

Our People & Practices

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

Understanding our Development Impact

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

IFC has been at the forefront of results measurement among multilateral development banks and development finance institutions for private sector operations. We are one of the few international financial institutions that set corporate targets—not only for investment volume but also for direct development impact.

IFC'S RESULTS-MEASUREMENT SYSTEM

IFC constantly refines and upgrades our results-measurement framework to support our strategy and better articulate the impact of our work. We continue to develop new tools to assess the full range of our impact—going far beyond the direct impact of our projects.

IFC's results-measurement system features three mutually reinforcing components:

- The IFC Development Goals (IDGs), which provide corporate-level targets to reflect IFC's strategy and areas of greatest development need.
- A monitoring system tracking project performance and development impact of IFC interventions.
- Sector, program, and country-level results measurements.

IFC's strategy firmly places development impact at the heart of what we do. We are now introducing a new framework that will enable us to design and select projects with the greatest potential for development impact. The new Anticipated Impact Measurement and Monitoring (AIMM) framework, is designed to assess the anticipated—or "ex ante"—impact of our work at two levels: what the specific project is expected to achieve and how it is expected to contribute to the creation or development of markets. At the project level, the AIMM framework will help IFC staff articulate—systematically and comprehensively—how projects promote development. The AIMM approach will be integrated with IFC's existing results-measurement framework and monitoring system. It will help IFC apply a stronger portfolio approach to our interventions.

THE IFC DEVELOPMENT GOALS: SUPPORTING THE IFC STRATEGY

The IFC Development Goals identify what we expect our development work to accomplish over cycles of three years. They help us communicate with our shareholders and the public about how IFC's work is expected to contribute to the World Bank Group's goals of ending poverty and boosting shared prosperity. The IDGs set targets for five areas that have a direct impact on people's lives and are aligned with our strategy:

- Increase or improve sustainable farming opportunities
- Improve health and education services
- Increase access to financial services for microfinance and SME clients
- Increase or improve infrastructure services
- Reduce greenhouse emissions

With each investment and advisory commitment we make, we work with our clients to estimate specific development impacts we will achieve over time. At the start of the current three-year cycle (FY17–19), substantial gains were made towards the IDGs in FY17. We exceeded the target for increasing or improving infrastructure services, mostly because of a broad-band investment project in Mexico that is expected to benefit 9 million people by 2021.

IFC Development Goals

GOAL	FY17–19 TARGETS	FY17 TARGETS	FY17 COMMITMENTS	PERCENT OF FY17 TARGET ACHIEVED
Increase or improve sustainable farming opportunities	Benefit 3.32 million people	Benefit 1.05 million people	0.72 million people	68%
Improve health and education services	Benefit 26.14 million people	Benefit 8.54 million people	8.60 million people	101%
Increase access to financial services for microfinance clients	Benefit 98.28 million clients	Benefit 30.89 million clients	28.99 million clients	94%
Increase access to financial services for SME clients	Benefit 2.87 million clients	Benefit 0.88 million clients	0.61 million clients	69%
Increase or improve infrastructure services	Benefit 68.08 million people	Benefit 23.86 million people	33.01 million people	138%
Reduce greenhouse-gas emissions	Reduce by 21.79 million metric tons of CO ₂ equivalent per year	Reduce by 6.91 million metric tons of CO ₂ equivalent per year	6.68 million metric tons	97%

THE MONITORING SYSTEM: TRACKING THE PERFORMANCE AND DIRECT RESULTS OF IFC OPERATIONS

The Development Outcome Tracking System (DOTS) provides a framework to monitor the performance and track the direct development outcomes of IFC's client companies. DOTS ratings, in the case of investment operations, is a synthesis of four performance areas: financial, economic, environmental and social, and broader private sector development impacts.

The FY17 DOTS rating scores are based on a cohort of 828 investments approved between 2008 and 2013 that were mature enough to be rated. DOTS also tracks indicators such as the number of people reached by IFC's investment clients, or the dollar benefit to particular stakeholders during the reporting year.

Results measurement of advisory services has been integrated into the project's life cycle—from conception to completion. The overall DOTS score for advisory services, also known as the development effectiveness rating, is a synthesis assessment of the project's strategic relevance, effectiveness, and efficiency performances, and is rated at project completion. In FY17, the advisory DOTS score represented the performance of 88 completed advisory projects.

EVALUATING DEVELOPMENT IMPACT AT THE PROGRAM, SECTORAL, AND COUNTRY LEVEL

IFC has been conducting evaluations to understand the impact of IFC investments on the World Bank Group's twin goals. These evaluations also estimate IFC's contribution to job creation.

In FY17, IFC adopted a more strategic approach to evaluations—designed to fill critical knowledge gaps. We undertook six economic-impact assessments at the sectoral level and four large impact-evaluation programs. These efforts provide evidence of IFC impact beyond the individual projects at the sector level. They also generate useful lessons that inform industry strategies.

For example, in Jamaica, we conducted an economic-impact assessment of IFC investments related to the expansion of an airport. Our assessment showed that by enabling an increased capacity, IFC investments helped contribute about \$288 million to the economy and supported about 29,000 jobs—directly and indirectly.

To inform our work in fragile and conflict-affected countries, we also conducted a systematic review of 56 published evaluations of private sector development projects carried out between 2005 and 2014 in 23 such countries. Our findings showed that investments supporting large infrastructure projects or the development of small and medium enterprises tend to yield the strongest development results.

