2014

International Finance Corporation
WORLD BANK GROUP

BIG CHALLENGES. BIG SOLUTIONS.

IFC ANNUAL REPORT 2014

2014

WORLD BANK GROUP
2014 SUMMARY RESULTS

Message from
The President of the World Bank Group and Chairman of the Board of Executive Directors

Two years ago, the World Bank Group began down a path of renewal and change to prepare our organization to take on its toughest challenge yet—to end extreme poverty in a single generation. At the 2013 Spring Meetings, we adopted two ambitious goals: to end extreme poverty by 2030 and to boost shared prosperity for the poorest 40 percent in developing countries.

WORLD BANK GROUP

To make us fit for this purpose, at our Annual Meetings last October, our Board of Governors approved the first strategy for the entire World Bank Group. This strategy focuses on delivery of transformational solutions, marshals our combined resources more effectively, and accelerates our collaboration with the private sector and other development partners.

We are focused on improving the lives of roughly a billion people now living in extreme poverty, and seek to build a world that is more sustainable, prosperous, and just—for all of us.

The challenge is immense. To reach our end poverty goal, we have to help tens of millions of people lift themselves out of poverty each year. It is a daunting task, but if we effectively implement our strategy, we know we can achieve it.

In this Annual Report, you will learn how we have been implementing the strategy over the past year. Our four principal institutions—the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA)—now work together as one World Bank Group to accomplish our mission.

We have made great progress. Engagement with our country partners is now more selective, as we work closely with them to identify the best opportunities to reach our common goals. Our new global practices and cross-cutting solution areas are improving our ability to bring our clients the best global knowledge to solve their toughest challenges—and with fewer transaction costs.

Our financial structure has been updated and strengthened, growing our financial capacity while reducing expenditures and directing the savings to our clients. This year, the World Bank Group committed $65.6 billion in loans, grants, equity investments, and guarantees to its members and private businesses.

Commitments from IBRD totaled $18.6 billion, while IDA, the World Bank's fund for the poorest, made commitments of $22.2 billion. Thanks to a record $52 billion replenishment pledged by donors for the next three years, IDA will continue to make crucial investments in people so that the benefits of growth are shared by all.

Over the past two decades, 90 percent of new jobs were created by the private sector—and good jobs were by far the most effective path to escaping poverty. Our private sector arm IFC and our political risk insurance arm MIGA are ramping up their efforts to leverage private sector investment and create more jobs and economic opportunities for the poor. This year, IFC provided more than $22 billion in financing for private sector development, about $5 billion of which was mobilized from investment partners. MIGA issued $3.2 billion in political risk and credit enhancement guarantees underpinning investments, including in transformational projects.

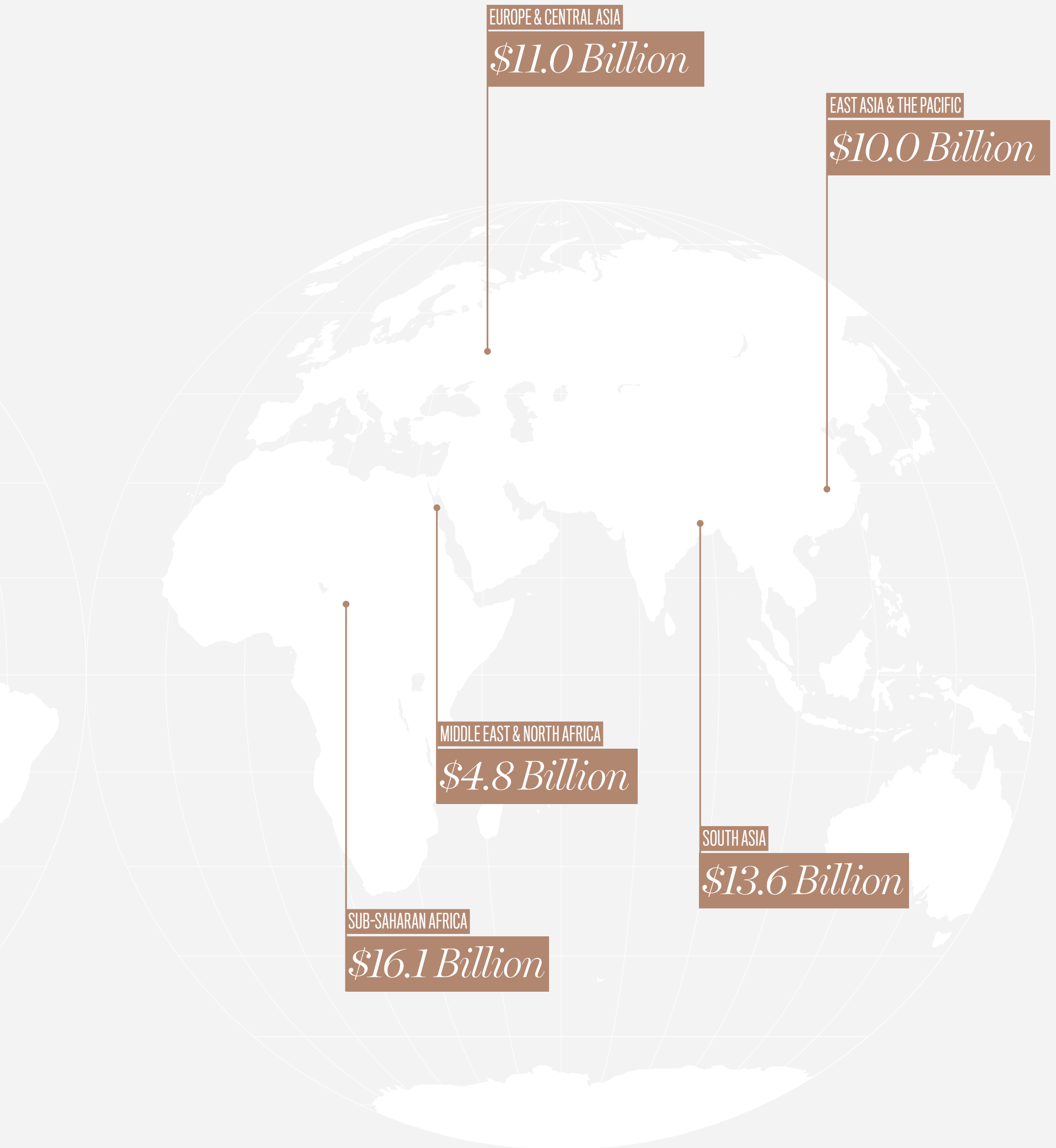
To have a lasting impact, our investments have to be environmentally sustainable. If we don't confront climate change, we won't end extreme poverty. The poor are the first impacted and suffer the most from the effects of climate change. Last year we announced our plan to address climate change, and we are making investments that will protect our environment while creating a more sustainable future for our children and grandchildren.

The World Bank Group leadership and staff are united in pursuing our urgent mission, and are implementing the critical changes needed to deliver results for our clients. We are focused on improving the lives of roughly a billion people now living in extreme poverty, and seek to build a world that is more sustainable, prosperous, and just—for all of us.

DR. JIM YONG KIM
President of the World Bank Group and Chairman of the Board of Executive Directors

GLOBAL COMMITMENTS

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



$65.6 BILLION

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

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

OUR IMPACT

The entire World Bank Group leveraged its strengths, expertise, and resources to help countries and other partners make a real impact on development—by driving economic growth, promoting inclusiveness, and ensuring sustainability.

DRIVING ECONOMIC GROWTH

IBRD/IDA

95,000
kilometers of roads constructed and rehabilitated

15.3
million people and micro, small, and medium enterprises reached with financial services

IFC

2.6
million jobs provided

94
million customers supplied with power, water, and gas

MIGA

52,100
jobs provided

$6.1
billion new business loans issued by MIGA clients

PROMOTING INCLUSIVENESS

IBRD/IDA

250.9
million people received health, nutrition, and population services

37.4
million beneficiaries covered by social safety net programs

IFC

2.9
million farmers assisted

2.5
million students received educational benefits

MIGA

47
million people provided access to power

15
million people provided access to transport

ENSURING SUSTAINABILITY

IBRD/IDA

903
million tons of CO_2 equivalent emissions expected to be reduced annually

57
countries with strengthened public financial management systems

IFC

5.5
million metric tons of greenhouse emissions expected to be reduced

$18.7
billion in government revenues generated by IFC clients

MIGA

3.3
million people provided access to clean water

$1.6
billion in government revenues generated by MIGA clients

THE INSTITUTIONS OF THE WORLD BANK GROUP

International Bank for Reconstruction and Development (IBRD)
Lends to governments of middle-income and creditworthy low-income countries

International Development Association (IDA)
Provides interest-free loans, or credits, and grants to governments of the poorest countries

International Finance Corporation (IFC)
Provides loans, equity, and advisory services to stimulate private sector investment in developing countries

Multilateral Investment Guarantee Agency (MIGA)
Provides political risk insurance or guarantees against losses caused by noncommercial risk to facilitate foreign direct investment in developing countries

International Centre for Settlement of Investment Disputes (ICSID)
Provides international facilities for conciliation and arbitration of investment disputes

WORLD BANK GROUP FINANCING FOR PARTNER COUNTRIES

(by fiscal year, in millions of dollars)

World Bank Group	2014	2013	2012	2011	2010
Commitments[1]	65,579	57,587	57,450	61,120	76,482
Disbursements[2]	44,399	40,370	42,390	42,028	50,234
IBRD					
Commitments	18,604	15,249	20,582	26,737	44,197
Disbursements	18,761	15,830	19,777	21,879	28,855
IDA					
Commitments	22,239	16,298	14,753	16,269	14,550
Disbursements	13,432	11,228	11,061	10,282	11,460
IFC					
Commitments[3]	17,261	18,349	15,462	12,186	12,664
Disbursements	8,904	9,971	7,981	6,715	6,793
MIGA					
Gross issuance	3,155	2,781	2,657	2,099	1,464
Recipient-Executed Trust Funds					
Commitments	4,319	4,910	3,996	3,829	3,607
Disbursements	3,302	3,341	3,571	3,152	3,126

1. Includes IBRD, IDA, IFC, Recipient-Executed Trust Fund (RETF) commitments, and MIGA gross issuance. RETF commitments include all recipient-executed grants, and therefore total World Bank Group commitments differ from the amount reported in the Bank Group Corporate Scorecard, which includes only a subset of trust funded activities.
2. Includes IBRD, IDA, IFC, and RETF disbursements.
3. IFC's own account, not including funds mobilized from third parties.

ABOUT IFC

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

Established in 1956, IFC is owned by 184 member countries, a group that collectively determines our policies.

With a global presence in more than 100 countries, a network of nearly 1,000 financial institutions, and more than 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 end extreme poverty and boost shared prosperity.

LEADERSHIP PERSPECTIVE

A Letter from
IFC Executive Vice President and Chief Executive Officer Jin-Yong Cai

These are challenging times for developing countries. Economic growth remains lackluster, despite the brightening outlook in wealthier countries. Job creation remains insufficient to absorb the growing numbers of young people entering the workforce. In many countries, the basic infrastructure necessary for sustained prosperity—power grids, schools, banks—remains woefully inadequate.

At IFC, we are stepping up our efforts to deliver lasting solutions. As the largest global development institution focused on the private sector, we take a comprehensive approach—enabling businesses to innovate, to fully leverage the benefits of modern technology and infrastructure, to build internationally competitive industrial sectors, and to expand opportunities for people to find good jobs.

Over the past year, IFC achieved significant development impact—in some of the world's most challenging environments. With our support, more than 2,000 IFC clients—located in every region of the world—provided about 2.6 million jobs, distributed power, water, and gas to more than 94 million customers, and distributed more than $300 billion in loans to micro, small, and medium enterprises. They helped treat more than 27 million patients and educate about 2.5 million students.

We provided a record amount of financing for private sector development in the world's poorest countries—nearly $8.5 billion in all, including funds mobilized from other investors. These countries accounted for half of the nearly 600 projects we began during the year. Our annual investments in fragile and conflict-affected areas have climbed 20 percent over the past two years—to nearly $950 million, including funds IFC mobilized from other investors.

Globally, we invested more than $22 billion in about 100 developing countries, including about $5 billion mobilized from other investors. And we did so in ways that made IFC more financially sustainable. Our investments have demonstrated that commercial and developmental success are mutually reinforcing—even in the most challenging areas. Our consistent investment results have enabled us to provide significant financing—more than $2.8 billion since 2007—for the World Bank's International Development Association, which provides grants to the poorest countries.

Fiscal year 2014 also was a strong year for our advisory services, which did two-thirds of its work in IDA countries, including almost 20 percent in fragile and conflict-affected areas, and achieved record development-effectiveness and client-satisfaction ratings. We delivered an increasing number of client solutions that involved a combination of investment and advice—nearly 160 new advisory engagements with investment clients, marking an increase of almost 80 percent over the previous year.

IFC Asset Management Company continued to grow, increasing its assets under management to more than $6 billion across six investment funds with a strong mix of reputable investors. In FY14 it completed fund-raising for the IFC Global Infrastructure Fund, raising $1.2 billion. It also completed fund-raising for the IFC Catalyst Fund, raising $418 million for climate-smart investments.

Big challenges demand big solutions. As we move ahead, I am convinced that IFC can deliver even more impressive results—by deepening our engagement with clients, by bringing to bear the full range of capabilities available in the World Bank Group, and by focusing on activities with the greatest potential to end extreme poverty and boost shared prosperity.

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

BIG CHALLENGES DEMAND BIG SOLUTIONS.

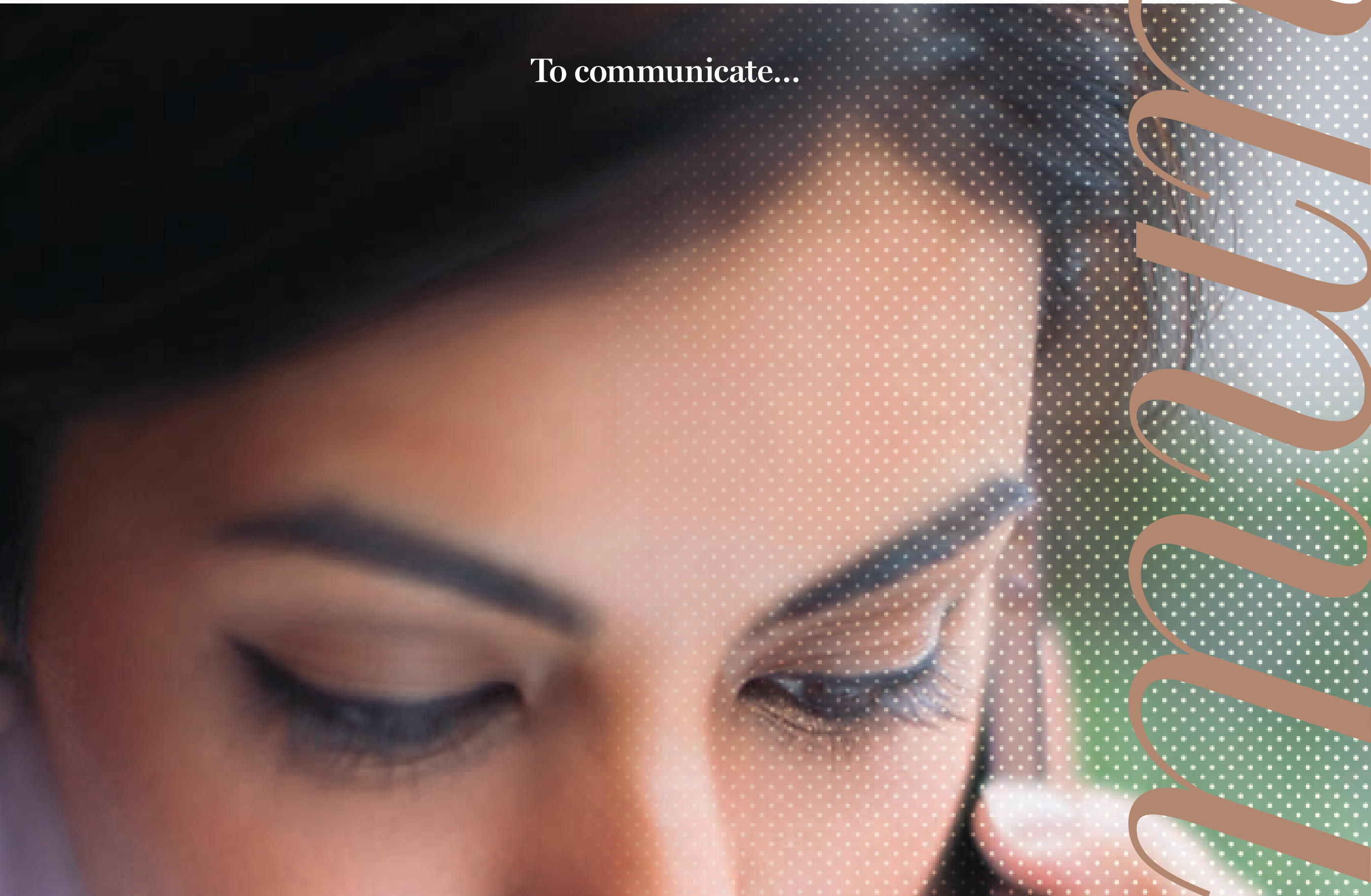
Every year, an untold number of entrepreneurs in developing countries see their business fail—because capital is scarce and expensive. Millions of young people can't find a job—because their education hasn't prepared them for the needs of the market. Countless small companies struggle to expand.

