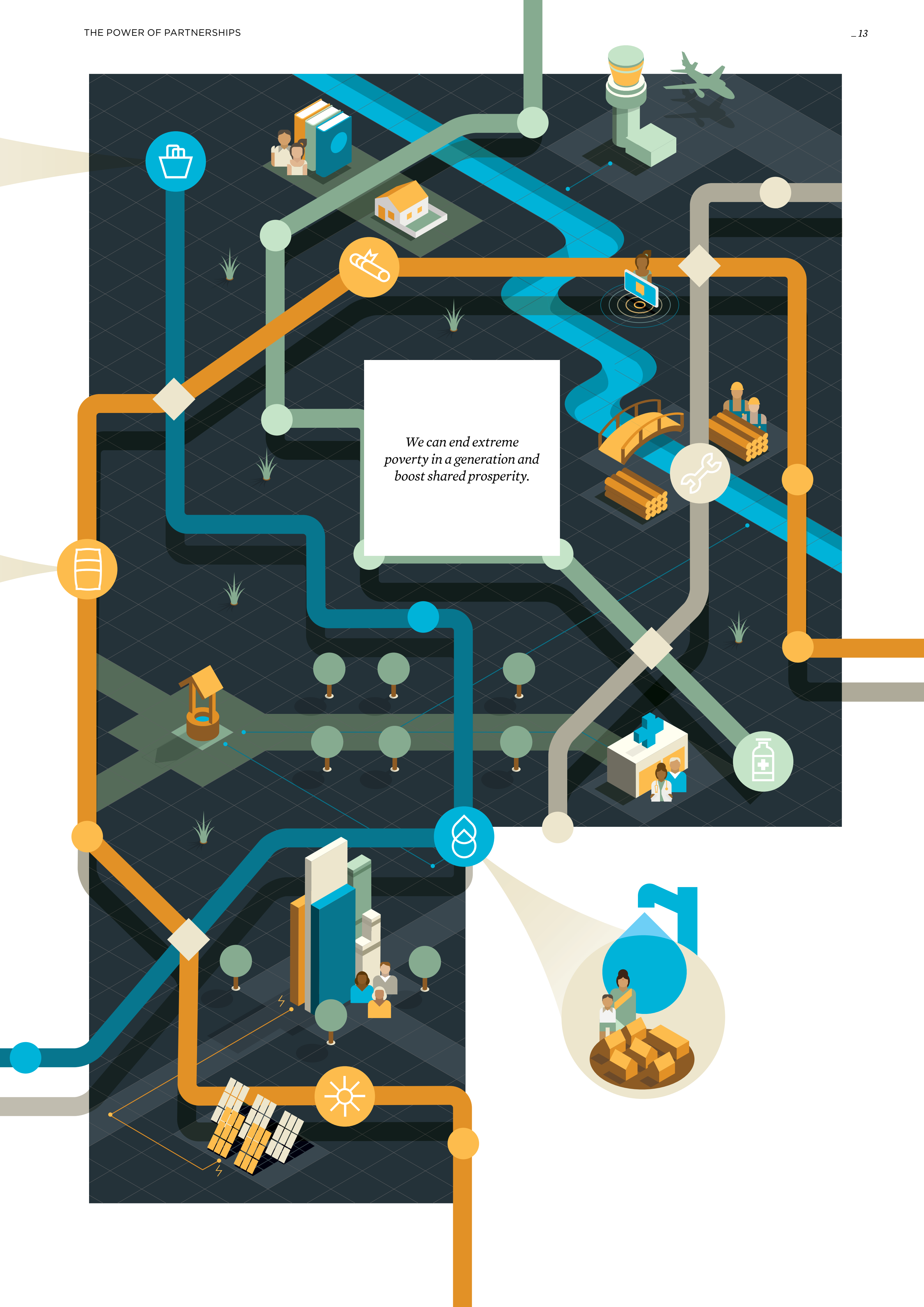
That's the power of partnerships.



Partnerships take *connections*

No institution can solve the challenges of development on its own. But IFC has a distinctive power to bring together a variety of players to address the challenges collectively. We work with our network of partners to craft innovative solutions that make good things happen in difficult places.




We can end extreme poverty in a generation and boost shared prosperity.

Partnerships take *ambition*

In a world in which the needs of developing countries far exceed the available resources, it takes ambition to make a lasting difference in the lives of the poor. We are stepping up to the challenge, unafraid to take risks, and finding new ways to maximize our development impact.

We can end extreme poverty in a generation and boost shared prosperity.

Partnerships take *focus*

Our clients hold the key to sustainable private sector development in the poorest countries and regions of the world. We use our distinctive combination of broad global knowledge and deep local expertise to align their needs with the opportunities for transformational development in emerging markets.

We can end extreme poverty in a generation and boost shared prosperity.

In all our projects, we aim to do the things that no one else is able or inclined to. We seek to achieve maximum impact—profitably and efficiently, while ensuring we have the funds required to continue our growth.

We can end extreme poverty in a generation and boost shared prosperity.

Partnerships can *improve* lives

Our work helps expand employment, improve health and education, and broaden access to finance for those who need it most. In 2012, our clients supported 2.7 million jobs, treated 17.2 million patients, and expanded opportunities for more than 3 million farmers.

2.7

million jobs were supported by IFC clients in 2012.

17.2

million patients were treated by IFC clients.

3.1

million farmers benefited from our work with clients.

Partnerships can *promote* prosperity

We help create the conditions needed for sustained prosperity. In 2012, our advice helped governments in 43 countries adopt 76 reforms to strengthen the investment climate. Clients we invested in distributed power to nearly 46 million customers and contributed about $27 billion to government revenues.

76

investment-climate reforms achieved in 43 countries.

$27

billion in government revenues, generated by IFC clients.

46

million customers received power because of IFC investments.

Partnerships can *transform* the world

Harnessing the creativity of the private sector, we can help end extreme poverty—within a generation. We can help lift the incomes of the poorest 40 percent of the population—in every developing country. Achieving these goals would change the world.

IFC'S GLOBAL IMPACT

Our record investments and advice helped achieve significant impact for the poor. Nearly half our investment projects were in the world's poorest countries. We helped our clients support 2.7 million jobs and provide more than $265 billion in loans to micro, small, and medium enterprises in 2012. Our advice helped governments in 43 countries adopt 76 reforms related to the investment climate.

$25 BILLION

in investments, including $18.3 billion in commitments for our own account

$3.3 BILLION
Europe and Central Asia

$1.7 BILLION
South Asia

$3.5 BILLION
Sub-Saharan Africa

$2.9 BILLION
East Asia and the Pacific

$2.0 BILLION
Middle East and North Africa

FY13 COMMITMENTS

Dollar amounts in millions

Total	$18,349 (100%)
BY INDUSTRY	
Trade Finance	$6,477 (35.3%)
Financial Markets	$3,647 (19.9%)
Infrastructure	$2,247 (12.2%)
Consumer & Social Services	$1,635 (8.9%)
Manufacturing	$1,314 (7.2%)
Agribusiness & Forestry	$1,278 (7.0%)
Funds	$890 (4.9%)
Telecommunications & Information Technology	$472 (2.6%)
Oil, Gas & Mining	$389 (2.1%)
BY REGION	
Latin America and the Caribbean	$4,822 (26.28%)
Sub-Saharan Africa	$3,501 (19.08%)
Europe and Central Asia	$3,261 (17.77%)
East Asia and the Pacific	$2,873 (15.66%)
Middle East and North Africa	$2,038 (11.11%)
South Asia	$1,697 (9.25%)
Global	$156 (0.85%)

Some amounts include regional shares of investments that are officially classified as global projects.

BY PRODUCT	
Loans[1]	$8,519 (46.43%)
Guarantees[2]	$6,959 (37.93%)
Equity[3]	$2,732 (14.89%)
Risk-management products	$138 (0.75%)

1. Includes loan-type, quasi-equity products.
2. Includes trade finance.
3. Includes equity-type, quasi-equity products.

COMMITTED PORTFOLIO

For IFC's own account as of June 30, 2013

Total	$49,617 (100%)
BY INDUSTRY	
Financial Markets	$14,563 (29%)
Infrastructure	$9,358 (19%)
Manufacturing	$6,385 (13%)
Agribusiness & Forestry	$4,251 (9%)
Consumer & Social Services	$4,215 (8%)
Funds	$3,733 (8%)
Trade Finance	$3,081 (6%)
Oil, Gas & Mining	$2,359 (5%)
Telecommunications & Information Technology	$1,667 (3%)
Other	$5 (0%)
BY REGION	
Europe and Central Asia	$10,994 (22%)
Latin America and the Caribbean	$10,993 (22%)
Sub-Saharan Africa	$7,833 (16%)
East Asia and the Pacific	$7,726 (16%)
Middle East and North Africa	$5,793 (12%)
South Asia	$5,582 (11%)
Global	$696 (1%)

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

FY13 COMMITMENTS BY ENVIRONMENTAL AND SOCIAL CATEGORY

Category	Commitments ($ millions)	Number of Projects
A	$884	17
B	$5,490	167
C	$6,764	269
FI	$1,751	48
FI-1	$450	14
FI-2	$2,203	59
FI-3	$807	38
Total	$18,349	612

IFC'S LARGEST COUNTRY EXPOSURES[1]

June 30, 2013 (Based on IFC's Account)

Country (Global Rank)	Committed Portfolio ($ millions)	% of Global Portfolio
India (1)	$4,453	9%
China (2)	$3,002	6%
Turkey (3)	$2,856	6%
Brazil (4)	$2,690	5%
Russian Federation (5)	$2,145	4%
Mexico (6)	$1,584	3%
Nigeria (7)	$1,334	3%
Egypt, Arab Republic of (8)	$1,130	2%
Ukraine (9)	$963	2%
Colombia (10)	$947	2%

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

FY13 INVESTMENT SERVICES DOTS SCORE BY INDUSTRY

IFC Total	716 (29,674)	66%
Funds	84 (1,199)	79%
Infrastructure	101 (4,805)	73%
Financial Markets	219 (11,813)	70%
Agribusiness & Forestry	79 (3,215)	68%
Oil, Gas & Mining	28 (2,200)	64%
Consumer & Social Services	94 (2,045)	56%
Telecommunications & Information Technology	31 (1,067)	55%
Manufacturing	80 (3,329)	49%

Numbers at the left end of each bar are the total number of companies rated.
Numbers in parentheses represent total IFC investment ($ millions) in those projects.

FY13 INVESTMENT SERVICES DOTS SCORE BY REGION

IFC Total	716 (29,674)	66%
Latin America and the Caribbean	159 (8,007)	74%
East Asia and the Pacific	98 (3,922)	70%
Middle East and North Africa	80 (3,283)	65%
Europe and Central Asia	168 (8,477)	64%
Sub-Saharan Africa	121 (3,094)	61%
South Asia	81 (2,707)	60%

Numbers at the left end of each bar are the total number of companies rated.
Numbers in parentheses represent total IFC investment ($ millions) in those projects.

FY13 ADVISORY SERVICES PROGRAM EXPENDITURES

Dollar amounts in millions

Total	231.9 (100%)
BY REGION	
Sub-Saharan Africa	65.4 (28%)
East Asia and the Pacific	38.5 (17%)
Europe and Central Asia	36.4 (16%)
South Asia	33.6 (14%)
Latin America and the Caribbean	25.5 (11%)
Middle East and North Africa	20.4 (9%)
Global	12.2 (5%)
BY BUSINESS LINE	
Investment Climate	74.8 (32%)
Access to Finance	62.6 (27%)
Sustainable Business	55.0 (24%)
Public-Private Partnerships	39.5 (17%)

WEIGHTED AND UNWEIGHTED INVESTMENT SERVICES DOTS SCORES

FY11	582	67%
	$21,181	76%
FY12	668	68%
	$26,610	75%
FY13	716	66%
	$29,674	73%

Unweighted Weighted

Numbers at the left end of each bar for unweighted DOTS score are the total number of companies rated. Numbers at the left end of each bar for weighted DOTS score represent total IFC investment ($ millions) in those projects. FY11 and FY12 weighted scores have been restated to reflect methodology changes (see page 82).

IFC'S CLIENT LEADERSHIP AWARD

Every year, IFC recognizes an organization that reflects our values and symbolizes our shared commitment to sustainable development. We present our Client Leadership Award to a corporate client that best demonstrates leadership, innovation, and operational excellence.

This year, the award went to Vegpro Group, a dynamic agribusiness company in Kenya. It has been an IFC client for nearly two decades.

Vegpro is engaged in a tricky market: supplying fresh food to supermarkets in the European Union. As shoppers demand high-quality, ready-to-eat vegetables, growers must assure year-round supply and quick delivery while complying with strict environmental and safety standards.

But the company's creative approach has transformed it into Kenya's largest vegetable producer, with an annual turnover of $100 million. All of the fresh produce it supplies to the retail market is certified, which usually means higher income for suppliers—4,000 of whom are small-scale farmers.

Vegpro is one of Kenya's largest private employers, with 7,000 employees. About three-quarters of them are women—who enjoy starting wages that are almost 50 percent higher than the average daily minimum, in addition to benefits such as free primary healthcare and counseling.

HOW IFC CREATES OPPORTUNITY

INNOVATION, INFLUENCE, DEMONSTRATION, IMPACT

IFC brings a distinctive set of comparative advantages to help reduce poverty and foster inclusive economic growth—by leveraging the power of the private sector.

Consider the scale of the challenge:

- Across the world, 1.2 billion people struggle on less than $1.25 a day.
- About 600 million jobs must be created within a decade—just to accommodate young people entering the workforce.
- Nearly 1 billion people go hungry each day.
- $1 trillion a year in financing is needed to modernize infrastructure in developing countries.

These are needs that can't possibly be filled without tapping the capital and creativity of the private sector. Private enterprises create nine out of every 10 jobs in developing countries. They spur innovation, produce the goods and services people need to improve their lives, and generate most of the tax revenue that governments need to provide essential services for their citizens.

The private sector, in short, provides the most time-tested means of ending poverty quickly and sustainably.

But private sector development doesn't occur in a vacuum. It happens only when governments and the private sector can work together to ensure that businesses operate and grow in ways that promote prosperity for all.

This is what we do best.

We work in more than 100 developing countries, connecting clients and using our expertise to help them achieve sustainable growth—by financing private sector investment, mobilizing capital in international financial markets, and providing advice to businesses and governments.

This work enables companies to grow and create jobs, improve corporate governance and environmental performance, and contribute to their local communities.

We go wherever we are needed most, and deploy our resources wherever they will achieve the greatest impact. In everything we do, we ask ourselves four questions:

- Are we helping reduce poverty and promoting shared prosperity?
- Are we achieving maximum impact?
- Are we doing the type of things that no one else is able or inclined to?
- Are we doing so profitably and efficiently?

1.2

billion people subsist on less than $1.25 a day—nearly one out of every five people on the planet.

TABLE OF CONTENTS

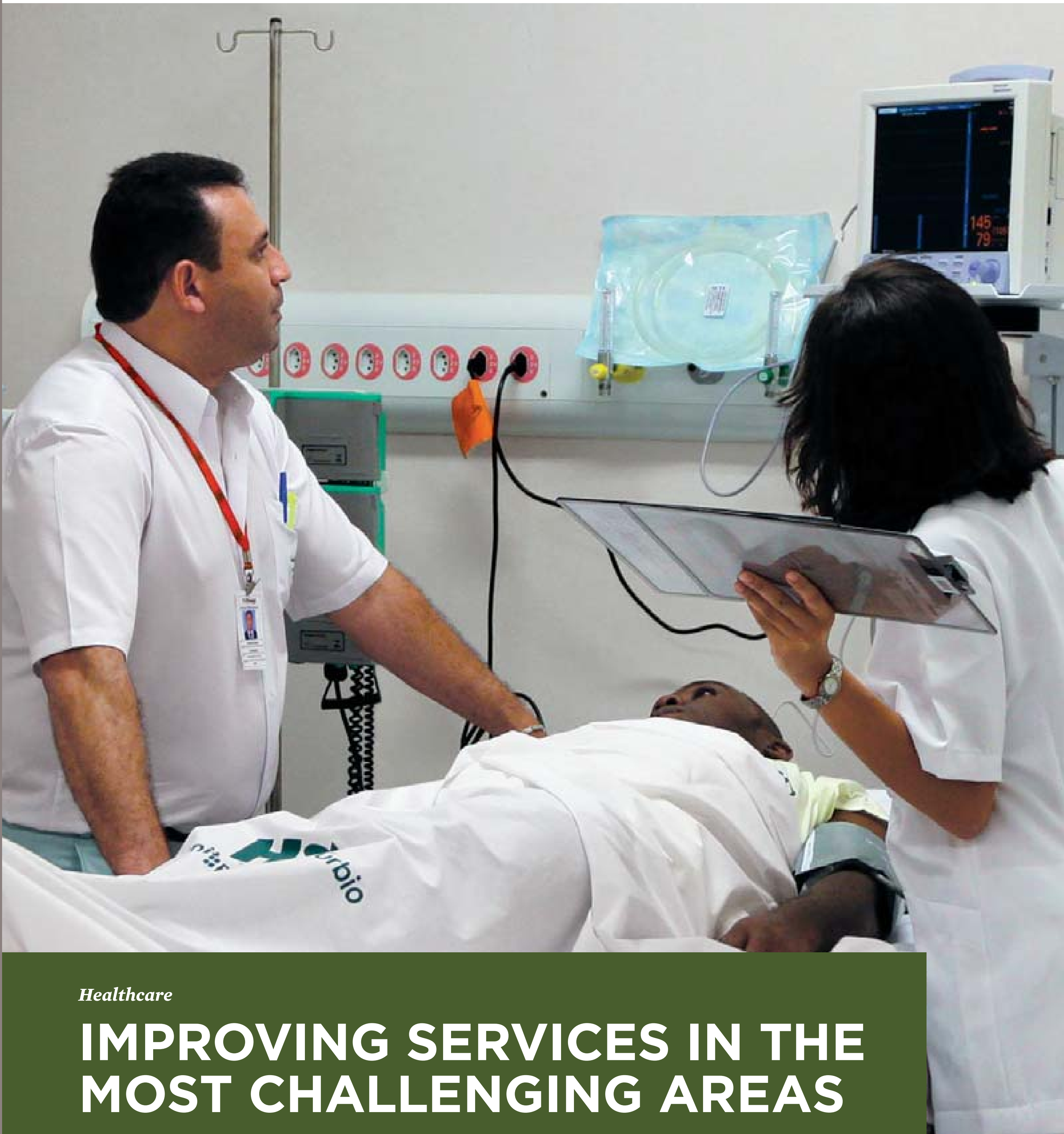
How IFC Creates Opportunity

PARTNERING FOR

It takes creativity to address the most urgent challenges of development—to end poverty, to tackle the dangers of climate change, to introduce modern healthcare to remote corners of the world.

For more than half a century, IFC has innovated to strengthen private sector development wherever it's needed most. We have helped businesses in developing countries create and preserve jobs—by providing loans and investment to enable them to grow quickly and sustainably, and by providing advice that helps *them* to innovate, raise standards, and mitigate risks.

INNOVATION



Healthcare

IMPROVING SERVICES IN THE MOST CHALLENGING AREAS

We are bringing together governments, the private sector, and civil society organizations in innovative ways to help the poor.

17.2

million patients received healthcare through our clients in 2012.

Outside the Hospital do Subúrbio in the Brazilian city of Salvador, all seems tranquil: white stucco buildings, manicured lawns, and palm trees swaying in the gentle breeze. Inside, it's another story. The state-of-the-art hospital—which serves some of the city's poorest neighborhoods—has conducted more than 1.8 million medical procedures since it opened three years ago. It also has created 1,200 jobs under a public-private partnership that IFC helped the government set up. Last year, the hospital was named one of the world's 100 most innovative projects by KPMG, a consulting firm.

Hospital do Subúrbio's success illustrates what can be achieved when government authorities join forces with the private sector to address a major development challenge. Brazil and other developing countries have achieved remarkable health advances in recent years. Yet significant obstacles remain. The benefits often don't reach people who need them most—the poor.

The private sector is an essential part of the solution. In sub-Saharan Africa, where public resources remain scarce, the private sector provides about 60 percent of the financing available for healthcare. A poor woman with a sick child is just as likely to go to a private hospital or clinic as to a public facility.

In some of the world's most challenging markets, IFC is helping bring together governments, the private sector, and civil society organizations to improve the quality of healthcare. Since we launched our Health in Africa Initiative in 2007, we have supported legal, regulatory, and institutional reforms to improve patient safety and the quality of private health services in eight countries.

Our advice led to the enactment of the Kenya Health Bill of 2012, which creates equal opportunity for public and private healthcare providers and is expected to result in expanded coverage for up to 20 million Kenyans. In South Sudan—where the maternal mortality rate is one of the world's highest—our advice helped the government set up the Drug and Food Control Authority, which will help improve the quality of medicines available in the country.

We also see significant opportunity to improve the quality of healthcare in India's low-income states. In the state of Meghalaya, where health insurance is limited, we helped the government arrange a public-private partnership that makes health insurance available to all 3 million of the state's residents, regardless of income.

Left: A patient is treated at Hospital do Subúrbio. Brazil's first public-private partnership in health has dramatically improved emergency hospital services for 1 million people in the state of Bahia.

Above: A road show in the Indian state of Meghalaya encourages low-income households to enroll in the state's universal health insurance program, which IFC supported jointly with the World Bank.

Climate Change

ADDRESSING GLOBAL WARMING

IFC is providing financing and advice to help countries mitigate and adapt to a formidable global threat.

The science is unequivocal: without concerted action to reduce greenhouse emissions, the world could grow warmer by 4 degrees Celsius within this century. The consequences could be devastating—unprecedented heat waves, drought, and floods that put prosperity out of reach for millions of people in developing countries and roll back decades of progress in development.

Combating the dangers of climate change will be costly: up to $100 billion a year for developing countries. But it can be done if the resources and creativity of the private sector are tapped.

IFC is finding ways to unlock private capital for climate-smart projects. We're helping finance the development of innovative technologies and encouraging a shift toward energy efficiency and renewable energy. We also provide financing and advice to help countries mitigate and adapt to climate change.

Since 2005, IFC has invested $10.5 billion in climate-related investments, including $2.5 billion just in FY13. We issued the world's largest "green" bond this year, raising $1 billion specifically for climate-related investments—an achievement that

$10.5

billion has been channeled to climate-related investments since 2005.