The review also identified key lessons:

- It is wise to work with local partners, investors, or donors who have a stake in the project.
- It is best to start with small projects that can demonstrate to local entrepreneurs the potential of new approaches to business.
- It is essential to factor in the time it takes to build the necessary capacity to ensure the success of projects. In addition, the specific local context of conflict should be factored into project design and implementation.

IFC works closely with the World Bank and the Multilateral Investment Guarantee Agency to develop common results frameworks for the World Bank Group's country engagements. In FY17, IFC contributed to the design of results frameworks for 14 country-partnership frameworks, or country strategies, as well as provided input for 15 performance and learning reviews.

In addition, IFC worked on reporting on results for 18 World Bank and IFC joint implementation plans for key areas such as cities, power, agribusiness, and health.

ALIGNING IFC'S RESULTS MEASUREMENT TO THE SUSTAINABLE DEVELOPMENT GOALS

Since the approval of the United Nations' Sustainable Development Goals (SDGs) in September 2015, IFC has mapped how our strategies and operations are aligned with these goals. In parallel, IFC has also taken the lead among international finance institutions in reporting how we and our clients contribute to achieving the SDGs.

MAINTAINING THOUGHT LEADERSHIP IN PRIVATE SECTOR DEVELOPMENT RESULTS MEASUREMENT

In March 2017, IFC held the first annual Evaluating Private Sector Development Impact Conference, which featured 24 donor partners, multilateral development banks, and international finance institutions. The conference highlighted the importance of evaluations, specifically in the areas of economic growth and jobs. It also underlined the need to refine and share methodologies, and work together to find innovative ways to evaluate development impact.

MONITORING DEVELOPMENT OUTCOMES

In FY17, 55 percent of our investments were positively rated—down three percentage points from FY16. The decline largely reflected slower economic growth, depressed commodity prices, market volatility, and political turmoil in many countries. At the same time, IFC has increasingly ventured into some of the world's most challenging areas, where financial and other risks tend to be higher.

Larger IFC investments tended to perform better. When weighted for investment volume, 69 percent of our investments were rated positively.

Among industry groups, investments in health and education, and in funds performed the best—with 60 percent of investments rated positively. Investments in the manufacturing sector registered the biggest performance increase—showing a 54 percent DOTS score, up seven points from FY16. The improvement was driven principally by investments in the industrial and commercial products sector.

DOTS scores of investments in most other industry sectors declined. The lowest ratings were for investments in the tourism, retail, construction, and real-estate sectors and in the telecommunications, media, and technology sectors. Many of these projects were primarily early-stage investments that experienced delays in planned expansion.

DOTS scores declined in all regions except Europe and Central Asia, where the score rose five points to 56 percent. The performance of investments in Latin America and the Caribbean declined nine points to 54 percent, largely because of the unsatisfactory performance of investments in financial markets, funds, and infrastructure. Investments in Sub-Saharan Africa and in the Middle East and North Africa regions were partly affected by the political instability and the fragile status of many countries in which IFC operated.

Among advisory projects, 70 percent of projects that closed during the year and could be assessed for development effectiveness were rated positively—above our target of 65 percent. South Asia was the strongest performer, with 92 percent of projects rated positively on development effectiveness. Projects in East Asia and the Pacific demonstrated the largest improvement from the last year—a gain of 28 points. Projects in the Middle East and North Africa experienced a performance decline, partly reflecting the challenges of implementing projects in fragile and conflict-affected areas.

CLIENTS' DEVELOPMENT REACH AND RESULTS

Across the globe, IFC investment and advisory clients were able to reach many people and record some remarkable achievements (see page 81). Here are a few highlights:

Improving Access to Finance:

- IFC provides investment and advice to financial institutions that serve individuals and micro, small, and medium enterprises. These institutions provided about 53.7 million micro and 8.3 million small and medium loans totaling \$412 billion. They also provided 1 million housing finance loans totaling \$29 billion.

- We supported our partners in digital financial services to facilitate 572 million non-cash retail transactions, totaling over \$3.7 billion.
- We helped strengthen country financial markets by working with collateral registries and credit bureaus that facilitated more than \$250.6 billion in financing. More than 679,900 micro, small and medium enterprises were able to receive loans secured with movable property. In addition, we helped create or enhance eight credit-bureau operators.

Providing Solutions and Services:

- Nearly 20 million people have benefited from using *Lighting Global* quality-verified solar lighting products, mostly in Sub-Saharan Africa and in IDA countries.
- Our clients generated and distributed power to 104.2 million people, many of them in Sub-Saharan Africa and South Asia. They provided phone connections to 345 million people, mostly in South Asia. They distributed gas to 60 million people, mostly in East Asia and the Pacific.
- Our clients helped educate 4.9 million students. Our agribusiness clients supported 3 million farmers through improved access to finance and markets and through sustainable farming practices. These benefits are expected to improve farmers' productivity and income and enhance their ability to cope with unexpected events.
- We worked with firms to adopt new practices and technologies that attracted financing of \$1.7 billion, including \$1.4 billion through corporate-governance-reform projects and \$300 million through projects involving resource-efficient technologies.
- IFC helped governments sign six contracts with private operators. These transactions are expected to create or improve access to infrastructure and health services for 1.5 million people and facilitate \$341 million in private investment in infrastructure.

Improving the Business Environment:

- In collaboration with the World Bank, IFC supported 50 national and local governments to implement 116 reforms that helped improve the regulatory and policy environment for private sector development and foster competitive markets and job creation. Ninety-six reforms were in IDA countries, including 26 in fragile and conflict-affected areas.
- These reforms led to \$22 million in private sector savings and contributed to an estimated \$168 million in new investments.