These are obstacles that must be overcome if we are to end extreme poverty and boost shared prosperity in every developing country. It cannot be done without the creativity and resources of the private sector—the main engine of global economic growth and prosperity. That is where IFC comes in.

As the largest global development institution focused on the private sector, IFC works closely with businesses in developing countries to help them succeed in ways that promote prosperity for all. In doing so, we bring to bear all of the expertise and resources of the World Bank Group. Together, we help countries establish a robust foundation for development—by putting in place the physical, social, and financial infrastructure necessary for sustained prosperity.

Big
Challenges

Big
Solutions



To communicate…

…businesses need technology infrastructure

OUR FOCUS: TECHNOLOGY

Modern information and telecommunications technologies make it easier for the poor to obtain access to services and resources. These technologies expand opportunity and make markets and institutions more efficient. IFC works to extend their availability.

To grow
more food...

OUR FOCUS: AGRICULTURE

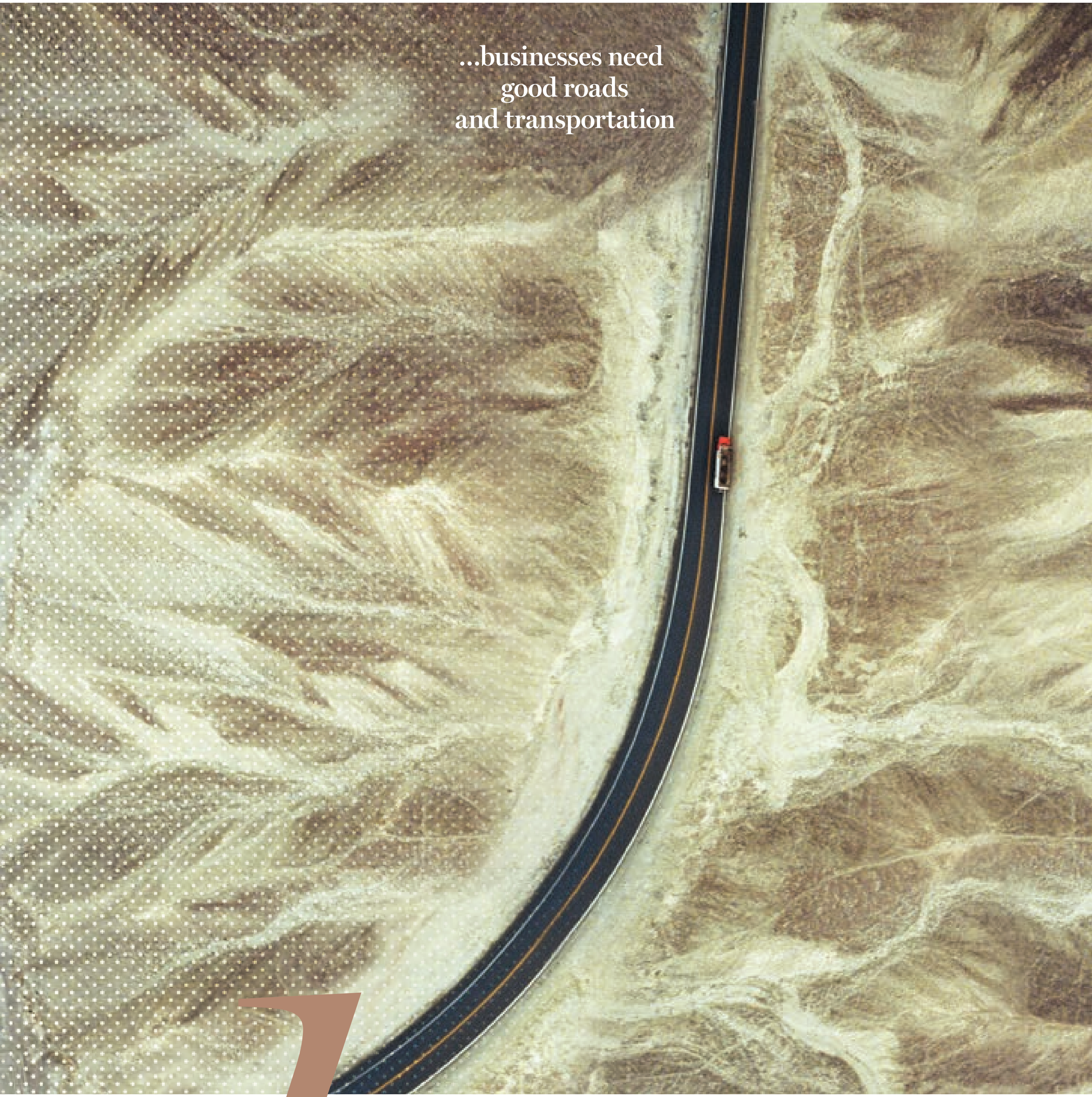
Agribusiness is a priority for IFC because of its potential for broad development impact and strong role in poverty reduction. We combine investments with advisory services to help this sector meet the growing demand for food in environmentally sustainable and socially inclusive ways.

...businesses need modern methods of production

To reach new customers…

OUR FOCUS: INFRASTRUCTURE

Efficient infrastructure spurs economic growth, improves living standards, and can help address challenges such as urbanization and climate change. IFC helps increase access to power, transportation, and water by financing projects and advising governments on public-private partnerships.


...businesses need
good roads
and transportation

To expand...

OUR FOCUS: ACCESS TO FINANCE

Sound, inclusive, and sustainable financial markets are essential to end poverty and boost shared prosperity—they create opportunity for individuals to succeed and for businesses to grow and create jobs. IFC works to increase the availability and affordability of key financial services such as credit, savings, and insurance.

…businesses need
greater access to finance

To thrive...

...businesses need an educated and healthy workforce

OUR FOCUS: HEALTH CARE & EDUCATION

Health and education are fundamental to human development—and therefore a central element in any strategy to end poverty and reduce inequality. IFC supports clients that deliver high-quality services to low- and middle-income people.

OUR FOCUS: SUSTAINABILITY

In a time of climate change, scarcity of resources, and rising social pressures, businesses need to adopt sound environmental, social, and corporate governance practices. IFC helps clients in this process, encouraging transparency and accountability.

...businesses need to adopt sustainable practices

$1.6 billion *invested in inclusive businesses*

2.6 million *jobs supported*

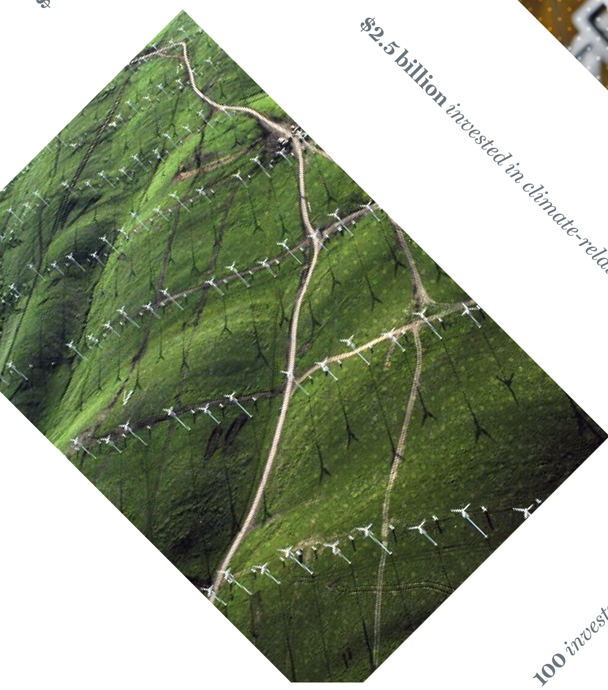
WHEN BUSINESSES FLOURISH

$4.1 billion *invested in infrastructure*

$18.6 billion *in revenues generated for governments*

$2.5 billion *invested in climate-related projects*

$300 billion *in loans made to micro, small, and medium enterprises*



100 *investment-climate reforms supported*

2.9 million *farmers assisted*

30.3 million *customers supplied with water*

$8.5 billion *invested in IDA countries*

COMMUNITIES FLOURISH

8.5 million *people benefited from off-grid lighting solutions*

27 million *patients cared for*

2.5 million *students educated*

40 million *customers supplied with gas*

75.6 million *customers supplied with power*

181 million *phone connections provided*

OUR 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.

Left to right (titles as of June 30, 2014):

Jingdong Hua Vice President, Treasury and Syndications • **Jean Philippe Prosper** Vice President, Sub-Saharan Africa and Latin America and the Caribbean • **Karin Finkelston** Vice President, Asia-Pacific • **Gavin Wilson** CEO, IFC Asset Management Company • **Saadia Khairi** Vice President, Risk Management and Portfolio • **Ethiopis Tafara** Vice President and General Counsel • **Jin-Yong Cai** IFC Executive Vice President and CEO • **Nena Stoiljkovic** Vice President, IFC Advisory Services, and Global Practices Vice President for the World Bank Group • **Dimitris Tsitsiragos** Vice President, Europe, Central Asia, Middle East and North Africa.

IFC YEAR IN REVIEW

In FY14, IFC invested more than $22 billion, including about $5 billion mobilized from other investors. Our comprehensive approach helped businesses innovate, build internationally competitive industrial sectors, and create good jobs.

IFC FINANCIAL HIGHLIGHTS

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

	2014	2013	2012	2011	2010
Net income (loss) attributable to IFC	$ 1,483	$ 1,018	$ 1,328	$ 1,579	$ 1,746
Grants to IDA	$ 251	$ 340	$ 330	$ 600	$ 200
Income before grants to IDA	$ 1,739	$ 1,350	$ 1,658	$ 2,179	$ 1,946
Total assets	$84,130	$77,525	$75,761	$68,490	$61,075
Loans, equity investments and debt securities, net	$38,176	$34,677	$31,438	$29,934	$25,944
Estimated fair value of equity investments	$14,890	$13,309	$11,977	$13,126	$10,146
Key Ratios					
Return on average assets (GAAP basis)	1.8%	1.3%	1.8%	2.4%	3.1%
Return on average capital (GAAP basis)	6.4%	4.8%	6.5%	8.2%	10.1%
Cash and liquid investments as a percentage of next three years' estimated net cash requirements	78%	77%	77%	83%	71%
Debt-to-equity ratio	2.7:1	2.6:1	2.7:1	2.6:1	2.2:1
Total resources required (billions)	$ 18.0	$ 16.8	$ 15.5	$ 14.4	$ 12.8
Total resources available (billions)	$ 21.6	$ 20.5	$ 19.2	$ 17.9	$ 16.8
Total reserve against losses on loans to total disbursed loan portfolio	6.9%	7.2%	6.6%	6.6%	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/AR2014_Financial_Reporting

IFC OPERATIONAL HIGHLIGHTS

Dollars in millions, for the year ended June 30

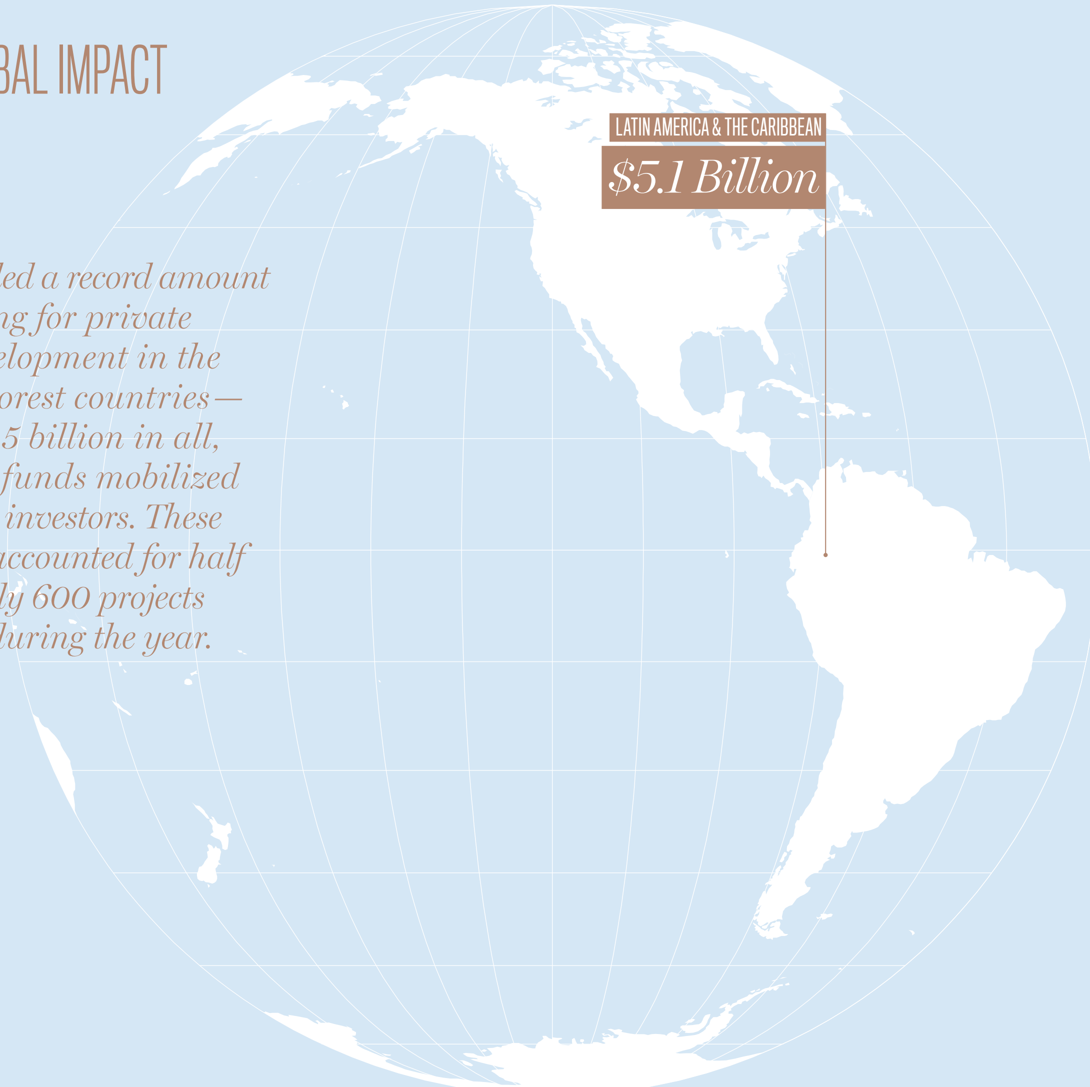
	2014	2013	2012	2011	2010
New Investment Commitments					
Number of projects	599	612	576	518	528
Number of countries	98	113	103	102	103
For IFC's own account	$17,261	$18,349	$15,462	$12,186	$12,664
Core Mobilization*					
Syndicated loans[1]	$ 3,093	$ 3,098	$ 2,691	$ 4,680	$ 1,986
Structured finance	–	–	–	–	$ 797
IFC initiatives & other	$ 1,106	$ 1,696	$ 1,727	$ 1,340	$ 2,358
Asset Management Company (AMC) Funds	$ 831	$ 768	$ 437	$ 454	$ 236
Public-Private Partnerships (PPP)[2]	$ 113	$ 942	$ 41	–	–
Total core mobilization	$ 5,142	$ 6,504	$ 4,896	$ 6,474	$ 5,377
Investment Disbursements					
For IFC's own account	$ 8,904	$ 9,971	$ 7,981	$ 6,715	$ 6,793
Syndicated loans[3]	$ 2,190	$ 2,142	$ 2,587	$ 2,029	$ 2,855
Committed Portfolio					
Number of firms	2,011	1,948	1,825	1,737	1,656
For IFC's own account	$51,735	$49,617	$45,279	$42,828	$38,864
Syndicated loans[4]	$15,258	$13,633	$11,166	$12,387	$ 9,302
Advisory Services					
Advisory Services program expenditures	$ 234	$ 232	$ 197.0	$ 181.7	$ 166.4
Share of program in IDA countries[5]	66%	65%	65%	64%	62%

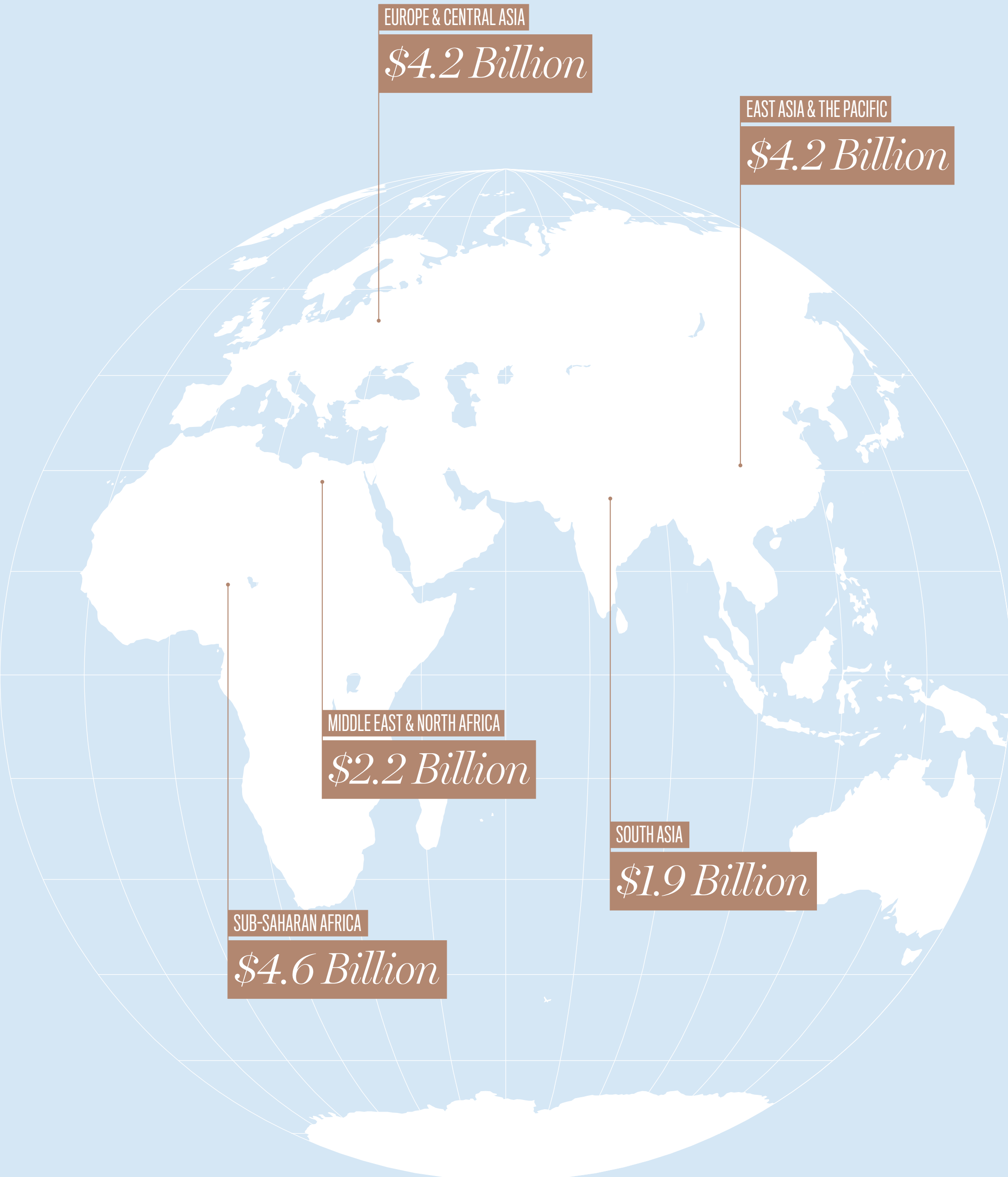
*Financing from entities other than IFC that becomes available to client due to IFC's direct involvement in raising resources.

