INTERNATIONAL FINANCE CORPORATION

IFC FY26 BUDGET

Aligning resources for IFC vision 2030 implementation

Approved by IFC’s Board of Directors on May 28, 2025

CONTENTS

TABLES

GLOSSARY

AI	- Artificial Intelligence
BCR	- Budget Coverage Ratio
CAO	- Compliance Advisor Ombudsman
CDB	- Country-Driven Budgeting
CMAW	- Creating Markets Advisory Window
E&S	- Environmental and Social
FCS	- Fragile and Conflict-Affected Situations
FMTAAS	- Funding Mechanism for Technical Assistance and Advisory Services
FOF	- Frontier Opportunities Fund
HQ	- Headquarters
IBRD	- International Bank for Reconstruction and Development
IDA	- International Development Association
IFC	- International Finance Corporation
IT	- Information Technology
LTF	- Long-Term Finance
MAP	- Management Action Plan
MCPPs	- Managed Co-Lending Portfolio Program
MD&A	- Management's Discussion & Analysis
MSMEs	- Micro, Small, and Medium Enterprises
PCE	- Private Capital Enablement
PCM	- Private Capital Mobilization
RPA	- Robotics Process Automation
SSAs	- Shared Service Agreements
US$	- United States Dollar
WBG	- World Bank Group

1. OVERVIEW

1. **IFC's FY26 budget proposal builds on the accomplishments of FY25 and marks the start of IFC's new 2030 strategy implementation.** IFC is on course to double its investment program within three years, including doubling its long-term finance (LTF) mobilization ratio, and to grow its portfolio by 40 percent over the same period.

2. **To realize IFC 2030 ambitions of private capital mobilization and job creation at scale, we need to change IFC's operating model and systematically leverage the One-WBG approach.** IFC 2030 strategy implementation focus areas for FY26 are reflected in WBG's FY26 broad strategic priorities of (i) effectiveness and efficiency; (ii) building client capacity; (iii) private capital mobilization (PCM); and (iv) jobs.

3. **IFC is seeking FY26 administrative budget of US$1,459 million.** This reflects incremental gross spending needs of US$128 million, which will be partially offset by US$109 million in efficiency savings and redeployments, resulting in a net incremental administrative budget increase of US$19 million over the FY25 administrative budget. This represents 1.3 percent increase in real terms (or 4.3 percent nominal increase).

4. **In line with 2030 ambitions, IFC's total investment program is expected to grow significantly.** Growth will be focused on strategic priorities, including 2018 capital increase commitments, such as delivery in IDA and FCS countries, implementation of the WBG gender strategy, support to help countries accelerate action to address food insecurity, lack of energy and water access, and climate impacts including extreme weather events, closing the infrastructure gaps, and increasing digital connectivity.

5. **IFC's portfolio exposure is also projected to follow an upward trend**, increasing supervision demands and risk management needs, especially in more challenging environments and in the context of rising expectations on environmental & social (E&S) accountability.

6. **IFC's administrative budget is fully funded from the income it generates through its operations.** In FY25, IFC's Budget Coverage Ratio (BCR) is projected to be below the threshold of 91 percent agreed under the capital increase package. The BCR is calculated as the administrative budget divided by net loan and fee income and is intended to measure IFC's ability to remain financially sustainable without relying on income from more volatile instruments.

7. **In addition to funding its administrative budget, IFC uses its income to fund upstream project development and advisory engagements to support sector reform, build client capacity, and grow the pipeline of bankable projects** - all critical for private capital enablement (PCE), PCM, and the jobs agenda. It is therefore critical to sustain the appropriate level of funding for upstream and advisory activities, including via allocations from IFC's income to the Creating Markets Advisory Window (CMAW) and the Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS). The final proposal for designations will be submitted to the Board following approval of FY25 year-end financial statements.