Above: IFC is supporting the construction of South Africa's first concentrated-solar-power plants, which will use mirrors to reflect and concentrate sunlight to heat steam that can power turbines.

underscored the private sector's growing demand for triple-A-rated green bonds. We also launched the IFC Catalyst Fund—an innovative fund of funds, managed by IFC Asset Management Company, focused on climate-related investments.

In South Africa, we provided an innovative financing package—which included $225 million in funds mobilized through loan syndications and $41.5 million in donor funds—to support the construction of the region's first concentrated-solar-power plants. The Khi Solar One and KaXu Solar One projects, which use mirrors to reflect and concentrate rays of sunlight to heat steam that can power turbines, will help diversify South Africa's energy generation away from coal-fired power.

We are working to address the environmental challenge posed by expanding cities. Buildings account for 15 percent of global greenhouse emissions—a number that is expected to climb in coming decades as more people in developing countries migrate to cities in search of work.

We see a significant opportunity to make a difference by helping construction companies adopt more affordable, energy-efficient designs. Through our Excellence in Design for Greater Efficiencies—or EDGE—tool, we have established an international green-building standard that is helping our clients save money while reducing emissions.

In FY13, we made our first investments through financial intermediaries in new green buildings—including mortgages for energy-efficient homes in India. Along with the World Bank, we have also advised Russian policymakers on ground-breaking legislation that will enable millions of homeowners to obtain new financing for energy-efficiency improvements.

Above top: The Real Solare housing development in Mexico was one of IFC's first projects to receive EDGE certification by achieving a 20 percent reduction in energy, water, and materials.

Above bottom: IFC's investment in the South African solar-power plants will help diversify energy generation away from coal-fired plants.

Access to Finance

REACHING THE POOR THROUGH FINANCIAL INSTITUTIONS

Through more than 900 financial institutions, IFC has increased access to finance for small and medium enterprises—and for millions of people.

Constance Adae's small shop burned to the ground in Accra. Seeing her business wiped out overnight, she feared the worst—not knowing how to recover her lost income or repay her loans.

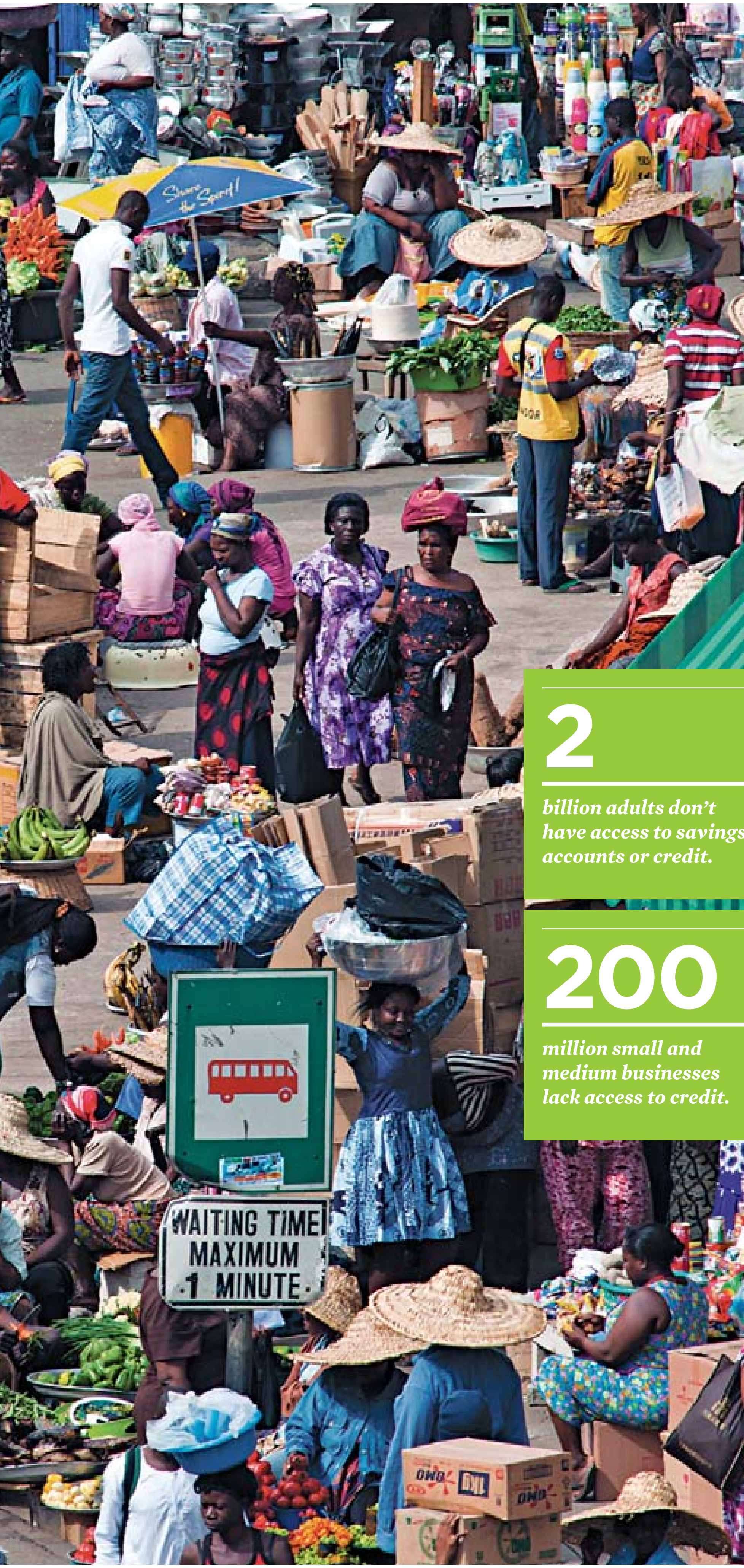
Adae didn't know it then, but she had insurance built into the loan that financed her business.

Modest payouts arranged by IFC client MicroEnsure enabled Ghana's Vanguard Assurance to send Adae a rapid settlement. She was able to reopen her shop—which sells plastic containers—after only a brief interruption.

Innovative solutions have the potential to narrow the access-to-finance gap in emerging markets, which is still large. More than 2 billion adults don't have access to savings accounts or credit, and 200 million small and medium businesses lack access to credit.

Backed by financing from us, MicroEnsure is now partnering with mobile operator Telenor to use its technology platforms as distribution channels to take financial services to even more low-income individuals in Africa and Asia. Its client base is expected to reach 11 million people by 2017, up from 4 million today.

To establish and maintain inclusive financial systems, IFC has built up a network of intermediaries—more than 900 financial institutions operating in over 100 developing countries. It allows us to support far more micro, small, and medium enterprises than we would be able to on our own. It also enables us to reach sectors that are



2

billion adults don't have access to savings accounts or credit.

200

million small and medium businesses lack access to credit.

Above: Constance Adae's small shop burned to the ground, but payouts arranged by IFC client MicroEnsure helped her reopen her business after only a brief interruption.

strategic priorities but often lack private sector capital—for example, women-owned businesses or underserved regions such as conflict-affected states.

In 2012, our financial-intermediary clients provided more than $265 billion in loans to micro, small, and medium enterprises.

In Haiti, we joined forces with the Microinsurance Catastrophe Risk Organisation, or MiCRO, in a $2 million project that is expected to provide affordable insurance to help 70,000 women micro entrepreneurs protect their livelihoods against earthquakes, hurricanes, floods, and other natural disasters.

Beyond direct investments in financial intermediaries, IFC has also played a catalytic role in expanding access to financial services—by improving access to credit information, promoting best practices in risk management, and introducing environmental and social standards.

We helped Vietnam develop an online registration system that tracks which movable collateral—such as machinery or vehicles—has been pledged by borrowers to secure their loans. As a result, banks can better assess lending risks, allowing small enterprises without land to obtain loans more easily.

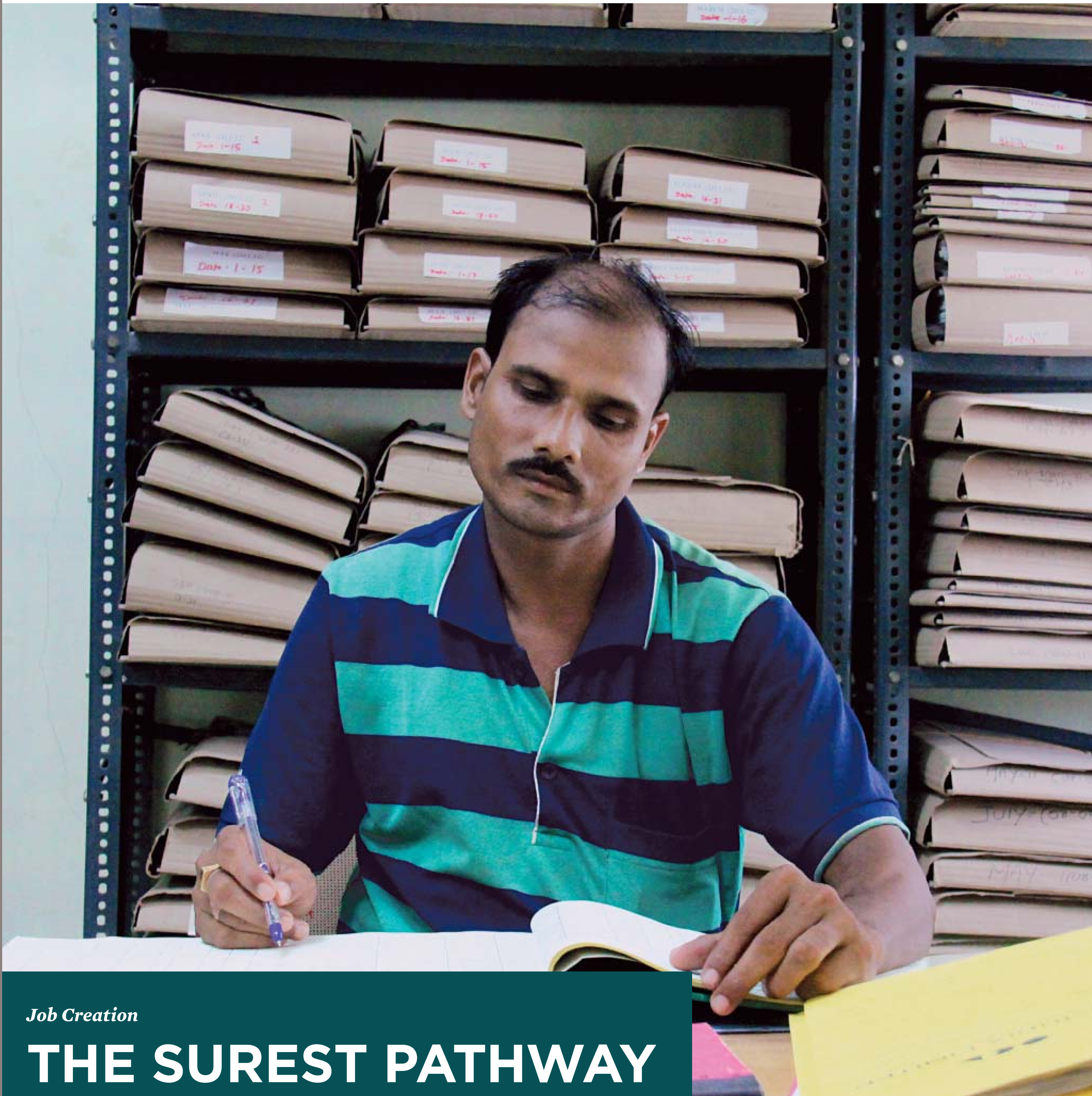
How IFC Creates Opportunity

PARTNERING FOR

As the world's largest development institution focused exclusively on the private sector, IFC plays a significant role in influencing the course of private sector development.

Our leadership position enables us to help shape the policy agenda. We are helping the Group of 20 advanced and developing economies on a variety of important development matters—ranging from food security to access to finance for small enterprises. And a growing number of development finance institutions are adopting our approach to creating jobs, measuring results, and raising corporate-governance standards.

INFLUENCE



Job Creation

THE SUREST PATHWAY OUT OF POVERTY

Our investment clients directly supported 2.7 million jobs last year—and that was only a small part of our overall effect on employment.

Above: Once unemployed, Ramu Rawat got a job with IFC client OCL. Today, he supervises 200 workers at his own construction firm in one of India's poorest states.

90%

of the jobs in the developing world are generated by the private sector.

Ramu Rawat used to spend his days idling around his village in Odisha, one of India's poorest states. With no experience to offer, he couldn't find a job.

Then he noticed the IFC-financed plant that local firm OCL India Ltd. had built in his area. Rawat went to the gate and asked for a job. The company hired him to do some manual work. Recognizing his drive and attitude, it put him on his way—not just to a job, but to a career. Today Rawat has his own contracting company, supervising 200 workers.

Jobs are the surest path out of poverty. They also are the cornerstone of development—boosting living standards, raising productivity, and fostering social cohesion. Yet 200 million people are unemployed today, most of them women and young people in developing countries. Without work, they can't care for themselves or their families.

Addressing this challenge isn't possible without the private sector, which accounts for 90 percent of the jobs in developing countries. IFC is playing a leading role in identifying ways to help the private sector strengthen employment.

We conducted a study—with the support of our donor partners—that found that a weak investment climate; inadequate infrastructure; limited access to finance for micro, small, and medium enterprises; and insufficient training pose a particular threat to employment. Removing these obstacles would significantly increase job creation. Encouraged by our findings, nearly 30 leading international finance institutions pledged to work with us to address the job crisis.

In 2012, our investment clients directly supported 2.7 million jobs. Direct job creation, however, tends to be only a small fraction of our overall employment effects. Our study showed that indirect job effects—through the supply and distribution chains—can be large multiples of the direct effects.

We also supported financial institutions that provided about $265 billion in loans to micro, small, and medium enterprises—which in turn employed over 100 million people.

This year, we provided $285 million and mobilized an additional $350 million to support Etileno XXI, Mexico's first major private sector petrochemicals project in more than 20 years. It is expected to create 9,000 jobs during the construction phase and 3,000 direct and indirect jobs when operations start in 2015.

Above right: Etileno XXI is Mexico's first major private sector petrochemicals project in more than 20 years. It is expected to create 3,000 jobs, directly and indirectly.

World Bank Group

COLLABORATING TO REVITALIZE MYANMAR

Through joint initiatives, the World Bank and IFC are leveraging our comparative advantages and enhancing the impact of our work.

Six decades of conflict and economic isolation have impoverished Myanmar—three quarters of its people go without electricity, half its roads are impassable when it rains, and large numbers of children are malnourished.

The future, however, looks brighter. In 2011, the country began a transition to a more democratic form of government and a market-oriented economic system. Those developments offer the potential for a major change: restoring one of the world's poorest countries to its historic role as one of Asia's most dynamic economies.

That is a complex undertaking—and it will take time. Despite Myanmar's ample natural resources, the country faces significant obstacles to development. To achieve its potential, it must strengthen economic governance, rebuild infrastructure, modernize its legal and regulatory frameworks, and find ways to bring prosperity to all its people.

Those are areas in which IFC and the World Bank can play a critical role, leveraging the distinctive capabilities of each institution. Working under a joint strategy, our institutions began this year by helping Myanmar clear its arrears to the World Bank's International Development Association, or IDA.

The World Bank is providing $165 million in zero-interest loans to the country to help it address its most urgent needs. This is in addition to an $80 million grant for community-driven development that enables villagers to improve schools, clinics, roads, and the water supply.

At the same time, IFC is working to improve the investment climate and expand access to finance in Myanmar, in order to support the growth of the domestic private sector, attract world-class foreign investors, and stimulate job creation. We also are working with the Bank and the Multilateral Investment Guarantee Agency to promote the country's essential infrastructure services, with an initial focus on the electricity and telecommunications sectors.

IFC also began to invest in Myanmar for the first time. We provided a $2 million loan to help our Cambodian client ACLEDA Bank set up a new microfinance institution in the country. The new institution aims to provide loans to more than 200,000 people—most of them women entrepreneurs—by 2020.

In addition to the loan, IFC is strengthening the institution's capacity to deliver microfinance services, enhancing its risk management practices, and helping it to develop a responsible finance strategy.

Above: Egyptian entrepreneurs such as Nabil al Jabari are attracting new customers, thanks to an electronic payment system developed by IFC client Fawry.

Above right: Manoj Kumar, owner of a small watch-shop in the Indian state of Bihar, has benefited from tax-policy reforms that encourage small businesses to join the formal economy.

Small and Medium Enterprises

HELPING BUSINESSES THRIVE

IFC supports the development of small and medium enterprises by improving the investment climate, building managerial skills, and expanding access to finance.

Nabil al Jabari and his family have run a small grocery store in downtown Cairo for the past six decades. It has a group of devoted customers, but al Jabari wanted to bring in new business.

So he installed an electronic payment system developed by IFC client Fawry, which allows al Jabari's customers to make purchases with credit cards and to pay cell-phone bills.

That is crucial in a country where almost everyone relies on cash for transactions, a relatively inefficient way of doing business. The new system attracted dozens of new customers to his store, raising revenues by 15 percent, al Jabari says.

Small and medium enterprises, or SMEs, are a critical force for prosperity in developing countries, accounting for two-thirds of employment. IFC plays a prominent global role in expanding opportunities for these businesses—through our partnership with the Group of 20 leading economies and through our own investment and advisory initiatives.

That is why we invested $6 million in Fawry this year. Our financing will help the firm expand its network of 20,000 payment terminals—potentially stimulating the growth of many small businesses across Egypt.

We serve as a technical adviser to the G-20 on a variety of initiatives to expand access to finance for SMEs. For example, IFC supports the G-20's Global Partnership for Financial Inclusion and manages the SME Finance Innovation Fund announced by U.S. President Barack Obama in 2010. We also manage the Women's Finance Hub, a G-20 initiative to share knowledge and best practices on ways to expand access to finance for women entrepreneurs.

We provide investment and advisory services to such enterprises in about 80 countries, focusing on every phase of their development: improving the investment climate, building management skills, and expanding access to finance and markets. In 2012, our clients provided 5.8 million loans to small and medium enterprises, totaling $241 billion.

In India, we advised the state of Bihar in implementing reforms to its tax regime to encourage formalization for small businesses. We also helped it strengthen an online filing and payment system. The changes increased tax revenues and allowed more small companies to enjoy the benefits of joining the formal economy.

In Sri Lanka, we worked with Nation Trust Bank to open the first business-training center in the country's Eastern Province. Through our SME Toolkit, an online resource that provides training and management tools for small businesses, we are helping up to 30,000 small-business owners become more competitive and reach new markets.

Food Security

EXPANDING OPPORTUNITY FOR SMALL FARMERS

We help our clients raise agricultural productivity in developing countries and work to ensure food is available to people who need it most.

More than 2 billion people—a third of mankind—depend on food produced by small farmers. Such farmers tend to be the norm in regions of the world where hunger is greatest.

Helping these farmers increase their productivity and linking them to markets is an essential way to feed the nearly 1 billion people in the world who go hungry every day. It's essential for managing food stocks at a time when global demand for higher-quality food is rising and when climate change poses risks that could hurt agricultural productivity.

Strengthening agribusiness is a priority for IFC—because it is essential for food security and because it is essential for raising incomes for the poor, three-quarters of whom live in rural areas.

Our approach is comprehensive. We work with the private sector to increase the supply of affordable food and to ensure it is available to people who need it most. We also work with financial institutions, commodity trading firms, companies, and civil society organizations to help large and small farmers overcome obstacles to higher productivity and become part of the agriculture supply chain.

Across East Asia and the Pacific, for example, IFC has worked with major coffee buyers—such as Ecom Coffee—to help farmers achieve the quality and sustainability certifications they need to sell coffee in international markets. These certifications have helped thousands of farmers increase productivity and boost revenues.

IFC plays a prominent role in global initiatives to strengthen food security. We manage the private sector window of the Global Agriculture and Food Security Program (GAFSP), a multilateral fund set up to help the Group of 20 leading economies deliver on its food-security commitments. The private sector part of this fund enables IFC to reach even the smallest farmers and rural enterprises, by blending donor financing with commercial credit.

Above: Haitian farmer Hermilus Lovana has benefited from affordable insurance provided by IFC client Microinsurance Catastrophe Risk Organisation..

This year, IFC and GAFSP's private sector window jointly invested $10 million in Root Capital, a social investment fund, to help it expand access to working capital and markets for 300,000 small farmers over the next four years.

Weather, pests and crop disease, land degradation, and market failures can make farming a risky enterprise. Through our innovative Global Index Insurance Facility—which we launched with the World Bank and several donor partners—we helped about 119,000 small-scale farmers in seven countries in Sub-Saharan Africa and in Sri Lanka to insure their crops and livestock against risks of severe weather events such as floods and drought.

3.1

million farmers were supported by IFC clients in 2012.

Left: A farmer in Vietnam harvests coffee for Ecom, a global commodity trading company that uses inclusive business models, helping producers increase productivity and boost revenues.