Development reach by IFC's clients

Jobs	PORTFOLIO CY15	PORTFOLIO CY16
Employment (millions of jobs) ¹	2.4	2.4
Microfinance loans²		
Number (million)	51.2	53.7
Amount (\$ billions)	59.5	60.7
SME loans²		
Number (million)	7.6	8.3
Amount (\$ billions)	343.7	351.1
Trade finance³		
Number (million)	1.8	1.8
Amount (\$ billions)	255	270
People reached with services		
Power generation (millions of people)	48.0	79.4
Power distribution (millions of people)	50.1	24.8
Water distribution (millions of people)	21.8	14.3
Gas distribution (millions of people) ⁴	51.2	59.9
Phone connections (millions of people)	262.8	345.3
Patients served (millions) ⁵	31.7	34.0
Students reached (millions)	4.6	4.9
Farmers reached (millions)	3.5	3.0
Payments to suppliers and governments		
Domestic purchases of goods and services (\$ billions) ⁶	46.8	36.6
Contribution to government revenues or savings (\$ billions)	16.6	14.6

These figures represent the total reach of IFC clients as of the end of CY15 and CY16. CY15 and CY16 portfolio data are not strictly comparable because they are based on a changed portfolio of IFC clients. For microfinance and SME loans, results also reflect contributions from Advisory Services. While numerous controls are performed on the data provided by clients, they are sometimes based on estimates, and the understanding of the indicator definitions may vary slightly between clients.

1. Portfolio figures for employment include jobs provided by Funds.

2. Portfolio reach figures represent the micro, small, and medium outstanding loan portfolio of IFC clients as of end CY15 and CY16, for MSME-oriented financial institutions/projects. CY16 includes the data from 304 MSME clients, including nine clients for which the data were extrapolated.

3. The total number and dollar volume of trade transactions financed by the Global Trade Finance Program's network of emerging-market banks are based on actual data from 68% (number) and 72% (dollar volume) of the network's active banks in CY16. The figures are not directly comparable to last year's due to variance in the number of active banks who submitted survey responses. Numbers reflect transactions directly guaranteed by IFC as well as those executed by network banks that have been supported by the program. CY15 data has been updated to reflect prior-year data corrections from survey participants.

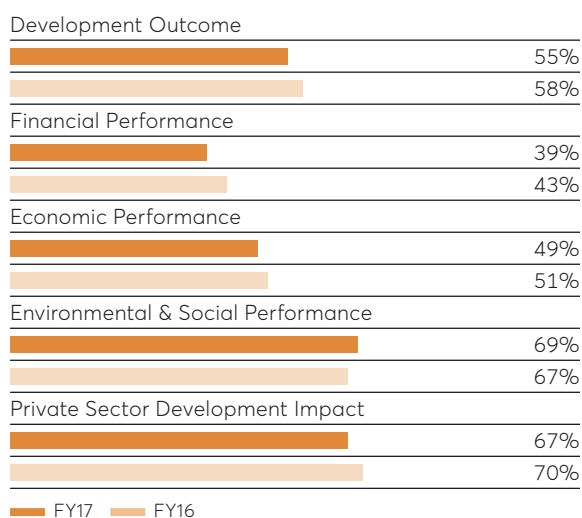
4. One client in East Asia and the Pacific accounted for 56.6 million people reached through gas distribution in CY16.

5. CY15 total patients served revised due to the restatement of one client value in South Asia.

6. CY15 total domestic purchases of goods and services revised due to the restatement of one client in Sub-Saharan Africa.

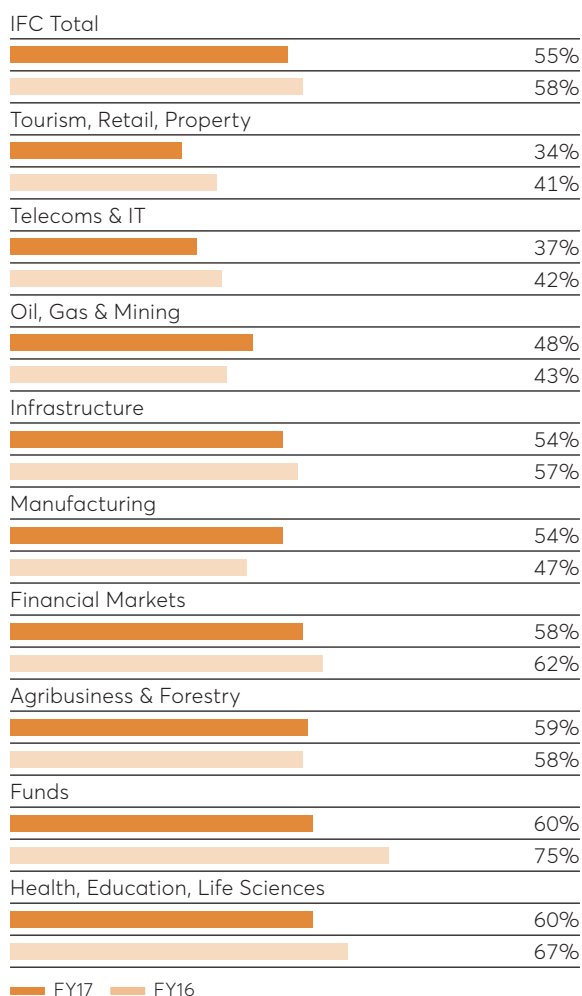
Investment services DOTS score by performance area, FY16 vs. FY17