2. FY26 BUDGET PRIORITIES AND RESOURCE IMPLICATIONS

2.1 FY26 BUDGET PRIORITIES

8. **IFC's FY26 incremental budget increase, savings and internal resource reallocations will be directed towards enhancing internal effectiveness and efficiencies, building client capacity, scaling private capital mobilization, and jobs agenda –** all central to IFC 2030 strategy. The gross incremental needs of US$128 million to enhance operational capabilities and strengthen our engagements with clients and investors will be partially offset by US$109 million in savings and internal redeployment of resources, including from back and middle-office units to client-facing functions and across frontline operations.

A. EFFECTIVENESS & EFFICIENCIES

9. **A significant share of the additional funding will help to further align workforce structure and capabilities with evolving business needs.** This includes continued shifts away from generalist roles towards strengthening specialist cadre where needed and phasing out intensively used short-term positions in favor of full-time staff to enhance efficiency, quality, and continuity of delivery. Decentralization will continue, with 76 percent of client-facing staff based in country offices as of February 28, 2025.

10. **Additional resources will support investments in digital systems, automation, and process simplification.** IFC will roll out further enhancements to the corporate dashboard, which will offer greater, real-time visibility into portfolio performance and pipeline development. Broader technological upgrades will include AI-enabled tools for origination and credit risk analysis.

11. **Incremental funding will also cover costs of WBG shared services.** FY26 marks the rollout of a new approach to shared service agreements (SSAs), under a single master agreement across WBG, which defines scope, performance, and cost of shared services. This is expected to improve operational efficiency, enhance accountability for service quality, and streamline planning and budgeting.

B. BUILDING CLIENT CAPACITY

12. **As part of the new WBG country engagement model and in line with IFC 2030 ambitions, IFC will use a differentiated approach in countries of different income levels and at different stages of market maturity.** In low-income countries, we will continue to focus on foundational sectors to enable employment of growing youth populations, in close collaboration with other development finance institutions and donors. In middle-income countries, our emphasis will be on mobilizing diverse investors to maximize workforce productivity, adapting to aging populations. Across the regions, scaling up IFC's engagement in sectors with the largest potential for job creation through building local industries – infrastructure, agribusiness, healthcare, value-added manufacturing, and tourism – translates into additional cost pressures as originating new investments in these sectors requires more resources, especially in more challenging markets.

13. **FY26 budget will enable IFC to further strengthen its portfolio supervision and risk management.** IFC will also continue to increase seniority on the ground to bring decision-making closer to clients.

14. **Resources will be dedicated to implementing Board-endorsed management action plans (MAPs), including delivery of community development programs.** At the institutional level, IFC will allocate additional resources to the Compliance Advisor Ombudsman (CAO) to meet growing oversight demands.

C. PRIVATE CAPITAL MOBILIZATION

15. IFC will use FY26 funding to strengthen its capacity to originate and structure transactions that mobilize private capital at scale. A global investor coverage function will be launched to manage IFC's relationships with institutional investors, support segmentation strategies, and coordinate with donor and concessional finance platforms. New securitization programs will be developed to enable origination, pooling, and placement of loans to international investors.

16. Additional resources will be allocated to expand IFC's mobilization toolkit, especially in local currency and equity. This expanded toolkit will include local currency managed co-lending portfolio programs (MCPPs), credit insurance, and de-risking solutions, which will require dedicated legal and structuring resources. IFC will continue to grow its equity capabilities, operationalizing platforms such as the Frontier Opportunities Fund (FOF) and building capacity for origination, structuring, and proactive and value-creative portfolio management. These efforts will align with strategic initiatives like M300 and AgriConnect.

17. Significant effort will be needed to revise risk frameworks and further increase internal delegation to scale up mobilization across investor types and geographies.

D. JOBS

18. Micro, Small, and Medium Enterprises (MSMEs) are central to the jobs agenda. FY26 funding will be used to build internal capacity to scale up IFC's support to non-traditional platforms and technology-enabled solutions. IFC is also looking to develop a new specialized equity vehicle targeting high-growth small and medium companies.

19. IFC will build strategic partnerships with large domestic and multinational buyers to create MSME value chains (in less developed markets) and develop suppliers for knowledge intensive sectors (in more mature markets). Advisory resources will focus on enabling necessary reforms, improving market access, and developing entrepreneurship ecosystems in ways that enhance MSME competitiveness and employment potential.