1. Includes B-Loans, Parallel Loans, MCPP 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, Agented Parallel Loans & MCPP Loans.
4. Includes B-Loans, A-Loan Participation Sales (ALPS), Agented Parallel Loans, Unfunded Risk Participations (URPs) & MCPP Loans.
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'S GLOBAL IMPACT

IFC provided a record amount of financing for private sector development in the world's poorest countries—nearly $8.5 billion in all, including funds mobilized from other investors. These countries accounted for half of the nearly 600 projects we began during the year.





$22 BILLION

in total investments, including $17.3 billion for our own account

FY14 COMMITMENTS BY ENVIRONMENTAL AND SOCIAL CATEGORY

Category	Commitments ($ millions)	No. of Projects
A	$ 1,668	23
B	$ 4,328	160
C	$ 7,162	268
FI	$ 201	12
FI-1	$ 682	13
FI-2	$ 2,049	85
FI-3	$ 1,171	38
Total	**$17,261**	**599**

FY14 LARGEST COUNTRY EXPOSURES[1]

June 30, 2014
(Based on IFC's account)

Global Rank Country	Committed Portfolio ($ millions)	% of Global Portfolio
1 India	$4,682	9.05%
2 Turkey	$3,215	6.21%
3 China	$3,116	6.02%
4 Brazil	$2,811	5.43%
5 Russian Federation	$2,055	3.97%
6 Mexico	$1,556	3.01%
7 Nigeria	$1,527	2.95%
8 Ukraine	$1,034	2.00%
9 Indonesia	$1,019	1.97%
10 Egypt, Arab Republic of	$ 977	1.89%

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

FY14 COMMITMENTS

Dollar amounts in millions, for IFC's own account as of June 30, 2014

Total	$17,261	100.00%
By Industry		
Trade Finance	$ 7,007	40.60%
Financial Markets	$ 3,454	20.01%
Infrastructure	$ 2,426	14.06%
Agribusiness & Forestry	$ 1,051	6.09%
Manufacturing	$ 984	5.70%
Consumer & Social Services	$ 928	5.37%
Telecommunications & Information Technology	$ 489	2.83%
Funds	$ 480	2.78%
Oil, Gas & Mining	$ 441	2.56%
By Region		
Latin America and the Caribbean	$ 4,057	23.50%
Sub-Saharan Africa	$ 3,540	20.50%
Europe and Central Asia	$ 3,478	20.15%
East Asia and the Pacific	$ 2,771	16.05%
Middle East and North Africa	$ 1,698	9.84%
South Asia	$ 1,558	9.03%
Global	$ 158	0.92%

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

By Product		
Loans[1]	$ 7,579	44.00%
Guarantees[2]	$ 7,328	42.40%
Equity[3]	$ 2,324	13.40%
Risk management products	$ 30	0.20%

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

FY14 COMMITTED PORTFOLIO

Dollar amounts in millions, for IFC's own account as of June 30, 2014

Total	$51,735	100%
By Industry		
Financial Markets	$14,994	29%
Infrastructure	$10,192	20%
Manufacturing	$ 6,411	12%
Agribusiness & Forestry	$ 4,345	8%
Consumer & Social Services	$ 4,199	8%
Funds	$ 3,862	7%
Trade Finance	$ 3,166	6%
Oil, Gas & Mining	$ 2,559	5%
Telecommunications & Information Technology	$ 2,007	4%
Other	–	0%
By Region		
Latin America and the Caribbean	$11,645	23%
Europe and Central Asia	$11,041	21%
Sub-Saharan Africa	$ 8,540	17%
East Asia and the Pacific	$ 8,023	16%
Middle East and North Africa	$ 5,801	11%
South Asia	$ 5,782	11%
Global	$ 902	2%

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

FY14 INVESTMENT SERVICES DOTS SCORE BY INDUSTRY

IFC Total	833 (30,042)	64%
Funds	97 (1,470)	72%
Oil, Gas & Mining	32 (2,125)	69%
Financial Markets	254 (11,047)	68%
Infrastructure	128 (5,698)	66%
Agribusiness & Forestry	83 (2,425)	61%
Consumer & Social Services	107 (2,188)	57%
Manufacturing	96 (3,969)	55%
Telecommunications & Information Technology	36 (1,119)	42%

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.

FY14 INVESTMENT SERVICES DOTS SCORE BY REGION

IFC Total	833 (30,042)	64%
Latin America and the Caribbean	174 (6,549)	67%
South Asia	103 (3,317)	66%
Sub-Saharan Africa	160 (3,790)	64%
Middle East and North Africa	91 (3,569)	62%
East Asia and the Pacific	115 (4,450)	61%
Europe and Central Asia	176 (7,949)	61%

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.

FY14 ADVISORY SERVICES PROGRAM EXPENDITURES

Dollar amounts in millions

Total	$233.7	100.0%
By Region		
Sub-Saharan Africa	$ 63.2	27%
East Asia and the Pacific	$ 41.6	18%
Europe and Central Asia	$ 38.8	17%
South Asia	$ 31.5	13%
Latin America and the Caribbean	$ 24.8	11%
Middle East and North Africa	$ 21.8	9%
Global	$ 11.9	5%
By Business Line		
Investment Climate	$ 69.3	30%
Access to Finance	$ 68.0	29%
Sustainable Business	$ 58.6	25%
Public-Private Partnerships	$ 37.8	16%

WEIGHTED AND UNWEIGHTED INVESTMENT SERVICES DOTS SCORES

FY14	833	64%
	$30,042	73%
FY13	716	66%
	$29,674	73%
FY12	668	68%
	$26,610	75%

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.

LEVERAGING THE POWER OF THE PRIVATE SECTOR

In a time of significant economic uncertainty, we are focusing our efforts wherever we can achieve the greatest impact—wherever the poor are located, in the most crucial economic sectors, and in thematic areas of pressing importance such as jobs, gender, and climate change.

32–39

CREATING OPPORTUNITY

IFC concentrates on the economic sectors with the greatest potential to end poverty and boost shared prosperity.

40–45

EXPANDING RESOURCES FOR DEVELOPMENT

IFC works with private sector clients and partners to bring together resources, expertise, and ideas to achieve the greatest impact on poverty reduction.

46–51

TACKLING THE BIGGEST CHALLENGES

IFC is addressing some of the most urgent development challenges. We are focusing our work on creating better jobs, reducing the gender gap, and helping countries mitigate and adapt to climate change.

52–57

IMPROVING LIVES

IFC's work helps improve the lives of the poor wherever they are located—and wherever the incidence of poverty is greatest.

ESTABLISHING A ROBUST FOUNDATION FOR PROSPERITY

Businesses cannot succeed without reliable power, roads, or modern means of transportation to get their goods to market. Without clean water and sanitation, lives are imperiled.

The absence of modern infrastructure is a major obstacle to ending poverty in developing countries. More than $800 billion is invested in infrastructure in these countries every year, but that's less than half of what is necessary. Just achieving universal access to electricity would require an additional annual investment of $38 billion globally.

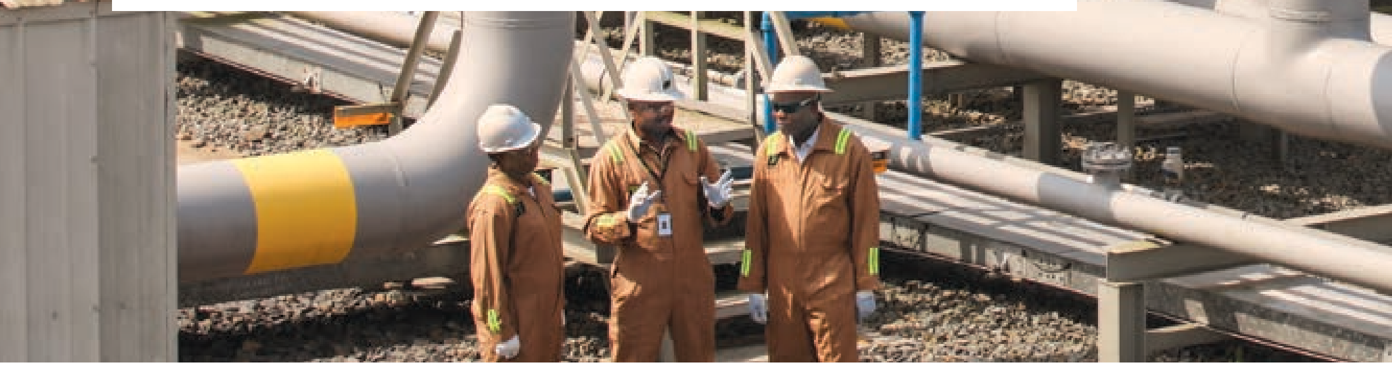
Helping to deliver infrastructure is a priority for IFC. We work with the private sector to develop landmark projects that aim to ease growth constraints, respond to urbanization pressures, and meet countries' sustainability goals. To maximize results, we often work closely with the World Bank, other international financial institutions, and a broad range of donors and clients.

In FY14, we provided $4.1 billion in financing for core infrastructure projects, including funds mobilized from other investors. Much of our investments were in Africa, where the need is acute. Only one-fourth of the continent's population has access to electricity, and only about 60 percent has access to clean water.

We are supporting investments to add 1,500 megawatts of power to Nigeria's national grid—providing electricity to up to 8 million households by 2015. Working with other World Bank Group institutions, IFC is structuring projects to attract commercial financing and providing risk-mitigation instruments to help develop power generation, distribution, and gas supply to power plants in the country.

As Africa becomes one of the world's main areas for new power capacity, we continue to encourage the development of renewable-energy sources on the continent. We are investing in Tanzania's first independent wind-energy project, expected to add 100 MW to the country's power capacity. The Singida plant will help reduce the need for costly fuel imports.

IFC invests in a wide variety of infrastructure projects. In Colombia, IFC and two funds managed by IFC Asset Management Company are investing $150 million in Pacific Infrastructure Ventures to support an increase in oil and gas exports. The investments will help develop Puerto Bahía, a new terminal on the bay of Cartagena, and Olecar, a 130-kilometer crude-oil pipeline that will connect Puerto Bahía's facilities to Colombia's main export terminal for crude oil.



94

MILLION

customers received power, water, and gas through our clients in 2013

In Nigeria, IFC is supporting investments to add 1,500 megawatts of power to the national grid.

RAISING INCOMES AND CREATING WEALTH

Baba Sahib lost his right leg in a bomb blast shortly after he joined the police force in Kabul. He returned to his hometown, in a rural area of Afghanistan, and tried to make a living selling candy and cold drinks. But the income wasn't enough to send his six children to school.

He needed capital to get his business off the ground. Yet he had never had a bank account. He didn't even know how to apply for a loan—until an IFC client, Finca, came to his assistance. Finca, one of the world's largest microfinance institutions, gave him a loan that enabled him to quickly build a profitable grocery-store business.

Access to finance is critical for fighting poverty and boosting prosperity. It helps people and businesses build assets, increase income, and reduce their vulnerability to economic stress. Yet, about 2.5 billion adults still lack essential financial services, and 200 million small and medium businesses struggle to obtain the credit they need to succeed.

IFC works with a network of nearly 1,000 financial institutions and private equity funds to increase the availability and affordability of financial services, supporting far more individuals and small businesses than we would be able to on our own. In 2013, our

$300

BILLION

in loans to micro, small, and medium enterprises was provided by our clients in 2013

El Salvadoran micro entrepreneurs are gaining greater access to finance because of our investment in Fedecredito.

financial-intermediary clients provided more than $300 billion in loans to micro, small, and medium enterprises. Our advice helped our clients strengthen their capacity to provide key financial services to individuals and businesses.

Our relationship with Finca exemplifies our work. After investing in the organization, we helped it create a new subsidiary that will allow the company to double its clients to 1.5 million—reaching borrowers in the poorest and most remote regions in the 22 countries where Finca operates.

IFC also supports financial cooperatives, which have proved highly successful in reaching underserved communities. Our 2010 investment in Fedecredito, in El Salvador, was the first funding program backed by remittances of citizens working abroad. As of 2013, it had resulted in 142,000 loans to micro entrepreneurs and low-income people—an increase of 25 percent in the number of loans provided by the cooperative.

We work to modernize financial systems. In Ghana, we helped create a collateral registry program—the first of its kind in Sub-Saharan Africa—that enabled borrowers to use movable assets such as equipment or inventory as collateral for loans. The project has helped generate financing for micro, small, and medium enterprises, and other beneficiaries.

A loan provided by IFC's client Finca helped Baba Sahib's business take off.

27

MILLION

patients received health care through our clients in 2013

BUILDING HUMAN CAPITAL

Twelve-year-old Diana Kemunto dreams of being a doctor when she grows up. But the path to a career in medicine is especially arduous for a child whose starting point is a Nairobi slum—where schoolteachers can be absent a third of the time and otherwise teach an average of just three-and-a-half hours a day.

This reality extends well beyond Diana's neighborhood. In many developing countries, up to half of students who have completed elementary school cannot read a single sentence, and a third cannot do basic math because of the poor education they receive. More than 60 million children of primary-school age do not receive any education at all.

Without human capital—without the talent and drive of people in developing countries—poverty cannot be ended and prosperity cannot be sustained. IFC believes the private sector has an important role to play in this arena, complementing the efforts of governments. We provide finance and advice that helps the private sector deliver high-quality education and health care, giving people in poorer countries a shot at reaching their full productive potential.

In both areas, our aim is to expand access to high-quality services for lower- and middle-income people. We do that by introducing innovative and affordable means of financing and by improving standards of quality and efficiency. In the education sector, IFC helps schools strengthen skills that meet the needs of employers.

In Nairobi, Diana is benefiting from our $10 million investment in Bridge International Academies, which has created a new model for delivering education to children from poor families. She's a student at a Bridge school, where teachers use computer tablets to deliver scripted lessons and carefully track student and teacher performance. Bridge plans to reach 10 million students in East Africa and India over the next decade.

IFC also supports new technologies and applications that have the potential to broaden access to education. Our client Coursera, for example, works with more than 100 top universities and educational institutions to offer about 700 free online college-level courses to more than 8 million students around the world. Our $5 million investment in Coursera in 2013 is expected to help the company expand its operations and reach more students in developing countries.

In FY14, IFC invested $139 million for our own account in the education sector, and an additional $173 million in the health sector. Our clients helped educate more than 2.5 million students and treated more than 27 million patients in 2013.

At a Bridge school in Kenya, teachers use computer tablets to deliver lessons.

About 35,000 farmers in Honduras have benefited from new rules that made agrochemicals more affordable.

CREATING OPPORTUNITY: AGRIBUSINESS

STRENGTHENING FOOD SECURITY

It's a bleak statistic for a hungry planet—by 2050, more than 9 billion people will inhabit the earth. That's 219,000 more people every day who must be fed amid a growing scarcity of land, water, and energy resources.

