

HIGHLIGHTS FROM THE 2019 IFC ANNUAL REPORT

In FY19, IFC invested \$19.1 billion, including \$10.2 billion mobilized from other investors. Our comprehensive approach helped businesses innovate, build internationally competitive industrial sectors, and create better jobs.

LONG-TERM INVESTMENT COMMITMENTS

\$3.6	\$1.3	\$6.2	\$891	\$3.0	\$4.0
BILLION	BILLION	BILLION	MILLION	BILLION	BILLION
EAST ASIA AND THE PACIFIC	EUROPE AND CENTRAL ASIA	LATIN AMERICA AND THE CARIBBEAN	MIDDLE EAST AND NORTH AFRICA	SOUTH ASIA	SUB-SAHARAN AFRICA

Operational Highlights

Dollars in millions, for the years ended June 30

	2019	2018	2017	2016	2015
Long-Term Investment Commitments					
FOR IFC'S OWN ACCOUNT	\$ 8,920	\$11,629	\$11,854	\$11,117	\$10,539
Number of projects	269	366	342	344	406
Number of countries	65	74	75	78	83
MOBILIZATION¹	\$10,206	\$11,671	\$ 7,461	\$ 7,739	\$ 7,133
Syndicated loans	\$ 5,824	\$ 7,745	\$ 3,475	\$ 5,416	\$ 4,194
IFC initiatives & other	\$ 2,857	\$ 2,619	\$ 2,207	\$ 1,054	\$ 1,631
Asset Management Company (AMC) Funds	\$ 388	\$ 263	\$ 531	\$ 476	\$ 761
Public-Private Partnership (PPP) ²	\$ 1,137	\$ 1,044	\$ 1,248	\$ 793	\$ 548
TOTAL INVESTMENT COMMITMENTS	\$19,126	\$23,301	\$19,316	\$18,856	\$17,672
Investment Disbursements					
For IFC's account	\$ 9,074	\$11,149	\$10,355	\$ 9,953	\$ 9,264
Syndicated loans	\$ 2,510	\$ 1,984	\$ 2,248	\$ 4,429	\$ 2,811
TOTAL INVESTMENT DISBURSEMENTS	\$11,584	\$13,133	\$12,602	\$14,382	\$12,075
Portfolio Exposure³					
Number of firms	1,930	1,977	2,005	2,006	2,033
For IFC's account	\$58,847	\$57,173	\$55,015	\$51,994	\$50,402
Syndicated loans	\$15,787	\$16,210	\$16,047	\$16,550	\$15,330
TOTAL PORTFOLIO EXPOSURE	\$74,635	\$73,383	\$71,062	\$68,544	\$65,732
Short-Term Finance					
Average outstanding balance	\$ 3,256	\$ 3,435	\$ 3,185	\$ 2,807	\$ 2,837
Advisory Services					
Advisory Services program expenditures	\$ 295.1	\$ 273.4	\$ 245.7	\$ 220.6	\$ 202.1
Share of program in IDA countries ⁴	59%	57%	63%	62%	65%

1. Defined as "core mobilization" — financing from entities other than IFC that becomes available to client due to IFC's direct involvement in raising resources. Excludes \$607 million of unfunded risk transfers that are accounted for under IFC's own account.

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 entities.

3. Portfolio exposure is defined as the sum of the (i) committed exposure for IFC's debt investments, (ii) fair market value of IFC's equity investments, and (iii) total undisbursed equity commitments. Effective July 1, 2018, to accommodate change in accounting standards impacting how IFC reports its equity holdings, IFC has introduced the new term "Portfolio Exposure," which, instead of disbursed and outstanding balance, uses the fair market value of IFC's equity investments. Therefore, FY19 Portfolio Exposure for IFC's account and prior years are not directly comparable.

4. All references in this report to percentages of advisory program expenditures in IDA countries and fragile and conflict-affected areas exclude global projects.

Fiscal 2019 marked the second full year of implementing IFC's ambitious new strategy to create markets and unleash private sector investments and solutions, particularly in regions with the highest rates of poverty and fragility. Called "IFC 3.0," the strategy has required us to fundamentally reshape our business model and the way we work. It has demanded that we be more proactive, entrepreneurial in spotting market opportunities, and innovative in designing profitable projects that maximize development impact.