% Rated Positively



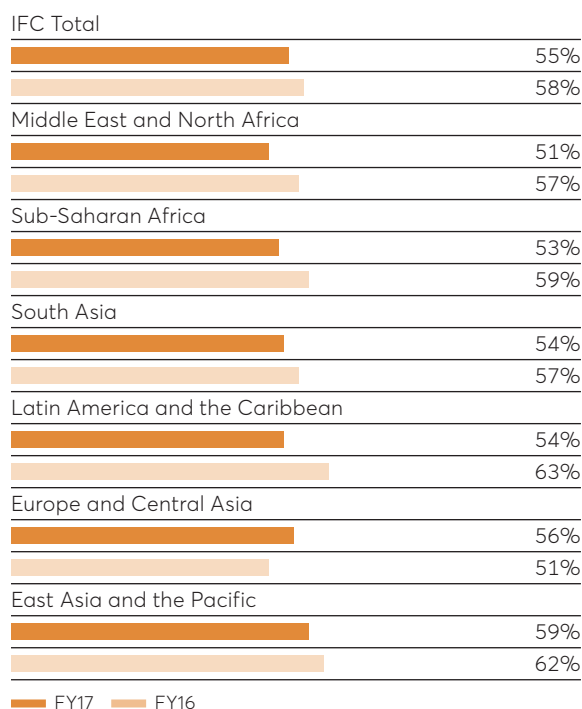
Investment services DOTS score by industry, FY16 vs. FY17

% Rated Positively



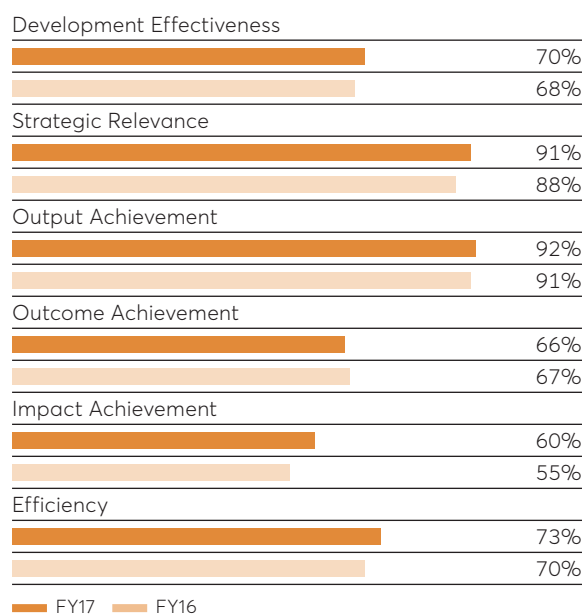
Investment services DOTS score by region, FY16 vs. FY17

% Rated Positively



Advisory services DOTS score by performance area, FY16 vs. FY17

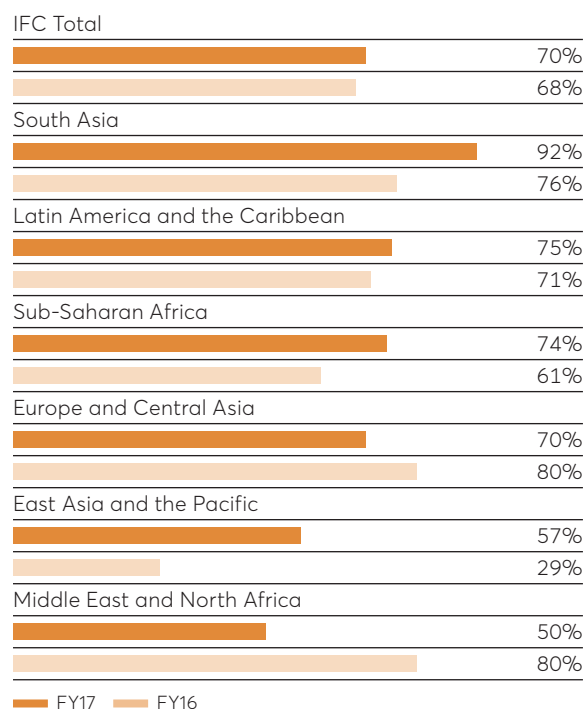
% Rated Positively



■ FY17 ■ FY16

Advisory services DOTS score by region, FY16 vs. FY17

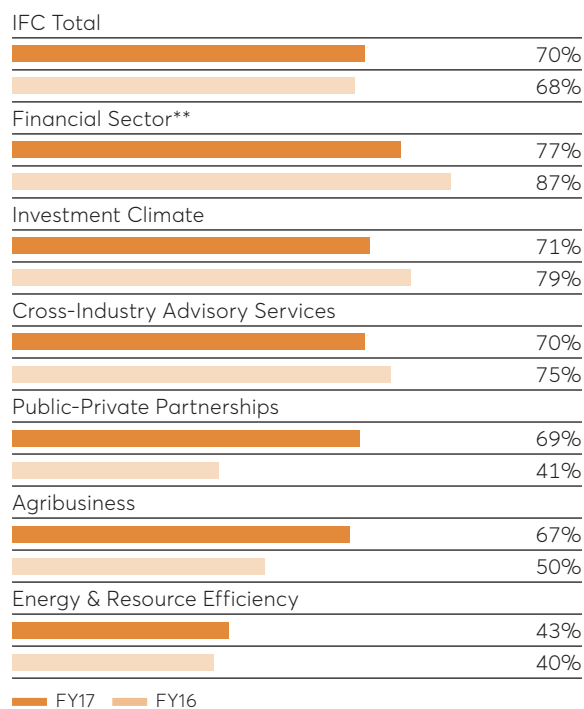
% Rated Positively



■ FY17 ■ FY16

Advisory services DOTS score by business area, FY16 vs. FY17*

% Rated Positively



■ FY17 ■ FY16

* In FY17, IFC reporting on development-effectiveness ratings switched from calendar year to fiscal year. The FY16 development-effectiveness ratings presented in the 2016 annual report are therefore not comparable to the FY16 development-effectiveness rating shown here.