For those working in agriculture, the challenges have never been greater. Natural resources are being strained. To keep up with rising demand, food production needs to double, and annual investments in food production need to expand by half. These challenges may seem intractable—but businesses across the world are already developing innovative solutions.

IFC is working with the private sector to increase the supply of affordable food and ensure it is available to people who need it most. Our work gives farmers better access to finance and opens up new markets for them. It helps them raise productivity, adopt sustainable methods of production, and reduce waste. We provide training and develop products that protect farmers from unforeseen risks.

We are stepping up our work in Africa, where the agricultural sector accounts for 70 percent of employment. Our investment and advice this year to Ethiopia-based africa-JUICE—the first Fairtrade-certified juice producer in Sub-Saharan Africa—will help the company triple its fruit-processing

2.9
MILLION
farmers were supported by IFC clients in 2013

An IFC investment is helping the Solomon Islands' only tuna-canning processor expand and create jobs.

capacity, doubling its employees to 3,000 and increasing its supplier base from 70 smallholder farmers to 1,000.

We aim to increase productivity by expanding farmers' access to key agricultural inputs. In Nigeria, where average crop yields are low because of farmers' limited purchasing power and outdated farming techniques, IFC is investing $6 million in Saro Agro-Sciences, a leading distributor of herbicides and insecticides. The company will expand its distribution network from 82 to 300 outlets across the country, increasing access to agrochemicals for more than 500,000 smallholder farmers by 2016.

In Central America, we helped the government of Honduras implement transparent and nondiscriminatory rules for registering new pesticides and fertilizers. The new rules have boosted competition among suppliers, benefiting about 35,000 farmers that now have access to a wider variety of higher-quality, lower-priced agrochemicals.

In the Pacific, we are helping the Solomon Islands retain a greater share of the revenue from the country's tuna catch—which currently benefits mainly foreign companies. We are supporting the expansion of SolTuna, the country's only tuna-canning processor, with a $10 million loan and advice. The expansion will result in 500 jobs over the next five years.

PROMOTING ECONOMIC RESILIENCE

Developing countries stand a better chance of achieving sustained prosperity when they're able to raise funds freely—at home and abroad—in their own currency.

That privilege still eludes even the largest of them. China's currency, for example, accounts for barely 2 percent of trading in foreign-exchange markets. India's share is smaller still. The need to borrow in foreign currencies exposes businesses in such countries to unnecessary risks, and it can leave entire economies vulnerable to sudden swings in capital flows.

IFC works to reduce those dangers—by making it easier for developing countries to tap domestic resources. We strengthen local capital markets by issuing local-currency bonds, paving the way for others to do the same. We also work closely with governments, regulators, and other development institutions to achieve that goal.

In 2013, when India suffered a sudden capital flight that caused its currency to plummet, we issued our first rupee-denominated bond to help restore the flow of capital. In all, we issued the equivalent of $1 billion under our offshore global rupee bond program. Investors from the United States, Europe, and Latin America were big purchasers, highlighting fundamental investor confidence in the Indian economy. We now plan to expand the issuance to $2 billion.

This year, we became the first international development institution to issue—on the London Stock Exchange—a bond denominated in Chinese renminbi. We issued 2 billion yuan, or about $325 million, making ours the first benchmark-sized bond by a multilateral institution on the exchange. We followed that with the first renminbi-denominated green bond listed in London, raising 500 million yuan for climate-friendly investments. We also became the first foreign institution to issue a local-currency bond in Rwanda, strengthening the country's ability to attract investors from Africa and beyond.

We provided the first partial credit guarantee for an Indonesian corporate bond issuance, enabling one of the country's top housing developers to issue 500 billion in rupiah bonds—about $44 million. Our 20 percent guarantee helped PT Ciputra Residence obtain a high credit rating for the bonds, attracting pension funds and a variety of other institutional investors. The company will use proceeds to expand housing, applying IFC's green-building standards.

In all, IFC has issued bonds in 15 emerging-market currencies. In addition, we have provided more than $12 billion in local-currency financing across 60 currencies—through loans, swaps, guarantees, risk-sharing facilities, and other structured and securitized products.

$12 BILLION
in local-currency financing has been provided by IFC

Pedestrians walk by the Stock Exchange building in Mumbai. IFC's rupee-denominated bond highlighted investors' confidence in India.

IMPROVING ESSENTIAL SERVICES THROUGH PARTNERSHIPS

The needs of developing countries are vast—it will cost about $2 trillion a year to modernize infrastructure, at least $100 billion a year to tackle climate change, and hundreds of billions more to lift people out of extreme poverty.

Such costs far exceed the available resources of individual governments or institutions. But public-private partnerships can make a significant difference. They can unlock much more than money—they can also bring in expertise and efficiency, helping ensure that resources are wisely allocated in addressing the most urgent challenges of development.

IFC is the only multilateral organization offering direct advice to governments on how to structure public-private partnerships. We have worked on more than 300 PPP transactions worldwide—many in challenging regions or countries that have difficulty in attracting investors.

As of June 2014, we had an active portfolio of 118 PPP advisory projects in more than 50 countries, valued at about $152 million. We helped governments sign 10 PPP contracts, including six in IDA countries. These partnerships are expected to improve access to infrastructure and health services for over 1.6 million people and mobilize $306 million in private investment.

300

PPP TRANSACTIONS
worldwide have been supported by IFC

IFC also invests in PPP projects. In Jordan, we supported the country's first large-scale wind farm by helping EP Global Energy structure the project agreements, assisting in negotiations with the government and mobilizing $221 million in financing for the project. The Tafila wind farm is expected to start operating in 2015 and will provide energy to the grid at lower cost. It will also curb greenhouse emissions and reduce Jordan's dependence on imported oil.

In Croatia, we invested about $74 million in a private consortium that will expand and operate Zagreb International Airport. The country's first airport concession is expected to help make the capital city an important European transportation hub and boost tourism—a major driver of job creation and economic growth. It is also expected to set an example, encouraging other PPP projects in the country.

Our work is not restricted to national governments. In Odisha, one of India's poorest states, we helped the municipality of Bhubaneswar design, structure, and manage the bid process for a new street-lighting project. The city's inefficient street lighting was replaced by an improved system that is saving the local government $100,000 a year.

Workers build a terminal at Zagreb International Airport. The project will support Croatia's infrastructure and tourism.

LEVERAGING THE RESOURCES OF OTHER INVESTORS

IFC's track record of investing successfully in markets neglected by traditional investors comes with an important benefit: it emboldens others to follow our lead.

We use that power to maximize our impact in developing countries, getting other investors to join us in creating opportunity. This enables IFC to deploy capital on a larger scale than we could with just our own resources. For our partners, it ensures healthy returns and mitigates risks. For our clients, it establishes a connection with new investors, paving the way for relationships that can secure the flow of much-needed financing and expertise.

We have a distinguished history of introducing innovative ways for other investors to work in tandem with us. Our syndicated loan program—launched in 1957—is the largest among those of international development institutions, having mobilized more than $43 billion from other investors over the years. IFC Asset Management Company, a wholly owned subsidiary launched in 2009, today manages more than $6 billion in assets on behalf of a wide variety of institutional investors such as pension funds and sovereign funds.

Last year, China—an increasingly important player in developing countries—became the first investor in IFC's newly launched Managed Co-Lending Portfolio Program, pledging $3 billion for investment in new IFC projects. Under the program, China largely delegates to IFC the authority

$3.1

BILLION

in syndicated loans was issued by IFC in FY14 necessary for loan origination, structuring, and portfolio management. In FY14, IFC committed $320 million under the program.

In mobilizing funds for development, we strive to expand our base of co-investors—especially other international financial institutions and banks in emerging markets. We developed a Master Cooperation Agreement to specify how international development institutions can work together—through syndicated loans—to cofinance projects led by IFC. Under that agreement, 21 development institutions now work with us—a number that continues to grow. These institutions have provided $2.2 billion to IFC clients since 2009.

IFC Asset Management Company, meanwhile, has raised a significant pool of capital for investment in IFC projects. In FY14, it completed fund-raising for the IFC Global Infrastructure Fund, raising $1.2 billion in all. In one of its first investments, the fund provided $75 million to IHS Holdings, an IFC client that is Africa's largest operator of independent telecommunications towers. The investment will help the company expand access to wireless phone services in remote and rural areas of Africa.

In Africa, we have helped modernize telecommunications by mobilizing significant resources from other investors.

CREATING JOBS—THE CORNERSTONE OF DEVELOPMENT

The scarcity of jobs is one of the most pressing issues of our time. For more than a billion people in developing countries, jobs constitute the main path out of poverty—raising living standards, increasing productivity, and fostering social cohesion.

But global unemployment has been on the rise. In 2013, there were more than 200 million job seekers globally—most of them women and young people in developing countries. If current trends persist, global unemployment is set to widen further, reaching more than 215 million people by 2018.

The private sector, which accounts for nine out of every 10 jobs in developing countries, has a critical role to play. IFC is working with clients and partners to help private enterprises overcome the largest obstacles to job creation—by expanding access to finance, supporting investments in infrastructure, improving the investment climate, and boosting education and training.

In 2013, our investment clients directly supported 2.6 million jobs. Our research has shown that every job directly provided by our clients indirectly supports as many as 20 additional jobs across supply and distribution chains. IFC also supported financial institutions that provided more than $300 billion in loans to micro, small, and medium enterprises, which in turn employed more than 100 million people.

IFC is now coordinating a global coalition of international finance institutions and donors—known as the *Let's Work* partnership—that aims to develop coordinated solutions to the challenges of job creation in different countries and industry sectors. In addition, IFC leads a private sector partnership consisting of 15 large companies that are working to increase job opportunities for women.

We also launched a program to improve working conditions for hundreds of thousands of workers in the garment industry in Bangladesh—which gained international attention in 2013 after the collapse of a building and several fire incidents. Through the *Better Work* program with the International Labour Organization, we are providing assessments of factory compliance with national laws and international labor standards.

IFC has developed an integrated investment and advisory program to help transform the country's garment sector—which accounts for 20 percent of the country's GDP and employs 4.2 million people. The program includes $500 million to expand financing for exporters. It also aims to improve building and fire-safety standards.

Through the *Better Work* program, IFC is helping improve working conditions in Bangladesh's garment industry.

2.6

MILLION

jobs were supported by our investment clients in 2013

TURNING RISKS INTO OPPORTUNITY

Climate change is much more than an environmental challenge—it's a fundamental threat to global prosperity, with a disproportionate effect on the poorest countries.

Within decades, global temperatures are likely to exceed preindustrial levels by 2 degrees Celsius. That would intensify food shortages in Sub-Saharan Africa, increase flooding in coastal areas of Southeast Asia, and trigger shifts in rain patterns that inundate some areas of South Asia while depriving others of the water needed for power generation and agriculture.

IFC is at the forefront of the World Bank Group's efforts to tackle climate change—because we see it as a significant obstacle to ending extreme poverty, and because we think the private sector is essential in this struggle. Since 2005, we have invested more than $13 billion in climate-related projects, including nearly $2.5 billion in FY14.

We are a leading financier of renewable energy for developing countries. This year, IFC supported the construction and expansion of three solar power projects in Chile—including Amanecer Solar, expected to become the largest photovoltaic power plant in Latin America. With a combined capacity of about 180 megawatts, the projects will help Chile meet its growing energy needs and offset about 185,000 tons of carbon dioxide annually—roughly the equivalent of taking 39,000 cars off the road.

IFC also is one of the largest issuers of green bonds. In 2013, we completed two green-bond issuances—each for $1 billion—to raise funds for climate-friendly projects. The scale and success of the issuance is prompting other investors and corporate bond issuers to enter this important new market.

Through our Sustainable Energy Finance program, we are helping commercial banks identify and develop climate-smart projects in their pipelines. The program in the Philippines received an award from the United Nations Climate Change Secretariat for its innovative approach, which significantly reduced greenhouse emissions. IFC is replicating the program across the Middle East, including in Lebanon, where banks are increasing lending to eco-minded businesses and homeowners.

In Bangladesh, in cooperation with the World Bank and other partners, we are working to reduce emissions at export-processing zones. We helped develop guidelines that are enabling textile and garment companies to increase energy efficiency while remaining competitive. Our work has helped attract $170 million in private investment to improve energy efficiency in these zones.

$13

BILLION

has been invested by IFC in climate-related projects since 2005

IFC helps reduce greenhouse emissions in developing countries by expanding financing for renewable-energy projects.

THE TRANSFORMATIVE POWER OF WOMEN

Bukky George, the owner of a small pharmacy in Lagos, undertook an ambitious project: build a national chain of drug stores so that Nigerians could enjoy the same access to high-quality medicines that citizens of wealthier countries do.

Tapping personal and family savings, she added three new stores within a year. Then she hit a roadblock that women entrepreneurs often face: she needed more capital to continue expanding, and most banks would not lend to new women-owned businesses.

Fortunately, there was an exception—Access Bank, a Nigerian lender that had just received an IFC line of credit to increase its lending to women entrepreneurs. George secured the loan she needed. Today, her HealthPlus chain has 25 branches, and she plans to establish 17 more in 2014.

IFC believes women—as consumers, as employees, and as business leaders and entrepreneurs—have the power to transform the global economy, supporting job creation, raising per-capita incomes, and promoting sustainable development. That is why we work to promote gender inclusion in all of our activities. That's why we set up a dedicated Gender Secretariat in 2013—to help our staff and clients see and act upon the strong business case for gender inclusion.

$800 MILLION

has been invested through our *Banking on Women* program since 2010

Vietnamese women farmers are boosting their incomes by learning new skills from IFC client ECOM Coffee.

By leveraging our relationships with nearly 1,000 financial institutions and private-equity funds, we help expand access to finance for women entrepreneurs. Working closely with other World Bank Group institutions, we help reduce gender-based barriers in the business environment. We also help our clients improve working conditions for women, strengthen business-skills training for them, and increase the participation of women on their boards.

This year, in partnership with the Goldman Sachs *10,000 Women* program, we launched a $600 million global facility that will increase access to finance for as many as 100,000 women entrepreneurs in developing countries. IFC will manage the facility, which is expected to mobilize up to an additional $470 million from other investors, and provide advice.

The initiative is part of our *Banking on Women* program, which has made 17 investments totaling more than $800 million since 2010. To help expand that program, we issued our first bond designed specifically to support women entrepreneurs in developing countries, raising $165 million from Japanese investors.

In agribusiness, we worked with our client ECOM Coffee to design training for women across East Asia and the Pacific. Previously, women did most of the harvesting work but were often excluded from skills training. By strengthening training, ECOM was able to harvest larger, higher-quality crops at lower cost and raise incomes for its women farmers.

Bukky George has turned a few drug stores into a fast-growing pharmacy chain in Nigeria.

$8.5

BILLION

was directed to the world's poorest countries in FY14, including mobilized funds

CREATING OPPORTUNITY IN CHALLENGING ENVIRONMENTS

In some parts of the world, poverty is expanding rather than receding.

In the poorest countries, the ranks of the destitute have swelled by more than 100 million since the early 1980s. Conflict and instability, meanwhile, are exacting a rising toll, accounting for a growing proportion of people living on less than $1.25 a day.

Reversing those trends will take special effort. Such areas typically lack even the most basic means to escape poverty. Government institutions are often unequipped for the challenge. Private enterprise is feeble. Infrastructure—power, roads, and bridges—is in disrepair. Access to food, water, and medicines is limited.

That is why IFC is intensifying our work in these areas. Since 2005, our investment in the 82 poorest countries—those eligible to borrow from the World Bank's International Development Association—has grown eightfold to a record of nearly $8.5 billion in FY14. That number included about $1.6 billion mobilized from other investors.

In addition, we have directly contributed more than $2.8 billion to the replenishment of IDA since 2007. Our annual investments in fragile and conflict-affected areas have climbed 20 percent over the past two years—to nearly $950 million in FY14, including funds IFC mobilized from other investors. Two-thirds of our advisory program was in IDA countries, and 20 percent was in fragile and conflict-affected areas.

Modernizing infrastructure in these areas is a key element of our strategy. In Nepal, where more than one-fourth of the population lives below the poverty line and power cuts are the norm, we are helping the country realize its abundant hydropower potential.

Working closely with other World Bank Group institutions, IFC is investing about $1 billion and mobilizing an additional $4 billion to help the country generate up to 3,000 megawatts of power—enough electricity for 16 million people, or 60 percent of the Nepali population. The project is also expected to create jobs in urban areas and boost agricultural productivity.

In Haiti, where access to piped water is limited and most of the population depends on unreliable and expensive water delivered by trucks, IFC's client dloHaiti is innovating. A network of decentralized solar-powered water-purification and distribution centers has lowered processing costs and improved water quality for underserved communities. dloHaiti plans to set up 300 centers, serving more than 1 million people and creating more than 4,000 jobs.

We have also helped the Democratic Republic of Congo establish its first Special Economic Zone—which is expected to attract $80 million in investments and create 1,500 direct jobs. IFC helped the country draft the new SEZ law.

Modernizing infrastructure is a key element of our strategy in countries with high poverty rates.

ALLEVIATING POVERTY WHEREVER THE NEED IS GREATEST

More than 50 million farmers in India depend on sugarcane cultivation for their livelihood. But many rely on unproductive methods. In Uttar Pradesh, one of India's poorest states, yields are about half those of the most productive states. That means farmers earn less than they could.