We made significant progress over the past fiscal year in rolling out new tools and approaches to support the full implementation of IFC 3.0. Country strategies were introduced to improve our country-level engagement. Upstream units were launched to sharpen our focus on creating new projects. An Anticipated Impact Measurement and Monitoring (AIMM) system was fully rolled out for all investment projects to enhance development impact assessment. And a new Accountability and Decision-Making Framework was put in place to clarify decision-making roles and accountabilities and to increase operational efficiency.

We also continued to integrate the previously rolled out IDA18 Private Sector Window, Country Private Sector Diagnostics, and our "Cascade" approach to pursuing private sector solutions where sustainable while preserving scarce public resources for where they are needed the most.

Complementing these actions were organizational changes that will help us better respond to the needs of our clients and shareholders. A workforce planning exercise was undertaken to ensure that we have the right people in the right roles throughout IFC.

DELIVERING RESULTS IN VOLATILE MARKETS

Macroeconomic volatility in emerging markets made it a difficult year for investors. Currencies depreciated between 10 and 30 percent in many large countries where IFC operates. Growth slowed in many more, and equity values suffered.

Despite deep internal reforms and volatile market conditions, we delivered \$19.1 billion of long-term financing through 269 projects in FY19. Over a third of these were directed toward private sector development in the world's poorest countries—those eligible to borrow from the World Bank's International Development Association (IDA)—as well as fragile and conflict-affected situations (FCS). In addition, IFC extended \$4.5 billion in short-term trade finance, of which \$2.5 billion was in IDA and FCS countries.

We continued to prioritize advisory services for challenging markets as well. In FY19, we delivered nearly 60 percent of our advisory program to clients in IDA countries, while 21 percent went to FCS. Sub-Saharan Africa accounted for the largest share of our advisory services in FY19, with about one-third of the total.

IMPROVING COUNTRY-LEVEL ENGAGEMENT

Our ability to deliver IFC 3.0 at scale will depend in large part on cultivating proactive and upstream country-level engagement. Our new FY19 country strategies uncover areas where projects and markets can be created, and they will build stronger project pipelines and increasingly guide the deployment of IFC resources. Over the past fiscal year, 25 strategies were developed and 26 more are under development for FY20.

Another key step to support country-level engagement was our creation of upstream units. Introduced in FY19, these units will become operational in FY20. Working off priorities outlined in our country strategies, the upstream units will play the role of incubator and integrator in imagining and designing new projects, and they will help to coordinate upstream efforts across the entire World Bank Group.

UNEARTHING GREEN SHOOTS

The Nachtigal Hydropower project in Cameroon demonstrates what can be achieved under the IFC 3.0 approach to market creation when we work with governments, private sector partners, other development finance institutions, and World Bank Group colleagues. The project will increase Cameroon's power-generation capacity by nearly one-third, bring clean affordable power to millions while helping to sustain economic growth, and save the country \$100 million in generation costs annually.

Similarly, in Rwanda where there are about 3,000 mortgages in the banking system for more than 3 million households, IFC and the World Bank are collaborating to build the foundations of a mortgage market by supporting capital market development and expanding access to housing finance. The Rwanda Affordable Housing project will facilitate the creation of a mortgage refinancing company that incentivizes lenders to scale up their housing financing through the provision of long-term funding for affordable housing.

IFC also continued to replicate the success of the World Bank Group's Scaling Solar program in FY19, moving beyond four African countries to Uzbekistan. Scaling Solar is a "one-stop shop" program for governments to rapidly mobilize private sector funded, grid-connected solar projects at competitive tariffs.



Uzbekistan, which is heavily dependent on natural gas for its electricity generation, is looking to develop up to 5 gigawatts of solar power by 2030 and is using the Scaling Solar approach to tender at least an initial 100 megawatts.

Throughout FY19, IFC and our clients received more than 40 prestigious awards. To mention a few, IFC was named the Development Finance Institution of the Year for the Middle East and North Africa by *IJGlobal*. Our Nachtigal Hydropower project was named the Multilateral Development Deal of the Year by *Project Finance International* and the African Power Deal of the Year by *IJGlobal*. And we received the Excellence in Latin American Local Capital Market Development award from *LatinFinance*.

