IFC FY20 Budget:
Redirecting Resources to IFC 3.0

Approved by IFC's Board of Directors on June 21, 2019

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Glossary

ADM	-	Accountability and Decision-Making Framework
AIMM	-	Anticipated Impact Measurement and Monitoring
AMC	-	Asset Management Company
AS	-	Advisory Services
CMAW	-	Creating Markets Advisory Window
CAO	-	Compliance Officer/Ombudsman
CO	-	Country Office
CODB	-	Cost of Doing Business
CSC	-	Corporate Scorecard
CPF	-	Country Partnership Framework
ER	-	Expenditure Review
ESG	-	Environment, Social and Governance
FCS	-	Fragile and Conflict Affected Situations
FIG	-	Financial Institutions Group
FMTAAS	-	Funding Mechanism for Technical Assistance and Advisory Services
FY	-	Fiscal Year
GP	-	Global Practice
GUU	-	Global Upstream Units
HQ	-	Headquarters
IAD	-	Internal Audit Department
IBRD	-	International Bank for Reconstruction and Development (also referred to as the Bank and the World Bank)
IDA	-	International Development Association; also used to denote IDA borrowing countries
IEG	-	Independent Evaluation Group
IFC	-	International Finance Corporation
IS	-	Investment Services
IT	-	Information Technology
KPI	-	Key Performance Indicator
LOB	-	Line of Business
LTF	-	Long-Term Finance
MCPP	-	Managed Co-Lending Portfolio Program
MFD	-	Maximizing Finance for Development
MIGA	-	Multilateral Investment Guarantee Agency
QBHR	-	Quarterly Budget and Human Resources Report
RVP	-	Regional Vice Presidency
SBO	-	Strategy and Business Outlook
SOF	-	Source of Funds
SSA	-	Shared Services Agreement
SSA/CR	-	Sub-Saharan Africa and the Caribbean
VPU	-	Vice Presidential Unit
WBG	-	World Bank Group
WFP	-	Workforce Planning

EXECUTIVE SUMMARY

i) IFC 3.0 required a fundamental reshaping of core elements within IFC's business model. It augmented IFC's established practice of financing developmentally impactful projects with a much stronger emphasis on systematically developing markets, especially in IDA countries and FCS, through upstream engagement and deeper collaboration across the World Bank Group (WBG).

ii) Over the last two years, the IFC 3.0 strategy has moved from theory to practice and its implementation is well underway. Going forward, IFC's focus is on gearing up to meet the ambitious targets included in the Capital Package and deliver IFC 3.0 at scale. It is important to note that IFC 3.0 does not replace, but supplements, IFC's traditional business of financing development projects. IFC continues to grow IFC 1.0 and 2.0 in a strategic fashion, and delivery on these programs remains key to achieve the scale required for the Capital Package commitments. This document outlines how IFC is realigning resources and maximizing internal efficiencies to support overall delivery, as well as presents incremental resource needs critical for the future of IFC 3.0. The FY20 budget request combined with workforce planning efforts will enable IFC to build the bench of staff that can deliver its traditional business as well as implement IFC 3.0.

iii) **Realigning Resources towards Strategic Priorities.** IFC is redirecting resources to focus Regions and countries on ensuring that operations are deeply rooted in country strategies and that program delivery is done in close collaboration with WBG partners, in line with the Cascade approach. Through FY19, Operational staff have been shifted to the Regions while resources dedicated to Corporate support functions are declining in relative and absolute terms. In addition, in FY19, IFC has also launched new Global Upstream Units (GUUs) to dedicate staffing resources and anchor the development and implementation of upstream activities.

iv) **Maximizing Internal Efficiencies.** As detailed in Chapter 3, IFC continues its concerted efforts in fiscal discipline, seeking cost savings, efficiency gains and economies of scale. Under the Capital Package, IFC has committed to find efficiencies between FY19-FY30. The Workforce Planning (WFP) exercise undertaken in FY19 has been an important step in aligning staffing processes with the IFC 3.0 strategy, which has also yielded significant savings to be redeployed to offset the costs. Additional efficiencies are being pursued through internal cost savings, cost recovery measures and real estate, IT, Shared Services Agreements (SSAs), and HR efficiency programs.

v) **For FY20, IFC seeks the approval of an administrative budget increase of 4.2% or US$44.8 million**. As emphasized during the Capital Package negotiations, IFC 3.0 is resource-intensive and will require additional costs, even while achieving efficiency gains. The FY20 budget proposal reflects the following components:

- *Gross Implementation Resource Needs:* Grounded in historical data and IFC's future program targets, IFC's Cost of Doing Business (CODB) analysis shows that it generally costs more to develop new business, originate and supervise investments, and manage risks in core priority areas such as FCS, IDA, Infrastructure, Agribusiness, and Sub-Saharan Africa. This year's budget process has identified US$100.1 million in incremental administrative budget needs.
- *Cost Savings, Tradeoffs and Efficiency Measures:* The largest contributor to internal cost savings in FY20 are the savings from WFP. IFC's annual budget process identified additional internal cost savings and efficiencies, resulting in targeted savings and efficiencies.

- *Net Incremental Resource Needs:* Combined, these measures will help IFC to offset the new resource requirements and optimize existing resources to bolster support for IFC 3.0, as well as grow its traditional business.

vi) This paper begins by describing how the implementation of the IFC 3.0 strategy is underway and showing positive results in order to contextualize the budget proposal. It describes the clear shift in resources to regional and upstream priorities through budget allocations and staffing shifts which shows that, in proportional terms, IFC's non-regional operational budgets and allocations to corporate support functions are declining. The paper then provides a comprehensive review of current cost drivers including the higher costs implicit in the implementation of IFC 3.0. It also highlights Management's efforts to contain budget growth through cost-savings and efficiencies despite the increasing complexity and risk profile of IFC's business, including the need for portfolio supervision enhancements. The paper also provides indicative Total Resources needs. IFC's revised Corporate Scorecard is introduced at the end of the paper as it provides a mechanism to track performance against targets.

vii) Finally, the paper concludes with formal recommendations for approval of the FY20 Administrative Budget of US$1,111.5 million, the Capital Budget of US$59.4 million, and a special initiatives authority of US$5.25 million for IFC InfraVentures.

1 GEARING UP TO DELIVER IFC 3.0 AT SCALE

1.1 In December 2016, the Board endorsed IFC 3.0, an ambitious long-term strategy to develop new and stronger markets for private sector solutions, particularly in IDA countries and Fragile and Conflict-Affected Situations (FCS), and to maintain leadership in mobilizing private sector resources for development. *IFC's Strategy and Business Outlook (SBO) Update FY20-22* provides a comprehensive review of the Corporation's progress in implementing the IFC 3.0 strategy and gearing up to deliver on the ambitious Capital Package commitments. IFC 3.0 does not replace, but supplements, IFC's traditional business of financing development projects – IFC 1.0 and 2.0.

1.2 Over the past three years, IFC 3.0 has moved from theory to practice. IFC is not only launching new tools and approaches but integrating them to change the way that IFC does business, thereby also improving delivery of its traditional business. In particular, IFC:

- has developed a more pro-active country-level approach – by using and sequencing new diagnostics and IFC Country Strategies to improve problem specification, drive program delivery and strengthen WBG Country Partnership Frameworks (CPFs);
- is operationalizing upstream delivery – through new Operations leadership to ensure a greater focus at regional and country level, full integration of Advisory Services into industry departments, new Global Upstream Units with dedicated resources focusing on Upstream and Creating Markets activities; and
- is enhancing WBG collaboration on the Cascade approach both at country level through Maximizing Finance for Development (MFD) pilots, accelerators, joint diagnostics, and an increasing number of joint projects and programs, and through corporate enablers, such as guidance, training, incentives and metrics.