How IFC Creates Opportunity

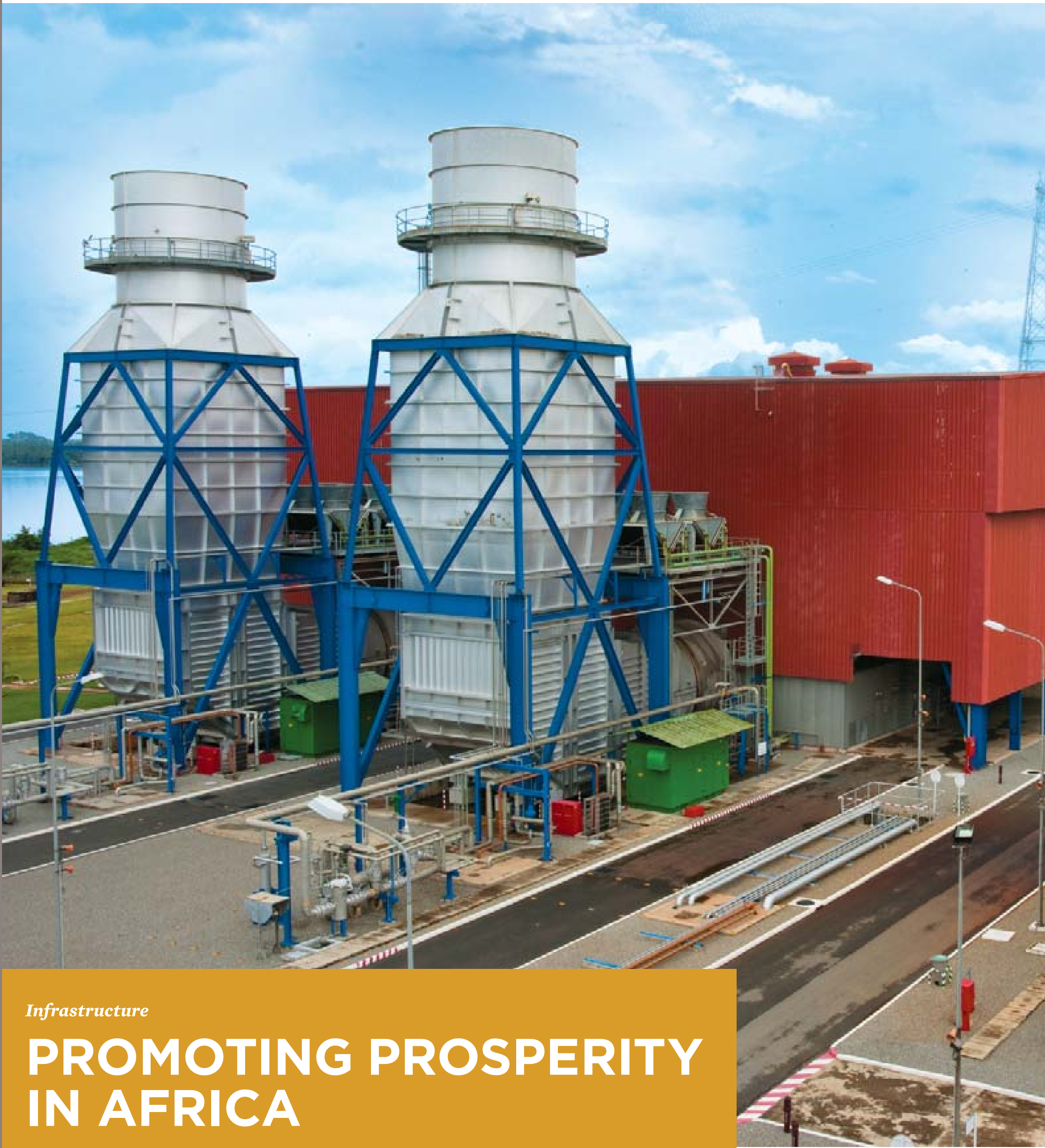
PARTNERING FOR

We have a long history of setting a good example.

We were investing in "emerging markets" decades before they became a popular asset class for global investors. In fact, we coined the phrase. In the mid-1980s, we launched the world's first global investment fund to channel capital toward listed companies in developing countries. The new capital flows lifted many local businesses to international prominence, creating jobs that reduced poverty in countless cities and villages.

Today, we continue to demonstrate the rewards of investing in challenging markets.

DEMONSTRATION



Infrastructure

PROMOTING PROSPERITY IN AFRICA

IFC delivers landmark projects with high impact on the poor—notably in frontier countries and regions, where our services are most needed.

Above: Expansion of the Azito Thermal Power Plant, in Côte d'Ivoire, will improve access to electricity for Ivoirians and help sustain the country's economic growth.

About 1.2 billion people—nearly a fifth of humanity—live without electricity. An estimated 880 million people lack access to safe water, and more than 1 billion people don't have access to either an all-weather road or telephone services.

Infrastructure shortages in the developing world are a key constraint to economic growth. With more efficient infrastructure, millions can benefit from access to clean water and safe sanitation. Companies can take their goods to market more quickly and cheaply. Countries with a modern infrastructure are better able to attract foreign investment.

Expanding and modernizing infrastructure are priorities for IFC—particularly in Africa, and particularly in the transport and power sectors. We invest in projects that can promote prosperity in some of the poorest countries, and help governments design and implement public-private partnerships.

In Sub-Saharan Africa—where the need for infrastructure improvement is most urgent—IFC is taking the lead to support the expansion of energy generation. In FY13, we invested more than $1 billion in infrastructure projects in the region, including funds mobilized from other investors. Our work included several innovative solar-power projects (see page 37).

In Côte d'Ivoire, which is emerging from years of political turmoil, we arranged a $345 million package to modernize the Azito Thermal Power Plant. Modernization will enable the plant to generate 50 percent more energy without using any additional gas. The plant will become one of the largest independent power generators in the region, helping ease power shortages and producing significant savings for Ivoirians who now have to rely on expensive backup electricity systems.

We provided $125 million for our own account for the Azito project. Acting as lead arranger, we mobilized the balance from five European development finance institutions and the West African Development Bank.

In areas of Sub-Saharan Africa that are not yet connected to the grid, we're stepping up our *Lighting Africa* project with the World Bank and our donor partners. We are helping people switch from inefficient and expensive fuel-based lighting sources such as kerosene lamps to more affordable and climate-smart alternatives—such as solar lamps and dynamo-powered lights similar to those used on bicycles.

The program has already improved access to clean lighting for 6.9 million people in the African continent, avoiding the emission of over 138,000 tons of greenhouse gases—equivalent to taking 26,000 cars off the road. We are leading a similar initiative in Asia, aiming to provide off-grid lighting products to 2 million people in rural areas of India by 2015.

6.9

million have improved access to clean lighting because of the World Bank's* Lighting Africa *project.

Above center: An Azito plant technician performs a check on gas pipes.

Above right: A young girl breaks into a smile on seeing her house well-lit after sunset. IFC's *Lighting Asia* program in India is expected to bring lighting to 2 million people.

Mobilization

OPENING NEW MARKETS FOR PRIVATE INVESTMENT

By bringing together other investors, we combine knowledge and expertise—and maximize the development impact of our projects.

Foreign investments in the capital markets of developing countries have increased in recent years. But only a fraction of these investments go to the smallest and poorest countries. Eighty percent of total portfolio flows into developing countries go to just 14 of the largest emerging-market countries. Investors continue to have little interest in smaller countries, where capital markets tend to be less liquid and more risky as a result.

IFC is playing an important role in addressing that imbalance. This year we committed $100 million to a $500 million global fund that brings together large, institutional investors to invest primarily in listed equity securities of private sector firms in these smaller markets—the so-called Next 50.

Mobilizing capital from other investors is a key component of IFC's business model. Encouraging additional private sector investment to leverage our activities allows us to achieve more than we could on our own. It also enables us to pool knowledge and expertise.

In FY13, we worked with banks, international financial institutions, sovereign funds, pension funds, and other partners to mobilize $6.5 billion for investment in developing countries. We did that through several programs—including our Syndicated Loan Program (see page 73)—and also through our subsidiary, IFC Asset Management Company, which has $5.5 billion in assets under management across six funds focused on specific sectors or regions.

In Sri Lanka, this approach allowed us to increase funding for small and medium enterprises—which are critical to rebuilding the economy after decades of conflict. We provided a $75 million long-term loan to Commercial Bank of Ceylon, the country's largest private sector bank.

The investment was made through IFC Capitalization Fund—a $3 billion global equity and subordinated debt fund established in 2009 by IFC and Japan Bank for International Cooperation. The fund is managed by IFC Asset Management Company.

The investment is expected to increase access to finance for up to 16,000 small businesses and generate about 170,000 jobs—both directly and indirectly—by 2017.

In Bangladesh, we led a consortium of investors to provide about $345 million in financing—including $190 million from our own account—to telecommunications operator Grameenphone. The investment will help the company extend mobile services to remote areas of the country.

IFC also mobilizes capital through syndicated loans, which allows other investors to participate in the loans we make. In FY13, syndicated loans totaled $3.1 billion, accounting for nearly half of the funds we mobilized.

$3.1

billion in syndicated loans were issued in FY13, accounting for nearly half of the funds we mobilized.

Above: An employee at a small business supported by Sri Lanka's Commercial Bank of Ceylon, which received a $75 million loan from IFC and IFC Asset Management Company.

South-South Investment

A VITAL FORCE FOR DEVELOPMENT

Our projects encourage the transfer of technology from one country to another—boosting regional integration and job creation.

For all their economic achievements in recent years, the needs of developing countries remain vast.

Sub-Saharan Africa alone will need investments of over $90 billion per year over the next decade to meet infrastructure demands such as roads, rail networks, power, and water and sanitation projects. The Middle East and North Africa will need up to $100 billion a year to boost economic competitiveness and sustain recent economic growth rates.

These needs represent significant opportunities for private enterprises from other developing countries—which have shown a robust appetite to expand into untapped emerging markets. Developing countries now account for more than a third of foreign direct investment in emerging markets.

Leveraging our global reach, IFC has been an important facilitator of South-South investment—which we see as an important way to stimulate regional integration, job creation, and economic development. In FY13, our investments in such projects climbed to nearly $1.7 billion, accounting for nearly 10 percent of IFC commitments for our own account.

By supporting such projects, we help stimulate the transfer of knowledge and technology from one developing country to another, and expand the availability of previously hard-to-obtain goods and services. We also enable regional companies to develop into transnational corporations that can compete on a global level.

Above: A worker at a factory in South Africa operated by a subsidiary of India's Apollo Tyres. IFC's investment will help increase production by a third.

We also mobilize funds from other investors to promote South-South investment. In FY13, our syndications program contributed significantly in this area. Emerging-market financial institutions increased their participation in our loan syndications—doubling their commitments from the previous year and accounting for 29 percent of the $3.1 billion in IFC syndicated loans for the year.

This year, IFC and two funds managed by IFC Asset Management Company bought a $204 million equity stake in Morocco's Banque Centrale Populaire to help the bank expand across sub-Saharan Africa—where access to finance, especially for smaller firms, remains a challenge.

We also invested $11 million in a subsidiary of India's Apollo Tyres to help the company expand production at one of its tire factories in South Africa. The company makes tires for cars, buses, and trucks. Our financing will help Apollo Tyres produce about 13,000 tires a day at its factory in the city of Ladysmith—an increase of about a third.

DEMONSTRATION

Local Capital Markets

AN EFFECTIVE WAY TO SPUR GROWTH

As the first international issuer of local-currency bonds in many countries, IFC often provides a model for other issuers.

Strong local capital markets are the foundation for a prosperous private sector. They reduce countries' dependence on foreign debt, protecting economies from sudden swings in international capital flows.

Such markets create access to long-term local-currency finance and help mobilize funds to finance infrastructure and other areas essential for the growth of the private sector—the key engine of job creation in developing countries.

IFC is a global advocate for efficient local capital markets, and we play an important role in their development in emerging countries. We often are the first international issuer of local-currency bonds in these countries. In issuing bonds, we work closely with regulators and investors to help improve the regulatory framework, encourage greater participation in the local markets, and provide a model for other international issuers.

$10

billion in local-currency financing has been provided by IFC.

Over the years, IFC has issued bonds in 12 local currencies—including the Brazilian real, the Russian ruble, the Nigerian naira, the Malaysian ringgit, and the Chinese renminbi. We have provided over $10 billion in local-currency financing across 58 currencies—more than any other international finance institution.

In Nigeria this year, we were the first foreign institution to issue a naira-denominated bond, raising the equivalent of $75 million that will be used to support IFC's development program in the country. All investors were Nigerian pension funds, asset managers, and banks looking to diversify their portfolios. We worked with the Nigerian government and regulators to help them develop a framework that encourages more corporate issuances in the local markets. In addition, we issued the first inflation-indexed bond by a foreign issuer in Russia.

In China, we have made a total of six local-currency investments so far to expand access to finance, promote food safety, and help increase the availability of high-quality and affordable drugs. Those investments reflected an earlier achievement—our 2011 agreement with Chinese banks to swap U.S. dollars into Chinese renminbi to provide local-currency loans. We were the first multilateral institution to sign such an agreement.

Smaller enterprises often face the greatest difficulty in obtaining local-currency financing, a challenge IFC is helping them overcome. In the Dominican Republic this year, we issued the first local-currency bond by an international finance institution, raising $10 million that we invested in two microfinance institutions—Fondesa, which tends to make small loans of less than $1,000; and La Nacional, which finances low-income mortgages with an average home value of about $30,000.

How IFC Creates Opportunity

PARTNERING FOR

IFC plays a leading role in development—by leveraging the power of the private sector to create opportunity in emerging countries, in ways that promote prosperity for all.

We achieve development impact by venturing where other investors often hesitate to go: in the poorest countries and regions of the world, and in places torn by conflict and instability. We achieve it by helping our clients find ways to create opportunity across the entire supply chain. We achieve it by rigorously tracking our results against the goals we set for ourselves.

IMPACT

Conflict-Affected Areas

GENERATING CONDITIONS FOR SUSTAINABLE GROWTH

Our projects in fragile and conflict-affected areas aim to create jobs and help governments rebuild infrastructure.

Broadband Internet is a revolutionary technology—capable of empowering individuals, unlocking business opportunities, and boosting economies. In war-torn Afghanistan, however, it's a technology beyond the reach of virtually the entire population.

IFC is working to change that by helping the country's largest mobile-phone operator extend high-speed broadband services to 80 percent of the population in key cities. The $65 million in long-term financing we provided this year to the company, Roshan, will help it acquire a 3G license and strengthen its broadband network.

That will also help Roshan expand the array of innovative services it offers to improve the lives of ordinary Afghans. One of them is M-Paisa, a mobile-banking service that gives people without bank accounts a quick, safe, and secure way to send and receive money—through their phones. Another

$577

million was invested in conflict-affected areas during FY13.

is Roshan's Telemedicine project, which helps bring better healthcare services to isolated areas of the country.

Conflict and instability are a leading cause of poverty across the world. Recognizing that most of the world's poor will live in fragile and conflict-affected areas in coming decades, we are intensifying our focus on creating opportunity in these areas.

In FY13, we invested about $580 million in fragile and conflict-affected areas. Our advisory expenditures in these areas totaled approximately $40 million, or 18 percent of our advisory program.

Our goal is to create jobs, remove constraints to sustainable business growth, and help governments rebuild infrastructure. To do so, we aim to expand the availability of power and credit. We are also helping strengthen the business environment for local enterprises while enabling them to reach new markets.

Our work in fragile and conflict-affected countries often begins with advisory work to lay the foundation for investment. Working with the World Bank and our donor partners, we supported the adoption of over 60 investment-climate reforms in 22 conflict-affected states between 2010 and 2012. More than 40 of these reforms were in Africa.

In Burundi, for example, we helped the country implement reforms that doubled the number of businesses registered—to nearly 1,350 in 2012 from 674 in 2010. As the country's business climate has improved, foreign investment has grown.

Trade finance can also make a critical difference for conflict-affected states, which tend to be locked out of international trade. Since FY10, IFC has supported trade in 24 of these countries, enabling more than $510 million in trade amid challenging conditions.

Above top: IFC is helping Roshan, Afghanistan's largest mobile-phone operator, to expand its network, bringing cellular and Internet services to many people long left off the grid.

Above bottom: A street vendor serves food in Yangon, Myanmar.

Gender

BOOSTING DEVELOPMENT THROUGH EQUALITY

Addressing obstacles to women's empowerment is an important way to promote shared prosperity and poverty reduction.

Above: Beatriz Cortez, a beauty consultant affiliated with IFC client Belcorp in Peru, enjoys a light moment with her daughter. Belcorp's expansion is expected to create significant jobs and entrepreneurial opportunities for women.

Women's participation in the workforce has grown over the past decades. Yet women remain significantly underrepresented.

This inequality is not only unfair. It's also bad economics. Failing to tap the economic potential of women puts a brake on poverty reduction and limits growth and opportunity. Expanding women's participation can raise productivity and improve a variety of development outcomes.

IFC works to strengthen women's roles as leaders, entrepreneurs, employees, consumers, and stakeholders. We provide a combination of investment and advice to help our clients expand access to finance for women, deliver business-skills training for women entrepreneurs, and recognize the business case for creating opportunities for women. We also work with our clients to improve working conditions and to dismantle barriers to women's participation in business.

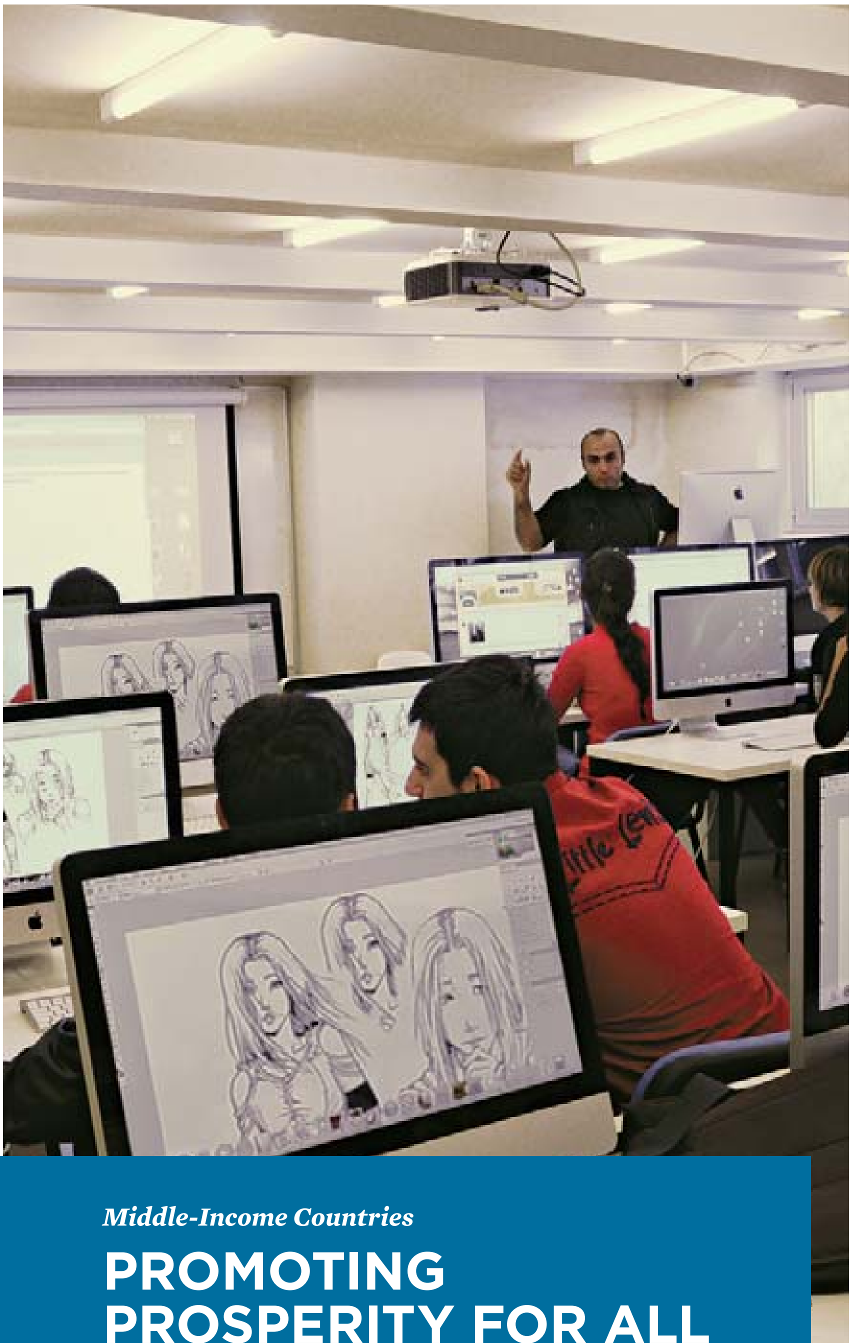
This year, we teamed up with The Coca-Cola Company in a $100 million, three-year project to provide access to finance for thousands of women entrepreneurs in Africa and other emerging markets. IFC will work through its network of local and regional banking institutions to provide financing and business-skills training to small and medium enterprises that are owned or operated by women across the Coca-Cola value chain. The first step was a $50 million IFC investment in Access Bank Nigeria to help it increase lending to women entrepreneurs.

We also arranged and syndicated a $130 million financing package to support the expansion of Peru's Belcorp, a door-to-door sales cosmetics company that employs close to 9,000 people—74 percent of them women. The investment will also help the building of a new plant in Mexico and the firm's expansion to new markets in Latin America.

In China, we stepped up our financing to support the growth of Chindex, a leading private healthcare network that has been instrumental in raising the quality of local health services. Founded by two women, the company is dedicated to empowering its female staff through leadership and training initiatives. Women make up 75 percent of Chindex's workforce.

Since 2010, our *Banking on Women* program has invested more than $600 million in support of women-owned small enterprises in developing countries. That included a $470 million investment in Brazil's Banco Itau—the program's largest investment, and its first in Latin America. We provided $100 million from our own account and mobilized $370 million through loan syndications.

IFC also is a lead sponsor of the Global Banking Alliance for Women, an initiative that brings together about 30 financial institutions committed to leveraging the women's market around the world.



Middle-Income Countries

PROMOTING PROSPERITY FOR ALL

Our work in middle-income countries helps them tackle challenges such as urbanization, rural development, and climate change.

Above: Students learn at a Plato training center in Istanbul. IFC's investment in the education firm will help it expand vocational training in Turkey and other Middle Eastern and Central Asian countries.

More than two-thirds of the world's poorest people—who survive on less than $1.25 a day—live in middle-income countries. These countries also are home to large numbers of people without access to clean water, reliable power, or decent health and education services.

IFC focuses on the needs of the poor, regardless of their location. Our approach is to help middle-income countries find creative ways to ensure that their rising prosperity is shared by all citizens. We also work to strengthen rural development and address the challenges of unemployment, urbanization, and climate change.

Supporting companies that adopt inclusive business models is an important element of our work. Over the past nine years, we have invested more than $9 billion in businesses that provide goods, services, and jobs to people at the base of the economic pyramid—by integrating the working poor into their supply chains. We have worked with more than 350 inclusive-business clients in more than 80 countries.

This year, we provided a $15.6 million loan to finance the construction or renovation of 47 preschool facilities in Chuvashia Republic, a predominantly rural province in Russia. The project will open up spaces for more than 7,000 students and create jobs for teachers—many of whom will be women.

In Turkey, we provided financing and advice to help introduce a technology that will enable one of the country's largest paper companies to expand production without increasing the consumption of water—a key input for the paper industry. Our $8 million loan to cardboard maker Modern Karton will help it build a wastewater-recovery system to conserve and reuse water.

