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

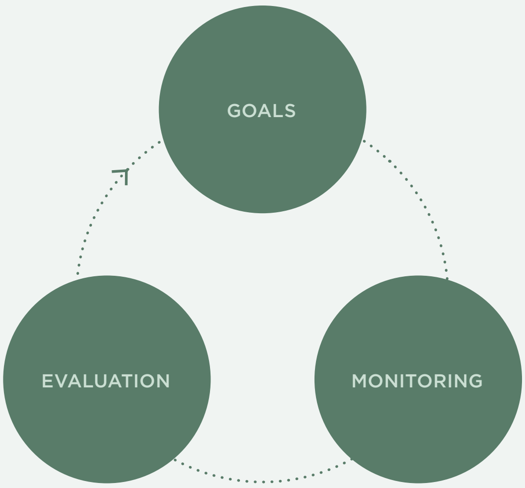
» We help our clients succeed in a changing world
» Good business is sustainable, and sustainability is good business
» One IFC, one team, one goal
» Diversity creates value
» Creating opportunity requires partnership
» Global knowledge, local know-how
» Innovation is worth the risk
» We learn from experience
» 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

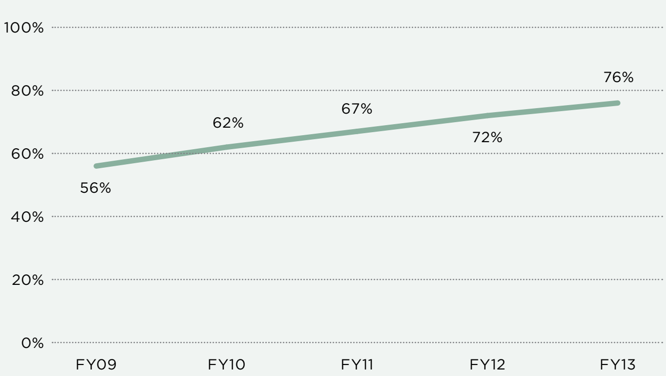
	Portfolio CY11	Portfolio CY12
Investments		
Employment (millions of jobs)[1]	2.5	2.7
Microfinance loans[2]		
Number (million)	19.7	22.0
Amount ($ billions)	19.84	24.03
SME loans[2]		
Number (million)	3.3	5.8
Amount ($ billions)	181.25	241.30
Customers reached with services		
Power generation (millions)[3]	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.

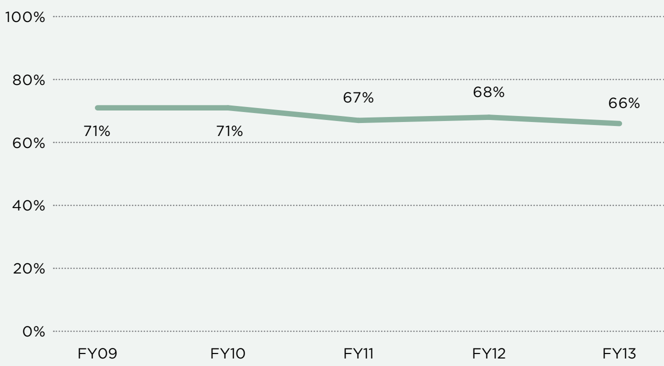
FIVE-YEAR PERFORMANCE
ADVISORY SERVICES DOTS SCORE, FY09–FY13

% 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.

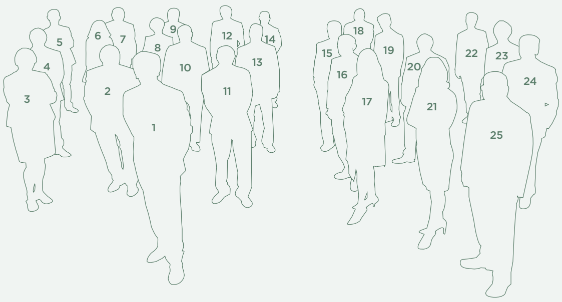
EXECUTIVE COMPENSATION

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:

<table>
<tr><th>MATERIAL AREAS</th><th>STATEMENTS</th><th>INDICATORS</th></tr>
<tr><td>IFC Policy</td><td>"The IFC Development Goals" (p. 80)
"IFC's approach to sustainability" (p. 98)</td><td></td></tr>
<tr><td>Development effectiveness of investments and advisory services</td><td>"How We Measure Development Results" (pp. 80–87)
"Investment Results" (pp. 82–87)
"Advisory Results" (pp. 84–87)</td><td>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)</td></tr>
<tr><td>Reach</td><td>"Local capital markets, an effective way to spur growth" (p. 54)
"Creating Opportunity Where It's Needed Most" (pp. 68–69)</td><td>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)
<table>
<tr><th>Type of loans</th><th>Number of loans (millions)</th><th>Amount ($ billions)</th></tr>
<tr><td>Microloans</td><td>22.9</td><td>25.13</td></tr>
<tr><td>Small and medium loans</td><td>5.8</td><td>241.3</td></tr>
</table></td></tr>
<tr><td>Environmental and social ratings</td><td>"IFC Performance Standards" (p. 98)
"Sustainability in Practice" (pp. 98–99)</td><td>IFC commitments by Environmental and social category (p. 28)
<table>
<tr><th>Category</th><th>Commitments ($ millions)</th><th>Number of projects</th></tr>
<tr><td>A</td><td>884</td><td>17</td></tr>
<tr><td>B</td><td>5,490</td><td>167</td></tr>
<tr><td>C</td><td>6,764</td><td>269</td></tr>
<tr><td>FI</td><td>1,751</td><td>48</td></tr>
<tr><td>FI-1</td><td>450</td><td>14</td></tr>
<tr><td>FI-2</td><td>2,203</td><td>59</td></tr>
<tr><td>FI-3</td><td>807</td><td>38</td></tr>
<tr><td>Total</td><td>18,349</td><td>612</td></tr>
</table></td></tr>
<tr><td>Sustainable business</td><td>"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)</td><td>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</td></tr>
<tr><td>Influence on Private Sector Development</td><td>"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)</td><td></td></tr>
<tr><td>Engagement in the poorest and fragile countries</td><td>"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)</td><td></td></tr>
<tr><td>Working with others</td><td>"Mobilization, opening new markets for Private investment" (p. 52) "Working with Donor Partners" (pp. 94–95)
"Working with Other Development Institutions" (p. 95)</td><td></td></tr>
<tr><td>Asset management</td><td>"IFC Asset Management Company" (p. 75)</td><td></td></tr>
<tr><td>Evaluation of IFC's activity</td><td>"Independent Evaluation Group" (p. 92)
"Office of the Compliance Advisor Ombudsman" (pp. 92–93)</td><td></td></tr>
</table>

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

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.