ASSESSING OUR IMPACT

The AIMM system, which underscores IFC's seriousness in achieving development impact, became fully operational for all new investment projects last fiscal year, with more than 750 projects having been assessed and scored. Starting in July 2019, the AIMM system is being rolled out on a pilot basis for advisory services.

SETTING STANDARDS

IFC believes in leading from the front. We have been a leader in environmental and social standard setting for two decades, promoting and advancing such initiatives as the Equator Principles and Green Bond Principles. Building on this history, IFC launched with partners the Operating Principles for Impact Management at the 2019 Spring Meetings of the World Bank Group and International Monetary Fund.

These Principles seek to set the market standard for credible impact investing. As of the end of June 2019, they have been signed by 63 institutions, and we are in discussions with more than 40 others to sign the Principles. In addition, IFC published the report *Creating Impact: The Promise of Impact Investing*, which provides the analytical underpinning for the Principles.

BEING ACCOUNTABLE AND TRANSPARENT

Accountability could not be more important to IFC. We are accountable to the people benefiting from and affected by the projects we support, as well as to our creditors and borrowers, shareholders, and development partners.

To support our shift to more challenging markets, we decided to move our Environmental, Social, and Governance (ESG) Advice and Solutions Department to our Operations vice presidency effective July 2019. This will increase the ownership of ESG issues by investment and advisory project teams and strengthen our focus on ESG impact at the project and sector levels. At the same time, to improve Environmental and Social (E&S) risk management and accountability throughout the project cycle and to ensure independence from operations, we announced the creation of a new E&S Policy and Risk Department from July 2019 to serve as the E&S "regulator" with a direct reporting line to the Chief Executive Officer.

We also introduced in FY19 our first Quarterly Operations Report to the Board of Directors. This report improves transparency by providing IFC's year-to-date operational performance, including program, portfolio, operational risk, and pipeline overview. In particular, for the first time in IFC history, we delivered a multi-year pipeline presentation to the Board.

LOOKING FORWARD

IFC is committed to creating markets and opportunities under our IFC 3.0 strategy, especially for countries that have least benefited from private-sector led investment and solutions. To effectively deliver IFC 3.0 at scale and to meet our client and shareholder expectations, we will continue to refine our tools and approaches to support implementation of our strategy while amplifying efforts to invest for impact. In doing so, we will be more proactive and innovative, accelerate upstream initiatives, and operationalize the "Cascade" approach to leverage the private sector to solve development challenges.

Philippe Le Houérou
IFC Chief Executive Officer

YEAR IN REVIEW

Financial Highlights

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

	2019	2018	2017	2016	2015
Net income (loss) attributable to IFC	93	1,280	1,418	(33)	445
Grants to IDA	–	80	101	330	340
Income before grants to IDA	93	1,360	1,523	296	749
Total assets	99,257	94,272	92,254	90,434	87,548
Loans, equity investments, and debt securities, net	43,462	42,264	40,519	37,356	37,578
Estimated fair value of equity investments	13,113	14,573	14,658	13,664	14,834

Key Ratios

Return on average assets (GAAP basis)	0.1%	1.4%	1.6%	0.0%	0.5%
Return on average capital (GAAP basis)	0.3%	5.0%	5.9%	(0.1)%	1.8%
Cash and liquid investments as a percentage of next three years' estimated net cash requirements	104%	100%	82%	85%	81%
Debt-to-equity ratio	2.2:1	2.5:1	2.7:1	2.8:1	2.6:1
Total resources required (\$ billions)	21.8	20.1	19.4	19.2	19.2
Total resources available (\$ billions)	27.8	24.7	23.6	22.5	22.6
Total reserve against losses on loans to total disbursed loan portfolio	4.7%	5.1%	6.1%	7.4%	7.5%

* Financial results in 2019 are not directly comparable to the prior periods due to the adoption of a new accounting standard. A full explanation of the change and its implications is available in Management's Discussion and Analysis and Consolidated Financial Statements. The document can be found at <http://www.ifc.org/FinancialReporting>.

For more information, see the Financial Performance Summary on page 108 of the IFC 2019 Annual Report.