Thriving private enterprises in middle-income countries can set an important example for others—not only by venturing into less-developed areas of their own country but also by stepping out into poorer countries. IFC helps make that happen.

This year, we invested $6 million in an Istanbul-based education firm, Plato, to help it expand vocational training in Turkey and several Middle Eastern and Central Asian countries. The investment was our first under our E4E Initiative for Arab Youth, which aims to strengthen job skills in a region where youth unemployment is high. Plato is expected to strengthen employment opportunities for up to 6,000 students.

IDA Countries

CREATING OPPORTUNITY FOR THE POOREST

We focus on improving lives in the world's most challenging areas. In FY13, nearly half of our projects were in the poorest countries.

Above: IFC's investment in Kenya Tea Development Agency is financing a new warehouse that is expected to raise farmers' incomes, create jobs, and provide stability in a sector that benefits over 4 million Kenyans.

In the poorest countries, the need to improve lives is urgent. Unable to attract investment, many of these countries have no option but to rely on official aid—which often is not sufficient. These are the 82 countries eligible to borrow from the International Development Association, or IDA—the World Bank's fund for the poorest. For IFC, they represent an opportunity to make a critical difference where we are needed most.

Our investments in IDA countries have grown nearly tenfold over the past decade, totaling $6.6 billion in FY13 alone. Of this amount, a record $1.2 billion was mobilized through loan syndications. IDA countries accounted for about half of all IFC investment projects and over 60 percent of advisory projects in recent years. In addition, we've contributed more than $2.5 billion to IDA's general fund since 2007—including $340 million in FY13.

Through our Global Trade Finance Program, we have provided more than $13 billion in guarantees to businesses in IDA countries since 2005—$3.3 billion in FY13 alone. This enabled small and medium enterprises to obtain much-needed finance to expand and join the global trading system.

We aim to invest wherever we can do the most good. In Kenya—where tea exports generate more than $1 billion a year in earnings, benefiting 10 percent of the population—we helped the country's largest producer of black tea, the Kenya Tea Development Agency. Our $12 million investment financed a 200,000-square-foot facility that is expected to raise farmers' income and provide stability in a sector that accounts for two-thirds of the region's jobs.

We are helping Lao People's Democratic Republic develop its hydropower sector as a way to promote economic growth and alleviate poverty. We are supporting the revision of the country's water law after launching a program to increase the share of new hydro projects that follow high social and environmental standards.

In small IDA countries where the local banking systems tend to be underdeveloped, IFC works with local financial institutions to strengthen their capabilities and help them grow.

Our work with Bai Tushum and Partners, in the Kyrgyz Republic, has enabled it to develop into the country's first microfinance bank, serving more than 25,000 customers.

In landlocked Bhutan, we invested $28 million this year in Bhutan National Bank—the country's largest-ever foreign direct investment—to strengthen its capacity to serve micro, small, and medium enterprises and help it adopt international best practices in banking and corporate governance.

$13

billion has been committed to IDA countries through IFC's Global Trade Finance Program since 2005.

Above top: In the Kyrgyz Republic, a loan from IFC client Bai Tushum enabled Adalat Murzuraimova to buy cattle and lease land. She has used her farm income to educate her daughter.

Above bottom: Kenya Tea Development Agency obtains its tea from small-scale farmers such as this couple.

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Measuring up

OUR STRATEGIC FOCUS AREAS

IFC strives to deliver what cannot be obtained elsewhere. We offer clients a unique combination of investment and advice designed to promote sustainable private sector development in emerging markets. We call that special edge our "additionality." Using it to maximize our development impact is a cornerstone of our strategy. Our activities are guided by five strategic priorities that allow us to help where we are most needed, and where our assistance can do the most good.

SCORECARD

IFC's Performance on Strategic Focus Areas

Indicator	Performance FY13	Performance FY12
DEVELOPMENT RESULTS		
Investment Companies Rated High (DOTS Score)[1]	**66%**	68%
Advisory Projects Rated High[2]	**76%**	72%
Focus Areas		
FRONTIER MARKETS		
IDA: Number of Investment Projects	**288**	283
IDA: Commitments (millions)	**$6,649**	$5,864
IDA: Share of Advisory Services Program in IDA Countries, %[3]	**65%**	65%
Frontier Regions: Number of Investment Projects	**59**	42
Fragile and Conflict Situations: Number of Investment Projects	**44**	45
Fragile and Conflict Situations: Share of Advisory Services Program, %	**18%**	18%
Commitments in Sub-Saharan Africa (millions)	**$3,501**	$2,733
Commitments in Middle East and North Africa (millions)	**$2,038**	$2,210
LONG-TERM CLIENT RELATIONSHIPS INCLUDING SOUTH-SOUTH		
Number of South-South Investment Projects	**47**	41
Commitments in South-South Investment Projects (millions)	**$1,674**	$1,515
CLIMATE CHANGE, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY		
Climate-related investments (millions)[4]	**$2,509**	$1,621
INFRASTRUCTURE, HEALTH AND EDUCATION, FOOD SUPPLY CHAIN		
Commitments in Infrastructure, Health and Education, and Agribusiness and Food Supply Chain (millions)[5]	**$6,934**	$6,034
LOCAL FINANCIAL MARKETS		
Commitments in Financial Markets (millions)[6]	**$10,124**	$9,375
Commitments in Micro, Small and Medium Enterprises (millions)[7]	**$7,192**	$6,077

Notes:
1. DOTS scores: percentage of client companies with high development outcome ratings as of June 30 of the respective year, based on projects approved over a rolling six-year period (FY13 ratings are based on approvals from 2004–2009).
2. For Advisory Services, development effectiveness ratings are for calendar years 2012 and 2011.
3. FY12 and FY13 figures reflect improved methodology for measuring Advisory Services expenditures in IDA countries, incorporating regional projects.
4. "Climate-related" is an attribute of a project involving Climate Mitigation, Climate Adaptation and/or Special Climate activities. For more details on these terms and activities, please visit www.ifc.org/ghgaccounting.
5. Commitments in Infrastructure (excluding Oil, Gas and Mining), Communications & Information Technologies, Subnational Finance, Health & Education, and Agribusiness & Food Supply Chain.
6. Commitments of IFC's Financial Markets excluding Investment Funds and Private Equity.
7. Includes direct MSME borrowers, financial institutions with more than 50% of their business clients being MSMEs, and any other investments that specifically target MSMEs as primary beneficiaries.

CREATING OPPORTUNITY WHERE IT'S NEEDED MOST

IFC and our clients make a wide range of contributions in developing countries. Our clients' success can have ripple effects across an economy, giving many people—including the poor—a chance to improve their lives.

31.1 Million
CUSTOMERS SUPPLIED WITH GAS

684,000
MICRO, SMALL, AND MEDIUM ENTERPRISES REACHED

$420 Million
IN FINANCING SECURED WITH MOVABLE PROPERTY FOR 38,000 FIRMS

6.14 Million
20-FOOT SHIPPING CONTAINERS TRANSPORTED (EQUIVALENT)

$12 Billion
IN GOODS AND SERVICES PURCHASED FROM DOMESTIC SUPPLIERS

1.7 Million
PEOPLE EXPECTED TO RECEIVE IMPROVED ACCESS TO INFRASTRUCTURE SERVICES AND $390 MILLION MOBILIZED THROUGH PUBLIC-PRIVATE PARTNERSHIPS

903,000
STUDENTS EDUCATED

$83 Billion
IN MSME LOANS MADE

$400 Million
IN NEW INVESTMENTS DUE TO INDUSTRY REFORM AND INVESTMENT-PROMOTION WORK WITH GOVERNMENTS

244,000

JOBS PROVIDED

3.6 Million

PATIENTS CARED FOR

$180 Million

IN NEW FINANCING FOR FIRMS WITH IMPROVED CORPORATE GOVERNANCE PRACTICES

120 Million

PHONE CONNECTIONS

620,000

FARMERS REACHED

$310 Million

IN NEW INVESTMENTS DUE TO INDUSTRY REFORM AND INVESTMENT-PROMOTION WORK WITH GOVERNMENTS

11.1 Million

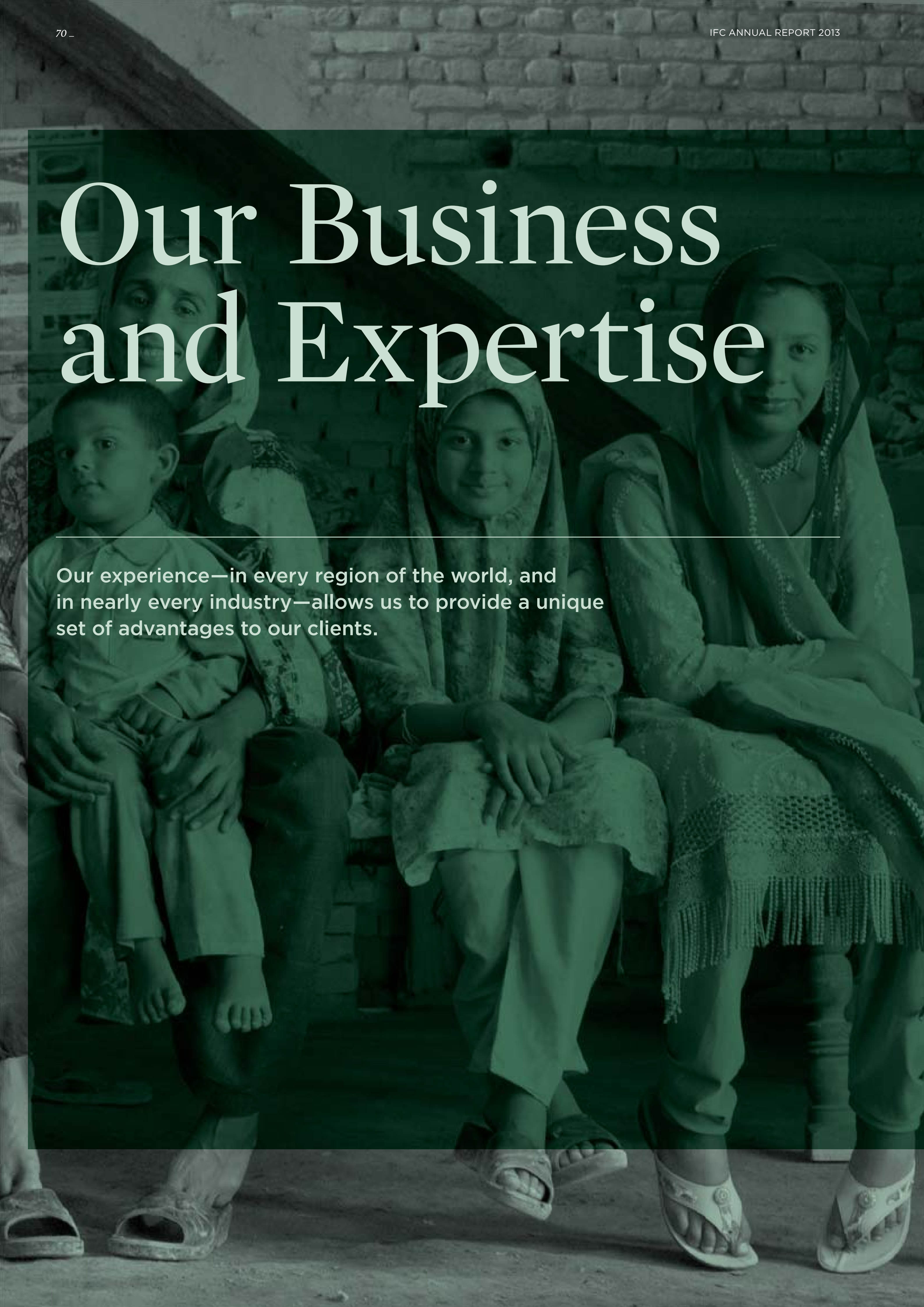
CUSTOMERS SUPPLIED WITH POWER (GENERATION + DISTRIBUTION)

$4 Billion

IN FINANCING SECURED WITH MOVABLE PROPERTY FOR 3,600 FIRMS

3 Million

PEOPLE RECEIVED OFF-GRID LIGHTING



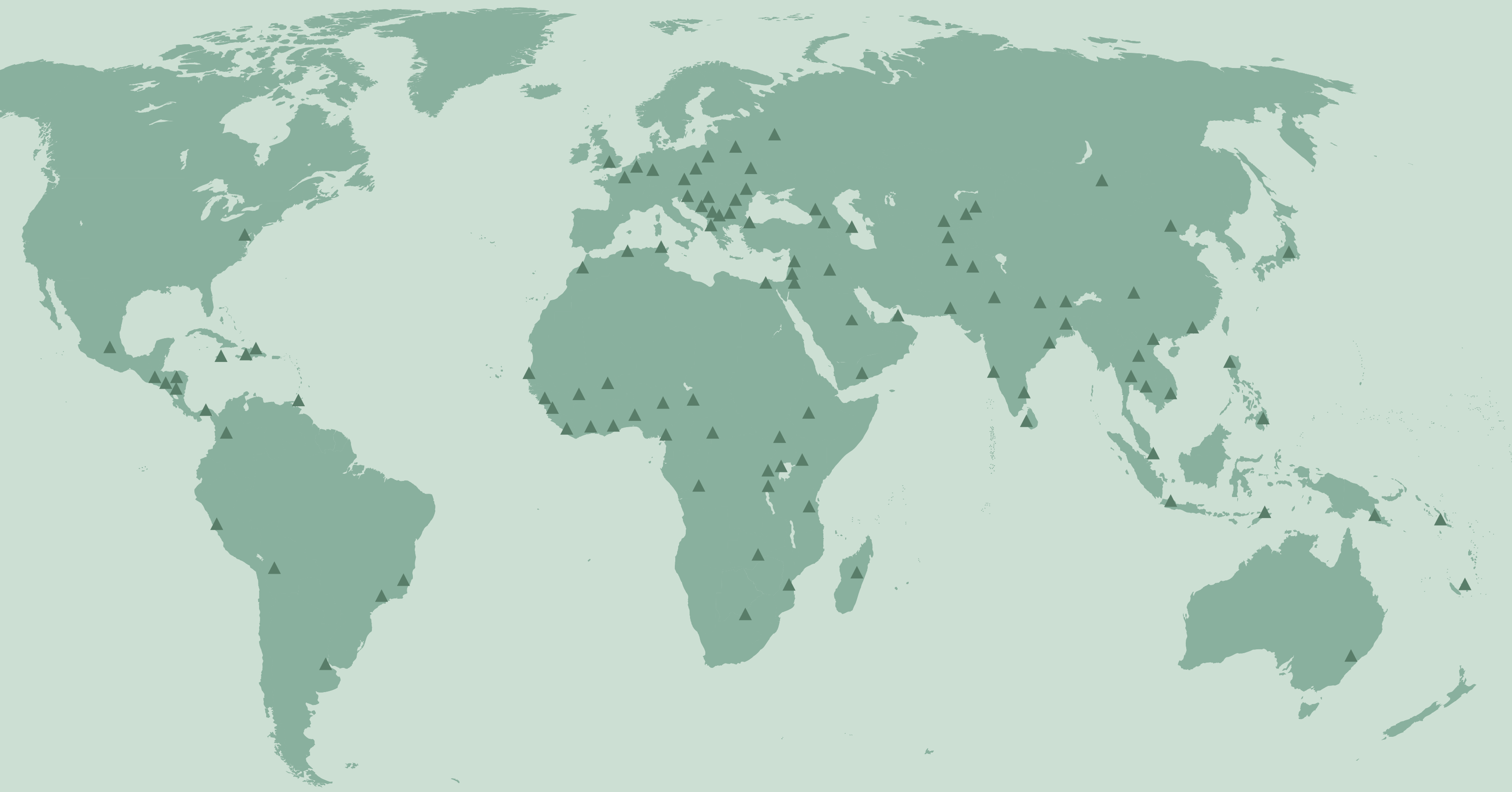
Our Business and Expertise

Our experience—in every region of the world, and in nearly every industry—allows us to provide a unique set of advantages to our clients.

WHERE WE WORK

As the largest global development institution focused on the private sector, IFC operates in more than 100 countries. We are able to apply lessons learned in one region to solve problems in another. We help local companies make better use of their own knowledge, by matching it to opportunities in other developing countries.

OUR OFFICES



OUR THREE BUSINESSES

IFC's three businesses—Investment Services, Advisory Services, and Asset Management—are mutually reinforcing, delivering global expertise to clients in developing countries.

They give us a special advantage in helping the private sector create opportunity—our investment and advice can be tailored to a client's specific needs, and in ways that add value. Our ability to attract other investors brings additional benefits, introducing our clients to new sources of capital and better ways of doing business sustainably.

IFC INVESTMENT SERVICES

Our investment services provide a broad suite of financial products and services that can ease poverty and spur long-term growth by promoting sustainable enterprises, encouraging entrepreneurship, and mobilizing resources that wouldn't otherwise be available.

Our financing products are designed to meet the needs of each project. We provide growth capital, but the bulk of the funding comes from private sector owners, who also bear leadership and management responsibility.

In FY13, we invested about $18.3 billion in 612 projects, of which $6.6 billion went to projects in IDA countries. In addition, we mobilized $6.5 billion to support the private sector in developing countries. We now have a $50 billion portfolio of investment commitments spanning nearly 2,000 companies in 126 countries.

PRODUCT LINES

LOANS

IFC finances projects and companies through loans from 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 local-currency financing in more than 50 local currencies.

In FY13, we made commitments for nearly $8.5 billion in new loans, bringing our total committed loan portfolio to around $31.5 billion.

EQUITY

Equity investments provide developmental support and long-term growth capital that private enterprises need. We invest directly in companies' equity, and also through private-equity funds. In FY13, equity investments accounted for nearly $2.7 billion of commitments we made for our own account.

This brought our own-account equity portfolio to $12 billion, on a cash basis, in 819 companies in 118 countries.

IFC generally invests between 5 and 20 percent of a company's equity. We often 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 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 200 banks across more than 80 countries.

In FY13, trade finance accounted for nearly $6.5 billion of the commitments we made for IFC's own account. Our Global Trade Liquidity Program has supported $24.4 billion in trade in developing countries since it was launched in 2009.

SYNDICATIONS

IFC's Syndicated Loan Program, the oldest and largest syndicated lending program among multilateral development banks, is an important tool for mobilizing capital to serve development needs. In FY13, it accounted for nearly half the funds mobilized by IFC.

In FY13, IFC syndicated about $3.1 billion in B-loans and parallel loans, provided by more than 60 co-financiers—including commercial banks, funds, and development finance institutions. This resulted in a $13.6 billion syndicated loan portfolio.

In FY13, IFC invested about

$18.3

billion in 612 projects, of which $6.6 billion went to projects in IDA countries.

During FY13, IFC made commitments for nearly

$8.5

billion in new loans.

Borrowers in the infrastructure sector received 51 percent of our total syndications volume. More than a third of financing we provided through syndications—a record $1.2 billion—went to borrowers in IDA countries. We also achieved our highest-ever volume for borrowers in sub-Saharan Africa—$868 million.

STRUCTURED FINANCE

IFC uses structured and securitized products to provide cost-effective forms of financing that would not otherwise be readily available to clients. Products include partial credit guarantees, structured liquidity facilities, portfolio risk transfer, securitizations, and Islamic finance. We use our expertise in structuring—along with our international triple-A credit rating—to help clients diversify funding, extend maturities, and obtain financing in their currency of choice.

CLIENT RISK-MANAGEMENT SERVICES

IFC provides derivative products to our clients to allow them to hedge their interest rate, currency, or commodity-price exposures. IFC mediates between clients in developing countries and derivatives market makers in order to provide clients with full market access to risk-management products.

BLENDED FINANCE

IFC sometimes combines concessional funds—typically from donor partners—with our own resources to finance initiatives and achieve development impact that would otherwise be unattainable. We have applied this approach in three areas of strategic priority: climate change, agribusiness and food security, and finance for small and medium enterprises. In FY13, we committed more than $155 million of donor funds, catalyzing more than $2.5 billion of IFC and private sector financing.

IFC ADVISORY SERVICES

Private sector development requires more than finance. Experience shows the powerful role advisory services can play in strengthening the development impact of IFC's investments, unlocking investment by the private sector, and helping businesses expand and create jobs (see page 84).

Companies need more than financial investment to thrive. They need a regulatory environment that enables entrepreneurship. They need advice on best business practices. Our work includes advising national and local governments on how to improve their investment climate and strengthen basic infrastructure. We help companies improve corporate governance, strengthen risk management, and become more sustainable—financially, environmentally, and socially.

We operate in 105 countries, with more than 660 active projects. Funding comes from donor partners, IFC, and clients. In FY13, advisory services program expenditures totaled $232 million, up from $197 million in FY12. In all, 65 percent of our program was in IDA countries, and 18 percent in fragile and conflict-affected areas.

BUSINESS LINES

ACCESS TO FINANCE

IFC helps increase the availability and affordability of financial services for individuals and for micro, small, and medium enterprises. We help our financial clients provide broad-based financial services and build the financial infrastructure necessary for sustainable growth and employment. At the end of FY13, we had an active portfolio of 263 projects—valued at $342.6 million—that promoted access to finance in 72 countries. In FY13, our advisory program expenditures reached about $62.6 million, of which 61 percent was in IDA countries, and 13 percent was in fragile and conflict-affected areas.

INVESTMENT CLIMATE

IFC helps governments implement reforms that improve the business environment and encourage and retain investment, thereby fostering competitive markets, growth, and job creation. We also help resolve legal and policy weaknesses that inhibit investment. At the end of FY13, IFC had an active portfolio of 143 investment-climate projects in 65 countries, valued at $288.9 million. In FY13, our advisory program expenditures in these projects totaled $74.8 million, of which 76 percent was in IDA countries, and 29 percent was in fragile and conflict-affected areas.

We provide advice in

105

countries, with more than 660 active projects.

In FY13, our total advisory program expenditures reached more than

$232

million, of which 65 percent was in IDA countries and 18 percent in conflict-affected areas.

PUBLIC-PRIVATE PARTNERSHIPS

IFC provides support for governments to design and implement public-private partnerships in infrastructure and other basic public services. Our advice helps maximize the potential of the private sector to increase access to public services such as electricity, water, health, and education while enhancing their quality and efficiency. At the end of FY13, we had an active portfolio of 103 PPP projects in 53 countries, valued at about $126 million. In FY13, our advisory program expenditures in the area reached $39.5 million.