1.3 Going forward, IFC's focus is on amplifying the progress made so far and enhancing efforts in the following key areas: i) institutionalizing the portfolio approach as a key driver of program development and financial sustainability; ii) further embedding WBG collaboration on the Cascade approach, including a comprehensive results measurement framework for MFD that aligns all WBG institutions; iii) continued process and decision-making improvements; and iv) fit-for-purpose staffing and footprint. In addition, improving IFC's development performance is a top priority and several actions are being taken to reverse the decline in Independent Evaluation Group (IEG) ratings for both investment and advisory projects.

1.4 The investment program outlook in the *SBO Update FY20-22* mirrors the targets in the IFC Corporate Scorecard and includes preliminary targets for FY22. IFC is targeted to reach own - account (OA) long-term finance (LTF) commitments of between US$14.4 billion and US$16.0 billion by FY22, with total LTF commitments (i.e. including mobilization) in the range of US$24.9 billion to US$27.5 billion. Program targets are informed by the expectation that the paid-in capital increase agreed by the shareholders in FY18 will begin to be made available during FY20-22 (see Tables 1 and 2).

Table 1: IFC Long-Term Finance and Short-Term Finance Program Targets FY19-22
US$ Billion

	FY16(A)	FY17(A)	FY18(A)	FY19(T)	FY20(T)	FY21(T)	FY22(T)[1]
Total LTF Commitments	18.9	19.3	23.3	20.8 - 21.3	21.2 - 23.4	23.1 - 25.5	24.9 - 27.5
OA LTF Commitments	11.1	11.9	11.6	12.3 - 13.0	12.5 - 13.9	13.5 - 14.9	14.4 - 16.0
Mobilization Commitments	7.7	7.5	11.7	8.0 - 8.8	8.7 - 9.5	9.6 - 10.6	10.5 - 11.5
STF Average Outstanding Portfolio	2.8	3.2	3.4	2.8 - 3.2	2.8 - 3.2	2.8 - 3.2	2.8 - 3.2

Table 2: LTF Commitments by Strategic Focus Area – Share of Own-Account Program

		Share of OA LTF	
Strategic Priority		**FY18 (A)**	**FY22 (T)[2]**
Focus Industries[3] (%)			
Core Infrastructure		19%	20-22%
Agribusiness, Forestry & Fertilizers		9%	11-13%
Financial and Social Inclusion	Health, Education & Life Sciences	6%	6-8%
	Financial Markets	50%	41-43%[4]
Focus Themes[4] (%)			
Climate		34%	33-35%
IDA17+FCS[5]		21%	29-31%
LIC-IDA17 + IDA17-FCS		6%	11-12%
Focus Regions[3] (%)			
South Asia		18%	21-23%
Sub-Saharan Africa		13%	22-25%
Middle East and North Africa		9%	8-10%

1.5 FY19 year-to-date performance has been impacted by operational changes as well as economic slowdown in core markets and is expected to come in below Scorecard targets. Looking ahead, IFC is committed to building a pipeline of creating markets initiatives that are intended to unlock private sector activity, particularly in IDA and FCS countries' markets, over the medium to long term. Although the full impact of the shift to project development (i.e. IFC 3.0) will be demonstrated over time, increased focus on IDA and FCS countries is already in place, with Sub-Saharan Africa representing the largest share of IFC's financing program for the first time in FY18.

[1] FY22 targets are preliminary as the IFC Corporate Scorecard (CSC) only covers FY19-21. Mobilization commitment targets implied.
[2] FY22 targets for CSC themes and projections for regions and industries are derived from preliminary FY22 IFC volume targets.
[3] Commitment shares do not add to 100, as table excludes non-focus areas and focus areas are not mutually exclusive. Industries contribute to thematic goals and are delivered in focus regions.
[4] Reduction in FIG share a result of other focus area increases.
[5] Country listings for IDA17 and IDA17 + FCS are aligned with the classification agreed in the Capital Package and are consistent for FY17-19.

Shifting Resources to Strategic IFC 3.0 Priorities

1.6 The delivery of IFC's ambitious growth trajectory into 2030 requires a greater focus at the regional and country levels. Starting in FY18, IFC has been creating a new organizational delivery model aimed at shifting Management, staff, and program resources closer to the regional and country units and operationalizing Upstream and Creating Markets efforts.

1.7 In FY19, IFC completed the restructuring of its Operations Leadership Team. Two Regional Industry Head positions were upgraded to Director – one for the Middle East & Africa region and the other for the South Asia and East Asia & the Pacific regions. There was also an additional Regional Director position added to Sub-Saharan Africa, resulting in three director positions – Southern Africa, Eastern Africa, and West & Central Africa. In total, fifteen new Directors have been appointed so far in FY19, creating a solid management structure to accommodate a further shift of resources to regions and countries and preparing the institution to absorb new WFP hires. IFC is reviewing its regional and country budget allocation practices to further support the shift in resources.

1.8 This year, IFC is redirecting its existing staff and budgetary resources towards IFC 3.0 strategic regions. IFC has undertaken a significant shift in its Operational resources from Global Industry Departments to Regional Industry Departments and additional shifts are underway. The majority of the new WFP staff to be hired over the next three years will be placed to support priority regions. In line with that, the bulk of the proposed FY20 budget increase, net of the Corporate Overhead needs, will be directed toward supporting regional delivery. All these measures lead to a significant shift in resources towards the Regions, in support of the Country Strategies. Middle East/Africa and Asia/Pacific Regional VPUs will show the highest year-on-year increase, both in absolute terms and in proportion to other regions and units. e.

1.9 Another important development this year was the creation of IFC Global Upstream Units within the Global Industry Departments. The GUUs will be staffed with the most experienced staff to help in IFC 3.0 Creating Markets efforts. Overall staff engagement on upstream activities is expected to grow from 71 FTEs working on Upstream Global Initiatives across IFC in FY18 to 340 FTEs allocating a substantive portion of their time to delivering on Upstream activities by FY21. In line with this staff deployment, the budgetary resources dedicated to upstream activities are projected to increase from US$29 million to US$107 million, showing a deliberate shift of resources.

1.10 Budgetary FY20 shifts are discussed in detail in Chapter 6, which also shows the pro-forma VPU budget allocations for the coming year.

2. RESOURCES NEEDED FOR IFC 3.0 IMPLEMENTATION

2.1 IFC 3.0 is a resource intensive strategy. An understanding of various cost drivers underlying this strategy offers insight into IFC's FY20 budget proposal. To put the resource needs in an operational context, IFC's CODB model provides a useful directional indication of the resources needed to deliver an increasingly complex program, as it is based on the projected commitment and portfolio volumes.

Directional Resource Needs based on Cost of Doing Business (CODB) Methodology

2.2 Because origination costs in IFC's strategic priority areas are higher than IFC's average, successful implementation of IFC 3.0 will be resource-intensive. This is clearly demonstrated by the IFC CODB methodology introduced to the Board for the first time in the FY18 Budget Paper. The CODB approach has been mainstreamed into IFC's budget preparation, to signal directional resource needs based on the program and portfolio projections for the year ahead, and in IFC's reporting to the Board, which will be included in the annually updated CODB factors in IFC's FY19 Q4 Quarterly Budget and Human Resources Report (QBHR).

2.3 The CODB methodology shows that US$1 of resources generates US$38 in total commitments in non-IDA countries, but only US$22 in IDA and US$16 in FCS countries. Furthermore, IFC's FY09-18 return on capital[6] was only 2.5 percent for IDA countries, compared with 7.1 percent for non-IDA countries. By taking into account these input vs output differences, CODB produces a helpful set of Key Performance Indicators (KPI) for gauging IFC's budget sustainability, strategic alignment, and budget efficiency.

2.4 Analysis of IFC's CODB clearly demonstrates that investments in strategic focus areas consume more resources than the IFC average for new business. For example, as shown in Table 3, new investments in Core Infrastructure cost twice the IFC average. In IDA and FCS countries it is 1.1 times, and in the Sub-Saharan Africa region 1.3 times more. The portfolio factor does not exhibit as large a variability as new business given greater predictability of the portfolio management process.