IFC's project Meetha Sona—Hindi for "sweet gold"—is changing this reality. Through a partnership with sugar producer DSCL, the program is providing training materials and a customized package of climate-smart agricultural practices. Trained farmers have reported an 86 percent increase in productivity in the first two years of the program. Having trained more than 17,000 farmers, the program is being rolled out more broadly—with a target of reaching 200,000 farmers across 14 mills in India by 2015.

Improving lives in places like Uttar Pradesh is essential if we are to achieve our goals of ending extreme poverty by 2030 and boosting shared prosperity. South Asia as a whole is home to more than 40 percent of the global population living below $1.25 a day—despite the region's robust growth in recent years.

$6.8

BILLION

was invested in Sub-Saharan Africa, South Asia, and the Middle East and North Africa in FY14

We focus on regions where the need to alleviate poverty is greatest. In Sub-Saharan Africa, where countries exhibit some of the highest rates of extreme poverty, IFC is working to reduce the infrastructure deficit, address the rising demand for food, and expand access to finance.

Our $37.4 million partnership with The MasterCard Foundation is expected to provide access to financial services for 5.3 million people by 2017. In addition, IFC Capitalization Fund—which is managed by IFC Asset Management Company—invested $172.2 million in FirstRand Bank, an IFC client, to help it increase loans to small and medium enterprises and retail customers across the region.

In the Middle East and North Africa, where pronounced inequality threatens social stability, we are working to support education and training, develop climate-smart projects, and improve infrastructure services. We invested $50 million to help Alliances Group, a leading Moroccan construction company, build 110,000 affordable housing units—reducing the current deficit of about 840,000 homes in the country.

In all, we invested about $6.8 billion from our own account in these regions in FY14—nearly 40 percent of our overall commitments for the year. About half of our advisory program was in these regions.

Our activities helped support more than 381,000 jobs in South Asia, more than 227,000 in Sub-Saharan Africa, and more than 174,000 in the Middle East and North Africa. They also helped our clients educate more than 44,000 students in South Asia, distribute water to 1.8 million customers in the Middle East, and treat about 941,000 patients in Sub-Saharan Africa.

In India, IFC is working to improve farmers' productivity by training them in advanced agricultural techniques.

BUILDING BROAD-BASED PROSPERITY

Middle-income countries are vital engines of global prosperity, accounting for one-third of the world's economic output. Yet they are home to three out of every four people living on less than $1.25 a day.

For all their economic progress, these countries still face major development hurdles. Large parts remain rural and remote, untouched by the benefits of national economic growth. Other parts—urban centers—struggle to modernize their infrastructure as people migrate in, hoping for a better life. Such countries also have to grapple with the risks of climate change.

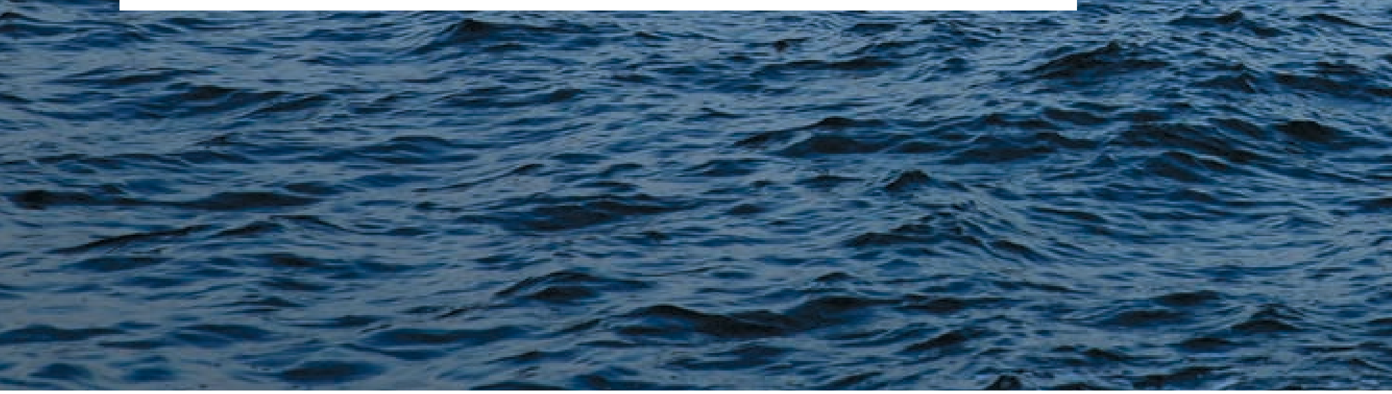
IFC works closely with the private sector in these countries—to ensure that the rewards of progress are shared by all citizens, and to enable local businesses to do more to address regional and global development challenges. We focus on frontier regions—places where poverty is high—and businesses that serve neglected segments of the population such as women, youth, and small farmers.

In Brazil, for example, we provided about $20 million in financing this year to help reopen and expand production at a poultry plant in Tocantins, one of the country's poorest states. Our investment in Asa Alimentos, a leading poultry and pork producer, is expected to help support about 5,000 jobs, promote rural development, and increase the availability of food for up to 3.5 million people over the next three years.

We are also helping Turkey address the challenge of urbanization. We arranged a financing package of €165 million to help build tram lines in Izmir, a city of nearly 4 million people on the country's Aegean coast. The project is expected to help reduce congestion by strengthening the public transportation system in a climate-smart way.

We provide strong support to companies that adopt inclusive business models. IFC is the leading multilateral investor in such companies, which focus on low-income people—as consumers, retailers, suppliers, or distributors. In FY14 alone, IFC committed over $1.6 billion to 84 inclusive businesses—many of them in middle-income countries.

We also support regional integration and South-South investment—by encouraging businesses in middle-income countries to invest in other developing countries. This year, for example, we helped assemble a consortium of investors—including Bank of China—that provided $30 million in financing to expand the availability of clean water and improve wastewater treatment plants in the Middle East.



$1.6
BILLION
was committed to inclusive businesses in FY14, many of them in middle-income countries

IFC is helping the Turkish city of Izmir improve public transportation in a climate-smart way.

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MEASURING UP

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OUR EXPERTISE

pg. 72

OUR PEOPLE & PRACTICES

MEASURING UP

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 STRATEGIC FOCUS AREAS

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.

STRENGTHENING THE FOCUS ON FRONTIER MARKETS

IDA countries, fragile and conflict situations, and frontier regions of middle-income countries

ADDRESSING CLIMATE CHANGE AND ENSURING ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Developing new business models and financing instruments, setting and raising standards

ADDRESSING CONSTRAINTS TO PRIVATE SECTOR GROWTH IN INFRASTRUCTURE, HEALTH, EDUCATION, AND THE FOOD-SUPPLY CHAIN

Increasing access to basic services and strengthening the agribusiness value chain

DEVELOPING LOCAL FINANCIAL MARKETS

Building institutions, mobilizing resources, and introducing innovative financial products

BUILDING LONG-TERM CLIENT RELATIONSHIPS IN EMERGING MARKETS

Using the full range of our products and services to guide clients' development and assist cross-border growth

SCORECARD SUMMARY

IFC's Performance on Strategic Focus Areas

	Performance FY14	FY13
DEVELOPMENT RESULTS		
Investment Companies Rated High (DOTS Score)[1]	64%	66%
Advisory Projects Rated High[2]	76%	76%
Focus Areas		
FRONTIER MARKETS		
IDA: Number of Investment Projects	288	288
IDA: Commitments (millions)	$ 6,880	$ 6,649
IDA: Share of Advisory Services Program in IDA Countries, %[3]	66%	65%
Fragile and Conflict Situations: Number of Investment Projects	47	44
Fragile and Conflict Situations: Share of Advisory Services Program, %	20%	18%
Frontier Regions: Number of Investment Projects	47	59
Commitments in Sub-Saharan Africa (millions)	$ 3,540	$ 3,501
Commitments in Middle East and North Africa (millions)	$ 1,698	$ 2,038
Commitments in South Asia, Afghanistan and Pakistan (millions)	$ 1,988	$ 1,697
LONG-TERM CLIENT RELATIONSHIPS INCLUDING SOUTH-SOUTH		
Number of South-South Investment Projects	38	47
Commitments in South-South Investment Projects (millions)	$ 1,455	$ 1,674
CLIMATE CHANGE, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY		
Climate-related investments (millions)[4]	$ 2,479	$ 2,509
INFRASTRUCTURE, HEALTH, EDUCATION, FOOD-SUPPLY CHAIN		
Commitments in Infrastructure, Health and Education, and Agribusiness and Food-Supply Chain (millions)[5]	$ 7,205	$ 6,934
LOCAL FINANCIAL MARKETS		
Commitments in Financial Markets (millions)[6]	$10,461	$10,124
Commitments in Micro, Small and Medium Enterprises (millions)[7]	$ 6,248	$ 7,192

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 (FY14 ratings are based on approvals from 2005–2010).
2. For Advisory Services, development effectiveness ratings are for calendar years 2013 and 2012.
3. FY13 and FY14 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 http://www.ifc.org/climatemetrics.
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

$106 Billion
in loans made to micro, small, and medium enterprises

—

37.1 Million
customers supplied with gas

—

230,000
noncash retail transactions facilitated, totaling $16 million

28.3 Million
phone connections provided

—

$1.8 Billion
in goods and services purchased from domestic suppliers

—

840,000
people expected to receive improved waste-management services through public-private partnerships

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 better their lives.

2.7 Million
patients cared for

435,000
jobs provided

$340 Million
in new financing provided for firms with improved corporate governance practices

7.5 Million
customers supplied with water

12.7 Million
loans made to micro, small, and medium enterprises

$15 Million
in new investments attributable to industry reform and investment-promotion work with governments

130.6 Million
phone connections provided

15.5 Million
patients cared for

6.7 Million
loans made to micro, small, and medium enterprises

21.3 Million
customers supplied with power (generation+ distribution)

1.1 Million
farmers reached

$7.7 Billion
in financing secured with moveable property

OUR EXPERTISE

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

WHERE WE WORK

As the largest global development institution focused on the private sector, IFC operates in more than 100 countries. We 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

WHAT WE DO

IFC provides investment, advice, and asset management. These are mutually reinforcing services, delivering financing and global expertise to clients in developing countries.

Together, 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.

In FY14, IFC invested
$17.2 BILLION
in about 600 projects and mobilized more than $5 billion.

IFC made commitments for nearly
$7.6 BILLION
in new loans in FY14.

INVESTMENT

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 FY14, we invested $17.2 billion in about 600 projects. In addition, we mobilized more than $5 billion to support the private sector in developing countries.

PRODUCT LINES

LOANS

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

While IFC loans traditionally have been denominated in the currencies of major industrial nations, we have made it a priority to structure local-currency products. IFC has provided local-currency financing in more than 50 local currencies.

In FY14, we made commitments for nearly $7.6 billion in new loans.

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 FY14, equity investments accounted for about $2.3 billion of commitments we made for our own account.

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

TRADE AND SUPPLY-CHAIN 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 FY14, trade finance accounted for more than $7 billion of the commitments we made for IFC's own account. Our Global Trade Liquidity Program has supported $32 billion in trade in developing countries since it was launched in 2009.

SYNDICATIONS

IFC's Syndicated Loan Program is the oldest and largest among multilateral development banks. In FY14, it accounted for 60 percent of the funds mobilized by IFC.

In FY14, IFC syndicated about $3.1 billion in B-loans, parallel loans, and MCPP loans, provided by more than 80 financial institutions. These included commercial banks, institutional investors, development finance institutions, and an emerging-markets central bank. A record $1.1 billion was provided by co-financiers in emerging markets. The syndicated loan portfolio stood at $15.2 billion.

Borrowers in the infrastructure sector received 44 percent of the total volume. More than a quarter of the financing we provided through syndications—$816 million in all—went to borrowers in IDA countries.

CLIENT RISK-MANAGEMENT SERVICES

IFC provides derivative products for 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.

ADVICE

Private sector development requires more than finance. Experience shows the powerful role advice can play in unlocking investment by the private sector, helping businesses expand and create jobs, and so strengthening the World Bank Groups' impact.

At the end of FY14, IFC had an active portfolio of 719 advisory services projects in more than 100 countries. The majority of the program is in IDA countries, and about 20 percent is in fragile and conflict-affected areas. During FY14, IFC provided advice through four business lines:

Access to Finance 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 FY14, we had an active portfolio of 294 projects—valued at more than $361 million—in 77 countries.

Investment Climate 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 FY14, IFC had an active portfolio of 161 investment-climate projects in 68 countries, valued at nearly $336 million.

At the end of FY14, IFC had an active portfolio of
719
ADVISORY SERVICES PROJECTS
in more than 100 countries.

IFC's active projects related to access to finance totaled more than
$361
MILLION
at the end of FY14.

AMC had about **$6.4 BILLION** *in assets under management at the end of FY14.*

IFC Capitalization Fund's investment commitments had totaled **$2.7 BILLION** *at the end of FY14.*

Public-Private Partnerships helps 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 FY14, we had an active portfolio of 118 PPP projects in 54 countries, valued at about $152 million.

Sustainable Business helps 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 FY14, we had an active portfolio of 146 sustainable-business projects in 53 countries, valued at about $263 million.

In recent years, IFC has introduced a wave of bold reforms to strengthen the impact and performance of our advisory services. To further strengthen client focus and impact, from July 1, 2014, advisory services will be more closely aligned with relevant IFC Investment Services and World Bank Group Global Practices.

IFC ASSET MANAGEMENT COMPANY

IFC Asset Management Company, LLC, a wholly owned subsidiary of IFC, mobilizes and manages capital 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, 2014, AMC had approximately $6.4 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. As of June 30, 2014, the fund had made 39 investment commitments totaling $2.7 billion.

IFC AFRICAN, LATIN AMERICAN, AND CARIBBEAN FUND

The $1 billion IFC African, Latin American, and Caribbean Fund was launched in 2010. The fund co-invests with IFC in equity and equity-related investments across a range of sectors in Sub-Saharan Africa and in Latin America and the Caribbean. As of June 30, 2014, the fund had made 25 investment commitments totaling $715 million.

AFRICA CAPITALIZATION FUND

The $182 million Africa Capitalization Fund was launched in 2010 to invest in systemically important commercial-banking institutions in Africa. As of June 30, 2014, the fund had made six investment commitments totaling $102 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. As of June 30, 2014, the fund had made three investment commitments totaling $82 million.

IFC CATALYST FUND

The $418 million IFC Catalyst Fund invests in funds that provide growth capital to companies developing innovative ways to address climate change in emerging markets. It also may invest directly in those companies. As of June 30, 2014, the fund had made four fund commitments totaling $95 million.

IFC GLOBAL INFRASTRUCTURE FUND

The $1.2 billion IFC Global Infrastructure Fund co-invests with IFC in equity and equity-related investments in the infrastructure sector in emerging markets. As of June 30, 2014, the fund had made five investment commitments totaling $172 million.

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.

IFC's new commitments in agribusiness and forestry totaled $1 BILLION *in FY14.*

In FY14, IFC's commitments in financial markets totaled more than $3.4 BILLION.

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

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 FY14, our new commitments in agribusiness and forestry totaled $1 billion, accounting for about 6 percent of commitments for IFC's own account.

FINANCIAL INSTITUTIONS

Sound, inclusive, and sustainable financial markets are vital to development because they ensure efficient resource allocation. IFC's work with financial intermediaries helps strengthen financial institutions and overall financial systems. It also allows 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 FY14, our commitments in financial markets totaled more than $3.4 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 health care 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 FY14, our new commitments in consumer and social services totaled $928 million, or about 5 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, transportation, 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 FY14, our new commitments in this sector totaled about $2.4 billion, or about 14 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 or restructuring and modernizing to become internationally competitive.

We are also helping clients make investments that can reduce carbon emissions and energy consumption.

In FY14, our new commitments in the manufacturing sector totaled $984 million, or nearly 6 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 Africa, in particular, 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 FY14, our new commitments for our own account in the sector totaled $441 million.

TELECOMMUNICATIONS AND INFORMATION 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-friendly technologies.

IFC increasingly helps clients move beyond their own national borders and into other developing markets. In FY14, our new commitments for our own account in this sector totaled $489 million.

OUR PEOPLE & PRACTICES

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

THE IFC WAY

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 (direct investments, advisory services, and the IFC Asset Management Company); through global collective action, through governance and standard-setting; and through work to improve the business-enabling environment.

THE WAY WE WORK

- We help our clients succeed in a changing world
- Good business is sustainable, and sustainability is good business
- 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—by effectively tracking progress and assessing its impact—is critical to understanding how well our strategy is working and whether IFC is reaching and making a difference for the people and markets that most need our help.

In FY14, the World Bank Group adopted a unified strategy for achieving its goals of ending poverty and boosting shared prosperity. IFC's strongest contributions to the goals will come from promoting sustainable private enterprise—with the primary objective of creating and providing good jobs and accelerating inclusive economic growth. In this context, job creation and economic growth are useful indicators of IFC's development impact.

Because IFC's operational focus has shifted, in line with the new Bank Group strategy and organizational structure, our results-measurement system is changing as well. In FY14, we focused on updating and improving our results-measurement framework to meet emerging needs. The improvements, which have been approved for implementation in FY15, are designed to:

1. *Enhance our ability to assess the impact of IFC's work on jobs and economic growth*
2. *Increase attention to IFC's results at the country and sector levels*
3. *Integrate IFC's results-measurement system with the Bank Group's system*

The changes to the system build on, and are informed by, our experience over the years, and what we have learned from working with others.