SUSTAINABLE BUSINESS

IFC works with clients to promote sound environmental, social, governance, and industry standards; catalyze investment in clean energy and resource efficiency; and support sustainable supply chains and community investment. We work in several sectors including agribusiness and forestry; manufacturing and services; infrastructure; oil, gas, and mining; and financial markets. At the end of FY13, we had an active portfolio of 157 sustainable-business projects in 58 countries, valued at $279.7 million. In FY13, our advisory program expenditures related to this area totaled $55 million.

IFC ASSET MANAGEMENT COMPANY

IFC Asset Management Company LLC, a wholly owned subsidiary of IFC, mobilizes and manages funds for investment in developing and frontier markets. It was created in 2009 to provide investors with access to IFC's emerging-markets investment pipeline and to expand the supply of long-term capital to these markets, enhancing IFC's development goals and generating profits for investors by leveraging IFC's global reach, standards, investment approach, and track record.

As of June 30, 2013, AMC had approximately $5.5 billion in assets under management. It manages six investment funds 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 an equity fund of $1.3 billion and a subordinated debt fund of $1.7 billion. Launched in 2009, the fund helps strengthen systemically important banks in emerging markets, bolstering their ability to cope with financial and economic downturns. The fund is jointly supported by a $2 billion capital commitment from the Japan Bank for International Cooperation and a $1 billion investment from IFC. From its inception through the end of FY13, the fund made 29 investment commitments totaling nearly $2.1 billion.

IFC AFRICAN, LATIN AMERICAN, AND CARIBBEAN FUND

The $1 billion IFC African, Latin American, and Caribbean Fund was launched in 2010 and has commitments from IFC, the Abu Dhabi Investment Authority, the Dutch pension fund manager PGGM, Korea Investment Corporation, State Oil Fund of the Republic of Azerbaijan, a Saudi government fund, and an international pension fund. The fund co-invests with IFC in equity and equity-related investments across a range of sectors in sub-Saharan Africa, Latin America, and the Caribbean. From its inception through the end of FY13, the fund made 19 investment commitments totaling $609.9 million.

THE AFRICA CAPITALIZATION FUND

The $182 million Africa Capitalization Fund was launched in 2010 to invest in systemically important commercial banking institutions in Africa. Among its investors are the Abu Dhabi Fund for Development, African Development Bank, CDC Group, European Investment Bank, OPEC Fund for International Development, and Sumitomo Mitsui Banking Corporation. Since its start through the end of FY13, the fund made six investment commitments totaling $101.8 million.

IFC RUSSIAN BANK CAPITALIZATION FUND

The $550 million IFC Russian Bank Capitalization Fund was launched in 2012 to invest in commercial banking institutions in Russia. The fund, which had its final close in June 2013, has commitments from IFC, the Russian Ministry of Finance, and Russia's Vnesheconombank, or VEB. As of the end of FY13, the fund made two investment commitments totaling $78.2 million.

IFC CATALYST FUND

The IFC Catalyst Fund invests in funds that provide growth capital to companies developing innovative ways to address climate change in emerging markets. It also invests directly in those companies. As of FY13, the investors in the fund include IFC, the United Kingdom's Department of Energy and Climate Change, the U.K. Department for International Development, the State Oil Fund of the Republic of Azerbaijan, and the Government of Canada.

IFC GLOBAL INFRASTRUCTURE FUND

The IFC Global Infrastructure Fund co-invests with IFC in equity and equity-related investments in the infrastructure sector in emerging markets. As of FY13, the fund's investors include IFC, the State Oil Fund of the Republic of Azerbaijan, the Transport for London Pension Fund, and an Asian sovereign wealth fund.

OUR INDUSTRY EXPERTISE

IFC's leadership role in sustainable private sector development reflects a special advantage—the depth and breadth of expertise we have acquired over more than 50 years of helping emerging-market firms succeed and grow.

We have moved to leverage our global industry knowledge—across our investment and advisory services—to tackle the biggest development challenges of the coming years.

AGRIBUSINESS AND FORESTRY

Agribusiness has an important role to play in poverty reduction. The agricultural sector often accounts for at least half of GDP and employment in many developing countries, which makes it a priority for IFC.

IFC provides support for the private sector to address rising demand in an environmentally sustainable and socially inclusive way. To help clients finance inventories, seeds, fertilizers, chemicals, and fuel for farmers, IFC offers working-capital facilities. To facilitate trade and lower costs, we pursue investments in infrastructure such as warehouses and cold-storage facilities. To bring land into sustainable production, we work to improve productivity by transferring technologies and making the best use of resources.

In FY13, our new commitments in agribusiness and forestry totaled nearly $1.3 billion, accounting for about 7 percent of commitments for IFC's own account.

FINANCIAL MARKETS

Sound, inclusive, and sustainable financial markets are vital to development as they ensure efficient resource allocation. IFC's work with financial intermediaries has helped strengthen financial institutions and overall financial systems. It has also allowed us to support far more micro, small, and medium enterprises than we would be able to on our own.

Working through financial intermediaries enables IFC to encourage them to become more involved in sectors that are strategic priorities such as women-owned businesses and climate change, and in underserved regions such as fragile and conflict-affected states as well as in housing, infrastructure, and social services.

In FY13, our commitments in financial markets totaled about $3.6 billion, about 20 percent of commitments for IFC's own account.

CONSUMER AND SOCIAL SERVICES

IFC is the world's largest multilateral investor in private healthcare and education. We work to increase access to high-quality health and education while also supporting job-creating sectors such as tourism, retail, and property. We help improve standards of quality and efficiency, facilitate the exchange of best practices, and create jobs for skilled professionals.

In addition to making direct investments in socially responsible companies, our role includes sharing industry knowledge and expertise, funding smaller companies, raising medical and education standards, and helping clients expand services to lower-income groups. In FY13, *In FY13, our commitments in financial markets totaled about*

$3.6

billion, about 20 percent of commitments for IFC's own account.

our new commitments in consumer and social services totaled about $1.6 billion, or nearly 9 percent of IFC's commitments for our own account.

INFRASTRUCTURE

Modern infrastructure spurs economic growth, improves living standards, and can represent an opportunity to address emerging development challenges, including rapid urbanization and climate change.

It is also an area in which the private sector can make a significant contribution, providing essential services to large numbers of people, efficiently, affordably, and profitably. This is IFC's focus: supporting private infrastructure projects whose innovative, high-impact business models can be widely replicated.

We help increase access to power, transport, and water by financing infrastructure projects and advising client governments on public-private partnerships. We mitigate risk and leverage specialized financial structuring and other capabilities. In FY13, our new commitments in this sector totaled $2.2 billion, or about 12 percent of commitments for IFC's own account.

MANUFACTURING

The manufacturing sector plays a vital role in creating opportunity and reducing poverty in developing countries. IFC's manufacturing clients tend to create or maintain more employment than those in any other sector.

We have increased our activities in the sector, which includes construction materials, energy-efficient machinery, chemicals, and equipment for solar and wind power. We invest in companies that are developing new products and markets, and restructuring and modernizing to become internationally competitive.

As these industries represent some of the most carbon-intensive sectors, we are helping clients develop and undertake investments that help reduce carbon emissions and energy consumption.

In FY13, our new commitments in the manufacturing sector totaled $1.3 billion, or about 7 percent of commitments for IFC's own account.

OIL, GAS, AND MINING

Industries that can harness natural resources are vital for many of the world's poorest countries. They are a key source of jobs, energy, government revenues, and a wide array of other benefits for local economies. In many countries, large-scale sustainable investments in these industries can create equally large-scale gains in economic development.

IFC's mission in the oil, gas, and mining sector is to help developing countries realize these benefits. 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.

We support private investment in these industries, and we work to ensure that local communities enjoy concrete benefits. In FY13, our new commitments in the sector totaled $390 million, or about 2 percent of commitments for IFC's own account.

TELECOMMUNICATIONS, MEDIA, AND TECHNOLOGY

Modern information and communication technologies make it easier for the poor to obtain access to services and resources. They expand opportunity and make markets and institutions more efficient. IFC works to extend the availability of such technologies. We channel investments toward private companies that build modern communications infrastructure and information-technology businesses, and develop climate-smart technologies.

IFC increasingly helps clients move beyond their own national borders and into other developing markets. In FY13, our new commitments in this sector totaled about $470 million.

Our people and practices

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

THE IFC WAY

Our history shows we learn from experience and take on new challenges. Our staff is better positioned than ever to maximize IFC's development impact. More than half of us are based in developing countries, close to the clients and communities we serve. We are also more diverse than ever—nearly two-thirds of our staff hail from developing countries.

A strong corporate culture is central to any organization's ability to succeed and adapt to new challenges. The IFC Way is a way of being, defining, and solidifying IFC's culture and brand, and a process that engages staff at all levels and in all regions to inform management decision making. It includes our vision, our core corporate values, our purpose, and the way we work.

OUR VISION

That people should have the opportunity to escape poverty and improve their lives

OUR VALUES

Excellence, Commitment, Integrity, Teamwork, and Diversity

OUR PURPOSE

To create opportunity for people to escape poverty and improve their lives by catalyzing the means for inclusive and sustainable growth, through:

» Mobilizing other sources of finance for private enterprise development
» Promoting open and competitive markets in developing countries
» Supporting companies and other private sector partners where there is a gap
» Helping generate productive jobs and deliver essential services to the poor and vulnerable

To achieve our purpose, IFC offers development-impact solutions through firm-level interventions (Investment Services, Advisory Services, and the IFC Asset Management Company); promoting global collective action; strengthening governance and standard-setting; and business-enabling-environment work.

THE WAY WE WORK

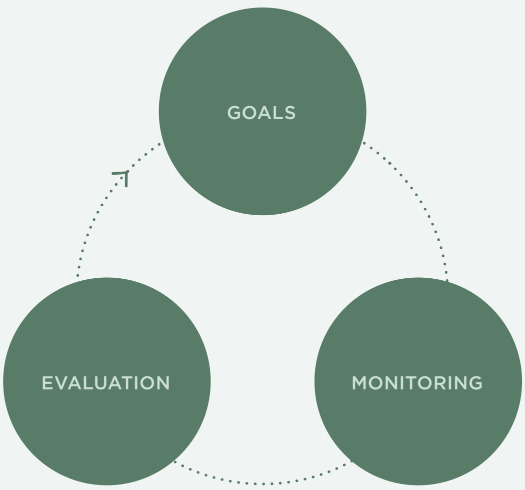
» We help our clients succeed in a changing world
» Good business is sustainable, and sustainability is good business
» One IFC, one team, one goal
» Diversity creates value
» Creating opportunity requires partnership
» Global knowledge, local know-how
» Innovation is worth the risk
» We learn from experience
» Work smart and have fun
» No frontier is too far or too difficult

HOW WE MEASURE DEVELOPMENT RESULTS

Measuring the results of our work is critical to understanding how well our strategy is working—and whether IFC is reaching people and markets that most need our help.

Our results measurement system features three mutually reinforcing components: the IFC Development Goals, a monitoring system to measure development results, and systematic evaluations of the impact of both our investment and advisory work.

Besides development results, we also track IFC's "additionality"—the distinctive advantages and benefits of our involvement in a project.



We are also now studying the extent to which IFC's activities change the behavior of other market participants in areas unrelated to our own projects. These changes in behavior—what we call demonstration effects—may include things like a bank starting to lend in a new sector, a new developer financing a project similar to the one implemented with IFC support, or a government replicating reform instituted by an IFC client government.

Understanding the impact of our activities and feeding into our operations the lessons we learn from results measurement continues to be a priority. To strengthen our ability to do this, we began testing and implementing additional monitoring instruments, and additional evaluative approaches.

These efforts will contribute to the achievement of two overarching World Bank Group goals—ending extreme poverty by 2030 and boosting shared prosperity. We have also continued to work closely with other development finance institutions, or DFIs. We are currently leading a collective effort aimed at harmonizing a set of core indicators for monitoring development results of investment operations.

Our collaboration with DFIs was further strengthened following the launch of IFC's Jobs Study (see page 43 for more details). About 30 other institutions agreed to collaborate with us to help create more and better jobs. We are now working on implementing the recommendations of the study.

THE IFC DEVELOPMENT GOALS

The IFC Development Goals are targets for reach, access, or other tangible development outcomes that projects signed or committed by IFC are expected to deliver during their lifetime.

Two such goals—pertaining to health, education, and financial services—moved from testing into implementation in FY13 and are fully integrated into IFC's corporate scorecard and incentives for management. They will soon apply also to long-term performance awards for staff.

Whether being tested or implemented, the IFC Development Goals have proved useful in steering IFC's business to where it has the biggest impact. The goals also are encouraging staff to work across departments and advisory business lines, adopting cross-cutting and programmatic approaches to enhance development impact.

We plan for one additional goal to be implemented in FY14—tracking the number of people for whom we increase or improve sustainable farming opportunities.

THE IFC DEVELOPMENT GOALS

1: Agribusiness
Increase or improve sustainable farming opportunities

2: Health and Education
Improve health and education services

3. Financial Services
Increase access to financial services for individuals, microenterprises, and SME clients

4: Infrastructure
Increase or improve infrastructure services

5: Economic Growth
Increase the value added by IFC clients to their respective country's economy

6: Climate Change
Reduce greenhouse emissions

At any given time, there are more than

20

evaluations ongoing, covering both investment and advisory services.

MONITORING AND TRACKING RESULTS

We use our Development Outcome Tracking System to monitor the development results of IFC's investment and advisory services.

For Investment Services, DOTS covers—after certain exclusions—1,727 companies under supervision. This report focuses on 716 out of about 780 investments approved between 2004 and 2009, which are mature enough to be rated and recent enough to be relevant. The FY13 ratings reflect our clients' 2012 data and performance. Every year, the group of investments we report on shifts by one year.

The report also addresses the current reach of all active investments in IFC's portfolio. Reach indicators measure the number of people reached by IFC clients—or the dollar benefit to particular stakeholders, regardless of IFC's investment size.

DOTS does not typically track certain projects, including projects that are expansions of existing ones, split projects, and certain financial products such as rights issues.

For Advisory Services, DOTS covers all projects that are active, completed, or on hold, dating back to FY06. The FY13 ratings are defined as a review of 149 completion reports filed in 2012, of which 124 could be assessed. The rolling average is based on a review of 494 completion reports filed in calendar years 2010 through 2012, of which 396 were assessed.

Advisory projects that could not be assessed for development effectiveness were excluded from the analysis, because they were non-client-facing projects or because their outcome and impact results had not been achieved by the review dates.

We continue to report on development results for our entire portfolio and have them assured by an external firm.

EVALUATING RESULTS

Evaluation has been integral to IFC's results measurement since 2005, when IFC first began working with external evaluators to generate useful lessons and produce impartial assessments of development effectiveness. By revealing the factors for success or failure, evaluations help us understand what we need to do more of—and less of—to achieve IFC's mission.

IFC's investment in evaluation has grown rapidly, and we now have more than 20 evaluations ongoing at any given time, covering both investment and advisory services. Our evaluations are undertaken at project, programmatic, or thematic levels, as well as at the level of donor-funded facilities, countries, and regions.

Our evaluation strategy is focused on maximizing opportunities for learning. It has four main objectives: (1) to credibly articulate IFC's development impact; (2) to learn how to maximize the effectiveness of IFC interventions; (3) to provide useful business intelligence to clients and partners; and (4) to exchange knowledge with others outside IFC.

These strategic objectives shape our evaluation work program. Our portfolio of evaluations is selected to address knowledge gaps, learn lessons from successful and unsuccessful initiatives, assess operations never before evaluated, and deliver evaluation services to interested clients. In particular, the new strategy focuses

HOW IFC MONITORS RESULTS

DOTS allows for real-time tracking of development results throughout the project cycle. At the outset of a project, IFC staff members identify appropriate indicators with baselines and targets. They track progress throughout supervision, which allows for real-time feedback into operations, until project closure.

This report provides the DOTS score—the percentage of projects that have achieved a high rating (in the top half of the rating scale)—for IFC overall and by region, industry, and business line.

Ratings are based on qualitative assessments provided by project teams. They are reviewed centrally by the Development Impact Department, with the support of an automated system of flags that helps identify deviations from rating requirements.

For Investment Services, the overall DOTS score is a synthesis of four performance areas (financial, economic, environmental and social, and broader private sector development impacts). The weighting of each area is informed by standardized industry-specific indicators, comparing actual results against absolute benchmarks. To obtain a high rating, a project must make a positive contribution to the host country's development.

This year, we excluded trade-finance clients from the weighting to ensure methodological consistency in the calculation of both weighted and unweighted scores. Accordingly, we restated the weighted DOTS scores shown on page 29.

For Advisory Services, the overall DOTS score or development-effectiveness rating is a synthesis of the overall strategic relevance, efficiency, and effectiveness (as measured by project outputs, outcomes, and impacts). At project completion, intended results are compared with achieved results.

The DOTS score is part of IFC's corporate scorecard and cascades into department scorecards and incentives for individual staff members.

attention on the poverty-reduction and job-creation effects of our work that typically cannot be captured by monitoring and tracking alone.

The new evaluation strategy complements the work of the Independent Evaluation Group (see page 92)—which reports directly to the Board of Directors and is charged with providing its own assessments and lessons of experience. IEG's evaluations incorporate findings from IFC's own monitoring and evaluations. IFC's evaluation staff works closely with IEG to discuss work programs, share knowledge, and align efforts whenever possible.

INVESTMENT RESULTS

Over the past five years, DOTS ratings have been broadly stable, staying within a five-percentage-point range. In FY13, IFC's development results for investment services continued to exceed our long-term target of 65 percent, with 66 percent of our investment clients rated high.

Across the world, our clients continued to increase their development reach. In Latin America and the Caribbean, the number of loans to micro, small, and medium enterprises rose about 110 percent to 14.4 million. In Sub-Saharan Africa, the number of farmers reached increased by almost 80 percent to over 675,000. In the Middle East and North Africa, the number of patients reached increased by 61 percent to 3.5 million. Meanwhile, our clients in South Asia provided 120 million phone connections, accounting for 63 percent of total phone connections reported by IFC clients.

By region, our strongest performance was in Latin America and the Caribbean, where the percentage of clients rated high rose 2 points to 74 percent. The progress reflected stronger performance by clients in Colombia, Mexico, and Peru. It also reflected improved performance of financial markets operations, as well as solid performance of clients in funds, infrastructure—mainly electric power and transportation—and consumer and social services (especially health and education).

Our clients in the Middle East and North Africa also showed improved results, with 65 percent of investment operations rated high—an increase of 5 points over the previous year. The increase reflected improved results in financial markets, specifically in Egypt. The rating also increased because of positive results in the health sector.

In Europe and Central Asia, the share of clients rated high rose to 64 percent from 61 percent—mainly because of solid performance by clients in the infrastructure and funds sectors in Russia, and because of continued improvement in the results of manufacturing clients in Turkey.

Our ratings weakened in East Asia and the Pacific, Sub-Saharan Africa, and South Asia. In East Asia and the Pacific, 70 percent of our clients were rated high, a decline of 10 points from the previous year.

The drop reflected the deteriorating performance of manufacturing companies—predominantly in China, where slower growth compressed margins. It also reflected the weaker performance of clients in financial markets, specifically in Indonesia.

In Sub-Saharan Africa, 61 percent of clients were rated high—a decline of 3 points that reflected deterioration among clients in Ghana, Tanzania, and Cameroon. Clients in the funds sector showed improved results, while ratings declined in agribusiness and forestry.

In South Asia, 60 percent of our clients were rated high in FY13—down from 73 percent in FY12. The decline reflected the weak performance of Indian companies, which account for 90 percent of the region's rated portfolio.

At the industry level, ratings improved for clients in the funds sector, were steady in financial markets, and declined in all other sectors. Clients' development reach, however, continued to be significant (see page 86).

The funds sector had the best performance, with 79 percent of clients rated high—thanks to better performance of new and existing investments, particularly in Europe and Central Asia and in Latin America and the Caribbean. The performance of investments in the financial markets sector remained stable, with 70 percent of clients rated high.

In the infrastructure sector, the share of projects rated high fell by 3 points to 73 percent, mainly because of weaker performance of clients in the warehousing, storage, shipping, and logistics sectors. Even so, the DOTS score for the sector continued to be well above the IFC average.

The funds sector had the best performance, with

79%

of clients rated high—thanks to better performance of new and existing investments, particularly in Europe and Central Asia and in Latin America and the Caribbean.

In the agribusiness and forestry sector, 68 percent of our clients were rated high—a decline of 4 points from FY12. The drop was mostly due to deteriorating ratings of clients in Sub-Saharan Africa and South Asia.

In oil, gas, and mining, 64 percent of clients were rated high, down from 69 percent in FY12. The exit of high-performing clients from the reporting cohort was the main reason for the decline this year, while the sector continued to suffer from political uncertainties in the Middle East and North Africa and from the commercial difficulties of some clients in Latin America.

In the consumer and social services sector, the percentage of investments rated high went from 57 percent to 56 percent amid a deterioration in the tourism sector and in East Asia. The percentage of clients rated high in the telecommunications, media, and technology sectors declined a point to 55 percent. Our clients in this sector are often start-ups, so their odds of success generally tend to be lower.

In the manufacturing sector, 49 percent of clients were rated high—a decline of 14 points from the previous year. Performance deteriorated across all regions, with the largest declines occurring among clients in the Middle East and North Africa and in South Asia.

LEARNING FROM OUR WORK IN CONFLICT-AFFECTED COUNTRIES

To maximize opportunities for learning, IFC increasingly conducts global, regional, programmatic, and thematic evaluations and meta-evaluations of our work—in addition to evaluations of individual projects.

Recently an external consulting firm completed a mid-term review of our Conflict-Affected States in Africa program. The program, also known as CASA, was launched in 2008 to enhance the delivery of IFC Advisory Services in fragile and conflict-affected states. It now serves eight countries—Burundi, Central African Republic, Côte d'Ivoire, Democratic Republic of Congo, Guinea, Liberia, Sierra Leone, and South Sudan.

The review found that CASA's focus on private sector development addresses one of the most important challenges in post-conflict reconstruction. According to stakeholder feedback, no other agency addresses private sector development in these countries as comprehensively as IFC does through the CASA program.

CASA promotes private sector development in one of three ways: first, it facilitates tailored and coordinated Advisory Services projects; second, it provides funds to support implementation of projects; and third, it promotes knowledge management, including the dissemination of IFC tools, lessons learned, and best practice.