** "Financial Sector" also includes projects undertaken by the integrated World Bank Group team in the Finance & Markets Global Practice.

Our Staff

IFC's employees are diverse. They are our most important asset. Representing more than 140 countries, they bring innovative solutions and global best practices to our clients. Fifty-six percent of our staff are stationed in 98 field locations, reflecting our commitment to decentralization.

Where we work

STAFF AT ALL GRADE LEVELS

United States	1,703 (44%)
Other Countries	2,157 (56%)
Total IFC Staff	3,860

National origin

STAFF AT OFFICER LEVEL AND HIGHER

MANAGERIAL CADRE

Part 1 Countries ¹	1,155 (44%)	130 (61%)
Part 2 Countries ²	1,477 (56%)	82 (39%)
Total	2,632	212

Gender

STAFF AT OFFICER LEVEL AND HIGHER

MANAGERIAL CADRE

Female	1,194 (45%)	75 (35%)
Male	1,438 (55%)	137 (65%)
Total	2,632	212

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

2. Staff of all other nationalities.

COMPENSATION

IFC applies the World Bank Group's compensation framework. Competitive compensation is essential 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. Salaries for staff hired outside the United States are based upon local competitiveness, determined by independent local market surveys. Given 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 programs and 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. Variable pay is available to all staff at the grades GA through GI. There is no variable pay for senior executives at the GJ and GK levels.

BENEFITS PROGRAMS

IFC provides a competitive package of benefits, including a retirement plan, medical, life, accidental death, workers' compensation, and disability insurance. Medical insurance costs are shared—75 percent paid by IFC and 25 percent by the insured.

IFC's pension is part of the World Bank Group plan, and includes two 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 plus an optional staff contribution of up to 6 percent of salary, to which IFC adds 10 percent annually. IFC 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.)

As of June 30, 2017, the salary structure (net of tax) and annual average net salaries/benefits for World Bank Group staff were as follows:

GRADE	REPRESENTATIVE JOB TITLE	MINIMUM (US\$)	MARKET REFERENCE (US\$)	MAXIMUM (US\$)	STAFF AT GRADE LEVEL (%)	AVERAGE SALARY/ GRADE (US\$)	AVERAGE BENEFIT ^a (US\$)
GA	Office Assistant	26,300	37,600	48,900	0.03	38,000	21,078
GB	Team Assistant, Information Technician	32,200	46,000	59,800	0.31	45,738	25,370
GC	Program Assistant, Information Assistant	39,300	56,100	72,900	8.03	58,206	32,286
GD	Senior Program Assistant, Information Specialist, Budget Assistant	46,500	66,400	86,300	7.06	71,825	39,840
GE	Analyst	63,000	90,000	117,000	12.19	82,566	45,798
GF	Professional	83,200	118,900	154,600	23.19	108,117	59,971
GG	Senior Professional	110,700	158,200	205,700	30.59	149,923	83,160
GH	Manager, Lead Professional	151,200	216,000	280,800	15.89	212,482	117,860
GI	Director, Senior Advisor	229,900	287,400	344,900	2.17	281,686	156,246
GJ	Vice President	276,900	325,800	374,700	0.42	349,688	193,965
GK	Managing Director, Executive Vice President	307,900	362,200	416,500	0.10	396,574	286,607

Note: Because World Bank Group staff, other than U.S. citizens, usually are not required to pay income taxes on their World Bank Group compensation, the salaries are set on a net-of-tax basis. These salaries are generally equivalent to the after-tax take-home pay of the employees of the comparator organizations and firms from which World Bank Group salaries are derived. Only a relatively 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 non-salary benefits. Excludes tax allowances.



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. 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, 2017, IFC's paid-in capital of about \$2.56 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 \$215 billion of our own funds for private sector investments in developing countries, and we have mobilized nearly \$50 billion 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.



Standing (left to right): Andrei Lushin, Russian Federation; Hervé de Villeroché, France; Omar Bougara, Algeria; Frank Heemskerck, The Netherlands; Subhash Chandra Garg, India; Daniel Pierini, Argentina (Alternate); Otaviano Canuto, Brazil; Jean-Claude Tchatchouang, Cameroon (Alternate); Andin Hadiyanto, Indonesia; Werner Gruber, Switzerland; Fernando Jimenez Latorre, Spain; Juergen Zattler, Germany; David Kinder, United Kingdom (Alternate); Christine Hogan, Canada; Patrizio Pagano, Italy.

Seated (left to right): Bongi Kunene, South Africa; Jason Allford, Australia; Andrew N. Bvumbe, Zimbabwe; Khalid Alkhudairy, Saudi Arabia; Merza Hasan, Kuwait (Dean); Susan Ulbaek, Denmark; Kazuhiko Koguchi, Japan; Yingming Yang, China; Karen Mathiasen, United States; Franciscus Godts, Belgium.

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 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 CEO, Philippe Le Houérou, receives an annual salary of \$411,000, net of taxes.