IMPROVING IFC'S RESULTS-MEASUREMENT SYSTEM

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

The updated system will help ensure that operational teams receive critical and timely information and data about whether projects are on track to achieve their development goals or whether a course correction is required. The updates also will help ensure that future project and program design and implementation reflect the lessons of experience. In addition, they will reinforce IFC's ability to demonstrate—through evidence—how we are creating opportunity and improving lives in developing countries.

THE MONITORING AND TRACKING SYSTEM

We are streamlining and simplifying the way we monitor and track development results—not only to address IFC's emerging business needs but also to provide increased benefits to our clients in the future. These changes will reduce "process burden" on IFC operations teams while ensuring greater accuracy and precision in the data we gather.

IFC uses the Development Outcome Tracking System, or DOTS, to monitor the development results of our investment and advisory work. For investment services, DOTS covers—after certain exclusions—1,828 companies under supervision. Reach indicators measure the number of people reached by IFC clients or the dollar benefit to particular stakeholders, regardless of IFC's investment size. For our advisory work, DOTS scores are based on a review of all projects completed in a calendar year. The FY14 ratings are defined as a review of 177 completion reports filed in 2013, of which 144 could be assessed. We continue to report on development results for our entire portfolio and have them assured by an external firm.

Our initial focus is on DOTS for investments, including these changes:

- Adopting a simpler, more targeted set of monitoring indicators for tracking

development results. This includes using the harmonized definitions for indicators agreed to by 25 development finance institutions and a common set of core monitoring indicators for joint investment and advisory activities.
- Rationalizing the process, with an emphasis on customizing the process for projects in fragile and conflict-affected areas, and for transformational engagements.
- Making better use of technology to increase efficiency and quality of reporting
- Sharing with our clients data and analysis that may be useful for their corporate-social-responsibility or market-intelligence needs.

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.

Three goals are fully integrated into IFC's corporate scorecard for management and staff. We also continue to test two additional goals—for infrastructure and climate change, which will be implemented in FY15. We have learned from experience that large projects can cause significant fluctuations in our results for any given year. So this year we introduced three-year targets (see page 78) to account for such effects.

Lessons IFC has learned from implementing the IDGs have proved useful in efforts to develop an overarching Corporate Scorecard for the World Bank Group, particularly around setting intermediate targets for reaching the Bank Group goals on poverty and prosperity.

IFC'S EVALUATIONS

To ensure that we learn from our experience—and make course corrections when they are needed—we conduct regular evaluations of IFC's projects. As part of the improvements to our results measurement framework, we are also moving toward more systematic and strategic evaluations at both the project and programmatic level. This will deepen our understanding of impact—especially with respect to jobs and economic growth.

To improve our understanding of how our projects produce macroeconomic multiplier effects, we evaluated a maritime port expansion and estimated the impacts on jobs and income. Our evaluation of the expansion of the Muelles El Bosque Port in Cartagena, Colombia, showed that the project helped triple terminal capacity, increase direct employment by more than 50 percent, and increase worker productivity by more than 30 percent. Between 2008 and 2012, the port expansion created economic impacts estimated at up to $52 million and raised income by up to $20 million. We intend to replicate this study in other markets and sectors to improve IFC's ability to quantify the benefits of improved infrastructure.

We also evaluated our work to promote small and medium enterprises under our SME Ventures program, which set up venture capital funds in the Democratic Republic of Congo, Liberia, Sierra Leone, Central African Republic, Bangladesh, and Nepal. We found that the funds achieved important demonstration effects. They helped establish role-model companies—such as a medical clinic in Congo that built a new facility. In each viable market, private equity funds also have either raised or announced plans to raise funds targeting that economy. This reflects IFC's role in reducing investor risk in these countries and highlighting their appeal as investment destinations—not only for profit-seeking enterprises, but also for social-impact investors and development finance institutions.

INVESTMENT RESULTS

In recent years, IFC has increasingly ventured into some of the world's most challenging areas—such as those affected by conflict and instability. Our projects in these areas hold great potential for development impact—but the impact takes time to materialize. In FY14, we had a greater number of such projects in our portfolio, which marginally lowered IFC's overall DOTS score.

In all, 64 percent of our investment operations were rated high, slightly below our target of 65 percent. The number of clients rated in FY14 climbed 16 percent over the previous year to 833. The performance of newer projects was weaker, consistent with the challenging business environment in which many of them were implemented and the higher risk associated with equity projects—which increased last year.

The DOTS score measures the development effectiveness of our investment operations, without regard to the projects' risk. In general, larger projects are less risky than smaller projects. When the ratings are weighted for investment volume, for example, 73 percent of our projects were rated high in FY14.

By region, our investments in Latin America and the Caribbean had the strongest development results, with 67 percent of companies rated high. This was achieved despite a seven-point drop from last year because of weaker client performance across most sectors, especially in infrastructure and in telecommunications and information technology.

South Asia recorded the largest improvement, with 66 percent of clients rated high—a six-point increase that reflected improved performance of clients in the manufacturing sector in India.

In East Asia and the Pacific, 61 percent of our clients were rated high—a drop of nine points that partly reflected new early-stage projects in infrastructure. It also reflected declining results in agribusiness and forestry, financial markets and telecommunications and information technology.

Results for Sub-Saharan Africa, Middle East and North Africa, and Europe and Central Asia were largely in line with last year's performance.

At the industry level, our ratings improved the most in the manufacturing and oil, gas, and mining sectors. They were nearly stable in consumer and social services and financial markets, and declined in other sectors.

Funds constituted our best-performing sector, with 72 percent of clients rated high. That marked a decline of seven points over the previous year. But performance of new entrants to our rating cohort was strong, particularly in Sub-Saharan Africa and in East Asia and the Pacific.

In oil, gas and mining, 69 percent of clients were rated high, an increase of five points from FY13 that mainly reflected high-performing new projects in Latin America and the Caribbean and in the Middle East and North Africa.

Ratings of clients in the infrastructure sector dropped 7 points to 66 percent mainly because of weaker performance among greenfield projects. The weaker performance also reflected low-performing new investments in East Asia and the Pacific. Existing clients in Sub-Saharan Africa and in Middle East and North Africa registered stronger performance.

In the agribusiness and forestry sector, ratings declined seven points to 61 percent amid deteriorating market conditions, especially in East Asia and the Pacific and in Sub-Saharan Africa.

In the manufacturing sector, 55 percent of our clients were rated high—an increase of six points. Performance improved across most regions, with the largest increases in South Asia and in the Middle East and North Africa.

In the telecommunications and information technology sector, 42 percent of clients were rated high—a decline of 13 points that reflected the riskier nature of smaller venture-capital-type investments. When the scores were weighted to reflect project size, 65 percent of projects in the sector were rated high.

The reach of IFC's investment clients is reflected in detail in the table on page 79. Below are a few highlights:

- With our assistance, IFC clients improved opportunities for more than 1 million farmers in Sub-Saharan Africa, and about 565,000 in South Asia.
- Our clients treated nearly 3.8 million patients in the Middle East and North Africa, and an additional 2.7 million in Europe and Central Asia. They also educated 1.1 million students in Latin America and the Caribbean.
- In East Asia and the Pacific, our clients provided 6.4 million loans totaling $106 billion to micro, small, and medium enterprises.
- In the infrastructure sector, our clients generated and distributed power to nearly 34 million customers in East Asia and the Pacific, and more than 17 million in Latin America and the Caribbean. They also provided phone connections to nearly 131 million customers in South Asia and distributed water to more than 10 million customers in East Asia and the Pacific.

ADVISORY RESULTS

Seventy-six percent of IFC advisory projects that closed during the year and could be assessed for development effectiveness were rated high—matching the record set in FY13. Ratings for operations in IDA countries also were 76 percent. In addition, a record 91 percent of clients reported satisfaction with IFC's advisory work.

Below are selected highlights from 2013:

- We helped governments sign 10 public-private partnership contracts. Six of these were in IDA countries, including three in fragile and conflict-affected areas. These partnerships are expected to improve access to infrastructure and health services for over 1.6 million people (915,000 of them in fragile and conflict-affected areas), and mobilize over $306 million in private investment.
- We helped companies provide affordable off-grid lighting solutions for 8.5 million people.
- We helped governments in 53 countries adopt over 100 investment-climate reforms to foster growth and business creation. This included 38 IDA countries, which adopted 73 reforms, and 14 fragile and conflict-affected areas, which adopted 24 reforms.
- We helped governments enact industry and investment-promotion reforms that helped attract $20 million in new investments.

- We helped firms adopt new practices and technologies that attracted additional financing in excess of $700 million, of which more than $600 million was from investors other than IFC. Corporate-governance reforms helped attract $390 million in financing for our clients; food-safety reforms helped attract $90 million in investment, and clean energy and resource-efficient technologies led to investments of $230 million.
- Working in partnership with IFC Investment Services, we engaged with 146 financial intermediaries that provided about 17 million microfinance and SME loans totaling more than $124 billion. We also worked with 18 financial intermediaries that provided close to 74,000 housing-finance loans totaling $2.3 billion.
- We helped improve financial markets infrastructure by working with collateral registries that facilitated a total of $11.7 billion in financing. The beneficiaries included 70,000 SMEs. In addition, we helped create or strengthen four credit-bureau operators.
- We worked with partners in digital financial services to help facilitate almost 4.2 million noncash retail transactions.

THE IFC DEVELOPMENT GOALS

Goal	FY14 IDG Target	*FY14–FY16 Targets	FY14 IDG Commitments	Percent of FY14 Target Achieved	Percent of FY14–FY16 Target Achieved
Increase or improve sustainable farming opportunities	Benefit 1.23 million people	Benefit 4.64 million people	1.21 million people	99%	26%
Improve health and education services	Benefit 3.14 million people	Benefit 14.80 million people	8.19 million people	260%	55%
Increase access to financial services for microfinance clients	Benefit 27.18 million people	Benefit 83.59 million people	36.35 million people	134%	43%
Increase access to financial services for SME clients	Benefit 1.42 million people	Benefit 4.61 million people	1.10 million people	78%	24%
Increase or improve infrastructure services	Benefit 23.09 million people	Benefit 75.36 million people	22.17 million people	96%	29%
Reduce greenhouse-gas emissions	Reduce by 5.44 million metric tons of CO_2 equivalent per year	Reduce by 18.42 million metric tons of CO_2 equivalent per year	5.52 million metric tons	101%	30%

* Cumulative total over three years (FY14–FY16).

DEVELOPMENT REACH BY IFC'S INVESTMENT CLIENTS

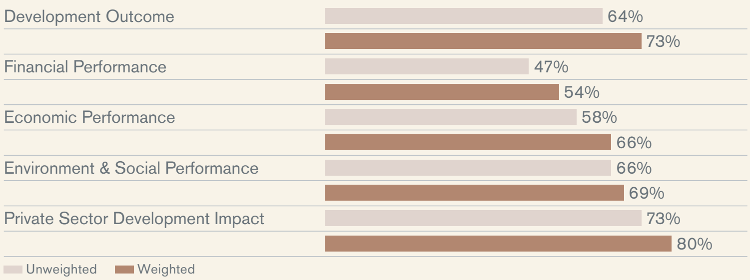
	Portfolio CY12	Portfolio CY13
Investments		
Employment (millions of jobs)[1]	2.7	2.6
Microfinance loans[2]		
Number (millions)	22.9	29.1
Amount ($ billions)	25.13	28.01
SME loans[2]		
Number (millions)	5.8	5.4
Amount ($ billions)	243.79	273.60
Trade Finance[3]		
Number of transactions (millions)	N/A	2.0
Amount ($ billions)	N/A	310
Customers reached with services		
Power generation (millions of customers)	52.2	51.3
Power distribution (millions of customers)[4]	46.5	24.3
Water distribution (millions of customers)	42.1	30.3
Gas distribution (millions of customers)[5]	33.8	39.8
Phone connections (millions of customers)[6]	192.0	180.9
Patients reached (millions)	17.2	27.1
Students reached (millions)	1.0	2.5
Farmers reached (millions)	3.1	2.9
Payments to suppliers and governments		
Domestic purchases of goods and services ($ billions)	46.19	34.26
Contribution to government revenues or savings ($ billions)[7]	26.20	18.63

These figures represent the reach of IFC clients as of end of CY12 and CY13. CY12 and CY13 portfolio data are not strictly comparable, because they are based on a changed portfolio of IFC clients. For microfinance and SME loans, 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 CY12 and CY13, for MSME-oriented financial institutions/projects. For clients that did not report numbers, data were extrapolated. This year, for the first time, the data include AS-only clients, so CY12 data were recalculated on a comparable basis.
3. Estimate of the number and dollar volume of trade transactions financed by the Global Trade Finance Program's network of emerging-market banks, based on actual data from 82% of the network's 247 banks and extrapolation of the rest. Numbers reflect transactions directly guaranteed by IFC as well as those executed by the network banks that have been supported by the program.
4. CY12 total Power Distribution customers revised due to the restatement of one client value in Middle East and North Africa.
5. One client in East Asia and the Pacific accounted for 37.1 million gas-distribution customers in CY13.
6. One client in South Asia accounted for 121.6 million phone-connection customers in CY13.
7. CY12 total Taxes and Other Payments revised due to the restatement of one client value in Sub-Saharan Africa.

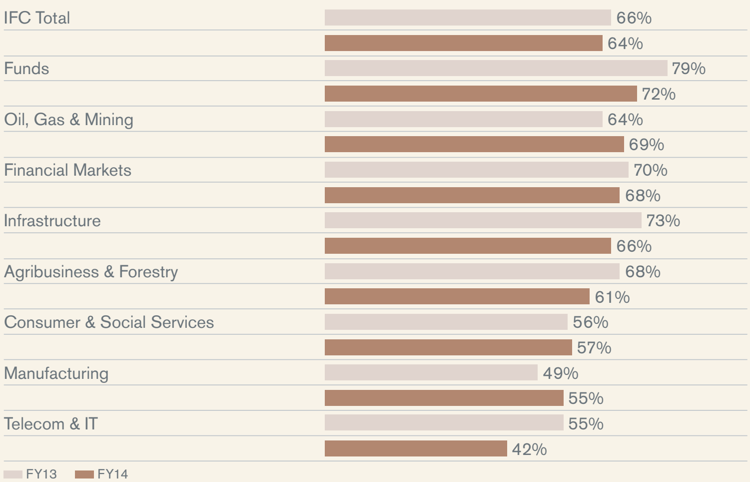
INVESTMENT SERVICES DOTS SCORE BY PERFORMANCE AREA, FY14

% Rated High



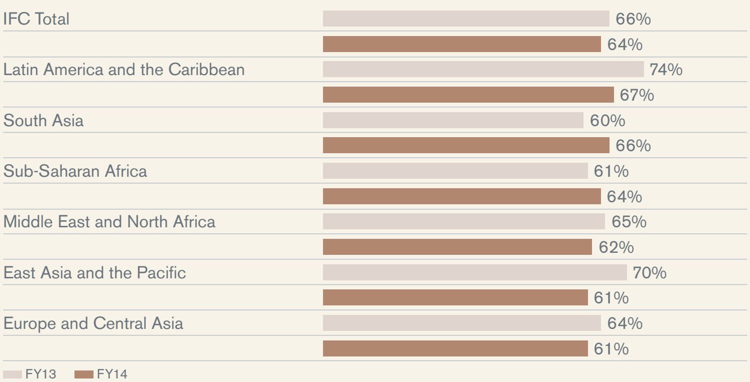
INVESTMENT SERVICES DOTS SCORE BY INDUSTRY, FY13 VS. FY14

% Rated High



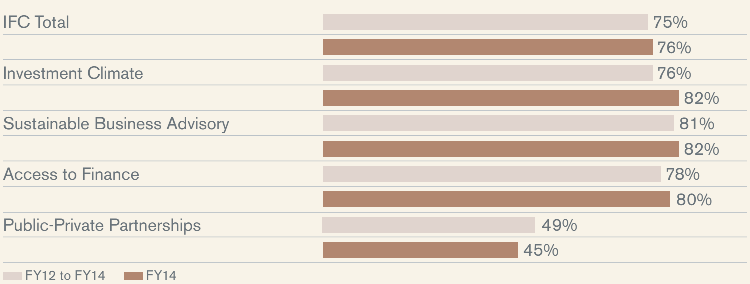
INVESTMENT SERVICES DOTS SCORE BY REGION, FY13 VS. FY14

% Rated High



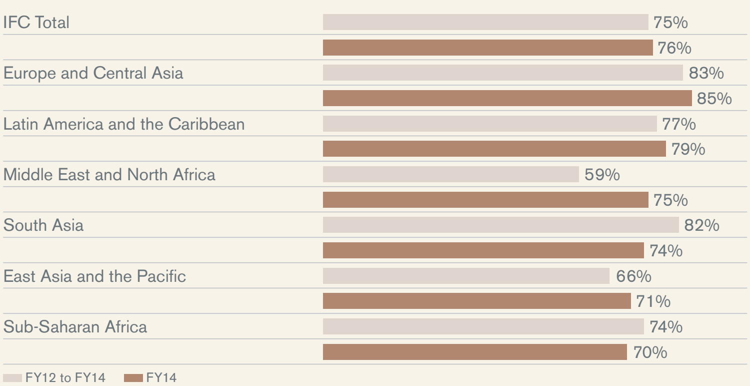
ADVISORY SERVICES DOTS SCORE BY BUSINESS LINE

% Rated High



ADVISORY SERVICES DOTS SCORE BY REGION

% Rated High



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 108 cities in 98 countries. More than half of us—59 percent—are based in offices outside the United States, an increasing percentage that reflects our commitment to decentralization. Most IFC staff, 63 percent in all, hail from countries that are not IDA donors—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	FY09	FY14
United States	1,579 (46%)	1,582 (41%)
Other Countries	1,836 (54%)	2,297 (59%)
Total IFC Staff	3,415	3,879

NATIONAL ORIGIN – ALL FULL-TIME STAFF

National Origin	FY09	FY14
IDA Donor Countries[1]	1,263 (37%)	1,448 (37%)
Other Countries	2,152 (63%)	2,431 (63%)
Total	3,415	3,879

NATIONAL ORIGIN – STAFF GRADED AT OFFICER LEVEL AND HIGHER

National Origin	FY09	FY14
IDA Donor Countries[1]	923 (46%)	1,131(44%)
Other Countries	1,072 (54%)	1,433 (56%)
Total	1,995	2,564

1. Based on self-declaration of countries at the time of their IDA membership.

GENDER – ALL FULL-TIME STAFF

Gender	FY09	FY14
Female Staff	1,822 (53%)	2,068 (53%)
Male Staff	1,593 (47%)	1,811 (47%)
Total	3,415	3,879

GENDER – STAFF AT OFFICER LEVEL AND HIGHER

Gender	FY09	FY14
Female Staff	784 (39%)	1,105 (43%)
Male Staff	1,211 (61%)	1,459 (57%)
Total	1,995	2,564

OUR OFFICES ARE IN

108

CITIES IN

98

COUNTRIES

IFC'S EMPLOYEES REPRESENT MORE THAN

140

COUNTRIES

NEARLY

60%

OF IFC STAFF 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 highly qualified, diverse staff. The salary structure for staff recruited in Washington, D.C. is based on the U.S. market, which historically has been globally competitive. Salaries for staff hired 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, life, disability insurance and a retirement plan. 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, a defined-benefit component fully funded by IFC based on years of service, salary, and retirement age; second, a cash-balance component—a mandatory contribution of 5 percent of salary, to which IFC adds 10 percent annually. The Bank Group also sponsors an optional U.S.-style 401(k) plan for Washington-based staff and an optional savings plan for country-office staff.