Table 3: IFC Cost of Doing Business for Investment Services

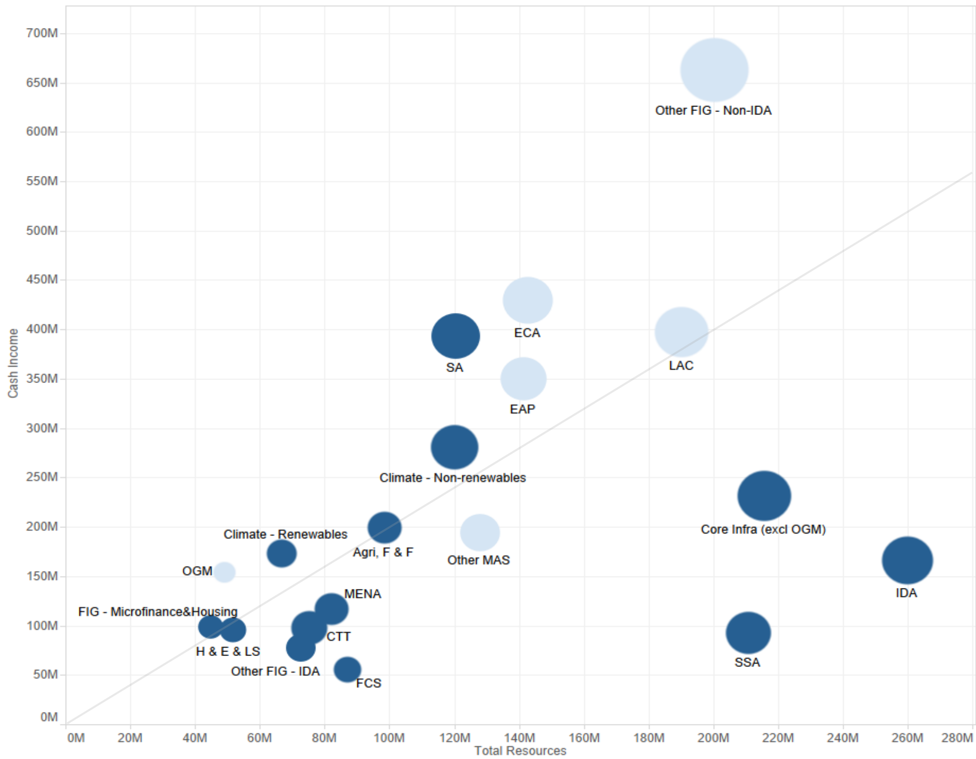
	Factors Influencing Resource Projection FY16-18 Average	
	New Business Factor: US$983k / project	**Portfolio Factor: US$268k / client**
Focus Industries		
Core Infrastructure	2.0x	1.2x
Agribusiness	1.1x	1.0x
Financial Inclusion	0.6x	1.1x
Social Inclusion*	1.0x	0.8x
Focus Themes		
IDA	1.1x	1.0x
FCS	1.1x	0.9x
Climate	0.5x	1.0x
Focus Regions		
Sub-Saharan Africa	1.3x	1.0x
South Asia	0.7x	0.8x
MENA	1.0x	1.0x

*Social Inclusion refers to investments in the Health, Education, and Life Sciences Sectors

[6] RAROC numbers that were reported in FY19 Budget Paper included some Advisory Services costs, as taken from the "Capital Increase" presentations. Advisory Services costs are not included this year, to be consistent with other corporate reports for debt portfolio.

2.5 Figure 1 demonstrates the financial sustainability impact of strategic priority areas to which IFC is continuing to shift resources (dark blue), compared to other areas of impact (light blue). The higher cost consumed by strategic priority areas also demonstrates the need for a portfolio approach to generate more sustainable financial returns from other regions and sectors.

Figure 1: FY18 IFC's Financial Sustainability impact across Sectors and Regions (FY18 Cash Income Compared to Total Resources Deployed in Strategic Areas)



Note: Dark blue circles represent focus regions and themes, while light blue circles show other areas of impact. The size of the bubble represents the size of the committed portfolio. Y-axis measures Cash Income – a profitability measure for Investment Services incorporating all realized revenue and expense drivers. X-axis shows Total Resources deployed for Investment Services. Grey line indicates 2:1 revenue to expense ratio.

2.6 Extrapolating on the CODB factors and expected program targets, with increased investment in focus areas such as IDA and FCS, the total incremental resource needs of implementing IFC 3.0 investment program in FY20 are estimated at US$65 to US$85 million based on IFC's historical data for investment services.

2.7 IFC is currently developing a CODB Methodology for its Advisory Services business line, which will complement IFC's Investment Services CODB approach and present a complete picture of IFC's cost drivers across the entire spectrum of its activities. AS CODB, specifically, will demonstrate the cost dynamics and resource requirements of the early comprehensive engagements associated with Upstream and Creating Markets projects. During FY19, IFC worked on developing and defining the cost allocation methodology for assigning attributable overhead costs to the advisory line of business and, ultimately, all advisory projects.

2.8 Similar to the IS CODB approach, the advisory cost allocation will follow a partial waterfall methodology which assigns the attributable portion of the corporate overheads to the advisory line of business. The result is that the additional overheads allocated to advisory through this waterfall – along with the advisory funded program management and support and general and administrative costs – are then assigned to AS projects with clients and AS Product Development Projects to provide a fully-loaded cost to inform the final CODB metric. This metric can then be expressed at multiple dimensions by: IFC level, strategic priorities, focus areas, and focus regions.

2.9 IFC will take advantage of the full implementation of enhancements to the advisory business model as well as reorganization into industry departments and implementation of the Advisory Services financial principles, all introduced in FY19, to provide a more reflective baseline for the CODB analysis. Once implemented in FY20, IFC will be able to introduce the AS CODB metrics in the FY21 budget paper.

2.10 IFC anticipates that nearly all strategic focus areas will maintain an upward resource trajectory. Furthermore, priority areas will also increase their relative share of resources deployed in FY20, with further shifts likely through FY22. Although resources deployed to strategic focus areas are presented as a range to allow for anticipated program volatility (as per SBO projections), IFC Management is committed to prioritizing resource allocations to these focus areas which often tend to be challenging with longer project gestation periods.

FY20 Budget Process: Total Implementation Resource Needs

2.11 As shown in Table 4, this year's budget process yielded gross incremental resource needs of US$100.1 million. This is slightly above the CODB estimate, as the CODB calculations are based on historical CODB indicators and may not reflect additional costs associated with the escalation in the risks of IFC's engagements in IFC 3.0 strategic geographies and themes. This year, IFC deployed a combination of the centrally-implemented top-down approach and the traditional department-driven bottom-up budget planning. The top-down approach has been applied to determine: i) the organizational staffing needs, after incorporating the outcomes of the WFP exercise; and ii) IFC's corporate overheads, Shared Services Agreements (SSAs) costs and the needs of centrally managed programs. Departmental bottom-up projections presented the estimate of the non-staff cost implementation needs per business line. The results of this approach produce a comprehensive picture of IFC's resource requirements, tradeoffs and cost savings.

Table 4: FY20 Incremental Resource Needs
US$ Million

	Amount
Departmental Resource Needs	50.8
- WFP New hires (Upstream units, GE-GF in the field, etc)	*25.0*
- Risk-control and mitigation measures, capacity building, innovation	*25.8*
of which ESG and Legal support enhancements	*5.5*
Price Factor	23.0
Corporate Overheads Requirements (Incl. Governance, SSA and Facilities operating costs)	26.3
Gross Implementation Resource Needs	**100.1**

2.12 In addition, this approach will inform the FY20 budget allocation exercise, which will focus on re-adjusting existing departmental and VPU base budgets and only then allocating the FY20 administrative budget increase. By re-stating the budget base of operational, investment support and corporate support VPUs and the corresponding departments, the budgets will be redirected toward strategic regional, sectoral, and Upstream and Creating Markets priorities. The pro-forma VPU allocation of FY20 budgets and the discussion of the resource shifts is presented in Chapter 6. The actual budget allocation will be reflected in IFC's FY20 Q1 QBHR.