OUR MEMBER COUNTRIES—STRONG SHAREHOLDER SUPPORT

GRAND TOTAL	100%
United States	22.19
Japan	6.33
Germany	5.02
France	4.72
United Kingdom	4.72
India	4.01
Russian Federation	4.01
Canada	3.17
Italy	3.17
China	2.41
174 OTHER COUNTRIES	40.25

Accountability

INDEPENDENT EVALUATION GROUP

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

IEG assesses the results of IFC operations and offers recommendations for improvement. Through its recommendations, IEG also contributes to internal learning and improvements by informing new directions, policies and procedures, and country and sector strategies for IFC work.

IEG's most recent annual review of World Bank Group results and performance assesses development outcome trends for IFC at a corporate level, and by region and industry sector. This and other major reports are available on IEG's website, <http://ieg.worldbankgroup.org>.

OFFICE OF THE COMPLIANCE ADVISOR OMBUDSMAN

Affected communities have unrestricted access to the Compliance Advisor Ombudsman (CAO), the independent accountability mechanism for IFC. CAO is mandated to address complaints from people affected by IFC-supported business activities in a manner that is fair, objective, and constructive—with the goal of improving environmental and social project outcomes and fostering greater public accountability of IFC.

Independent of IFC and MIGA management and reporting directly to the President of the World Bank Group, CAO works to resolve complaints using a flexible, problem-solving approach through its dispute-resolution arm and oversees investigations of IFC's environmental and social performance through its compliance arm. CAO's advisory arm provides independent advice on broader environmental and social concerns with the goal of systemic improvements in IFC performance.

During FY17, CAO addressed 51 cases related to IFC projects in 28 countries. More information about how IFC is engaging with CAO's work is available at www.cao-ombudsman.org.

Partnerships

IFC develops innovative and multifaceted partnerships that allow us to scale up our work in priority areas and focus on markets with the greatest development needs. Our partners provide instrumental support—by making financial contributions, providing co-financing, and creating solutions alongside us. Together, we share our global knowledge and experience by convening the development community and the private sector.

WORKING WITH DEVELOPMENT PARTNERS

IFC collaborates with more than 30 governments, 20 foundations and corporations, and a variety of multilateral and institutional partners. In FY17, our development partners committed more than \$268 million to support IFC's work, demonstrating their strong belief in the importance of the private sector in development.

IFC and the World Bank held joint consultations with a variety of partners to deepen our engagement. Our cornerstone event was the Development Finance Forum, which was held this year in Accra, alongside pre-events in Freetown and Abidjan. These events showcased IFC's thought leadership on unlocking private sector investment to achieve strong development.

We work closely with our partners to stimulate investment in the most challenging markets. In FY17, we spearheaded several substantial engagements—including the *Transforming Investment Risk* conference, a first-of-its-kind event organized jointly by the World Bank Group and the U.K. Department for International Development. The event focused on unlocking investment opportunities in high-potential markets—particularly in Africa—by bringing together U.K. business leaders and development specialists.

Through trust funds, IFC and our partners continued to provide financing and knowledge for private sector development. In FY17 the following initiatives highlighted the concerted efforts of IFC and our partners to collaborate in innovative ways:

Australia

Australia committed \$63 million—a record high—to IFC's advisory programs in Asia. A longtime supporter of IFC's activities in the Pacific, Australia is an increasingly important partner in South Asia through its support of the Sustainable Development Investment Portfolio, which aims to address issues of water, food, and energy security. Focusing on gender, Australia contributed \$11 million to a program in Sri Lanka to increase the share and retention of women employees in participating companies.

BHP Billiton Foundation

IFC and the World Bank signed an agreement with BHP Billiton Foundation for the first time, committing nearly \$2.6 million to enhance information disclosure and improve development outcomes in the extractives sector. The World Bank Group has identified governance in this sector as a key development issue. The new partnership will work to improve transparency, analysis, and dialogue to deliver benefits for broader communities.

Denmark

Denmark pledged its largest commitment to date, providing \$9 million for a global partnership to scale up new technological solutions and potentially game-changing business models to address climate change. Through this partnership, IFC aims to support first-of-their-kind projects—with a focus on energy, manufacturing, agriculture, and small and medium enterprises. At least half the projects supported by the partnership will be in IDA countries and in fragile and conflict-affected areas.

Japan

Japan committed \$15 million for the new Partnership for Quality Infrastructure—a global initiative that will provide vital support for infrastructure activities, including for public-private-partnership transactions. With Japan's support, IFC will promote specific objectives in infrastructure—including improving economic efficiency, reducing lifecycle costs, strengthening safety and resilience, addressing social and environmental impacts, and ensuring local economic development and knowledge transfer.

Switzerland

Switzerland committed \$45 million to the Multi-Country Investment Climate Program to enhance trade and competitiveness and improve investment climate reforms in 20 priority countries over the next eight years. Switzerland also committed an additional \$11 million to the EDGE Green Building Market Transformation program, focusing on projects in Latin America and the Caribbean, Sub-Saharan Africa, and East Asia and the Pacific.