STAFF SALARY STRUCTURE (WASHINGTON, D.C.)

During the period July 1, 2013 to June 30, 2014, the salary structure (net of tax) and average net salaries/benefits for World Bank Group staff was as follows:

Grades	Representative Job Titles	Minimum ($)	Market Reference ($)	Maximum ($)	Staff at Grade Level (%)	Average Salary/Grade	Average Benefits[a]
GA	Office Assistant	25,600	33,300	43,200	0.03%	41,678	25,211
GB	Team Assistant, Information Technician	32,300	42,000	58,900	0.7%	43,379	26,240
GC	Program Assistant, Information Assistant	39,900	51,900	72,700	8.8%	54,889	33,202
GD	Senior Program Assistant, Information Specialist, Budget Assistant	47,100	61,300	85,900	7.2%	68,072	41,177
GE	Analyst	63,300	82,300	115,300	9.1%	78,653	47,577
GF	Professional	84,200	109,400	153,200	20.3%	101,806	61,583
GG	Senior Professional	113,500	147,600	206,600	32.2%	139,957	84,660
GH	Manager, Lead Professional	154,700	201,100	260,000	18.6%	193,786	117,221
GI	Director, Senior Advisor	206,200	269,800	309,400	2.6%	255,823	154,748
GJ	Vice President	280,000	313,700	351,300	0.4%	317,025	191,768
GK	Managing Director, Executive Vice President	307,600	348,800	383,600	0.1%	364,315	221,237

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, 2014, IFC's paid-in capital of about $2.5 billion was held by 184 member countries. These countries guide IFC's programs and activities.

IFC works with the private sector to create opportunity where it's needed most. Since our founding in 1956, we have committed more than $162 billion of our own funds for private sector investments in developing countries, and we have mobilized billions more from others.

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

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.

Left to right: **Arnaud Delaunay** (alternate) France • **Jörg Frieden** Switzerland • **Gwen Hines** United Kingdom • **Merza Hasan** (Dean) Kuwait • **Denny H. Kalyalya** Zambia • **Satu Santala** Finland • **Piero Cipollone** Italy • **Wilhelm Rissmann** (alternate) Germany

Standing (Left to Right): **Frank Heemskerk** Netherlands • **Omar Bougara** Algeria • **Vadim Grishin** Russian Federation • **Roberto B. Tan** Philippines • **Ibrahim M. Alturki** (alternate) Saudi Arabia • **Boonchai Charassangsomboon** (alternate) Thailand • **Alister Smith** Canada • **Gulsum Yazganarikan** (alternate) Turkey • **Agapito Mendes Dias** São Tomé and Príncipe • **Hideaki Suzuki** Japan • **Shixin Chen** China • **Mansur Muhtar** Nigeria • **Mohammad Tareque** (alternate) Bangladesh • **Juan José Bravo** Mexico • **Michael Willcock** Australia • **Sara Aviel** (alternate) United States

Not pictured: **César Guido Forcieri** Argentina

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 $382,643, net of taxes. There are no executive incentive compensation packages.

OUR MEMBER COUNTRIES – STRONG SHAREHOLDER SUPPORT

GRAND TOTAL	100%
UNITED STATES	22.75%
JAPAN	6.49%
GERMANY	5.15%
FRANCE	4.84%
UNITED KINGDOM	4.84%
INDIA	4.11%
RUSSIAN FEDERATION	4.11%
CANADA	3.25%
ITALY	3.25%
CHINA	2.46%
174 OTHER COUNTRIES	38.75%

ACCOUNTABILITY

INDEPENDENT EVALUATION GROUP

The Independent Evaluation Group contributes lessons from its evaluations to IFC's learning agenda. IEG is independent of IFC management and reports directly to the World Bank Group's Boards of Directors. Its mission is to strengthen the performance of the Bank Group institutions and inform their strategies and future work.

IEG evaluates eligible IFC investment and advisory projects. These ratings are shared with IFC and aggregated into IEG's annual evaluation of World Bank Group results and performance. IEG's most recent annual report, for 2013, found that development-outcome ratings for IFC investments have declined from historically high levels. The decline was concentrated in IDA-eligible countries, infrastructure projects, and financial-markets operations. The report also highlighted the need for IFC to examine the implications of the shift in its product mix toward support to financial intermediaries.

IEG's report on targeted support to small and medium-size enterprises, or SMEs, examined whether IFC's activities helped build a sustainable supply of finance and other services for SMEs. IEG found that clients value IFC, but that investment projects often lack features that would enhance their impact, including clear strategies connecting interventions to intended outcomes and solid measurement systems. Overall, IFC's SME advisory services performed well and, where paired with investment projects, improved development outcomes.

IEG's evaluation report, *World Bank Group Assistance to Low-Income Fragile and Conflict-Affected States,* concluded that IFC needs to adapt its business model, risk tolerance, product mix, procedures, and processes to achieve its goal of increasing engagement in these countries and to be more responsive to their special needs.

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

OFFICE OF THE COMPLIANCE ADVISOR OMBUDSMAN

The Office of the Compliance Advisor Ombudsman is the independent accountability mechanism for IFC and the Multilateral Investment Guarantee Agency. CAO's mandate is to address complaints from people affected by IFC and MIGA projects and enhance environmental and social project outcomes. CAO reports to the World Bank Group President.

CAO facilitates dispute resolution between communities and IFC clients, conducts compliance investigations of IFC, and provides independent advice to the President and management.

In FY14, CAO addressed 54 cases in 21 countries related to IFC projects in agribusiness, education, extractives, infrastructure, manufacturing, and power sectors, including projects through Advisory Services and Financial Markets.

In its compliance work, CAO closed four cases at appraisal and seven investigations are ongoing. CAO is monitoring IFC's response to its investigation findings related to power sector privatization in Kosovo, the Tata Ultra Mega power project in India, IFC's global financial intermediary portfolio, and Dinant, an agribusiness project in Honduras. One case was closed after monitoring: an investigation of IFC related to the Mozal aluminum smelter in Mozambique.

Through dispute resolution, CAO is working with communities and IFC clients in 16 countries. Projects in dispute resolution include the Chad-Cameroon Oil Pipeline, Oyu Tolgoi mine in Mongolia, Yanacocha mine in Peru, and Bujagali hydropower project in Uganda. CAO is monitoring settlements related to agribusiness projects in Nicaragua and Uganda, an Advisory Services project in Papua New Guinea, and an airport infrastructure project in Cambodia.

In Uganda, CAO concluded mediations between two local communities and an IFC client regarding land and livelihood impacts of a timber plantation. Both mediation processes led to the establishment of community cooperatives that are being supported by IFC's client, land for resettlement of affected community members, and joint implementation of community development programs.

In its advisory role, CAO is developing a more systematic method for feeding lessons from its work to IFC, and has conducted staff workshops on grievance mechanisms and learning from major transformational projects. For more information, please visit www.cao-ombudsman.org.

PARTNERSHIPS

IFC works with governments, corporations, foundations, and other multilateral organizations and development institutions to foster innovative partnerships that create prosperity and eradicate poverty. Our collaborative approach emphasizes the power of sustained partnerships, focuses on results measurement and efficiency, and leverages the contributions of our development partners to maximize impact on the lives of the poor.

WORKING WITH DEVELOPMENT PARTNERS

IFC maintains long-term relationships with its development partners, with whom we work to promote private sector development across the globe. Our development partners strongly support the work of IFC Advisory Services, to which they committed a record $339 million in FY14.

FY14 was a year of landmark agreements between IFC and our development partners. IFC forged new partnerships with global institutions, including 3GI, Goldman Sachs, the Financial Sector Deepening Trust, the Ford Foundation, the Export-Import Bank of Hungary, and the Dingyi Group. FY14 also saw significant contributions from longstanding development partners to new IFC advisory programs. For example, the European Union made its first commitment to an IFC program in Latin America and the Caribbean—specifically our food-export program in Jamaica. In addition, Canada provided funds to support IFC's agribusiness activities in Africa.

Through development-partner trust funds, IFC continues to provide flexible financing, thought leadership, and knowledge sharing to maximize development impact in areas of strategic priority for us and for development partner organizations. The following initiatives showcase the work of IFC, born of strong partnerships, to foster the kind of private sector development that will eradicate extreme poverty and increase shared prosperity.

HUNGARY EXIM BANK

Hungary partnered with IFC for the first time in 2014 to tackle some of the world's most pressing development challenges. Hungary's Export-Import Bank pledged $20 million to IFC to help support projects in agribusiness, health, and water management. This partnership will support projects in Europe and Central Asia, South Asia, the Middle East and North Africa, and East Asia and the Pacific. It also opens the door for further collaboration with the World Bank Group.

JAPAN

Japan's Ministry of Finance and IFC have set up a new partnership for the African continent as part of the Tokyo International Conference on African Development (TICAD V). The $30 million partnership provides a valuable opportunity to strengthen the partnership between Japan and IFC, particularly to support small and medium enterprises. These businesses are the bedrock of Africa's private sector and employ the vast majority of its working population. Under the proposed new partnership, contributions from Japan would be used to promote strong regulatory environments, develop nascent markets, provide job training, and improve access to finance, with special attention given to fragile and conflict-affected areas.

INCLUSIVE GREEN GROWTH PLATFORM

Denmark was the first country to contribute $4.5 million in 2013 toward the Green Growth platform—a unique funding mechanism that offers flexible funding for environmentally friendly projects around the world. In contrast to the practice of funding projects individually, this arrangement allows IFC and a partner to support broad strategic themes, which increases efficiency and reduces transaction costs and allows the partnership to achieve a greater development impact.

FINANCIAL COMMITMENTS TO IFC ADVISORY SERVICES

(US$ Million Equivalent)*

Summary	FY13	FY14
Governments	239.61	272.51
"Institutional/Multilateral Partners"	1.66	46.66
Corporations, Foundations, and NGOs	12.35	19.38
Total	253.62	338.56

*Unaudited figures

Governments	FY13	FY14
Australia	21.87	7.01
Austria	12.70	11.24
Canada	47.83	48.12
Denmark	3.61	4.47
France	2.65	0.00
Germany	1.15	0.99
Hungary	0.00	20.00
Ireland	1.12	2.65
Italy	0.00	4.72
Japan	7.22	36.71
Korea	0.00	3.00
Luxembourg	6.79	0.00
The Netherlands	18.59	55.00
New Zealand	4.00	0.00
Norway	2.01	3.27
South Africa	0.67	0.00
Sweden	5.32	2.76
Switzerland	63.51	47.72
United Kingdom	34.79	16.60
United States	5.78	8.26
Total	239.61	272.51

Institutional/Multilateral Partners	FY13	FY14
Climate Investment Funds	0.50	16.62
European Commission	0.00	19.68
Financial Sector Deepening Trust	0.00	0.60
Global Green Growth Institute (3GI)*	0.00	0.60
Islamic Development Bank	0.00	0.31
Livelihoods and Food Security Trust Fund	1.11	3.62
MENA Transition Fund	0.00	5.24
UN Agencies	0.05	0.00
Total	1.66	46.66

Corporations, Foundations, and NGOs	FY13	FY14
Bill & Melinda Gates Foundation	2.87	2.00
Blue Moon Fund Inc.	0.25	0.00
BP Exploration (Caspian Sea) Limited	0.00	0.40
Dingyi Venture Capital (HK) Limited	0.00	3.00
Ford Foundation	0.00	0.15
Goldman Sachs Foundation	0.00	11.33
Marie Stopes International	3.87	0.00
Nestlé SA*	1.00	0.00
Omidyar Network Fund, Inc.	0.07	0.00
PepsiCo Foundation*	2.00	0.00
SABMiller PLC*	0.25	0.25
The Coca-Cola Company*	2.00	2.25
The MasterCard Foundation	0.03	0.00
Total	12.35	19.38

* Contributor to the 2030 - Water Resource Group

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 $51.7 billion portfolio performance with projections of global macroeconomic and market trends to inform decisions about future investments. IFC also regularly tests the performance of the portfolio against possible macroeconomic developments to identify and proactively address risks.

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 measure 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 consent as appropriate.

TREASURY SERVICES

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

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

Over the years, IFC's funding program has grown to keep pace with our lending—in FY14, new borrowings totaled the equivalent of $16 billion.

FY14 BORROWING IN INTERNATIONAL MARKETS

Currency	Amount ($ equivalent)	Percent
U.S. dollar	7,045,478,231.10	52.5%
Australian dollar	1,385,509,704.00	10.3%
Indian rupee	1,010,559,335.74	7.5%
British pound	788,885,000.00	5.9%
Japanese yen	627,325,000.00	4.7%
Brazilian real	608,911,921.74	4.5%
Euro	554,600,000.00	4.1%

LIQUIDITY MANAGEMENT

Liquid assets on IFC's balance sheet totaled $33.7 billion as of June 30, 2014, compared with $31.2 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 are hedged into U.S. dollars or matched by liabilities in the same currency to eliminate overall currency risk. The level of these assets is determined with a view to ensure sufficient resources to meet commitments even during times of market stress.

CAPITAL ADEQUACY AND FINANCIAL CAPACITY

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

Prudent risk management and a solid capital position enable us to preserve our financial strength and 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.

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 2014, total resources available reached $21.6 billion, while the minimum capital requirement totaled $18 billion.

WORKING RESPONSIBLY

IFC'S APPROACH TO SUSTAINABILITY

In a time of climate change, resource scarcities, and rising social pressures, businesses face a growing need for a stronger approach to environmental, social, and governance issues.

IFC believes that doing business sustainably drives positive development outcomes. Our Sustainability Framework and advice help clients find opportunities for growth and innovation while promoting sound environmental and social practices, broadening our development impact, and encouraging 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 our Sustainability Framework are eight IFC Performance Standards that are designed to help clients avoid, mitigate, and manage risk as a way of doing business sustainably. They help clients 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. In situations where the Performance Standards cannot be applied appropriately, 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 78 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.

IFC clients continue to indicate that our expertise is an important factor in their decision to work with us. Nearly 90 percent of the clients that received support from us on environmental and social matters found our assistance to be helpful in improving relationships with stakeholders, strengthening brand value and recognition, and establishing sound risk-management practices.

When a project is proposed for financing, IFC conducts a social and environmental review as part of our 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 adheres to the IFC Performance Standards. Where there are gaps, we and the client agree on a plan to ensure that the standards are met over time. We supervise our projects throughout the life of our investment.

SUSTAINABILITY IN PRACTICE

In our activities across the globe, we consider four dimensions of sustainability—financial, economic, environmental, and social. Being financially sustainable enables IFC and our clients to make a long-term contribution to development. Making our projects economically sustainable ensures that they contribute 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." These services benefit people and businesses—providing, among other things, food, freshwater, and medicinal plants—and underscore the economic and societal benefits of maintaining a healthy environment.

We support social sustainability by working to improve living and working standards, strengthen communities, consult with indigenous peoples, and respect issues relevant to human rights.