2.13 In parallel with re-setting its VPU and Departmental budget base, IFC is re-examining the extent to which its fixed expenses are covered from non-administrative budget sources of funds. The objective of this exercise is to rebalance IFC's fixed expenses, starting with staff costs, to more reliable longer-term funding sources, within the administrative budget. This shift will be done gradually, subject to the availability of administrative budget to cover all fixed costs.

2.14 **Departmental Resource Needs: New FY20 WFP Hires.** IFC's program needs will continue to drive its recruitment efforts. Despite the uncertainty of the timing of IFC's capital contributions, IFC plans to begin the recruitment of the first batch of new WFP new hires in FY20, start their onboarding and training, and ensure they are fully ready to be deployed as the program ramps-up. However, it is important to note that the timing of the new capital inflows is a key driver of IFC's ability to implement IFC 3.0.

2.15 IFC's Management is committed to prudently manage its resources, which includes not incurring additional costs too far in advance of their deployment. As such, further hiring needs will be carefully assessed and timed against the work program requirements and the timing of the capital contributions. The cost of the new FY20 hires has been estimated at US$25 million which will be more than offset through savings from the workforce planning exits.

2.16 **Departmental Non-Staff Needs: Risk-control and Mitigation Measures, Innovation, Compliance and Capacity Building.** As part of the FY20 Budget Process, departments identified US$25.8 million in direct non-staff costs related to the identification, monitoring, and early mitigation of the inherently higher risks of the IFC 3.0 interventions, while continuing to grow IFC's traditional business under IFC 1.0 and 2.0.

a. **Environmental, Social and Governance (ESG) and Legal Risk Control and Mitigation Measures and Internal Capacity Building.** IFC continues to assert its role as a leader in ESG work and improving its risk management procedures and strengthening internal capacity to resolve concerns related to Environmental and Social risks to enhance IFC's internal accountability, in particular, following the recent US Supreme Court ruling. Additional will be required to support improvements to ESG monitoring activities, enhance IFC's litigation preparedness and conduct a comprehensive review of the policy and operational frameworks to manage potential increased litigation risk to IFC. Additional resources will be dedicated to improving the quality of portfolio supervision across IFC, including ESG, Legal, Credit and Investment Operations, especially where it relates to complex ESG situations and projects with adverse performance outlook.

   This starts by strengthening IFC's operational procedures to help clarify responsibility and accountability for ESG performance across IFC, including the handling of Compliance Advisor Ombudsman (CAO) compliance investigation reports and related Board engagements. The proposed procedures will explicitly state that primary responsibility for Management responses, Board engagement, and client follow up lies with operational teams. There are also several new requirements, including an independent internal peer review, to ensure proactive handling of the CAO process from the time a complaint is received.

A new complaints response support team is being created in the central ESG group to ensure that operational teams get the support they need to respond to CAO complaints as well as to complaints received outside the formal CAO channel. The response support team will expand guidance materials for operational teams on handling complaints, with emphasis on responses to allegations of reprisals. They will also play a key role in ensuring consistency of IFC responses.

IFC is taking these actions alongside several relevant initiatives, including: i) Corporate Task Force on the Review of Policies and Procedures across IFC; ii) an IAD Audit of IFC's Monitoring of the Environmental and Social Conditions during project supervision; and iii) an external review of IFC/MIGA's ESG accountability, including the CAO's role and effectiveness.

b. **Treasury Product Innovation**. IFC's upstream engagements will require the Corporation to develop new financial products, expand investment platforms, and engage in active innovation. Treasury operations will continue to grow existing mobilization platforms, ramping-up early-stage mobilization pilots, expanding local currency mobilization, and increasing its face-to-face interaction with Clients and investors to build a strong pipeline.

IFC has demonstrated early success in using credit insurance to mobilize global insurance companies into IFC's emerging-market banking portfolio. IFC has also leveraged its broad partner network to bring global banks and impact investors into Clients' bond issues. Additional resources are required to ramp-up these proven pilot programs and continue developing products that engage new investors and support mobilization in a broader range of IFC's debt portfolio.

As IFC has dramatically expanded local-currency lending, IFC Syndications has sought to develop ways for investment partners to provide local currency financing. These mobilization efforts resulted in US$600 million in local currency syndications in FY18, and more than doubled that volume to US$1.5 billion in the first nine months of FY19. As IFC looks to expand efforts to offer local currency parallel loans and related structures into new markets, additional resources will be required to cover legal costs associated with the development of local documentation.

Finally, adaptation of existing legal documentation is required to further expand successful Syndications platforms like the Managed Co-Lending Portfolio Program (MCPP). These adaptations are necessary to keep IFC's "skin in the game" and bring private institutional investors into a wider and evolving set of investment opportunities, including local-currency loans and real-sector lending. The MCPP has already allocated US$6 billion of the US$8 billion raised to date, including the full allocation of MCPP SAFE and 95 percent allocation of MCPP FIG. Maintaining a continuous flow of MCPP funding into emerging project opportunities requires the team to raise additional funding while continuing to manage the deployment of the current funds.

c. **Operational Risk Monitoring and Reporting, Policy Reviews, Credit Enhancements and Compliance.** IFC's operational risk monitoring, reporting and internal preparedness to implement IFC 3.0 investments will be systematized in FY20. These include, among others, improvements to Country Databases to monitor the capital in-flows at the country and regional level; support for expanded Anticipated Impact Measurement and Monitoring (AIMM) portfolio scoring work; additional credit training courses for operational staff, specifically on FCS engagements and to support Investment Officers' understanding of tools and resources available for FCS and IDA countries, completion of Operational Risk Management Framework and industry-specific Governance, Risk Management and Compliance, updates to Operational Policies and Procedures, and development of the Tax Due Diligence tool.

Also, additional resources will be required to address the implications of the transition from LIBOR to a new benchmark interest rate, and to enable this transition through implementing changes in client contracts, market counterpart agreements (e.g. amendments to existing borrowing and swap documents) and in IT systems.

2.17 **Price Factor.** Each fiscal year, IFC Management proposes a nominal budget which includes an adjustment for price changes based on the external price movements. This price factor covers the effects of external price fluctuations on IFC's administrative expenses. IFC follows the same Board-approved methodology as the Bank. The resulting price factor is different for each institution due to differences in cost structures. The corresponding price factor increase for IFC in FY20 is projected at US$23 million.

2.18 **Corporate Overheads Requirement.** FY20 incremental corporate overheads needs include such items as increases in the corporate security costs, Country Office (CO) and Headquarters (HQ) facilities' operating costs, and additional requirements for Governance and the SSAs with the World Bank. Total corporate overheads increase in FY20 across the organization is estimated at US$26.3 million. The main drivers of increases are described below.

a. **Real Estate Operating Expenses and Security Costs.** IFC's real estate costs are projected to increase. The main driver of HQ real estate costs is the new IFC building at 2100 K Street, which was completed in March 2019 and is now fully operational. This new in-house space will allow IFC and other WBG entities to reduce their overall external rent exposure and control future price escalations. Moreover, as the building was designed and built with extra space to accommodate some of the WBG workforce footprint in Washington, D.C., the revenues from the rentals to other WBG entities will help offset the overall cost increase to IFC. These arrangements will be negotiated in FY20 and reflected in the FY21 Budget Paper. The increase in the Country Offices is driven primarily by escalations in rent payments, and service and maintenance contracts.

b. **Facilities and IT Depreciation.** Depreciation of Facilities and IT assets are projected to increase. The increase in Facilities' depreciation is primarily due to depreciation of the new 2100 K Street building. IT depreciation increased as a result of prior years' capital investments.

c. **Cost of WBG-managed Services.** This category includes increases in the WBG SSAs and Governance Costs. IFC anticipates a total increase of US$12 million to US$14 million, of which about US$7 million would be attributable to the costing methodology changes described below and the balance would be attributable to increase in scope of services, for which the actual costs of the service provider will increase commensurably.