Development partner commitments

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

Summary	FY16	FY 17
Governments	201.69	256.76
Institutional/Multilateral Partners	12.25	8.32
Corporations, Foundations, and NGOs	5.19	3.07
Total	219.13	268.15
Governments	FY16	FY17
Australia	7.74	62.92
Austria	11.06	6.47
Canada	36.99	0.00
Denmark	2.86	9.17
France	0.00	2.12
Germany	0.22	2.62
Ireland	1.01	0.96
Israel	1.00	0.00
Italy	15.00	5.09
Japan	4.78	21.17
Luxembourg	3.90	3.98
The Netherlands	11.00	11.00
New Zealand	3.56	4.82
Norway	5.68	0.94
Slovak Republic	1.09	0.00
Sweden	5.66	0.00
Switzerland	45.28	68.68
United Kingdom	38.17	38.74
United States	6.69	18.08
Total	201.69	256.76
Institutional/Multilateral Partners	FY16	FY17
Climate Investment Funds	1.39	4.70
European Commission	10.61	3.08
MENA Transition Fund	0.00	0.54
SG Hambros Trust Co. Ltd. (for and on behalf of the PIDG Trust)	0.25	0.00
Total	12.25	8.32
Corporations, Foundations, and NGOs	FY16	FY17
Bill & Melinda Gates Foundation	2.30	0.00
BHP Billiton Foundation	0.00	2.57
Dow Chemical Company*	0.50	0.00
Grundfos Holding A/S*	1.00	0.00
Marie Stopes International	0.89	0.00
The William and Flora Hewlett Foundation	0.50	0.50
Total	5.19	3.07

*Contributor to the 2030 Water Resource Group.

Portfolio Management

At the core of IFC's approach to portfolio management is the aim to build and manage a portfolio that produces strong financial and development performance. We achieve this through our strong presence on the ground—a network of offices in 101 cities—that enables us to stay close to our clients and markets, and anticipate and monitor trends. As a result, we are able to engage with clients and manage our assets proactively.

Twice a year, Management reviews the entire portfolio of \$55 billion for IFC's own account, looking both at broad trends as well as select individual assets, and provides an in-depth review of portfolio results to the Board semi-annually. Our investment teams, largely based in field offices, complement global reviews with asset-by-asset quarterly assessments, for both debt and equity investments.

At the corporate level, IFC combines the analysis of our portfolio performance with local market intelligence, and projections of global macroeconomic and market trends to inform decisions about future investments. We also regularly conduct stress tests to assess the performance of the portfolio against possible macroeconomic developments, and to identify and address risks. In FY17, in light of substantial volatility in emerging markets, IFC's senior management convened in-depth reviews for each of our industry sectors and regions.

At the project level, our multidisciplinary teams, including investment and sector specialists with deep industry expertise, closely monitor investment performance and compliance with investment agreements. We do this, among other things, through site visits to evaluate project implementation and through active engagement with sponsors to identify potential problems early on and formulate appropriate solutions. In addition, we systematically and timely track environmental and social performance, and measure financial and development results.

Our equity portfolio has grown significantly over the last few years. To rebalance our asset allocation, we are implementing a new approach that calls for more moderate growth and greater selectivity for our equity investments. This rebalancing is the result of an analysis that takes into account market conditions, opportunities, expected returns, and risks—and will be adjusted periodically as required. This new approach further acknowledges the greater resource needs for equity relative to debt, and, therefore, we are forming specialized equity teams.

For projects in financial distress, our Special Operations Department determines the appropriate remedial actions. It seeks to keep the project operational to achieve the development impact intended at its onset. It also negotiates agreements with creditors and shareholders to share the burden of restructuring.

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

At the core of active portfolio management is the need to have timely and accurate information to drive business decisions. IFC continues to invest in information-technology systems to better support the management of our portfolio.

Managing Risks

ENTERPRISE RISK MANAGEMENT

IFC provides long-term investments to the private sector in emerging markets, which includes expanding the investment frontier into the most challenging markets. In doing so, IFC is exposed to a variety of financial and nonfinancial risks. Sound risk management is crucial in fulfilling IFC's mission.

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

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

In FY17, IFC continued the transition to the Investment Risk Platform, our new credit-risk rating system and economic capital engine. The new systems are aimed at better aligning IFC's practice to internationally recognized standards, where they make sense given our portfolio. The new risk rating system allows for easier comparison between outside ratings and IFC's internal ratings. More granular ratings lead to better differentiation and a better understanding of client credit standing, which allows for more focus on those credits that most warrant additional scrutiny. The improved predictive power for probability of default and loss-given default lead to more informed investment decisions.

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 FY17, new core and short-term borrowings totaled the equivalent of about \$16.2 billion.

FY17 borrowing in international markets

CURRENCY		AMOUNT (US\$ EQUIVALENT)	PERCENT
U.S. dollar	USD	10,736,886,766.00	66.4%
Australian dollar	AUD	1,338,424,500.00	8.3%
Japanese yen	JPY	787,304,000.00	4.9%
Russian ruble	RUB	647,034,012.90	4.0%
Brazilian real	BRL	640,375,075.70	4.0%
Turkish lira	TRY	499,593,694.20	3.1%
Indian rupee	INR	477,162,653.40	3.0%
Other		1,047,283,816.22	6.5%
Total		16,174,064,518.42	100.0%

LIQUIDITY MANAGEMENT

Liquid assets on IFC's balance sheet totaled \$39.2 billion as of June 30, 2017, compared with \$41.4 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. IFC maintains liquid assets in interest-bearing instruments managed actively against stated benchmarks.

In FY17, IFC made substantial enhancements to our internal funding and liquidity policies in the form of adding stressed liquidity coverage ratios, a requirement for core liquidity, and making adjustments for encumbered assets. The stressed liquidity coverage ratios are designed to ensure IFC will have sufficient liquid assets in a period of extensive market and operational stress for up to a one-year period to cover both existing cash needs and new growth aspirations. IFC enhanced our liquidity framework to provide additional quantitative metrics for matched funding.