Based on the review, the consulting firm recommended that IFC build on the program's success by going beyond a country-by-country approach and leveraging the distinctive strengths of all four of IFC's advisory business lines—Access to Finance, Investment Climate, Public-Private Partnerships, and Sustainable Business. Such an approach, it said, would help build key relationships and enhance CASA's effectiveness.

The firm also recommended that IFC extend CASA's reach by establishing similar programs in new countries and advocating for wider adoption of this model within the World Bank Group. IFC's senior management has endorsed expanding the program to 18 countries in sub-Saharan Africa and is implementing other recommendations.

ADVISORY RESULTS

Development effectiveness ratings and client satisfaction both reached record highs for IFC Advisory Services in FY13. Development effectiveness ratings increased for the fourth consecutive year, with 76 percent of 124 advisory projects that closed during the year and could be assessed for development effectiveness being rated high. Outcomes could be assessed for all 124 projects, and impacts could be evaluated for 73 percent of them.

Ratings improved for operations in IDA countries—climbing to 78 percent in FY13 from 74 percent in FY12. Ninety percent of clients reported satisfaction with IFC Advisory Services work in FY13.

To strengthen our impact, Advisory Services undertakes programmatic approaches that harness contributions from across our four business lines: Access to Finance, Investment Climate, Public-Private Partnerships, and Sustainable Business. Here are a few selected highlights from 2012 across Advisory Services:

» We helped governments sign nine public-private partnership contracts (six in IDA countries, including one in fragile and conflict-affected situations), expected to improve access to infrastructure and health services for over 3 million people (1.7 million in fragile and conflict-affected situations), and mobilize $750 million in private investment.
» We helped 3 million people receive off-grid lighting; helped 1.3 million people gain access to village phones; and provided capacity building to almost 350,000 people (76 percent in IDA countries), including to farmers, entrepreneurs, and management of small and medium enterprises.
» We helped governments in 43 countries adopt 76 investment climate reforms (55 reforms in IDA countries, including 26 reforms in fragile and conflict-affected situations).
» We provided governments with industry-level reform and investment-promotion support that have contributed to an estimated $750 million in new investments.
» We helped firms improve corporate governance practices, which contributed to additional financing of $200 million, $150 million of which was from IFC.
» We worked with 149 financial intermediaries, in partnership with IFC Investment Services, that provided over 14.2 million microfinance and SME loans (15 percent in IDA countries) totaling nearly $103 billion; we also worked with 20 financial intermediaries that provided 207,000 housing finance loans, totaling more than $7.3 billion.
» We helped improve financial markets infrastructure through working with collateral registries that facilitated over 40,000 SMEs to receive $4.5 billion in financing secured with movable property, and helped create, strengthen or license four credit bureau operators.
» We helped firms avoid greenhouse gas emissions estimated at 3.7 million metric tons annually (calculation based on methodologies in place before adoption of a standardized methodology in 2012).

DOTS PERFORMANCE CATEGORIES: INVESTMENT SERVICES

Performance Category	General Indicators and Benchmarks	Examples of Specific Indicators Assessed against Targets
Financial Performance	Returns to financiers, e.g., financial returns at or above weighted average cost of capital	Return on invested capital, return on equity, project implemented on time and on budget
Economic Performance	Returns to society, e.g., economic returns at or above 10 percent or the weighted average cost of capital	Economic return on invested capital, number of connections to basic services, loans to small enterprises, people employed, tax payments
Environmental and Social Performance	Project meets IFC's Performance Standards	Environmental and social management systems, effluent or emission levels, community development programs
Private Sector Development Impact	Project contributes to improvement for the private sector beyond the project company	Demonstration effects (other firms replicating a new approach, product, or service), linkages to other private companies, corporate governance improvements

DOTS PERFORMANCE CATEGORIES: ADVISORY SERVICES

Performance Category	General Indicators and Benchmarks	Examples of Specific Indicators Assessed against Targets
Strategic Relevance	Potential impact on local, regional, national economy	Client contributions, alignment with country strategy
Efficiency	Returns on investment in advisory operations	Cost-benefit ratios, project implemented on time and budget
Effectiveness	Outputs, outcomes, and impacts. Project contributes to improvement for the client, the beneficiaries, and the broader private sector	Improvements in operations, investments enabled, increase in revenues for beneficiaries, cost savings from policy reforms

THE IFC DEVELOPMENT GOALS

Goal	FY13 IDG Target	FY13 IDG Commitments	Percent of Target Achieved
Increase or improve sustainable farming opportunities	Benefit 1 million people	760,000 people	76%
Improve health and education services	Benefit 4.22 million people	7.06 million people	167%
Increase access to financial services for microfinance clients	Benefit 28.05 million people	41.25 million people	147%
Increase access to financial services for SME clients	Benefit 1.15 million people	1.04 million people	90%
Increase or improve infrastructure services	Benefit 19.75 million people	36.74 million people	186%
Reduce greenhouse-gas emissions	Reduce by 4.90 million metric tons of CO_2 equivalent per year	6.20 million metric tons	127%

DEVELOPMENT REACH BY IFC'S INVESTMENT CLIENTS

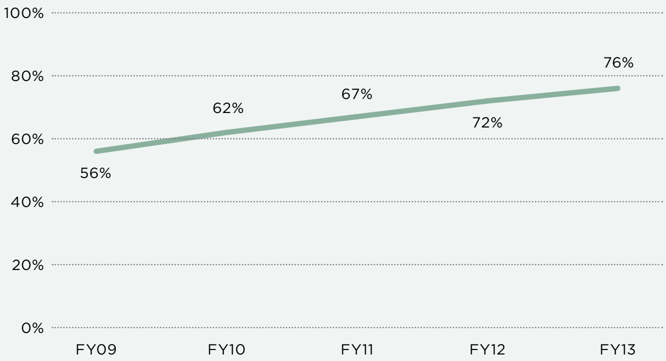
	Portfolio CY11	Portfolio CY12
Investments		
Employment (millions of jobs)[1]	2.5	2.7
Microfinance loans[2]		
Number (million)	19.7	22.0
Amount ($ billions)	19.84	24.03
SME loans[2]		
Number (million)	3.3	5.8
Amount ($ billions)	181.25	241.30
Customers reached with services		
Power generation (millions)[3]	47.0	52.2
Power distribution (millions)	49.2	45.7
Water distribution (millions)[4]	38.7	42.1
Gas distribution (millions)[5]	22.4	33.8
Phone connections (millions)[6]	172.2	192.0
Patients reached (millions)[7]	13.0	17.2
Students reached (millions)	0.9	1.0
Farmers reached (millions)	3.3	3.1
Payments to suppliers and governments		
Domestic purchases of goods and services ($ billions)	49.84	46.19
Contribution to government revenues or savings ($ billions)	21.73	27.00

These figures represent the reach of IFC clients as of the end of CY11 and CY12. CY11 and CY12 portfolio data are not strictly comparable, because they are based on a changed portfolio of IFC clients. In many cases, results reflect also contributions from Advisory Services.

1. Portfolio figures for employment include jobs provided by Funds.
2. Portfolio reach figures represent SME and microfinance outstanding loan portfolio of IFC clients as of end of CY11 and CY12, for MSME-oriented financial institutions/projects. 268 and 285 clients were required to report their end-of-year SME and microfinance portfolios in CY11 and CY12, respectively. 252 and 269 clients did so for CY11 and CY12, respectively. The missing data were extrapolated.
3. CY11 total Power Generation customers revised due to the restatement of one client value in East Asia and the Pacific.
4. CY11 total Water Distribution customers revised due to the restatement of one client value in Sub-Saharan Africa.
5. One client in East Asia and the Pacific contributed 31.14 million of Gas Distribution customers in CY12.
6. One client in South Asia contributed 112.7 million of phone connection customers in CY12.
7. CY11 total Patients Reached revised due to the restatement of one client value in Europe and Central Asia.

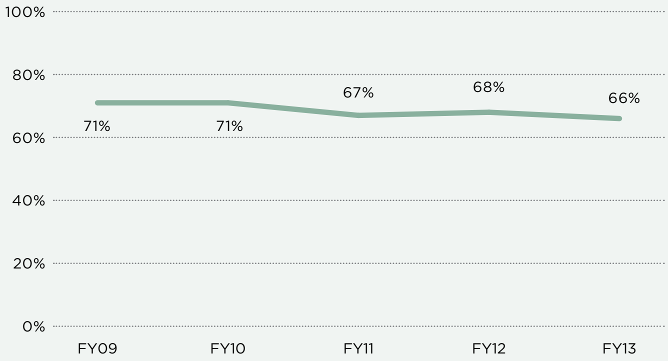
FIVE-YEAR PERFORMANCE ADVISORY SERVICES DOTS SCORE, FY09–FY13

% Rated High



FIVE-YEAR PERFORMANCE INVESTMENT SERVICES DOTS SCORE, FY09–FY13

% Rated High



INVESTMENT SERVICES DOTS SCORE BY PERFORMANCE AREA, FY13

% Rated High

	Unweighted	Weighted
Development Outcome	66%	73%
Financial Performance	50%	58%
Economic Performance	60%	69%
Environment & Social Performance	67%	69%
Private Sector Development Impact	77%	83%

INVESTMENT SERVICES DOTS SCORE BY INDUSTRY, FY12 VS. FY13

% Rated High

	FY12	FY13
IFC Total	68%	66%
Funds	73%	79%
Infrastructure	76%	73%
Financial Markets	70%	70%
Agribusiness & Forestry	72%	68%
Oil, Gas & Mining	69%	64%
Consumer & Social Services	57%	56%
Telecoms and IT	56%	55%
Manufacturing	63%	49%

INVESTMENT SERVICES DOTS SCORE BY REGION, FY12 VS. FY13

% Rated High

	FY12	FY13
IFC Total	68%	66%
Latin America and the Caribbean	72%	74%
East Asia and the Pacific	80%	70%
Middle East and North Africa	60%	65%
Europe and Central Asia	61%	64%
Sub-Saharan Africa	64%	61%
South Asia	73%	60%

ADVISORY SERVICES DOTS SCORE BY BUSINESS LINE

% Rated High

	FY13	FY11 to FY13
IFC Total	76%	71%
Sustainable Business	87%	75%
Investment Climate	75%	70%
Access to Finance	74%	75%
Public-Private Partnerships	50%	55%

ADVISORY SERVICES DOTS SCORE BY REGION

% Rated High

	FY13	FY11 to FY13
IFC Total	76%	71%
South Asia	92%	84%
Europe and Central Asia	76%	80%
Latin America and the Caribbean	76%	79%
Sub-Saharan Africa	72%	67%
East Asia and the Pacific	67%	68%
Middle East and North Africa	64%	50%

OUR STAFF

IFC's employees are diverse. They are our most important asset. Representing more than 140 countries, our staff brings innovative solutions and global best practices to local clients.

Our offices are in 109 cities in 99 countries. More than half of us—57 percent—are based in field offices, an increasing percentage that reflects our commitment to decentralization. Most IFC staff also hail from developing countries, 63 percent in all, a diversity that enriches our perspective and underscores our focus on areas where private sector development can have the biggest impact.

WHERE WE WORK

Location	FY05	FY13
Washington, D.C.	1,350 (55%)	1,737 (43%)
Field Offices	1,083 (45%)	2,278 (57%)
Total IFC Staff	2,433	4,015

NATIONAL ORIGINS—ALL FULL-TIME STAFF

National Origins	FY05	FY13
Developed Countries	1,004 (41%)	1,502 (37%)
Developing Countries	1,429 (59%)	2,513 (63%)
Total	2,433	4,015

NATIONAL ORIGINS—ALL STAFF AT OFFICER LEVEL AND HIGHER

National Origins	FY05	FY13
Developed Countries	690 (50%)	1,163 (44%)
Developing Countries	682 (50%)	1,462 (56%)
Total	1,372	2,625

GENDER—ALL FULL-TIME STAFF

Gender	FY05	FY13
Male Staff	1,194 (49%)	1,880 (47%)
Female Staff	1,239 (51%)	2,135 (53%)
Total	2,433	4,015

GENDER—ALL STAFF AT OFFICER LEVEL AND HIGHER

Gender	FY05	FY13
Male Staff	911 (66%)	1,507 (57%)
Female Staff	461 (34%)	1,118 (43%)
Total	1,372	2,625

IFC's staff represents more than

140

countries.

63%

of our staff hail from developing countries.

57%

are based in field offices.

COMPENSATION

IFC's compensation guidelines are part of the World Bank Group's framework. The international competitiveness of compensation is essential to our capacity to attract and retain a highly qualified, diverse staff. The salary structure of the World Bank Group for staff recruited in Washington, D.C., is determined with reference to the U.S. market, which historically has been globally competitive. Salaries for staff hired in countries outside the United States are based on local competitiveness, determined by independent local market surveys. Based on the World Bank Group's status as a multilateral organization, staff salaries are determined on a net-of-tax basis.

VARIABLE PAY PROGRAMS

IFC's variable pay programs consist of several components, including recognition, annual, and long-term performance awards that support IFC's high-performance culture. These awards are designed to encourage teamwork, reward top performance, and support IFC's strategic priorities, such as projects in Fragile and Conflict-Affected States.

BENEFITS PROGRAMS

IFC provides a competitive package of benefits, including medical insurance and a retirement plan. Washington-based employees are covered by Aetna, contracted through an open procurement process. Other staff members are covered by Vanbreda, an international healthcare provider. Medical insurance costs are shared—75 percent is paid by IFC and 25 percent by the insured.

IFC's pension is part of the World Bank Group plan, based on two benefit components: first, years of service, salary, and retirement age; second, a cash savings plan, which includes a mandatory contribution of five percent of salary, to which IFC adds 10 percent annually. Legacy pension benefits from earlier World Bank Group pension plans include termination grants and additional cash payouts.

STAFF SALARY STRUCTURE (WASHINGTON, D.C.)

During the period July 1, 2012, to June 30, 2013, the salary structure (net of tax) and average net salaries/benefits for World Bank Group staff were as follows:

GRADES	REPRESENTATIVE JOB TITLES	MINIMUM ($)	MARKET REFERENCE ($)	MAXIMUM ($)	STAFF AT GRADE LEVEL (%)	AVERAGE SALARY/ GRADE	AVERAGE BENEFITS[a]
GA	Office Assistant	25,100	32,600	42,400	0.0%	34,269	19,591
GB	Team Assistant, Information Technician	31,700	41,200	57,700	0.7%	41,379	23,657
GC	Program Assistant, Information Assistant	39,100	50,900	71,300	9.2%	53,698	30,699
GD	Senior Program Assistant, Information Specialist, Budget Assistant	46,200	60,100	84,200	7.5%	66,204	37,849
GE	Analyst	62,100	80,700	113,000	9.6%	77,073	44,063
GF	Professional	82,500	107,300	150,200	19.8%	100,089	57,221
GG	Senior Professional	111,300	144,700	202,500	31.4%	137,075	78,366
GH	Manager, Lead Professional	151,700	197,200	254,900	18.4%	188,958	108,027
GI	Director, Senior Advisor	202,200	264,500	303,300	2.9%	249,266	142,505
GJ	Vice President	276,700	310,000	347,100	0.4%	309,632	177,016
GK	Managing Director, Executive Vice President	304,000	344,700	379,100	0.1%	354,189	195,637

Note: Because World Bank Group (WBG) staff, other than U.S. citizens, usually are not required to pay income taxes on their WBG compensation, the salaries are set on a net-of-tax basis, which is generally equivalent to the after-tax take-home pay of the employees of the comparator organizations and firms from which WBG salaries are derived. Only a relative small minority of staff will reach the upper third of the salary range.

a. Includes medical, life and disability insurance; accrued termination benefits; and other nonsalary benefits.

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. Established in 1944, its mission is to fight poverty with passion and professionalism, for lasting results.

IFC is one of five members of the Bank Group, though it 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, 2013, IFC's total cumulative paid-in capital of about $2.4 billion was held by 184 member countries. These countries guide IFC's strategy, 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 $144 billion of our own funds for private sector investments in developing countries, and we have mobilized billions more from others.

In working toward a world free of poverty, we collaborate closely with other members of the Bank Group, including:

» *The International Bank for Reconstruction and Development*, which lends to governments of middle-income and creditworthy low-income countries.
» *The International Development Association*, which provides interest-free loans—called credits—to governments of the poorest countries.
» *The Multilateral Investment Guarantee Agency*, which provides guarantees against losses caused by noncommercial risks to investors in developing countries.
» *The International Centre for Settlement of Investment Disputes*, which provides international facilities for conciliation and arbitration of investment disputes.

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.

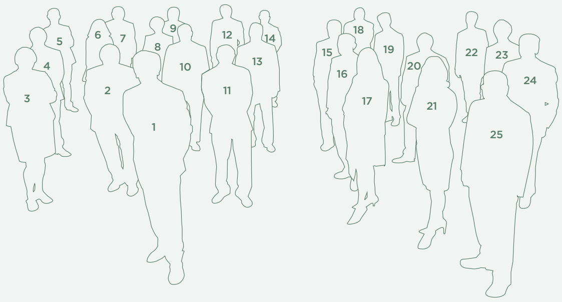
EXECUTIVE COMPENSATION

The salary of the President of the World Bank Group is determined by the Board of Directors. The salary structure for IFC's Executive Vice President and 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's Executive Vice President and CEO, Jin-Yong Cai, received a salary of $350,000, net of taxes. There are no executive incentive compensation packages.

OUR MEMBER COUNTRIES—STRONG SHAREHOLDER SUPPORT

Capital Stock by Country

Grand Total	100.00%
United States	23.69%
Japan	5.87%
Germany	5.36%
France	5.04%
United Kingdom	5.04%
Canada	3.38%
India	3.38%
Italy	3.38%
Russian Federation	3.38%
Netherlands	2.34%
174 Other Countries	39.14%



FAR LEFT ROW: *No. 5* - John Whitehead, New Zealand; *No. 4* - Roberto B. Tan, Philippines; *No. 3* - Satu Santala, Finland

SECOND ROW LEFT: *No. 7* - Shaolin Yang, China; *No. 6* - Marie-Lucie Morin, Canada; *No. 2* - Agapito Mendes Dias, Sao Tome and Principe; *No. 1* - Merza Hasan, Kuwait

THIRD ROW LEFT: *No. 9* - Vadim Grishin, Russian Federation; *No. 8* - Gwen Hines, United Kingdom; *No. 10* - Mukesh N. Prasad, India

MIDDLE ROW: *No. 12* - Piero Cipollone, Italy; *No. 14* - Ibrahim M. Alturki (alt.), Saudi Arabia; *No. 13* - Omar Bougara, Algeria; *No. 11* - Mansur Muhtar, Nigeria

FIRST RIGHT ROW: *No. 18* - Denny H. Kalyalya, Zambia; *No. 19* - César Guido Forcieri, Argentina; *No. 15* - Gino Alzetta, Belgium; *No. 16* - Hideaki Suzuki, Japan; *No. 17* - Ingrid-Gabriela Hoven, Germany

SECOND RIGHT ROW: *No. 20* - Juan José Bravo, Mexico; *No. 21* - Sara Aviel (alt.), United States

FAR RIGHT ROW: *No. 22* - Hervé de Villeroché, France; *No. 23* - Frank Heemskerk, Netherlands; *No. 24* - Jörg Frieden, Switzerland; *No. 25* - Sundaran Annamalai, Malaysia

ACCOUNTABILITY

INDEPENDENT EVALUATION GROUP

The Independent Evaluation Group generates lessons from evaluations to contribute to IFC's learning agenda. IEG is independent of IFC management and reports directly to IFC's Board of Directors. It aims to strengthen IFC's performance and inform its strategies and future directions.

IEG's *Biennial Report on Operations Evaluation,* which focused on assessing, monitoring, and evaluation in IFC and MIGA, reported that IFC has an advanced results management system to gather, analyze, and apply investment and advisory project information. IEG found that IFC has made strides in developing, aggregating, disclosing, and strategically using its development indicators. The data from the Development Outcome Tracking System are used in corporate and departmental scorecards and corporation-wide development goals. IEG's evaluation provided important input to refine and strengthen IFC's results management system.

IEG validates 45 percent of eligible IFC investment projects and 51 percent of eligible advisory projects. IEG communicates these ratings to IFC and aggregates them in its annual evaluation of World Bank Group's results and performance. That most recent IEG report found that IFC's overall development results have been relatively stable on a three-year rolling average.

Another IEG evaluation this year covered the Global Trade Finance Program. IEG reported that the program significantly improved IFC's engagement in trade finance and has been effective in helping expand the supply of trade finance by mitigating risks that would otherwise inhibit the activity of commercial banks.

This year IEG relaunched E-LRN, a database of lessons from IFC investment projects since 1996. E-LRN gives access to more than 3,000 lessons from 15 years of evaluations. The lessons are searchable and easily accessible to staff, helping improve IFC's development effectiveness.

IEG's reports are disclosed on its website: http://ieg.worldbankgroup.org.

IEG validates

45%

of eligible IFC investment projects and 51 percent of eligible advisory projects.

OFFICE OF THE COMPLIANCE ADVISOR OMBUDSMAN

The Office of the Compliance Advisor Ombudsman is the independent recourse mechanism for IFC and the Multilateral Investment Guarantee Agency. CAO helps address complaints from people affected by IFC and MIGA projects, and reports directly to the World Bank Group President.

CAO's goal is to enhance the environmental and social performance of projects and to foster greater public accountability of IFC and MIGA. Through its three roles, CAO helps resolve disputes between local communities and IFC clients; provides independent oversight of IFC's environmental and social compliance; and provides independent advice to the President and IFC management.

During the year, CAO addressed 42 cases in 19 countries. These cases related to IFC investments in extractive industries, infrastructure, agribusiness, manufacturing, advisory services, and financial intermediaries.

In its compliance role, CAO handled 12 audits of IFC's performance. CAO determined it had sufficient basis to close two regarding IFC's investments in palm oil in Indonesia and agribusiness in Peru. Seven audits are in process, while CAO is monitoring IFC's response to three audits related to metals manufacturing in Mozambique, the power sector in Kosovo, and global financial intermediaries.

The financial intermediaries audit analyzed 188 IFC investments and raised concerns about IFC's approach to supporting appropriate environmental and social management capacities in its financial intermediary clients, and identified challenges in the way IFC monitors the environmental and social impact of such investments. IFC is working on an action plan to address CAO's audit findings.