   As a follow up to the IAD advisory review of WBG SSAs, the Bank and IFC have been working to develop a new approach to SSAs. This includes a new joint costing methodology and a joint directive on governance arrangements for shared services, both of which will apply to the preparation of SSAs for FY20 onwards. The new joint costing methodology proposal will simplify and make transparent the full cost (direct and indirect) of services borne by each institution – whether providing or receiving a service – and ensure that the full cost recovery is achieved.

Administrative simplification within the proposal allows institutions to spend less time on non-material details while focusing on the content and quality of services provided. The costing rules provide a consistent framework to harmonize the approach for negotiation, development, and management of SSA cost sharing. Having a broad framework will also help minimize time spent each year on negotiation and settlement of SSAs.

The joint directive on governance for shared services, clarifies that all three WBG entities (Bank, IFC, and MIGA) will work as joint partners to optimize costs and promote efficient service delivery. Furthermore, it establishes rules to allow both recipients and providers to withdraw from services, with due notice periods and cost-sharing on withdrawal. The directive on governance also puts in place a time-bound schedule aligned with the W process for the negotiation of all SSAs.

2.19 In summary, IFC's budget process determined that US$100.1 million in incremental resources is needed to achieve the projected FY20 investment program presented in the *FY20-22 SBO Update* with total LTF commitments (i.e. including mobilization) to reach between US$21.2 billion and US$23.4 billion. After applying the effect of the WFP savings, variable cost reductions, cost-offsetting and productivity measures, IT and HR overheads and other savings discussed in Chapter 3, IFC's net implementation resource needs are projected at US$44.8 million.

Table 5: Net Incremental Resources Needs
US$ Million

	Amount
Incremental Implementation Resource Needs	100.1
Less: WFP and other Efficiencies and Savings	(55.3)
Net Incremental Resource Needs	**44.8**
Proposed Administrative Budget Increase	*4.2%*

Workforce Planning

2.20 **Aligning Human Resources with Strategy through Workforce Planning.** IFC launched an extensive Workforce Planning exercise in FY19 to ensure that the right people with the right skills at the right seniority levels are in the right places to support implementation of IFC 3.0 and boost WBG collaboration.

2.21 **Talent Attraction.** To identify and attract the specific skillsets needed from the external market, as well as maintain its focus on diversity, IFC is developing a comprehensive recruitment strategy, including in-house sourcing expertise, outreach plans, and a career-branding campaign. Following the launch of the recruitment effort, IFC will implement an enhanced onboarding program that will support the effectiveness of new hires and improve retention.

Box 1. Targeted recruitment strategy and branding to attract top diverse talent

Diversity and Inclusion are top priorities for IFC and a key area of focus given that a diverse workforce with critical skillset is key in driving the organizational agenda to deliver IFC 3.0. As such, targeted recruitment efforts were implemented globally in FY19 to increase the representation of Sub-Saharan African/Caribbean (SSA/CR) nationals at GF+. The recruitment campaigns and sourcing strategies included:

- Posting of positions in Operations, Economics, Treasury, HR, Budget/Finance, IT, Risk, Legal and Communications based in HQ and all regions
- Partnerships with prominent universities, professional associations and networks in Africa, Europe, the U.S. and the Caribbean
- Advertisements in regional publications and social media campaigns on LinkedIn, Facebook, and Twitter
- Leveraging IFC staff and senior leadership through referrals and identification of internal recruitment advocates
- Recruitment missions to Johannesburg, Nairobi, and Trinidad, as well as an African Leadership Forum in Paris with the presence of IFC leaders
- Development of career branding materials

The planned recruitment of new staff in the next years provides a unique opportunity to further strengthen the diverse profile of IFC's staff. A robust recruitment and branding strategy was developed for this purpose in line with the IFC 3.0 strategy. It includes an expanded regional outreach, strengthening IFC's branding through social media platforms such as LinkedIn and Glassdoor, and leveraging further staff referrals to reduce time to hire and recruitment costs.

2.22 **Aligning Incentives to IFC 3.0 goals.** The successful implementation of IFC 3.0 requires incentives to encourage collaboration and sustained commitment to long term, complex engagements. IFC has already begun to steer its incentives towards IFC 3.0. Following the revamp of IFC's Corporate Scorecard, IFC awards programs also shifted to reward organizational priorities, such as work on Upstream, more proactive work on ES&G, FCS and improving the quality of IFC portfolio supervision on the ground, and to recognize the importance of WBG collaboration to the delivery of IFC's strategy (See Box 2).

2.23 The alignment of incentives is not a one-time effort but requires a multiyear and multipronged approach. The incentive alignment effort includes: i) strengthening the connection between staff's own work and organizational objectives by establishing Creating Markets and the Cascade implementation as shared goals for all VPs and Directors and appropriately cascading these down to all staff, ii) redefining career, learning and developmental opportunities through a renewed career framework for operational staff which includes IFC 3.0 relevant skills, an upstream career track and efforts to incentivize portfolio work; and iii) adjusting further financial (i.e. awards) and non-financial (i.e. recognition approaches) rewards to acknowledge more specifically upstream achievements and the delivery of IFC's strategy.

2.24 **Career Frameworks.** IFC will launch new career frameworks in FY20. The initial focus is on Operations and the Economics and Private Sector Development VPU, the intent is to expand this work across IFC through FY21. The Operations Career Framework emphasizes skills and cumulative experience that can effectively support creating markets, MFD, and IDA/FCS program delivery. Providing additional career opportunities also requires providing more opportunities for staff rotation. There will be a more active management of staff mobility, focusing not only on geographical mobility, but also on career mobility through rotations across functions.

Box 2. IFC Awards recognize WBG collaboration

The FY18 Corporate Awards programs was refocused to recognize strategic achievements, including the introduction of the Top 30 individual's Award category to acknowledge and monetarily reward staff across the WBG for exceptional work demonstrated in low-income IDA and FCS countries, and for contributions toward Creating Markets and implementing the Cascade. IFC awards programs recognize the value of WBG collaboration in implementing IFC's strategy, which resulted in a doubling in the number of awards allocated to IBRD and MIGA staff in FY19. Examples of projects and individuals awarded through the FY18 IFC Corporate Award program:

Team Award (IFC and IBRD): Bonne Viande de Madagascar (Bovima) supports rural herders and farmers to improve incomes by improving veterinary services and developing new road infrastructure. This project is a prime example of the Cascade and Creating Markets in action: identifying what is needed to create a market, drawing upon the World Bank and donors' resources, working with government officials to address institutional gaps and improve capacity to support the sector, and working with a resourceful sponsor to bring about a private sector solution to a development challenge. The project achieved an AIMM score of 100 for expected development impact and contribution to market creation along with a "very strong" potential for market creation.

Individual Top 30 Award (IBRD Staff): An IBRD Program Leader based in Cairo who is a true believer in the need for WBG collaboration for maximum impact. This staff member embodied the letter and spirit of the Joint WB-IFC Implementation Plan and formed a seamless working partnership with the IFC team, which ultimately resulted in closing the largest renewable energy project ever financed by the World Bank Group.

Global Footprint

2.25 IFC's global footprint – 54 percent of staff are in country offices – is a key element of its ability to efficiently and effectively serve clients and deliver on the ambitious goals of IFC 3.0. IFC proactively manages its global footprint, in close collaboration with IBRD, to ensure that its offices continue to support the Corporation's business needs in a cost-efficient manner.

2.26 Given IFC's planned staff growth, a country-by-country review of the global footprint is underway to ensure planned staffing can be accommodated in each location. To support growth within a constrained budget environment, IFC is considering concentrating operations and support functions in regional Hubs which provide easy access to other countries in the regions, and, where necessary, maintain local presence through liaison offices, usually co-located with IBRD. This real estate review is being closely coordinated with the Bank as planning for the joint WBG real estate strategy moves forward. These efforts aim to optimally utilize available space before incurring any cost for additional space. IFC is already co-located with the Bank in 76 percent of its country offices.