CORPORATE GOVERNANCE

Improving corporate governance is a priority for IFC. We provide investment support and advice on good practices for improving board effectiveness, strengthening shareholder rights, and enhancing the governance of risk management, internal controls, and corporate disclosure.

We work in close collaboration with the World Bank to ensure that regulation in emerging markets is developed using IFC's frontline experience as an investor. As such, we also advise regulators, stock markets' administrators, and others with an interest in improving corporate governance.

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 through 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 coordinated approach to corporate governance now implemented by more than 30 development finance institutions.

IFC also helps strengthen local partners who will continue to provide corporate governance services over the long-term. This includes training materials and institution-building tools in the areas of corporate governance associations, codes and scorecards, board leadership training, dispute resolution, the training of business reporters, and implementation of good governance practices in firms.

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 24 percent of IFC nominee directors are women. We are committed to increasing that share to 30 percent by 2015.

OUR FOOTPRINT COMMITMENT

IFC's Footprint Commitment is 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 to which we ask our clients to adhere.

Our global approach to our Footprint continued in FY14. Four of our largest country offices—Istanbul, Johannesburg, New Delhi, and Lima—undertook third-party energy efficiency assessments. These reviews identified 10 potential improvement opportunities that could yield annual savings of $90,000. The cost of implementing these solutions would be recovered within three-and-a-half years.

Our global Paper Challenge campaign encouraged all staff and offices to reduce paper use in FY14. The campaign was launched in response to EVP and CEO Jin-Yong Cai's 15 percent global paper reduction challenge.

Our headquarters achieved a 37 percent reduction in paper purchases—over 5 million sheets of paper—and a 26 percent reduction in toner purchases from FY13, mostly from behavior changes. In FY15, significant changes will be made to our headquarters' print infrastructure through a Bank-Group-wide Managed Print Service to achieve more aggressive savings.

While IFC offices around the world participated in the Paper Challenge through activities such as "paper-free" days, the campaign demonstrated the need for more robust paper-use data from our country offices. IFC is investigating software tools to increase the accuracy of our country office data collection.

In FY14, carbon emissions from IFC's global internal business operations totaled about 51,400 metric tons of carbon dioxide equivalent. To offset our carbon footprint, IFC purchased carbon credits from the Paradigm Healthy Cookstove and Water Treatment Project in Kenya.

FY13 CARBON EMISSIONS INVENTORY FOR IFC'S GLOBAL BUSINESS OPERATIONS

Metric Tons of Carbon Dioxide Equivalent

Business Travel	36,742.00	72%
HQ Office Electricity	7,277.80	14%
Country Office Electricity	4,191.48	8%
Other	3,160.53	6%
TOTAL EMISSIONS	51,371.80	100%

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, 2014, 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	"Our Strategic Focus Areas" (p.60) "Our Governance" (pp. 84–85) "Our Staff" (pp. 82–83) "Portfolio Management" (p. 90) "The IFC Development Goals" (p. 75)	
Development effectiveness of investments and advisory services	"How We Measure Development Results" (pp. 74–76) "Investment Results" (pp. 76–77) "Advisory Results" (pp. 77–78)	Investment projects Rated High: 64% (p. 76); overall investment DOTS scores detailed by industry (p. 80), by region (p. 80), and by performance area (p. 80); and weighted and unweighted DOTS scores (p. 29) Advisory Projects Rated High: 76% (p. 77); and advisory program expenditures detailed by business line (p. 81) and by region (p. 81)
Reach of IFC's clients	"Local Capital Markets—Promoting Economic Resilience" (p. 40) "Health and Education—Building Human Capital" (p. 37)	Employment (millions): 2.6 (p. 47) Patients reached (millions): 27.1 (p. 36) Students reached (millions): 2.5 (p. 37) Farmers reached (millions): 2.9 (p. 38) Gas distribution (millions of persons reached): 39.8 (p. 33) Power distribution (millions of persons reached): 24.3 (p. 33) Water distribution (millions of persons reached): 30.3 (p. 33) Number and amounts of microfinance loans and SME loans for CY13 (p. 79)
Environmental and social ratings	"The IFC Performance Standards" (p. 92) "Employment—Creating Jobs—the Cornerstone of Development" (p. 46)	IFC commitments by Environmental and social category (p. 28)

Type of loans	Number of loans (millions)	Amount ($ billions)
Microloans	29.1	28.01
Small and medium loans	5.4	273.60

Category	Commitments ($ millions)	Number of projects
A	1,668	23
B	4,328	160
C	7,162	268
FI	201	12
FI-1	682	13
FI-2	2,049	85
FI-3	1,171	38
Total	17,261	599

Material Areas	Statements	Indicators
Sustainable business	"Climate Change—Turning Risks into Opportunity" (p. 48) "Gender—The Transformative Power of Women" (pp. 50–51) "IFC Advisory Services" (pp. 67–68) "Our Footprint Commitment" (p. 94)	Commitments in Climate-related investments for FY14 (p. 48): $2,479 million Carbon Emissions (p. 94): 51,400 tCO_2 equivalent in financial year 2014
Influence on Private Sector Development	"Agribusiness—Strengthening Food Security" (pp. 38–39) "Middle-Income Countries—Building Broad-Based Prosperity" (p. 56) "Infrastructure—Establishing a Robust Foundation for Prosperity" (p. 32) "Public-Private Partnerships—Improving Basic Services through PPPs" (p. 42) "Access to Finance—Raising Incomes and Creating Wealth" (pp. 34–35)	
Engagement in the poorest and fragile countries	"IDA and Conflict-Affected Areas—Creating Opportunity in Challenging Environments" (p. 53) "Africa, South Asia, and the Middle East—Alleviating Poverty Wherever the Need is Greatest" (p. 54)	
Working with others	"Mobilization—Leveraging the Resources of Other Investors" (pp. 44–45) "Partnerships" (p. 88)	
Asset management	"IFC Asset Management Company" (p. 68)	
IFC Accountability	"Independent Evaluation Group" (p. 86)	

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

1. the Indicators were prepared in accordance with the reporting criteria applicable during fiscal year 2014 (the "Reporting Criteria"), consisting in IFC instructions, procedures and guidelines specific 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, pp. 74–75) 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 agreement, internal and external presentations and reports, or survey results.
- We reviewed the presentation of the Statements and the Indicators in the Annual Report and the associated notes on methodology.

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.

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, D.C. 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. The development results of IFC Investment and Advisory Services are assessed through its Development Outcome Tracking System (DOTS), the implementation of its evaluation strategy and of IFC Development Goals.

In the Environmental and Social (E&S) DOTS performance area, we note that IFC would benefit from further improving the relevance and number of indicators, beyond the E&S management system indicator, in order to better measure how clients are improving their own E&S performance.

Also, the scope of indicators to assess the Private Sector Development performance area of DOTS should be broadened to better reflect the impact on final beneficiaries over the life cycle of the projects.

IFC is committed to enhancing the relevance of its development results and Reach related procedures on a continuous basis. There is indeed work in progress on several issues, including the link between E&S DOTS performance area and Performance Standards implementation and the harmonization of the Private Sector Development (PSD) indicators amongst IFIs. This work should enable IFC to cover the related issues in the coming years.

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. In particular, while the DOTS results of IFC's Trade Finance investments are not yet formally audited, a first set of Reach data has been consolidated this year to reflect the impact of the Global Trade Finance Program. The related figures have been submitted to controls internally and are presented in the Reach data table (p. 79).

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 think that the link between Reach indicators and IFC Development Goals (IDGs) should be strengthened to enable IFC to further articulate its strategy and development results. While the Reach Indicators capture the contribution of IFC Clients overall, IFC captures its contribution to development results via the IDGs. Reporting achievement against the IDGs would help to improve IFC's reporting regarding its contribution and development results.

Reliability

IFC has further strengthened internal controls on "micro loans" and "small & medium loans" (MSME Reach indicators). Regarding the other Reach indicators, in addition to the controls performed at the corporate and project level, IFC should implement further checks at the source or client-level used to track Reach indicators. As this data often comes 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. Additional tests on a few major contributors of the Reach data should be performed to increase data reliability.

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 4, 2014

The independent auditors
ERNST & YOUNG et Associés

EY
Building a better
working world

Eric Duvaud
Partner, Cleantech and Sustainability

FINANCIAL 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 unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA of $1,782 million in FY14, as compared to $909 million in the year ended June 30, 2013 (FY13) and $2,013 million in the year ended June 30, 2012 (FY12).

The increase in income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA in FY14 when compared to FY13 and in FY13 when compared to FY12 was principally as a result of the following (US$ millions):

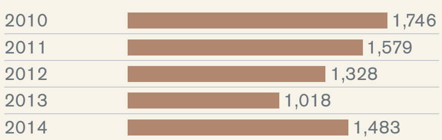
	Increase (decrease) FY14 vs FY13
Higher gains on equity investments and associated derivatives, net	$336
Lower other-than-temporary impairments on equity investments and debt securities	206
Lower provisions for losses on loans, guarantees and other receivables	155
Higher income from liquid asset trading activities	99
Other, net	77
Overall change	**$873**

Net unrealized losses on non-trading financial instruments accounted for at fair value totaled $43 million in FY14 (net gains of $441 million in FY13 and net losses of $355 million in FY12) resulting in income before grants to IDA of $1,739 million in FY14, as compared to $1,350 million in FY13 and $1,658 million in FY12. Grants to IDA totaled $251 million in FY14, as compared to $340 million in FY13 and $330 million in FY12. Net gains attributable to non-controlling interests totaled $5 million in FY14 ($8 million losses in FY13 and $0 in FY12). Accordingly, net income attributable to IFC totaled $1,483 million in FY14, as compared with $1,018 million in FY13 and $1,328 million in FY12.

IFC's net income for each of the past five fiscal years ended June 30, 2014 is presented below (US$ millions):

NET INCOME (LOSS)

For the 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):

As of and for the Years Ended June 30	2014	2013	2012	2011	2010
Consolidated income highlights:					
Income from loans and guarantees, realized gains and losses on loans and associated derivatives	**$ 1,065**	$ 996	$ 993	$ 802	$ 759
(Provision) release of provision for losses on loans & guarantees	**(88)**	(243)	(117)	40	(155)
Income from equity investments and associated derivatives	**1,289**	732	1,548	1,601	1,595
Income from debt securities and realized gains and losses on debt securities and associated derivatives	**89**	69	71	67	89
Income from liquid asset trading activities	**599**	500	313	529	815
Charges on borrowings	**(196)**	(220)	(181)	(140)	(163)
Other income	**461**	441	448	222	176
Other expenses	**(1,418)**	(1,401)	(1,207)	(981)	(853)
Foreign currency transaction gains (losses) on non-trading activities	**(19)**	35	145	(33)	(82)
Income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	**1,782**	909	2,013	2,107	2,181
Net unrealized gains and losses on non-trading financial instruments accounted for at fair value	**(43)**	441	(355)	72	(235)
Income before grants to IDA	**1,739**	1,350	1,658	2,179	1,946
Grants to IDA	**(251)**	(340)	(330)	(600)	(200)
Net income	**1,488**	1,010	1,328	1,579	1,746
Less: Net (gains) losses attributable to non-controlling interests	**(5)**	8	–	–	–
Net income attributable to IFC	**$ 1,483**	$ 1,018	$ 1,328	$ 1,579	$ 1,746

As of and for the Years Ended June 30	2014	2013	2012	2011	2010
Consolidated balance sheet highlights:					
Total assets	**$84,130**	$77,525	$75,761	$68,490	$61,075
Liquid assets, net of associated derivatives	**33,738**	31,237	29,721	24,517	21,001
Investments	**38,176**	34,677	31,438	29,934	25,944
Borrowings outstanding, including fair value adjustments	**49,481**	44,869	44,665	38,211	31,106
Total capital	**$23,990**	$22,275	$20,580	$20,279	$18,359
Of which					
Undesignated retained earnings	**$20,002**	$18,435	$17,373	$16,032	$14,307
Designated retained earnings	**194**	278	322	335	481
Capital stock	**2,502**	2,403	2,372	2,369	2,369
Accumulated other comprehensive income (AOCI)	**1,239**	1,121	513	1,543	1,202
Non-controlling interests	**53**	38	–	–	–
Financial ratios:[a]					
Return on average assets (GAAP basis)[b]	**1.8%**	1.3%	1.8%	2.4%	3.1%
Return on average assets (non-GAAP basis)[c]	**1.8%**	0.9%	2.8%	1.8%	3.8%
Return on average capital (GAAP basis)[d]	**6.4%**	4.8%	6.5%	8.2%	10.1%
Return on average capital (non-GAAP basis)[e]	**6.5%**	3.1%	9.9%	6.0%	11.8%
Overall liquidity ratio[f]	**78%**	77%	77%	83%	71%
External funding liquidity level[g]	**359%**	309%	327%	266%	190%
Debt to equity ratio[h]	**2.7:1**	2.6:1	2.7:1	2.6:1	2.2:1
Total reserves against losses on loans to total disbursed portfolio[i]	**6.9%**	7.2%	6.6%	6.6%	7.4%
Capital measures:					
Total Resources Required ($ billions)[j]	**18.0**	16.8	15.5	14.4	12.8
Total Resources Available ($ billions)[k]	**21.6**	20.5	19.2	17.9	16.8
Strategic Capital[l]	**3.6**	3.8	3.7	3.6	4.0
Deployable Strategic Capital[m]	**1.4**	1.7	1.8	1.8	2.3
Deployable Strategic Capital as a percentage of Total Resources Available	**7%**	8%	9%	10%	14%

a. 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).

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

c. 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.

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

e. 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.

f. IFC's overall Liquidity Policy states that the Corporation would at all times maintain a minimum level of liquidity, plus undrawn borrowing commitments from the IBRD, that would cover at least 45% of the next three years' estimated net cash requirements (target range of 65-95%).

g. 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%.

h. 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).

i. 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.

j. 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.

k. 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.

l. Total resources available less total resources required.

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

COMMITMENTS

In FY14, total commitments were $22,404 million, compared with $24,853 million in FY13, a decrease of 10%, of which IFC commitments totaled $17,261 million ($18,349 million—FY13) and Core Mobilization totaled $5,143 million ($6,504 million—FY13).

FY14 and FY13 commitments and Core Mobilization comprised the following (US$ millions):

	FY 14	FY 13
Total commitments[1]	**$ 22,404**	$24,853
IFC commitments		
Loans	**$ 7,579**	$ 8,520
Equity investments	**2,324**	2,732
Guarantees:		
Global Trade Finance Program	**7,007**	6,477
Other	**321**	482
Client risk management	**30**	138
Total IFC commitments	**$ 17,261**	$18,349
Core Mobilization		
Loan participations, parallel loans, and other mobilization		
Loan participations	**$ 2,043**	$ 1,829
Parallel loans	**730**	1,269
Managed Co-lending Portfolio Program	**320**	–
Other mobilization	**606**	480
Total loan participations, parallel loans and other mobilization	**$ 3,699**	$ 3,578
AMC		
Equity Capitalization Fund	**$ 7**	$ 214
Sub-debt Capitalization Fund	**516**	209
ALAC Fund	**84**	210
Africa Capitalization Fund	**–**	92
Russian Bank Cap Fund	**2**	43
Catalyst Funds	**75**	–
Global Infrastructure Fund	**146**	–
Total AMC	**$ 830**	$ 768
Other initiatives		
Global Trade Liquidity Program and Critical Commodities Finance Program	**$ 500**	$ 1,096
Public Private Partnership	**114**	942
Infrastructure Crisis Facility	**–**	110
Debt & Asset Recovery Program	**–**	10
Total other initiatives	**$ 614**	$ 2,158
Total Core Mobilization	**$ 5,143**	$ 6,504
Core Mobilization Ratio	**0.30**	0.35

Core Mobilization Ratio—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) $0.30 in FY14 ($0.35 in FY13).

Beginning in FY15, IFC plans to change its current practice of reporting the cumulative commitment volume of its short-term finance (STF) business over the course of a fiscal year, and then aggregating that with its long-term finance (LTF) commitment volumes to reporting STF business based on the average annual outstanding portfolio of its STF business in a fiscal year, and report that separately from its LTF business. Had the new practice been applied to FY14, GTFP and GTSF, included in loans and guarantees, would have been lower by $4.3 billion in FY14 (lower by $4.6 billion—FY13).

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

AMC

The activities of the funds managed by AMC at June 30, 2014 and June 30, 2013 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, 2014	$1,275	$1,725	$1,000	$182	$550	$418	$1,200	$6,350
From IFC	775	225	200	–	250	75	200	1,725
From other investors	500	1,500	800	182	300	343	1,000	4,625
For the year ended June 30, 2014								
Disbursements from investors to Fund:								
From IFC	8	77	21	–	9	3	32	150
From other investors	5	514	83	3	10	15	165	795
Disbursements made by Fund	21	544	89	–	4	12	172	842
Disbursements made by Fund (number)	3	8	9	–	2	17	6	45

	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								
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

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, 2014, IFC expanded its sustainable development impact through private sector investments and advice.

STAY CONNECTED

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.

The online version of IFC's Annual Report 2014 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.

IFC Online

IFC website
ifc.org

Annual Report
ifc.org/AnnualReport

Social Media Index
ifc.org/SocialMediaIndex

Facebook
facebook.com/IFCwbg

Twitter
twitter.com/IFC_org

LinkedIn
on.ifc.org/ifcLinkedIn

Google+
gplus.to/IFCwbg

Scribd
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