CAO's dispute-resolution team is working in Albania, Cambodia, Cameroon, Chad, Colombia, Indonesia, India, Mexico, Mongolia, Nicaragua, Papua New Guinea, Peru, South Africa, and Uganda helping communities and IFC clients address issues of concern. CAO closed a labor complaint related to a financial intermediary client in Africa, and is monitoring settlements for two cases in the palm oil sector in Indonesia and sugar industry in Nicaragua, respectively.

CAO addressed

42

cases in 19 countries.

CAO this year revised its Operational Guidelines in consultation with civil society, IFC/MIGA, and other stakeholders. The revised guidelines were implemented in March and aim to improve CAO's effectiveness.

More information about CAO is available at www.cao-ombudsman.org

PARTNERSHIPS

FORMING PRODUCTIVE PARTNERSHIPS

IFC works with governments, corporations, foundations, and other multilateral organizations and development institutions to foster innovative partnerships that create prosperity and eradicate poverty. As the largest global development institution focused on the private sector in developing countries, IFC, together with our partners, strives to address urgent development challenges.

Our collaborative approach emphasizes the power of long-term partnerships, maintains a focus on results measurement and efficiency, and leverages the contributions of our partners.

WORKING WITH DONOR PARTNERS

IFC maintains long-term relationships with its donor partners, with whom we work to promote private sector development across the globe.

Our donor partners strongly support the work of IFC Advisory Services, to which they committed more than $254 million in FY13. In addition, a number of these partners have deepened their collaboration with IFC by investing alongside us on various investment initiatives.

In cooperation with the global donor community, IFC launched several strategic partnerships in FY13, which blended flexible financing, thought leadership, and knowledge sharing to maximize our development impact.

We created the Canada-IFC Partnership Fund to address pressing development issues in the extractive and financial sectors and to promote gender equality worldwide. We strengthened the Luxembourg-IFC and Ireland-IFC Partnerships to jointly promote sustainable business, corporate governance, and a more robust investment climate globally, as well as support conflict-affected states in Africa. We also extended the Netherlands-IFC Partnership to work together on sustainable business, investment climate, access to finance, public-private partnerships, and conflict situations.

In Asia, we established the Pacific Partnership with Australia and New Zealand to help drive regional private sector development. We also deepened our partnership with Japan to further our activities in Asia and sub-Saharan Africa.

Here are a few additional highlights of our work with partners in FY13:

- *Austria's Federal Ministry of Finance* renewed its commitment to enhance collaboration in Eastern Europe and Central Asia, with a focus on public-private partnerships, agribusiness, and sustainable energy. Likewise, the Development Bank of Austria supported increased investments in renewable energy and energy efficiency in East Africa.
- *The Bill & Melinda Gates Foundation* and IFC continued cooperation in the water and sanitation sector, and in access to finance, launching a market development project for household sanitation in Kenya and a mobile financial services project in Tanzania.
- *The Government of Canada* contributed to strengthening the investment climate in Sub-Saharan Africa and Latin America and the Caribbean as well as enhancing food security in East Asia and the Pacific. Canada also supported our climate-change activities as an investor in the IFC Catalyst Fund.

In FY13, more than

$254

million was committed by donor partners to support IFC's advisory work.

$44

billion was provided by international financial institutions for private sector development in 2011.

- *The Government of Denmark* supported our resource efficiency and clean energy programs in Egypt and Tunisia.
- *The Government of the French Republic* continued its cooperation with IFC on the Business Law Reform Program in Sub-Saharan Africa.
- *Germany's Gesellschaft für Internationale Zusammenarbeit* contributed to IFC's work with financial institutions to improve their social and environmental risk-management activities, while the Federal Ministry for Economic Cooperation and Development helped IFC explore opportunities for green-growth investments.
- *The Netherlands' Ministry of Foreign Affairs* supported job creation in the Middle East and North Africa, water-related activities in South Asia, investment-climate reforms in Sub-Saharan Africa, and the Global SME Finance Innovation program. In addition, the Netherlands provided much-needed trade financing through a contribution to our Global Trade Liquidity Program.
- *Norway's Ministry of Foreign Affairs* provided additional funding to IFC's Conflict-Affected States in Africa Initiative.
- *The Republic of South Africa, through the Department of Trade and Industry*, renewed its commitment to IFC's private sector development activities in Africa.
- *The Swedish International Development Cooperation Agency* became a partner in our private sector development work in Ethiopia.
- *Switzerland's State Secretariat for Economic Affairs* supported IFC's work in investment climate, access to finance, infrastructure, and environmental and social risk

management globally. SECO also provided substantial support to IFC's sustainable business advisory activities, with a particular emphasis on activities that strengthen gender equality.
» *The United Kingdom's Department for International Development* contributed to our work on investment climate in Central Asia and Sub-Saharan Africa, regional trade and SME development in South Asia, private-public partnerships in Central and South Asia, and job creation in the Middle East and North Africa. DFID also committed to the private sector window of the Global Agriculture and Food Security Program. In addition, DFID and the U.K. Department for Energy & Climate Change made a significant commitment to the IFC Catalyst Fund.
» *The United States Agency for International Development* supported IFC's business reform activities in Eastern Europe and Central Asia, Latin America and the Caribbean, and the Middle East and North Africa.

FINANCIAL COMMITMENTS TO IFC ADVISORY SERVICES
(US$ Million Equivalent)*

Summary	FY12	FY13
Governments	247.28	239.61
Institutional/Multilateral Partners	10.95	1.66
Corporations, Foundations, and NGOs	43.13	12.35
Total	301.36	253.62

*Unaudited figures

Governments	FY12	FY13
Australia	1.57	21.87
Austria	25.55	12.70
Canada	5.63	47.83
Denmark	0.96	3.61
Finland	0.13	0.00
France	0.03	2.65
Germany	0.60	1.15
Ireland	1.51	1.12
Japan	9.48	7.22
Korea	1.00	0.00
Luxembourg	0.00	6.79
The Netherlands	42.37	18.59
New Zealand	0.00	4.00
Norway	4.85	2.01
South Africa	0.00	0.67
Sweden	12.38	5.32
Switzerland	57.15	63.51
United Kingdom	69.94	34.79
United States	14.14	5.78
Total	247.28	239.61

Institutional & Private Partners	FY12	FY13
Blue Moon Fund Inc.	0.00	0.25
BNDESPAR	3.00	0.00
The Coca-Cola Company*	0.00	2.00
CTF	0.80	0.50
Disney Worldwide Services, Inc.	0.05	0.00
European Commission	8.90	0.00
Bill & Melinda Gates Foundation	2.57	2.87
Inter-American Development Bank	1.00	0.00
Kauffman Foundation	0.05	0.00
Marie Stopes International	0.00	3.87
The MasterCard Foundation	37.45	0.03
Nestlé SA*	0.00	1.00
Omidyar Network Fund, Inc.	0.00	0.07
PepsiCo Foundation*	0.00	2.00
SABMiller PLC*	0.00	0.25
UN Agencies/Entities	0.25	1.16
Total	54.08	14.01

*Contributor to the 2030—Water Resource Group

WORKING WITH OTHER DEVELOPMENT INSTITUTIONS

International finance institutions—including multilateral and bilateral development finance institutions—play a critical role in spurring the private sector to help improve lives and reduce poverty.

They have a track record of success in difficult environments. They provide capital when private markets become risk-averse. They provide advice that strengthens markets and makes private sector development inclusive and sustainable.

Over the past decade, the private sector financing activities of international finance institutions in developing countries quadrupled to more than $44 billion in 2011. Every dollar invested by these institutions unlocks $2 to $3 of investment from others.

IFC has teamed up with an array of IFIs, pooling resources to share knowledge, expand reach, and maximize impact. Following the pattern of previous years, the private sector operations of IFIs continue their strong focus on the financial sector and infrastructure, and additional areas of emphasis remain the Middle East, renewable energy, and food security.

Collaboration among these institutions also continues to expand. Ongoing areas of cooperation include the Master Cooperation Agreement with 17 development finance institutions. The agreement details how such institutions work together—through loan syndications—to co-finance projects led by IFC. We also collaborate on the Busan Initiative follow-up, corporate governance, gender, and climate change. Joint efforts on concessional finance, local-currency finance, integrity issues, and harmonizing development indicators continue to be led by IFC.

Since January 2012, IFC has been leading an outreach campaign in Europe to promote the themes of the report *International Finance Institutions and Development Through the Private Sector.* At the conference to launch IFC Jobs Study in January 2013, 28 institutions issued a joint communiqué pledging to collaborate to create more and better jobs (see page 43). IFC also continues to build leadership in corporate governance, for example through the IFI Corporate Governance Development Framework, which is based on IFC's methodology, in collaboration with almost 30 financial institutions.

The following development finance institutions have invested in funds managed by IFC Asset Management Company:
» Japan Bank for International Cooperation
» Abu Dhabi Fund for Development
» African Development Bank
» CDC Group
» European Investment Bank
» The OPEC Fund for International Development

MANAGING RISKS

PORTFOLIO MANAGEMENT

Portfolio management is an intrinsic part of managing IFC's business to ensure strong financial and development results of our projects.

IFC's management reviews our entire portfolio globally on a quarterly basis and reports on the portfolio performance to the Board annually. Our portfolio teams, largely based in field offices, complement global reviews with asset-by-asset quarterly reviews.

On the corporate level, IFC combines the analysis of our $50 billion portfolio performance with projections of global macroeconomic and market trends to inform decisions about our future investments. IFC also regularly tests the performance of the portfolio against possible macroeconomic developments in emerging markets to identify and proactively address risks. Stress tests serve as a basis to determine the potential impact of macroeconomic events on the IFC portfolio.

On the project level, IFC actively monitors compliance with investment agreements, visits sites to evaluate project status, and helps identify solutions to address potential problems. We systematically track environmental and social performance, and measures financial and development results.

For projects in financial distress, our Special Operations Department determines the appropriate remedial actions. It seeks to negotiate agreements with creditors and shareholders to share the burden of restructuring so problems can be worked out while the project continues to operate.

Investors and other partners participating in IFC's operations are kept regularly informed on project developments. IFC consults or seeks their input as appropriate.

TREASURY SERVICES

IFC funds lending by issuing bonds in international capital markets. We are often the first multilateral institution to issue bonds in the local currencies of emerging markets. Most of IFC's lending is denominated in U.S. dollars, but we borrow in a variety of currencies to diversify access to funding, reduce borrowing costs, and help develop local capital markets. IFC's borrowings have continued to keep pace with our lending. New borrowings in the international markets totaled the equivalent of about $12 billion in FY13.

New borrowings in the international markets totaled the equivalent of about

$12

billion in FY13.

LIQUIDITY MANAGEMENT

Liquid assets on IFC's balance sheet totaled $30.3 billion as of June 30, 2013, compared with $29.7 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 to manage 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.

FY13 BORROWING IN INTERNATIONAL MARKETS

Currency	Amount (USD equivalent)	Percent
U.S. dollar	6,597,029,098	55.80%
Australian dollar	1,377,411,350	11.60%
Brazilian real	891,776,917	7.50%
New Zealand dollar	792,480,000	6.70%
Japanese yen	605,262,000	5.10%
Russian ruble	488,293,678	4.10%
Turkish lira	368,637,282	3.10%

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 sound capital position enable us to preserve our financial strength and play a countercyclical role during times of economic and financial turmoil. In addition, 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. Aggregating these risks determines our estimate of the minimum amount of capital that we must hold to retain IFC's triple-A rating.

In FY13, IFC's debt-to-equity ratio was

2.6:1

well within the 4:1 limit prescribed by our financial policies.

IFC's total resources available consist of paid-in capital, retained earnings net of designations and certain unrealized gains, and total loan-loss reserves. The excess available capital, beyond what is required to support existing business, allows for future growth of our portfolio while also providing a buffer against unexpected external shocks.

As of June 2013, total resources available reached $20.5 billion, while the minimum capital requirement totaled $16.8 billion. As of June 2013, IFC's debt-to-equity ratio was 2.6:1, well within the limit of 4:1 prescribed by our financial policies.

WORKING RESPONSIBLY

IFC'S APPROACH TO SUSTAINABILITY

Businesses operate in a dynamic landscape. In a time of climate change, resource scarcities, and rising social pressures, environmental, social, and governance issues are increasingly important for businesses and for our clients.

IFC believes that doing business sustainably drives positive development outcomes. Our Sustainability Framework and advice to clients help them find opportunities for growth and innovation. It also promotes sound environmental and social practices, broadens our development impact, and encourages transparency and accountability.

This framework articulates IFC's strategic commitment to sustainable development and is an integral part of our approach to risk management. It enables us to manage a diverse client base that includes both advisory and investment clients—many of which are financial intermediaries.

THE IFC PERFORMANCE STANDARDS

At the core of the framework are eight IFC Performance Standards that address a range of environmental and social issues facing the private sector. These standards are designed to help clients avoid, mitigate, and manage risk as a way of doing business sustainably. They help them devise solutions that are good for business, good for investors, and good for the environment and communities.

This can include reducing costs through improved energy efficiency, increasing revenue and market share through environmentally and socially sound products and services, or forging better stakeholder relations through robust engagement. In situations where the Performance Standards cannot be applied appropriately (for example, short-term and trade finance), IFC has developed risk-screening tools to achieve the objectives of the Sustainability Framework.

The IFC Performance Standards have become globally recognized as a leading benchmark for environmental and social risk management in the private sector. They are reflected in the Equator Principles, now used by 76 financial institutions around the world. In addition, other financial institutions also reference IFC's Performance Standards in their policies—including 15 European Development Finance Institutions and 32 Export Credit Agencies from countries belonging to the Organization for Economic Co-operation and Development.

IFC clients continue to indicate that our environmental and social expertise is an important factor in their decision to work with us. Our annual client survey shows that more than 90 percent of the clients that received support from us on environmental and social matters found our assistance to be helpful. They said it helped them improve relationships with stakeholders, strengthen brand value and recognition, and establish sound risk-management practices.

When a project is proposed for financing, IFC conducts a social and environmental review as part of our overall due diligence. This review takes into account the client's assessment of the project's impact and the client's commitment and capacity to manage it. It also assesses whether the project adhered to the IFC Performance Standards. Where there are gaps, we and the client agree on an Environmental and Social Action Plan to ensure that the standards are met over time. We supervise our projects throughout the life of our investment, monitoring client commitments to environmental and social performance.

SUSTAINABILITY IN PRACTICE

IFC believes that sound economic growth, driven by private sector development, is crucial to poverty reduction.

In our investment and advisory activities across the globe, we consider four dimensions of sustainability—financial, economic, environmental, and social. Being financially sustainable enables IFC and our clients to work together to make a long-term contribution to development. Making our projects economically sustainable ensures that they can contribute meaningfully to the host economies.

Ensuring environmental sustainability in our clients' operations and supply chains helps protect and conserve natural resources, mitigate environmental degradation, and address the global challenge of climate change.

IFC is the first international finance institution to comprehensively incorporate the concept of "ecosystem services" in our environmental and social policies. These are naturally occurring services that benefit people and businesses—providing, among other things, food, fresh water, and medicinal plants. They underscore the economic and societal benefits of maintaining a healthy environment.

With climate risk included in the Sustainability Framework, IFC has scaled up the development of climate tools and programs of climate risk assessment and adaptation for clients.

We support social sustainability by working to improve living and working standards, strengthen communities, consult with indigenous peoples, and promote respect for key issues relevant to business and human rights. IFC's approach to gender is integrated and mainstreamed throughout the Performance Standards, reflecting the expectation that these issues will be general requirements protecting all workers, and reducing risks and impacts to all communities. These standards recognize the importance of both addressing differentiated impacts and ensuring gender-responsive consultation processes.

IFC is committed to ensuring that the benefits of economic development are shared with those who are poor or vulnerable, and that development takes place in a sustainable manner. We also see sustainability as an opportunity to transform markets, drive innovation, and add value to our clients by helping them improve their business performance.

CORPORATE GOVERNANCE

Improving corporate governance—among our clients and across the private sector in developing countries—is a priority for IFC.

We provide advice on good practices for improving board effectiveness, strengthening shareholder rights, and enhancing the governance of risk management, internal controls and corporate disclosure. We also advise regulators, stock markets, and others with an interest in improving corporate governance. We are ramping up our corporate governance programs in underserved areas of the world—especially in Africa, Latin America, and South Asia.

Our experience allows IFC to apply global principles to the realities of the private sector in developing countries. As a result, development banks and other investors working in emerging markets now look to IFC for leadership on corporate governance.

We do this in a variety of ways—including establishing the IFC Corporate Governance Methodology, a system for evaluating corporate governance risks and opportunities that is recognized as the most advanced of its kind among development finance institutions. This methodology is the basis for a common approach to corporate governance now implemented by more than 30 development finance institutions working in some of the most challenging markets.

IFC also helps strengthen corporate governance by developing training materials and institution-building tools and products. This includes tools that can help companies in the areas of corporate governance associations, codes and scorecards, board leadership training, dispute resolution, and the training of business reporters.

Strong corporate governance depends on diversity in board leadership. We strive to increase the number of women who serve as nominee directors on the boards of our clients. Nearly 20 percent of IFC nominee directors are women. We are committed to increasing that share to 30 percent by 2015.

OUR FOOTPRINT COMMITMENT

At IFC, we aim to make sustainability an integral part of our culture and way of doing business. By continually improving our environmental and social performance, we commit to the same standards as we ask of our clients.

IFC took a more global approach to our Footprint Commitment in FY13. For example, electricity use constitutes nearly 30 percent of our global carbon footprint. We invested in a power management system for all networked IFC computers, laptops, and monitors. IFC's first global electricity reduction initiative is estimated to reduce computer-associated electricity use by a third, with a payback period of just one year.

We also took a global approach to reducing our solid waste footprint. We announced our first global target to reduce paper consumption by 15 percent by FY15. Our IFC Waste Challenge campaign encouraged over a dozen country offices to implement new waste programs, and more than 830 staff from over 65 countries to make personal commitments to reduce waste via an online map, entitled "IFC Pledge."

IFC headquarters set the first waste target: to reduce overall waste tonnage by 10 percent and to improve its combined recycling/composting rate from 35 percent to 85 percent by FY15. A new waste system was implemented, and an interim audit showed we are on track to meet or exceed our FY15 target. In addition, 58,876 pounds of office supplies and furniture at headquarters were donated to charitable organizations.

In FY12, carbon emissions from IFC's global internal business operations totaled about 47,800 metric tons of carbon dioxide equivalent. IFC has collected and reported data on our global carbon footprint since FY07.

IFC continues to be carbon-neutral for our global corporate operations. To offset our carbon footprint, we purchased carbon credits from LifeStraw "Carbon for Water"—a unique program that distributes water filters to low-income communities so they avoid boiling water using wood, which generates greenhouse gases. This project is reaching over 800,000 families, providing 4.5 million people with safe drinking water in rural Kenya while reducing carbon emissions.

FY12 CARBON EMISSIONS INVENTORY FOR IFC'S GLOBAL BUSINESS OPERATIONS

Metric Tons of Carbon Dioxide Equivalent

Business Travel	33,195.94	tCO_2e	69%
HQ Office Electricity	7,512.34	tCO_2e	16%
Country-Office Electricity	4,703.90	tCO_2e	10%
Other	2,404.83	tCO_2e	5%
TOTAL EMISSIONS	47,817.02	tCO_2e	

IFC's FY12 carbon emissions totaled approximately 47,800 metric tons of carbon dioxide equivalent.(tCO_2e), which includes emissions from carbon dioxide, methane, and nitrous oxide.

OUR ACCESS TO INFORMATION POLICY

As a global institution with operations in many regions and sectors, IFC affects a diverse range of stakeholders. Transparency and accountability are fundamental to fulfilling our development mandate.

IFC's Access to Information Policy, which came into effect in 2012, improves our ability to communicate our development impact and how we manage environmental and social risk. This increased transparency about our projects and investments allows for more informed dialogue and feedback.

IFC now discloses information on the environmental, social, and development impact of our projects during all stages of the investment cycle. These requirements, which place a greater emphasis on results reporting, also apply to investments made through financial intermediaries—an important and growing area of IFC's portfolio.

The disclosure of development results for IFC's investment projects is being phased in by region, with our Latin America and the Caribbean, East Asia and the Pacific, and Europe and Central Asia regions beginning disclosure in FY13. All other regions will begin disclosure of development results in 2014. IFC's advisory services projects, which began disclosing development impact indicators when the AIP came into effect in 2012, will begin displaying calendar-year results following the publication of the Annual Report.

Increased transparency regarding investments through financial intermediaries includes the periodic disclosure of the list of names, locations, and sectors of high-risk sub-projects supported by IFC's investments in Private Equity Funds.

IFC's project-level and Annual Report data sets are now also available on the World Bank Group's Open Finances platform. This initiative increases the accessibility of IFC's project and financial information, and enables users to slice and visualize the data as they choose.

While IFC maintains provisions to protect commercially sensitive, deliberative, and confidential information, stakeholders may now pursue an independent two-stage appeals mechanism to challenge decisions not to disclose particular information.

IFC believes that greater transparency can improve business performance and promote good governance. We believe that over time the changes will result in better project outcomes, increased awareness on the part of affected communities, and stronger relationships with stakeholders.

For more information, visit www.ifc.org/disclosure.