2.27 Initial reviews indicate that IFC currently has adequate space for short-term growth in priority regions. It is essential, however, to take a longer-term view of real estate needs given the multi-year lead times required to obtain office space (whether leasing or buying) in many countries. Space needs for every location, including Washington, are being projected as part of the WFP exercise for FY20-22 Once the intended location of staff is known, IFC will be able to cost-out its incremental real estate requirements along with commensurate security costs and make informed recommendations on the administrative and capital budgets needed from FY21 onwards to fund an expanded global footprint.

3. IFC 3.0 Requires Further Efficiency Gains

Commitment to Resource Efficiencies and Productivity Improvements

3.1 IFC has a solid track record of achieving efficiencies. The Corporation has controlled growth in its Administrative Budget through WBG and IFC-specific expenditure control and redeployment measures. In FY18, IFC completed the last year of the WBG-wide Expenditure Review (ER), which began in FY15 to bring about a significant reduction in the WBG's cost base while maintaining its capacity to more efficiently deliver high impact solutions and services to its clients. IFC continues to work with the Bank to promote joint efficiencies in the areas of travel, real estate strategy, procurement negotiation, and WBG SSAs.

3.2 IFC's Budget Coverage Ratio is a key measure of the Corporation's overall budget efficiency. The Budget Coverage Ratio is calculated as the Administrative Budget divided by net loan and fee income. is projected to remain below the target of 85 percent in FY19 and FY20, indicating IFC's intent to efficiently manage its budgetary resources without relying on volatile revenues such as equity income.

Cost Savings and Efficiency Gains

3.3 To maintain its financial sustainability, IFC must make the most of its budgetary resources. To this end, it is continuing its concerted efforts in fiscal discipline, seeking cost savings, efficiency gains, and economies of scale, wherever possible.

3.4 IFC is actively working to implement recommendations from the Internal Audit Department Advisory review of the efficiency agenda. Recommendations include development of an efficiency monitoring framework and expanding the usage of tools and enablers to identify, monitor, and report on initiatives which will drive efficiencies across the World Bank Group. Once in place, a comprehensive efficiency monitoring framework will help promote accountability, define efficiencies, empower people, and establish a strong base for future improvement efforts. The proposed efficiency KPIs include Workforce Productivity, Economies of Scale, Cost Effectiveness, Cost Savings, Costs Avoidance, and Cost Recovery Enhancement.

3.5 IFC has already revised its Corporate Scorecard (see Chapter 7) to include budget efficiency metrics. already well-embedded into IFC's reporting systems and culture.

3.6 Out of the total US$700 million of cost savings over FY19-FY30 that IFC committed to as part of the Capital Package, IFC is expected to deliver up to US$60.5 million by the end of FY19.

3.7 IFC Management will continue to drive for cost savings and efficiency gains to ensure that the institution has enough resources to successfully implement IFC 3.0 and deliver on its Capital Package commitments. In FY20, IFC targets to deliver US$55.3 million of efficiencies to offset the gross incremental budget requests and cost escalations and thereby limit its FY20 Administrative Budget ask from the Board.

3.8 As mentioned in Chapter 2, the largest contributor to Internal Cost Savings in FY20 and FY21 are the savings from the Workforce Planning exits. Additional savings will come from the cost savings and recovery enhancements related to Real Estate and IT. Rental of space to IBRD in the recently completed 2100 K Street offices as well as review of Overhead Allocation Methodology will bring additional revenues which are not yet quantified, since the final amount will depend on several variables unknown at this time.

3.9 **Joint WBG Initiatives.** IFC will continue participation in WBG joint initiatives such as Global Preferred Airlines and Travel card, and automation and simplification of processing (ePayables, Admin Portal). IFC is also considering office ecology decisions, such as maintaining its presence and engagement in small countries through World Bank offices to control costs.

3.10 IFC is also implementing a new Fundraising Accountability and Decision-Making Framework (ADM) framework and AS financial principles to improve management of AS resources.

Process Improvements

3.11 Another way in which IFC achieves efficiencies is by improving its internal processes. IFC has improved the efficiency of its decision-making processes through ADM modifications. For Advisory Services, guidance on project risk tiering has been clarified and approvals have been simplified for Tier 1 projects. These changes were implemented in April 2019 with online training provided to staff.

3.12 Decision making for repeat business has also been streamlined. IFC's Corporate Risk Committee endorsed a framework to simplify the approval process for repeat business with eligible commercial banks. This framework shifts the way IFC evaluates its exposure from a focus on individual projects to a client-focused approach. By removing the concept review stage and replacing the requirement for an Investment Review Meeting with a short memo circulation for projects within approved client envelopes, this new framework is expected to significantly expedite processing. These are examples of tools and procedures that IFC is increasingly using to improve efficiencies and enable staff to scale up delivery and minimize the number of iterations.

3.13 Macroeconomic input at concept review stage has been strengthened through an updated project concept template. To help teams systematically consider the macroeconomic outlook in all investments, IFC enhanced the PDS-Concept template to incorporate a Macroeconomic Overview section. This section includes guidance on key issues that need to be addressed from a macroeconomic standpoint throughout the investment holding period. The Country Macro Forecast Tool has also been updated to include longer term FX forecasts. This will also help bring efficiencies through standardization of document templates and approaches.

Budget Mechanisms

3.14 IFC will continue the use of its Carryover mechanism in line with its originally intended purpose, namely to allow forward planning across the June 30 fiscal year-end. The ability to use some of the budget underrun in one fiscal year towards the needs of the following fiscal year, within the currently defined parameters, will have a positive effect by instilling budget discipline, preventing year-end cost escalations, and promoting a budget efficiency culture across the institution. This ability will be limited to one-off costs that will not constitute a base budget increase in future years. While IFC is not required to request Board approval for future use of the Carryover, it will provide regular resource updates to the Board through the QBHR.

Savings from Implementation of AS Financial Principles

3.15 The AS Deep Dives identified new efficiencies, cost savings, and opportunities to reduce discretionary spending in AS budgets. This led to the development of the new AS Financial Principles which were communicated to the Board in the FY19 Budget Paper and were expected to generate cash savings on non-client variable expenses in Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS).

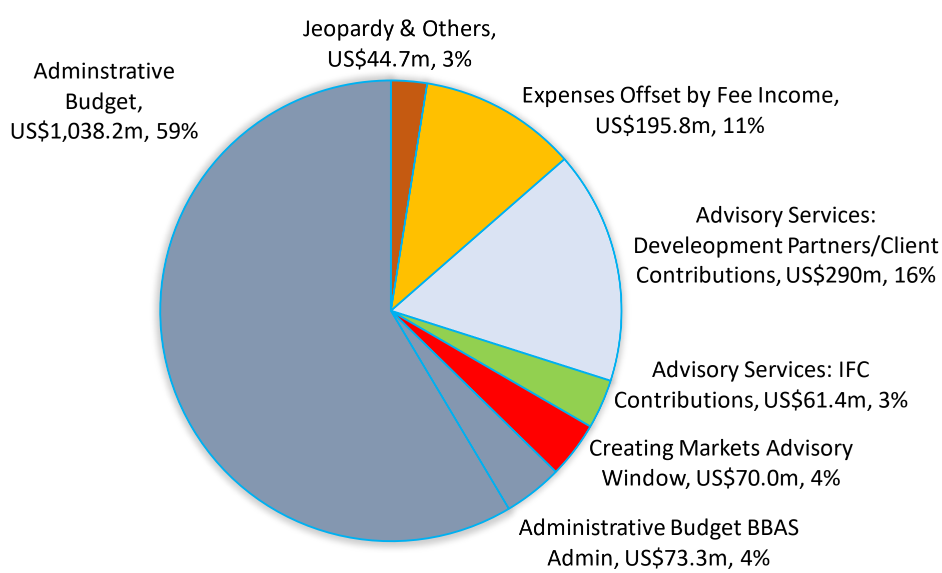
4. FY20 BUDGET DETAILS

Source of Funds View of Total Resources

4.1 IFC's projected Total Resources in FY20 are US$1,773.4 million. IFC's projected FY20 Total Resources view reflects: i) the implementation resource needs identified by departments during the FY20 Budget Process; ii) incremental costs for new junior staff; iii) cost increases towards program development and corporate overheads; iv) price factor increase; and v) cost offsetting measures including savings from staff exits under the voluntary program and efficiencies.