20. We will also invest in improving measurement systems across WBG to strengthen data quality and impact tracking. This will include enhanced firm-level data collection, attribution tools, and other enhancements to ensure better integration of jobs metrics into project design.

2.2 SAVINGS

21. From FY19 to FY24, IFC generated efficiency savings towards its capital increase package commitments. Management is committed to identifying savings to support emerging priorities and foster the culture of operational efficiency across the institution.

3. FY26 BUDGET

3.1 ADMINISTRATIVE BUDGET

22. For FY26, IFC is seeking an incremental FY26 administrative budget increase of US$19 million, representing a 1.3 percent increase in real terms (4.3 percent in nominal terms).

Table 1: FY22-26 Administrative Budget

US$, millions	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Administrative Budget (Nominal)	1,177	1,255	1,307	1,399	1,459
% Growth (Nominal)	*3.3%*	*6.6%*	*4.2%*	*7.1%*	*4.3%*
% Growth (Real)	*1.0%*	*1.3%*	*0.8%*	*3.0%*	*1.3%*

3.2 TOTAL RESOURCES

23. The total resources, or "All Funds," trajectory for the sum of the administrative budget, internal and external trust funds (including CMAW, FMTAAS and donor funds), and client fees shows a nominal growth of 4.5 percent over FY25 (see Table 2). FY26 total resources budget reflects a comprehensive funding needs assessment of upstream and advisory programs and projects conducted at the country, regional and global levels as part of the integrated country driven budgeting exercise.

Table 2: FY22-26 Total Resources

US$, millions	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Administrative Budget (Nominal)	1,177	1,255	1,307	1,399	1,459
Trust Funds[1] (Nominal)	430	430	430	480	485
Earmarked Service Fees and Others (Nominal)	196	196	182	185	198
IFC Total Resources (Nominal)	**1,803**	**1,880**	**1,918**	**2,064**	**2,142**
% Growth Total Resources (Nominal)	*-1.1%*	*4.3%*	*2.0%*	*7.6%*	*3.8%*
% Growth Total Resources (Real)	*-3.4%*	*-1.0%*	*-1.4%*	*3.5%*	*0.9%*

[1] Includes CMAW, FMTAAS and donor funds

4. FY26 BUDGET PROPOSAL DETAILS

4.1 FY26 TOTAL RESOURCES BY SOURCE OF FUNDS

24. Administrative budget constitutes 68 percent of IFC's projected total resources for FY26 of US$2,142 million, with the remainder of 32 percent comprising trust funds, earmarked service fees and others.

4.2 UPSTREAM AND ADVISORY SERVICES BUDGET

25. Program funding for all IFC upstream project/sector development and advisory portfolio and pipeline engagements, as well as new projects expected to be approved throughout the year, is determined through the annual integrated country-driven budgeting (CDB) exercise. Overall expected envelope for upstream and advisory project activities for FY26 is US$633 million, marginally higher than in FY25 (see Table 3).

Table 3: FY25-26 Upstream and Advisory Services Budget by Source of Funds

US$, millions	**FY25B**	**FY26E**
IFC Internal Funding	342	348
Administrative Budget & Fees	*170*	*176*
CMAW, FMTAAS and others	*172*	*172*
External Funding	285	285
Total	**627**	**633**

4.3 FEE BUDGETS

26. IFC has a long-established practice of using fees to cover direct out-of-pocket expenses incurred for investment-related projects such as travel, specialist consultants, and outside legal counsel. Similarly, clients pay IFC other types of fees, such as service and mobilization fees, that are used to cover IFC's variable operational costs.

27. By using fees to cover variable costs while maintaining appropriate controls to ensure that fee budgets do not exceed fee collections, IFC can expand or contract its activities without changing its permanent cost base and more flexibly redirect resources toward corporate priorities and business objectives.

28. IFC maintains a dedicated fee pool to cover outside counsel fees and expenses arising in relation to IFC transactions and corporate matters when other internal or external funding sources are not available.