TREASURY RISK MANAGEMENT

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

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

In line with the changes that are occurring in the global financial markets, IFC enhanced our Treasury policy framework in FY17. Key initiatives include: development of an expanded framework for stress testing and contingency planning; enhancements to IFC's approach to monitoring of counterparty risk and structured product credit; bilateral collateral exchanges with derivatives counterparties; and enhancements to IFC's model validation framework.

CAPITAL ADEQUACY AND FINANCIAL CAPACITY

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

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

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

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

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

- *Credit risk*: the potential loss due to a client's default or downgrade
- *Market risk*: the potential loss due to changes in market variables (such as interest rates, currency, equity, or commodity prices)
- *Operational risk*: the potential loss resulting from inadequate or failed internal processes, people, and systems, or from external events; operational risk attends all IFC activities, including Advisory Services and the Asset Management Company.

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 2017, total resources available stood at \$23.6 billion, while the minimum capital requirement totaled \$19.4 billion.

Our Sustainability Framework

Sustainability is critical to companies' business success. It's critical, too, for their customers, surrounding communities, and broader stakeholders.

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

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

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

IFC PERFORMANCE STANDARDS

At the core of our Sustainability Framework are IFC Performance Standards—which help our 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.

Our Performance Standards have become a global benchmark of sustainability practices. The Equator Principles, which are modeled on these standards, have been adopted by 91 financial institutions in 37 countries. In addition, other financial institutions reference IFC's Performance Standards—including export-import banks and export credit agencies. IFC also serves as the Secretariat for the Sustainable Banking Network, a global knowledge-sharing group of banking regulators and banking associations, to help develop guidance and capacity for banks to incorporate environmental and social risk management into credit decision making.

The Performance Standards guide our environmental and social due-diligence process, which integrates the client's assessment of environmental and social risks with an understanding of the client's commitment and capacity to mitigate and manage these risks. This review identifies any gaps between client practice and IFC Performance Standards in order to agree on a plan of action to ensure compliance. We supervise our projects throughout the life of our investment.

INTEGRATED GOVERNANCE

Corporate governance is a paramount consideration in investors' decision making. But investors are increasingly paying equal attention to the way companies behave on a variety of environmental and social indicators. Investors see businesses' management of environmental and social issues as a test of how they would handle all strategic and operational challenges.

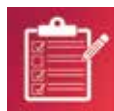
It's essential, therefore, to assess environmental, social and governance practices in an integrated fashion.

The IFC Performance Standards

1

RISK MANAGEMENT

Anticipate risks, avoid, minimize and compensate for any impacts.



2

LABOR

Treat workers fairly and provide safe and healthy working conditions.



3

RESOURCE EFFICIENCY

Promote energy efficiency, use resources sustainably, and cut greenhouse emissions.



4

COMMUNITY

Protect local communities from worksite accidents and other project-related dangers.



In FY17, IFC developed comprehensive market guidance and practical tools to do this in the context of emerging markets, drawing on our track record in applying our Performance Standards and Corporate Governance Methodology.

One tool—our ESG Progression Matrix—guides companies, investors, regulators, corporate-governance evaluators, and other stakeholders in assessing and improving a company’s environmental, social, and governance framework. It emphasizes the importance of continuing progress—rather than static minimum standards—in the governance practices of a company.

The matrix focuses the assessment along six corporate-governance parameters—key environmental and social policies and practices, the structure and functioning of the board of directors, the control environment, disclosure and transparency, treatment of minority shareholders, and stakeholder engagement (which includes civil society and communities affected by a company’s operations).

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

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

OUR FOOTPRINT COMMITMENT

IFC’s Footprint Commitment is to make sustainability an integral part of our internal business operations.

We continue to make energy-efficiency improvements to our headquarters building, which accounts for

43 percent of IFC’s facility-related carbon emissions (emissions from electricity, stationary combustion, refrigerants, water-chiller electricity, and purchased steam) and 12 percent of IFC’s total carbon footprint. In addition, emissions just from headquarters electricity consumption account for 51 percent of IFC’s electricity-related emissions.

Projects included raising the chilled-water set point for the heating season, raising the data-center cooling set points, and converting compact fluorescent lighting to LED lighting in several locations in the building. In total, these efforts are expected to conserve about 545,000 kilowatt hours of energy and save IFC more than \$64,000 each year. They also contributed to a continuing reduction of IFC’s headquarters electricity consumption, which fell by 18 percent between FY08 and FY16.

IFC continues to be carbon-neutral for global business operations. In FY16, the latest year for which data are available, carbon emissions from our global business operations totaled about 48,279 metric tons of carbon-dioxide equivalent. We purchased carbon credits from a portfolio of six projects, including wind power and small hydropower in India, clean cookstoves in Uganda, household biodigester energy in Cambodia, and clean stoves and water treatment in Rwanda. IFC chose projects that bring tangible development benefits to the communities in which they take place.

FY16 carbon emissions inventory for IFC’s global operations

METRIC TONS OF CARBON-DIOXIDE EQUIVALENT

Business Travel	34,555
HQ Office Electricity	5,545
Country Office Electricity	4,972
Other	3,207
TOTAL EMISSIONS	48,279

5

LAND RESETTLEMENT

Avoid involuntary resettlement and minimize the impact on those displaced.



6

BIODIVERSITY

Protect biodiversity and ecosystems.



7

INDIGENOUS PEOPLES

Protect the rights, dignity, and culture of indigenous populations.



8

CULTURAL HERITAGE

Protect cultural heritage and promote equitable sharing of related benefits.