INDEPENDENT ASSURANCE REPORT ON A SELECTION OF SUSTAINABLE DEVELOPMENT INFORMATION

In response to a request made by IFC, we performed a review on a selection of sustainable development information in the Annual Report for the financial year ending June 30, 2013, including quantitative indicators (“the Indicators”) and qualitative statements (“the Statements”). We selected statements that were deemed to be of particular stakeholder interest, and involved a potential reputation risk for IFC, together with statements on corporate responsibility management and performance. The Indicators and the Statements are related to the following material areas:

MATERIAL AREAS	STATEMENTS	INDICATORS
IFC Policy	“The IFC Development Goals” (p. 80) “IFC’s approach to sustainability” (p. 98)	
Development effectiveness of investments and advisory services	“How We Measure Development Results” (pp. 80–87) “Investment Results” (pp. 82–87) “Advisory Results” (pp. 84–87)	Investment projects Rated High: 66% (p. 86); and detailed values by industry (p. 87), by region (p. 87), and by performance area (p. 87); and weighted and unweighted scores (p. 87) Advisory Projects Rated High: 76% (p. 86); and detailed values by business line (p. 87) and by region (p. 87)
Reach	“Local capital markets, an effective way to spur growth” (p. 54) “Creating Opportunity Where It’s Needed Most” (pp. 68–69)	Jobs supported (millions) 2.7 Patients reached (millions) 17.2 Students reached (millions) 1.0 Gas distribution (millions of persons reached) 33.8 Power distribution (millions of persons reached) 45.7 Water distribution (millions of persons reached) 42.1 Number and amounts of microfinance loans and SME loans for CY12 (p. 86) Type of loans / Number of loans (millions) / Amount ($ billions) Microloans / 22.9 / 25.13 Small and medium loans / 5.8 / 241.3
Environmental and social ratings	“IFC Performance Standards” (p. 98) “Sustainability in Practice” (pp. 98–99)	IFC commitments by Environmental and social category (p. 28) Category / Commitments ($ millions) / Number of projects A / 884 / 17 B / 5,490 / 167 C / 6,764 / 269 FI / 1,751 / 48 FI-1 / 450 / 14 FI-2 / 2,203 / 59 FI-3 / 807 / 38 Total / 18,349 / 612
Sustainable business	“Climate Change, addressing global warming” (pp. 36–37) “Gender—boosting development through equality” (p. 60) “IFC Advisory Services” (p. 74) “Our Footprint Commitment” (p. 99)	Commitments in Climate-related investments for FY13 (p. 36): $2.5 billion Carbon Emissions (p. 99): 47.8 tCO_2 equivalent in financial year 2012
Influence on Private Sector Development	“Food Security, expanding opportunity for small farmers” (p. 47) “Job creation, the surest pathway out of poverty” (p. 43) “Small and medium enterprises, Helping Businesses Thrive” (p. 45) “Middle income countries, promoting Prosperity for all” (p. 61)	
Engagement in the poorest and fragile countries	“Infrastructure—Promoting Prosperity in Africa” (p 51) “South-South investments, a vital force for development” (p. 53) “Generating Conditions for Sustainable Growth” (pp. 58–59) “IDA countries, creating opportunities for the poorest” (p. 63)	
Working with others	“Mobilization, opening new markets for Private investment” (p. 52) “Working with Donor Partners” (pp. 94–95) “Working with Other Development Institutions” (p. 95)	
Asset management	“IFC Asset Management Company” (p. 75)	
Evaluation of IFC’s activity	“Independent Evaluation Group” (p. 92) “Office of the Compliance Advisor Ombudsman” (pp. 92–93)	

Our review aimed to provide limited assurance[1] that:

1. the Indicators were prepared in accordance with the reporting criteria applicable during fiscal year 2013 (the "Reporting Criteria"), consisting in IFC instructions, procedures and guidelines specific for to each indicator, a summary of which is provided in the Annual Report, for the indicators related to Commitments by Environmental and Social Category (p. 28) and Development effectiveness of investments and advisory services (Monitoring and tracking results, p. 81) and on IFC's website for the others.
2. the Statements have been presented in accordance with "IFC's Access to Information Policy," which is available on IFC's website[2] and the principles of relevance, completeness, neutrality, clarity and reliability as defined by international standards.[3]

It is the responsibility of IFC to prepare the Indicators and Statements, to provide information on the Reporting Criteria and to compile the Annual Report.

It is our responsibility to express a conclusion on the Indicators and the Statements based on our review. Our review was conducted in accordance with the ISAE 3000, International Standard on Assurance Engagements from IFAC.[4] Our independence is defined by IFAC professional code of ethics.

NATURE AND SCOPE OF OUR REVIEW

We performed the following review to be able to express a conclusion:

» We assessed the Reporting Criteria, policies and principles, with respect to their relevance, their completeness, their neutrality and their reliability.

» We reviewed 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 25 persons 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 went to the Hong Kong office in order to meet with result measurement specialists, investment officers, portfolio managers and others in charge of gathering data from clients, consolidating it and reviewing it locally.

» We reviewed the presentation of the Statements and the Indicators in the Annual Report and the associated notes on methodology.

LIMITATIONS OF OUR REVIEW

Our review was limited to the Statements and 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, DC and Hong Kong. Within the scope of work covered by this statement, we did not participate in any activities with external stakeholders or clients, nor did we conduct testing or interviews aimed at verifying the validity of information related to individual projects.

INFORMATION ABOUT THE REPORTING CRITERIA AND THE STATEMENT PREPARATION PROCESS

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

Relevance

IFC presents sustainability information on its own impact and on environmental and social risks, impacts and outcomes of projects it financed directly or through financial intermediaries. This level of disclosure is in line with that of other multilateral development banks. A specific effort is made by IFC to assess the development results of its Investment and Advisory Services, notably through its Development Outcome Tracking System (DOTS), the implementation of its evaluation strategy and the testing of IFC Development Goals.

However, we note that IFC would benefit from further improving the relevance and number of indicators (beyond the Environmental and Social (E&S) management system) in the E&S DOTS performance area, in order to better measure how clients are improving their own E&S performance. This is of particular importance with financial institutions where E&S impacts are indirect.

Completeness

The Indicators' reporting perimeter covers the most relevant IFC activities. The scope covered by each indicator has been indicated in the comments next to the data in the Annual Report.

With the growing importance of Trade Finance activities in IFC's portfolio, in 2012, IFC launched a pilot DOTS client data collection survey for its Global Trade Finance Program which provided a report

1. A higher level of assurance would have required more extensive work.
2. http://www.ifc.org/ifcext/disclosure.nsf/content/disclosure_policy
3. ISAE 3000 from IFAC, Global Reporting Initiative (GRI), or AA1000 Accountability Standard.
4. ISAE 3000: "Assurance Engagement other than reviews of historical data," International Federation of Accountants, International Audit and Assurance Board, December 2003.

of baseline data findings and which should enable IFC to start reporting ratings soon.

Neutrality and clarity
IFC provides information on the methodologies used to establish the Indicators in the comments next to the published data or in the related sections. Further information is available on the IFC website.

We have noted the efforts made, together with the other principal International Finance Institutions, to harmonize the definitions of the Reach indicators, which should significantly enhance the consistency of IFIs' communication on the reach of their activities.

Reliability
IFC has made progress in strengthening internal controls on "Climate related investments", "micro loans" and "small & medium loans" (MSME reach indicators).

In addition to the numerous controls performed at the corporate and project level, IFC should implement further checks at the source information used to track Reach indicators. As these data often come directly from external sources, and can sometimes be based on estimates rather than clients' audited financial statements, it is essential to ensure that data reported are consistent with IFC's own definitions and calculation methodologies.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that:
» the Indicators were not established, in all material aspects, in accordance with the Reporting Criteria;
» the Statements were not presented, in all material aspects, 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.

Paris-La Défense, France, August 5, 2013

The Independent Auditors
ERNST & YOUNG et Associés

ERNST & YOUNG
Quality In Everything We Do

Eric Duvaud
Partner, Cleantech and Sustainability

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. Jim Yong Kim, President of IFC and Chairman of the Board of Directors, has submitted this report with the audited financial statements to the Board of Governors. The Directors are pleased to report that, for the fiscal year ended June 30, 2013, IFC expanded its sustainable development impact through private sector investments, Advisory Services, and fund management.

FINANCIAL SUMMARY

FINANCIAL PERFORMANCE SUMMARY

The overall market environment has a significant influence on IFC's financial performance.

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, 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. Performance of the equity portfolio (principally realized capital gains, dividends, equity impairments, gains on non-monetary exchanges and unrealized gains and losses on equity investments).
Provisions for losses on loans and guarantees	Risk assessment of borrowers and probability of default and loss given default.
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 administrative and other budgets.
Gains and losses on other non-trading financial instruments accounted for at fair value	Principally, differences between changes in fair values of borrowings, including IFC's credit spread, and associated derivative instruments and unrealized gains 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 are 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 listed equity investments and debt securities accounted for as available-for-sale	Global climate for emerging markets equities, fluctuations in currency and commodity markets and company-specific performance. Such equity investments are valued using unadjusted quoted market prices and debt securities are valued using internally developed models or methodologies utilizing inputs that may be observable or non-observable.
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.

NET INCOME

IFC reported income before net gains and losses on other non-trading financial instruments accounted for at fair value and grants to IDA of $928 million in FY13, as compared to $1,877 million in FY12.

The decrease in income before net gains and losses on other non-trading financial instruments accounted for at fair value and grants to IDA in FY13 when compared to FY12 was principally as a result of the following (US$ millions):

	Increase (decrease) FY13 vs FY12
Realized capital gains on equity investments	$(1,079)
Provisions for losses on loans, guarantees and other receivables	(126)
Foreign currency transaction gains and losses on non-trading activities	(110)
Advisory services expenses, net	(91)
Expenses from pension and other postretirement benefit plans	(77)
Unrealized gains on equity investments	154
Income from liquid asset trading activities	187
Other-than-temporary impairments on equity investments	251
Other, net	(58)
Overall change	$(949)

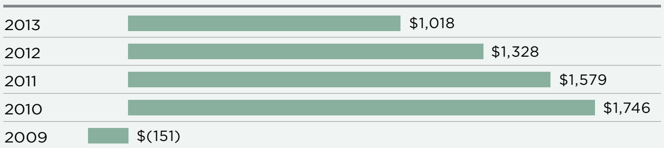
Net gains on other non-trading financial instruments accounted for at fair value totaled $422 million in FY13, $641 million higher than net losses of $219 million in FY12. Accordingly, IFC has reported income before grants to IDA of $1,350 million, $308 million lower than income before grants to IDA of $1,658 million in FY12.

Grants to IDA totaled $340 million in FY13, as compared to $330 million in FY12. Net loss attributable to noncontrolling interest totaled $8 million in FY13 as compared to $0 in FY12. Accordingly, net income attributable to IFC totaled $1,018 million in FY13, as compared with a net income of $1,328 million in FY12.

IFC's net income (loss) for each of the past five fiscal years ended June 30, 2013 is presented below (US$ millions):

NET INCOME (LOSS)

For fiscal years ended June 30 (US$ millions)



The table below presents selected financial data for the last five fiscal years (in millions of US dollars, except where otherwise stated):

Selected Financial Data as of and for the years ended June 30	2013	2012	2011	2010	2009
NET INCOME HIGHLIGHTS:					
Income from loans and guarantees	**$1,059**	$ 938	$ 877	$ 801	$ 871
(Provision) release of provision for losses on loans & guarantees	**(243)**	(117)	40	(155)	(438)
Income (loss) from equity investments	**752**	1,457	1,464	1,638	(42)
Of which:					
Realized gains on equity investments	**921**	2,000	737	1,290	990
Gains on non-monetary exchanges	**6**	3	217	28	14
Unrealized gains (losses) on equity investments	**26**	(128)	454	240	(299)
Dividends and profit participations	**248**	274	280	285	311
Other-than-temporary impairments	**(441)**	(692)	(218)	(203)	(1,058)
Fees and other	**(8)**	–	(6)	(2)	–
Income from debt securities	**5**	81	46	108	71
Income from liquid asset trading activities	**500**	313	529	815	474
Charges on borrowings	**(220)**	(181)	(140)	(163)	(488)
Other income					
Service fees	**101**	60	88	70	39
Advisory services income	**239**	269	–	–	–
Other	**101**	119	134	106	114
Other expenses					
Administrative expenses	**(845)**	(798)	(700)	(664)	(582)
Advisory services expenses	**(351)**	(290)	(153)	(108)	(134)
Expense from pension and other postretirement benefit plans	**(173)**	(96)	(109)	(69)	(34)
Other	**(32)**	(23)	(19)	(12)	(14)
Foreign currency transaction gains (losses) on non-trading activities	**35**	145	(33)	(82)	10
Income (loss) before net gains and losses on other non-trading financial instruments accounted for at fair value and grants to IDA	**928**	1,877	2,024	2,285	(153)
Net gains (losses) on other non-trading financial instruments	**422**	(219)	155	(339)	452
Of which:					
Realized gains	**35**	11	63	5	–
Gains on non-monetary exchanges	**2**	10	22	6	45
Unrealized gains (losses)	**385**	(240)	70	(350)	407
Income before grants to IDA	**1,350**	1,658	2,179	1,946	299
Grants to IDA	**(340)**	(330)	(600)	(200)	(450)
Net income (loss)	**1,010**	1,328	1,579	1,746	(151)
Less: Net loss attributable to noncontrolling interests	**8**	–	–	–	–
Net income (loss) attributable to IFC	**$ 1,018**	$ 1,328	$ 1,579	$ 1,746	$ (151)

as of and for the years ended June 30	2013	2012	2011	2010	2009
CONSOLIDATED BALANCE SHEET HIGHLIGHTS:					
Total assets	**$ 77,525**	$ 75,761	$68,490	$ 61,075	$51,483
Liquid assets, net of associated derivatives	**31,237**	29,721	24,517	21,001	17,864
Investments	**34,677**	31,438	29,934	25,944	22,214
Borrowings outstanding, including fair value adjustments	**44,869**	44,665	38,211	31,106	25,711
Total capital	**$ 22,275**	$20,580	$ 20,279	$ 18,359	$ 16,122
Of which:					
Undesignated retained earnings	**$ 18,435**	$ 17,373	$ 16,032	$ 14,307	$ 12,251
Designated retained earnings	**278**	322	335	481	791
Capital stock	**2,403**	2,372	2,369	2,369	2,369
Accumulated other comprehensive income (AOCI)	**1,121**	513	1,543	1,202	711
Noncontrolling interests	**38**	–	–	–	–

	2013	2012	2011	2010	2009
FINANCIAL RATIOS:[1]					
Return on average assets (GAAP basis)[2]	**1.3%**	1.8%	2.4%	3.1%	(0.3%)
Return on average assets (non-GAAP basis)[3]	**0.9%**	2.8%	1.8%	3.8%	(1.1%)
Return on average capital (GAAP basis)[4]	**4.8%**	6.5%	8.2%	10.1%	(0.9%)
Return on average capital (non-GAAP basis)[5]	**3.1%**	9.9%	6.0%	11.8%	(3.0%)
Cash and liquid investments as a percentage of next three years' estimated net cash requirements	**77%**	77%	83%	71%	75%
External funding liquidity level[6]	**309%**	327%	266%	190%	163%
Debt to equity ratio[7]	**2.6:1**	2.7:1	2.6:1	2.2:1	2.1:1
Total reserves against losses on loans to total disbursed portfolio[8]	**7.2%**	6.6%	6.6%	7.4%	7.4%
Capital measures:					
Capital to risk-weighted assets ratio[9]	**n/a**	n/a	n/a	n/a	44%
Total Resources Required ($ billions)[10]	**16.8**	15.5	14.4	12.8	10.9
Total Resources Available ($ billions)[11]	**20.5**	19.2	17.9	16.8	14.8
Strategic Capital[12]	**3.8**	3.7	3.6	4.0	3.9
Deployable Strategic Capital[13]	**1.7**	1.8	1.8	2.3	2.3
Deployable Strategic Capital as a percentage of Total Resources Available	**8%**	9%	10%	14%	16%

1. Certain financial ratios, as described below, are calculated excluding the effects of unrealized gains and losses on investments, other non-trading financial instruments, AOCI, and impacts from consolidated Variable Interest Entities (VIEs).
2. 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.
3. Net income excluding unrealized gains and losses on certain investments accounted for at fair value, income from consolidated VIEs, and net gains and losses on non-trading financial instruments accounted for at fair value, as a percentage of total disbursed loan and equity investments (net of reserves) at cost, liquid assets net of repos, and other assets averaged for the current period and previous fiscal year.
4. 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.
5. Net income excluding unrealized gains and losses on certain investments accounted for at fair value, income from consolidated VIEs, and net gains and losses on non-trading financial instruments accounted for at fair value, as a percentage of paid-in share capital and retained earnings (before certain unrealized gains and losses and excluding cumulative designations not yet expensed) averaged for the current period and previous fiscal year.
6. IFC's objective is to maintain a minimum level of liquidity, consisting of proceeds from external funding to cover at least 65% of the sum of (i) 100% of committed but undisbursed straight senior loans; (ii) 30% of committed guarantees; and (iii) 30% of committed client risk management products. As of FY13 Q3, IFC's management decided to modify the External Funding Policy by eliminating the cap on the operational range of 65% to 85%.
7. Leverage (Debt/equity) ratio is defined as the number of times outstanding borrowings plus outstanding guarantees cover paid-in capital and accumulated earnings (net of retained earnings designations and certain unrealized gains/losses).
8. 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 loan portfolio at the end of the fiscal year.
9. The ratio of capital (including paid-in capital, retained earnings, and portfolio (general) loan loss reserves) to risk-weighted assets, both on- and off-balance sheet. The ratio does not include designated retained earnings reported in total capital on IFC's consolidated balance sheet. IFC's Board of Directors has approved the use of a risk-based economic capital framework beginning in the year ended June 30, 2008 (FY08). Parallel use of the capital to risk-weighted assets ratio has now been discontinued.
10. The minimum capital required consistent with the maintenance of IFC's AAA rating. It is computed as the aggregation of risk-based economic capital requirements for each asset class across the Corporation.
11. Paid-in capital plus retained earnings net of designated retained earnings plus general and specific reserves against losses on loans. This is the level of available resources under IFC's risk-based economic capital adequacy framework.
12. Total resources available less total resources required.
13. 90% of total resources available less total resources required.

COMMITMENTS

In FY13, total commitments were $24,853 million, compared with $20,358 million in FY12, an increase of 22%, of which IFC commitments totaled $18,349 million ($15,462 million — FY12) and Core Mobilization totaled $6,504 million ($4,896 million — FY12).

FY13 and FY12 commitments and Core Mobilization comprised the following (US$ millions):

	FY13	FY12
Total commitments[1]	**$24,853**	$20,358
IFC commitments		
Loans	**$ 8,520**	$ 6,668
Equity investments	**2,732**	2,282
Guarantees:		
Global Trade Finance Program	**6,477**	6,004
Other	**482**	398
Client risk management	**138**	110
Total IFC commitments	**$18,349**	$ 15,462
Core Mobilization		
Loan participations, parallel loans, and other mobilization		
Loan participations	**$ 1,829**	$ 1,764
Parallel loans	**1,269**	927
Other mobilization	**480**	814
Total loan participations, parallel loans and other mobilization	**$ 3,578**	$ 3,505
AMC		
Equity Capitalization Fund	**$ 214**	$ 24
Sub-debt Capitalization Fund	**209**	215
ALAC Fund	**210**	190
Africa Capitalization Fund	**92**	8
Russian Bank Cap Fund	**43**	–
Total AMC	**$ 768**	$ 437
Other initiatives		
Global Trade Liquidity Program and Critical Commodities Finance Program	**$ 1,096**	$ 850
Public Private Partnership (PPP)	**942**	41
Infrastructure Crisis Facility	**110**	63
Debt & Asset Recovery Program	**10**	–
Total other initiatives	**$ 2,158**	$ 954
Total Core Mobilization	**$ 6,504**	$ 4,896
Core Mobilization Ratio	**0.35**	0.32

1. Debt security commitments are included in loans and equity investments based on their predominant characteristics.

CORE MOBILIZATION RATIO

The Core Mobilization ratio is defined as:

$$\frac{\text{Loan participations + parallel loans + sales of loans and other mobilization + non-IFC investment part of structured finance which meets core mobilization criteria + non-IFC commitments in Initiatives + non-IFC investments committed in funds managed by AMC + PPP Mobilization}}{\text{Commitments (IFC investments + IFC portion of structured finance + IFC commitments in new Initiatives + IFC investments committed in funds managed by AMC)}}$$

For each dollar that IFC committed, IFC mobilized (in the form of loan participations, parallel loans, other mobilization, the non-IFC portion of structured finance and the non-IFC commitments in Initiatives, and the non-IFC investments committed in funds managed by AMC) $0.35 in FY13 ($0.32 in FY12).

AMC

The activities of the funds managed by AMC at June 30, 2013 and June 30, 2012 can be summarized as follows (US$ millions unless otherwise indicated):

	Equity Capitalization Fund	Sub-Debt Capitalization Fund	ALAC Fund	Africa Capitalization Fund	Russian Bank Cap Fund	Catalyst Funds	Global Infrastructure Fund	Total
Assets under management as of June 30, 2013	$ 1,275	$ 1,725	$ 1,000	$ 182	$ 550	$ 282	$ 500	$ 5,514
From IFC	775	225	200	–	250	75	100	1,625
From other investors	500	1,500	800	182	300	207	400	3,889
For the year ended June 30, 2013								
Fund Commitments to Investees:								
From IFC	332	31	52	–	35	–	–	450
From other investors	214	209	210	92	43	–	–	768
Disbursements from investors to Fund:								
From IFC	336	33	63	–	38	1	1	472
From other investors	217	223	252	94	46	2	3	837
Disbursements made by Fund	546	249	297	91	78	–	–	1,261
Disbursements made by Fund (number)	7	5	12	4	2	–	–	30

	Equity Capitalization Fund	Sub-Debt Capitalization Fund	ALAC Fund	Africa Capitalization Fund	Russian Bank Cap Fund	Catalyst Funds	Global Infrastructure Fund	Total
Assets under management as of June 30, 2012	$ 1,275	$ 1,725	$ 1,000	$ 182	$ 275	$ –	$ –	$ 4,457
From IFC	775	225	200	–	125	–	–	1,325
From other investors	500	1,500	800	182	150	–	–	3,132
For the year ended June 30, 2013								
Fund Commitments to Investees:								
From IFC	36	32	48	–	–	–	–	116
From other investors	24	215	190	8	–	–	–	437
Disbursements from investors to Fund:								
From IFC	62	28	52	–	–	–	–	142
From other investors	40	186	208	14	–	–	–	448
Disbursements made by Fund	97	208	174	11	–	–	–	490
Disbursements made by Fund (number)	6	2	8	3	–	–	–	19

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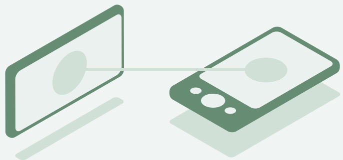
WEB AND SOCIAL MEDIA RESOURCES



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 affecting IFC and our client companies.

The online version of IFC's Annual Report 2013 provides downloadable PDFs of all materials in this volume and translations as they become available. It is available at www.ifc.org/annualreport. The website also provides more information on sustainability, including a Global Reporting Initiative index.

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