4.4 JEOPARDY BUDGETS

29. IFC classifies projects as jeopardy cases when: (i) the prospects for IFC recovering its investment are in serious doubt due to expected future loan defaults, country/industry considerations, or other material adverse changes to the project, sponsor, or macro-economic circumstances; or (ii) when IFC is threatened with litigation or sued, or where there are serious reputational risks for IFC. Jeopardy expenses have been traditionally tracked separately from the administrative budget due to the volatility and unpredictability of the jeopardy cases, which often generate significant out-of-pocket expenses and can span many years.

30. The Department of Special Operations jeopardy allocation is used to finance the costs associated with restructuring or recovery of projects at risk. The jeopardy allocation to the Legal Department is intended to address ongoing or potential litigation cases against IFC, especially as we scale up our equity investments and continue to expand operations into markets with greater complexity.

4.5 FLEXIBILITY MECHANISM

31. Since FY25, IFC has replaced the carryforward mechanism with a 2 percent flexibility band. The flexibility band provides a leeway to navigate uncertainties and address unexpected budgetary needs during the year. As a matter of last resort, the flexibility band allows IFC to spend higher than the approved administrative budget by up to 2 percent.

5. FY26 CAPITAL BUDGET

32. The proposed FY26 Capital Budget of US$130 million, including US$55 million for facilities and US$75 million for information technology (IT), reflects Management's prioritization of investments in HQ and country offices and the resulting impact on the administrative budget through depreciation. The proposal is aligned with multi-year trajectory and implementation timeline.

5.1 FACILITIES

33. The US$55 million facilities capital budget will enable (i) the delivery of the work program in line with IFC's global footprint strategy while supporting the roll-out of recently adopted WBG workplace standards, (ii) optimization of space utilization, (iii) upgrades for sustainability, technology advancement and risk mitigation, and (iv) investments to ensure staff safety and security.

5.2 INFORMATION TECHNOLOGY

34. The US$75 million IT capital budget will enable the acceleration of the WBG's adoption of business-driven technology solutions.

35. IFC will continue the digital transformation of its core processes. This transformation will involve automating end-to-end processes for clients, from business development to supervision, and scaling up the use of AI, generative AI, and RPA to increase efficiencies.

6. CMAW AND FMTAAS

6.1 USE OF IFC'S NET INCOME

36. Starting from March 31, 2025, as part of the efforts to enhance the consistency of disclosures and nomenclature used in the IFC and IBRD Management's discussion and analysis (MD&A) and financial statements, changes will be made to the following key terms:

Previous Description	New Description
Undesignated Retained Earnings	General Reserve
Income Available for Designations	Allocable Income
Income Designations	Net Income Allocations

There is no financial impact of the change in nomenclature and these changes will be reflected in the March 31, 2025 financial statements and MD&A and subsequent board papers.

37. Amounts available to be designated are approved by the Board and are determined based on a Board-approved income-based formula and on a principles-based financial distribution policy, also approved by the Board.

6.2 METHODOLOGY FOR NET INCOME ALLOCATIONS

38. As part of the Budget Paper approval, the Board approves a range of potential designations for CMAW and FMTAAS, based on a sliding scale formula and a waterfall prioritization. After the close of the fiscal year, the formula is applied to income available for designations to determine the actual designations. The final proposal for transfer of net income/(loss) to retained earnings and any designations of retained earnings (including any proposed adjustments as mentioned above) will be submitted for the Board's consideration following approval of the year-end financial statements.

39. Based on the final FY25 income amounts available for designation under the current sliding-scale formula, IFC will propose to make designations to CMAW and FMTAAS.

7. RECOMMENDATIONS

7.1 ADMINISTRATIVE AND CAPITAL BUDGET

40. Management seeks Board approval for the following:

1. An administrative budget for FY26 of US$1,459.1 million, managed within a range of 2 percent.
2. A capital budget for FY26 of US$130 million.

7.2 NET INCOME ALLOCATIONS FOR CMAW AND FMTAAS

41. Management recommends the following with respect to income available for designations:

1. From income, IFC proposes to designate allocations to CMAW and FMTAAS.