4.2 Figure 2 presents the Total Resources, including the relative portion of each Source of Funds (SOFs) within Total Resources.

Figure 2: FY20 Total Resources



4.3 Table 6 shows the contributions of all sources of funds towards FY20 Total Resources as compared to FY19. IFC's Total Resources are projected to increase from US$1,699.7 million in FY19 to US$1,773.4 million in FY20, a 4.3 percent increase. The main shifts in individual sources of funds, such as Jeopardy Expenses, Development Partners contributions, IFC Asset Management Company Reimbursable and other expenses offset by fee income are addressed later in this chapter.

Table 6: IFC's Total Resources by Source of Funds

US$ Million

	FY19 Restated Budget	FY20 Budget	US$m Change	% Change
Total Administrative Budget	1,066.7	1,111.5	44.8	4.2%
IFC Contributions to Advisory Services (other than admin. budget)	131.0	131.4	0.4	0.3%
Funding Mechanism for Technical Assistance and Advisory Services	45.0	45.0	-	0.0%
Creating Markets Advisory Window	70.0	70.0	-	0.0%
Others	16.0	16.4	0.4	2.5%
Development Partners	240.4	260.0	19.6	8.2%
Client Contribution to Advisory Services	30.0	30.0	-	0.0%
Expenses offset by fee income	201.9	195.8	(6.1)	-3.0%
Client Fees	105.5	100.1	(5.4)	-5.1%
Asset Management Company Reimbursable	25.0	40.8	15.8	63.2%
AMC Project Fees	18.4	12.0	(6.4)	-34.8%
Treasury / Syndications Programs Fees	24.2	17.5	(6.7)	-27.7%
Expenses associated with IFC's Treasury & Portfolio activities	18.4	15.0	(3.4)	-18.5%
Donor Trust Funded Investments (DTFI) Fees	10.4	10.4	-	0.0%
Special Initiatives	14.7	14.7	-	0.0%
Jeopardy Expenses	15.0	30.0	15.0	100.0%
IFC's Total Resources (excluding Carry-forward)	**1,699.7**	**1,773.4**	**73.7**	**4.3%**
of which, Investment, Treasury & Support Services	*1,225.0*	*1,278.7*	*53.7*	*4.4%*
of which, Advisory Services	*474.7*	*494.7*	*20.0*	*4.2%*

Administrative Budget

4.4 IFC Management proposes an FY20 Administrative Budget of US$1,111.5 million which represents an incremental increase of 4.2 percent over the FY19 Administrative Budget. This proposed increase is required to meet IFC's incremental resource needs, net of cost savings and efficiencies, as detailed in Chapter 2.

Advisory Services Sources of Funds

4.5 Advisory Services draws on IFC, Development Partners, and Clients for its funding. This combination of funding sources creates a robust and diversified funding model with enough flexibility for successful implementation of the new AS strategy and delivery of the AS development mandate.

Table 7: Advisory Services Budget by Source of Funds

US$ Million

	FY19	FY20E

	Amount	%	Amount	%
Development Partners	240.4	51	260.0	53
Client Contribution to Advisory Services	30.0	6	30.0	6
IFC All Sources				
FMTAAS	45.0	9	45.0	9
CMAW	70.0	15	70.0	14
AS Administrative Budget	73.3	15	73.3	15
Other IFC Sources	16.0	3	16.4	3
Subtotal IFC	**204.0**	**43**	**204.4**	**41**
Total Advisory Services Budget	**474.7**	**100**	**494.7**	**100**

4.6 **Development Partner and Client Support to Advisory Services and Blended Finance** remains robust and will be critical for implementing IFC 3.0 in key focus areas such as IDA, FCS, Climate, and Gender. It is possible that the IDA19 replenishment (and its associated moratorium on new fundraising with sovereign partners during CY19) will reduce the scale of donor support to IFC in FY20, although strong Development Partner fundraising in FY19 provides some comfort in meeting short-term funding needs for IFC operations and supports the identified US$19.6 million increase in Development Partner funding in Tables 6 and 7.

4.7 As part of WBG trust fund reform, IFC is strengthening the alignment between business strategy and external fundraising. A corporate fundraising plan based on a rigorous funding needs assessment is being introduced to ensure that strategic priorities drive fundraising and to increase discipline around development partner outreach. IFC is also harmonizing its internal trust fund allocation processes and working to enhance the quality of proposals, reporting, and communications.

4.8 Efforts are ongoing to manage and enhance existing Development Partner relationships. To promote long-term financial sustainability, IFC is also seeking to diversify its sources of donor funding by attracting foundations, philanthropic, and other non-traditional partners (all of which are exempt from the IDA moratorium).

4.9 Another source of funding for AS projects is client contributions. IFC's Advisory Services pricing policy uses client contributions first and foremost as a tool to strengthen client ownership and commitment to implementation, as well as to ensure that any subsidy embedded in AS pricing is justified by the public benefit involved. This approach has the additional benefit of further diversifying and strengthening the AS funding model. IFC's client contributions represent around 6 percent of total AS budget mostly generated by financial institutions and Public Private Partnerships.

4.10 **IFC's Direct Contribution to the Funding of Advisory Services** ensures a sustainable backbone for AS Management, the funding of development initiatives beyond those provided by IFC clients and pays for seeding activities in strategic priority areas where Development Partner interest has not materialized yet. The AS Administrative Budget has two components, historical regular AS Administrative Budget and the mainstreamed FMTAAS portion, totaling US$73.3 million in FY19.

4.11 **FMTAAS** is a designation of IFC's retained earnings that supports project-related advisory spending not specifically earmarked for IDA/FCS countries, as well as program management and administration expenses that cannot be directly attributable to project-specific activities or countries.

4.12 As communicated to the Board in the FY19 Budget Paper, FY19 FMTAAS budget distributed to IFC's VPUs was reduced in line with the revised Advisory Services Financial Principles reform. Even though the implementation of the Advisory Services Financial Principles has been proceeding well as of the date of this paper, IFC Management intends to maintain FY20 FMTAAS Budget flat at US$45 million for the coming year. The savings realized in FY19 will be redirected to support the new programs in the non-IDA/FCS markets (not covered from CMAW) and for business and program development activities, as such early-stage engagements may not qualify for CMAW funding even in IDA/FCS markets.

4.13 In FY12, IFC agreed with the Board to shift US$70 million of backbone AS activities from FMTAAS to the AS Administrative Budget. So far, US$42 million of FMTAAS has been mainstreamed, with US$28 million remaining. IFC will continue to review its business model including WFP, look for additional efficiencies and tradeoffs within the AS budgets, without compromising client delivery, before revisiting the question on further mainstreaming.

4.14 **CMAW** funding offers targeted support for enhanced upstream project preparation, client support, and market creation advisory in the target countries. The fund supports efforts to address the complex challenges of creating markets and building a pipeline of bankable private sector projects in IDA and FCS countries.

Fee Budgets

4.15 IFC has a long-established practice of using fees to cover direct out-of-pocket expenses incurred for such project-related expenses as travel, consultants and outside legal counsel. Similarly, clients pay IFC other types of fees, e.g. service, privatization, and mobilization fees, which are used to cover IFC's operational costs (including client-facing and project related work). IFC matches such expenses with fee generation to assess appropriate funding levels and guide spending decisions at the institutional level. Fee Budgets include fee income from investment operations, treasury program, MCPP, fees and reimbursables from AMC and other fees.