FY19 Advisory Services Program Expenditures

Dollar amounts in millions

Total	\$ 295.1	100%	
By Region			
Sub-Saharan Africa	\$ 96.5	33%	
East Asia and the Pacific	\$ 55.1	19%	
Europe and Central Asia	\$ 38.9	13%	
South Asia	\$ 36.4	12%	
Latin America and the Caribbean	\$ 30.4	10%	
Global	\$ 20.6	7%	
Middle East and North Africa	\$ 17.2	6%	
By Business Area			
Advisory by IFC Industry	\$ 167.4	57%	
Financial Institutions Group	\$ 65.2	22%	
Transaction Advisory	\$ 43.8	15%	
Manufacturing, Agribusiness & Services	\$ 33.7	11%	
Infrastructure & Natural Resources	\$ 19.4	7%	
Telecoms, Media, Technology, Venture Capital & Funds	\$ 5.2	2%	
Advisory via Equitable Growth, Finance, and Institutions (GPs)	\$ 114.1	39%	
Environment, Social & Governance	\$ 13.5	5%	

IFC is committed to creating markets and opportunities under our IFC 3.0 strategy, especially for countries that have least benefited from private-sector led investment and solutions.

PHILIPPE LE HOUÉROU, IFC Chief Executive Officer

FY19 Long-Term Commitments

Dollar amounts in millions, for IFC's own account as of June 30, 2019

Total	\$ 8,920	100.00%	
By Industry			
Financial Markets	\$ 5,024	56.32%	
Infrastructure	\$ 1,056	11.84%	
Manufacturing	\$ 534	5.98%	
Tourism, Retail & Property	\$ 522	5.85%	
Agribusiness & Forestry	\$ 501	5.61%	
Funds	\$ 499	5.60%	
Health & Education	\$ 374	4.20%	
Natural Resources ¹	\$ 280	3.13%	
Telecommunications & Information Technology	\$ 131	1.47%	
By Region²			
Latin America and the Caribbean	\$ 2,491	27.93%	
South Asia ³	\$ 1,848	20.72%	
Sub-Saharan Africa	\$ 1,724	19.32%	
East Asia and the Pacific	\$ 1,575	17.66%	
Europe and Central Asia	\$ 745	8.36%	
Middle East and North Africa	\$ 520	5.83%	
Global	\$ 16	0.18%	
By Product			
Loans ⁴	\$ 7,138	80.02%	
Equity ⁵	\$ 999	11.20%	
Guarantees	\$ 742	8.32%	
Risk-management products	\$ 42	0.47%	

FY19 Portfolio Exposure⁶

Dollar amounts in millions, for IFC's own account as of June 30, 2019

Total	\$58,847	100%	
By Industry			
Financial Markets	\$22,622	38%	
Infrastructure	\$11,193	19%	
Funds	\$ 4,950	8%	
Manufacturing	\$ 4,580	8%	
Agribusiness & Forestry	\$ 3,809	6%	
Tourism, Retail & Property	\$ 2,792	5%	
Health & Education	\$ 2,760	5%	
Trade Finance	\$ 2,255	4%	
Natural Resources ¹	\$ 1,962	3%	
Telecommunications & Information Technology	\$ 1,926	3%	
By Region⁷			
Latin America and the Caribbean	\$12,245	21%	
South Asia	\$10,856	18%	
East Asia and the Pacific	\$ 9,311	16%	
Sub-Saharan Africa	\$ 8,728	15%	
Europe and Central Asia	\$ 8,263	14%	
Global	\$ 5,161	9%	
Middle East and North Africa	\$ 4,282	7%	

1. Includes IFC's activities in oil, gas, and mining.

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

3. Includes Pakistan and Afghanistan.

4. Includes loan-type, quasi-loan products.

5. Includes equity-type, quasi-equity products.

6. Portfolio exposure is defined as the sum of the (i) committed exposure for IFC's debt investments, (ii) fair market value of IFC's equity investments, and (iii) total undisbursed equity commitments.

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

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 185 member countries, a group that collectively determines our policies.

We leverage our products and services—as well as those of other institutions across the World Bank Group—to create markets that address the biggest challenges of our time that developing countries face. We apply our financial resources, technical expertise, global experience, and innovative thinking to provide sustainable market-based solutions that bring widespread benefits.

IFC is also a leading mobilizer of third-party resources for projects. Our willingness to engage in difficult environments and our leadership in crowding in private finance enable us to have a development impact well beyond our direct resources.

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