4.16 IFC ensures that fee budgets do not exceed the fee collections. As part of the Source of Funds review and the resulting budget reform, which is being implemented this year, IFC will put in place additional control mechanisms to mitigate the risks of the fluctuating fee incomes and ensure that spending against fee budgets remains well below the associated revenue. This includes limiting the percentage of service fees that are used for staff costs and other long-term needs. By using fees to cover variable costs such as travel, consultants, and outside legal counsel, IFC can expand or contract its activities without changing its permanent cost base and have more flexibility in redirecting these resources towards corporate priorities and strategic objectives.

4.17 In line with the above, the AMC Project Fees and Treasury Program Fees have been reduced to address the volatility in the underlying incomes.

Impact of AMC Integration

4.18 Management is proposing to the Board to change the legal status of IFC Asset Management Company (IFC AMC or AMC) from a limited liability company organized under the laws of Delaware to a Vice Presidential Unit or VPU of IFC. Under this proposal, IFC AMC would cease to exist as a wholly-owned subsidiary of IFC organized under the domestic laws of a member state, and would, once implemented, be operated as a division of IFC and therefore be part of an international organization.

4.19 Management's guiding principle in changing IFC AMC's legal status is that the business operating model should remain unchanged with the express purpose of managing third-party investment funds in furtherance of IFC's mission and the interests of investors. To emphasize its ongoing duties to third-parties, Management proposes to maintain IFC AMC's independent investment decision-making with respect to fund investments and robust management of conflicts of interest. The division model offers the optimal structure to implement this guiding principle. It would allow for the continued operation of the IFC AMC business essentially as it has been to date in terms of governance, staff allocated to fund teams, middle office accounting, reporting to its partners, dedicated support for fund operations and legal and compliance functions.

4.20 After the change, IFC AMC will continue to be supported by revenue streams from management fees dedicated to the AMC platform. If the proposal is approved, in FY20 IFC AMC total expenses and corresponding budget will be integrated within IFC's Total Resource View. IFC AMC's revenue will be reported as part of IFC's revenue and tracked separately to allow for continuing reporting to its fund investors. In Table6, the proposed IFC AMC Reimbursables budget is showing the US$15.8 million from FY19 reflecting the proposed integration. This increase takes into consideration the consolidation of IFC AMC direct expenses inclusive of its direct hires, contractual services, travel, overheads and other related expenses.

Jeopardy Budget

4.21 IFC considers projects to be 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. To facilitate the tracking and reporting (and often the reimbursement) of these extraordinary jeopardy expenses, IFC sets up a separate expense account for each jeopardy case. The Board has traditionally recognized jeopardy expenses as being tracked separately from the administrative budget due to the volatility and unpredictability of the jeopardy cases.

4.22 The cases often generate significant out-of-pocket expenses (e.g., travel, consultants, auditors, and legal fees) and can span many years. Given the increasing risk profile of IFC investments, there has been an upward trend in the number and complexity of recovery-related litigations in FY19. Considering the stresses on IFC's portfolio, the upward trend is expected to continue, consuming a larger share of the available US$15 million Jeopardy Budget ceiling, which reduces the headroom which should remain within the Jeopardy Budget to address unpredictable systemic or catastrophic events which could impact the global or regional financial systems, leading to a surge in non-performing investments.

4.23 In addition, IFC anticipates annual litigation costs in proceedings against the.

4.24 To reflect additional legal costs anticipated to be incurred by IFC in the near future and maintain the needed buffer in the Jeopardy Budget for increased litigation, IFC will increase the ceiling of the Jeopardy budget authority.

Special Initiatives Budget (IFC InfraVentures)

4.25 A key constraint to private investments in infrastructure in developing countries is a limited supply of viable infrastructure projects, particularly in IDA countries. To address this concern and to monetize IFC's considerable manpower and financial efforts in making private and PPP infrastructure projects bankable, the Board approved in FY08 the creation of the Global Infrastructure Development Fund, also known as IFC InfraVentures. InfraVentures was established as a five-year fund and was extended for an additional five years in FY19.

4.26 In line with the IFC 3.0 strategy of proactively creating markets and a flow of deals for IFC, the fund was created for the purpose of the early-stage engagements and to increase the pipeline of bankable projects in power, transportation, water and Cities. InfraVentures staff, in integrated teams with their IFC mainstream colleagues, continue to advance project development with their partners as well as generate a pipeline of further projects for the fund to support.

4.27 IFC InfraVentures budget allocation is authorized annually by the Board. In FY19, InfraVentures budget was US$5.25 million. IFC proposes to maintain this level of budget for FY20, which will enable the fund to continue its activities on existing projects.

Cost Category View of Total Resources

4.28 IFC's Total Resources can also be viewed by Cost Category as in Table 8. Salaries and benefits account for the largest share of IFC's total resource usage, followed by short term consultants and temporaries. While salaries and benefits remain the main driver of the total expenses, the share of salary costs is not expected to increase in FY20 due to the savings in WFP exits which will offset the cost of hiring junior staff. Also, the salaries and benefits include the costs of AMC hired staff who will move onto IFC's payroll.

Table8: IFC's Total Resources by Cost Category – Fixed vs Variable
US$ Million

	FY19 Restated Budget		FY20 Budget	
	US$m	% of Total	US$m	% of Total
Fixed Expenses	**1,145.6**	**67.4%**	**1,182.5**	**66.7%**
of which				
Salaries and Benefits (including contributions to SRP, RSBP, PEBP & PCRF)	983.6	57.9%	1,010.1	57.0%
o/w Salaries	522.9	30.8%	540.5	30.5%
o/w Benefits (including pension & variable pay)	460.7	27.1%	469.5	26.5%
Communications and IT	32.9	1.9%	33.7	1.9%
Depreciation Expense	63.9	3.8%	70.9	4.0%
Equipment and Building Expense	65.2	3.8%	67.9	3.8%
Variable Expenses	**554.1**	**32.6%**	**590.9**	**33.3%**
of which				
ST Consultants and Temporaries	156.9	9.2%	161.9	9.1%
Travel, Representation and Hospitality	129.9	7.6%	135.3	7.6%
External Contractual Services	110.8	6.5%	122.9	6.9%
WBG Services and Support Fees	117.0	6.9%	129.8	7.3%
Other Expenses	39.5	2.3%	41.0	2.3%
Total Expenses	**1,699.7**	**100.0%**	**1,773.4**	**100.0%**

5. CAPITAL BUDGET

5.1 IFC's capital budget funds IFC Headquarters (HQ) and Country Office (CO) needs as well as the Information Technology necessary to support IFC's unique business model. The proposed capital budget for FY20 is US$59.4 million. Compared to FY19, the FY20 capital budget request represents a reduction of US$13.8 million in the annual capital budget ask. The proposed capital budget reflects IFC's Management prioritization of business demands for facilities and IT investment, and the resulting impact on the administrative budget through depreciation.

Table 9: The Capital Budget Request
US$ Million

	FY19 Budget	FY20 Budget
Headquarters Facilities	5.4	6.4
Country Office Facilities	4.8	10.0
Information Technology	63.0	43.0
Total	**73.2**	**59.4**

5.2 **Headquarters Facilities.** The HQ facilities portion of the capital budget funds are required for building improvements and other work at the F Building and 2100 K Street building. The scope of work planned for FY20 will consist of:

- F Building infrastructure improvements to include elevator renovation
- Audio-visual equipment and furniture replacements
- 2100 K Street building related projects

5.3 The new 2100 K Street building addition was completed in March 2019. IFC began occupying it in April 2019. The building is not owned by IFC, consequently there has been no Capital Budget request made for its purchase. However, IFC Accounting Policy has determined that to comply with US GAAP, IFC must recognize the building as an owned fixed asset on its books when the building is occupied and therefore should also recognize depreciation during the period of the lease.

5.4 **Country Office Facilities.** CO facilities budget proposal continues to reflect plans for a decentralized global office footprint, with rational and cost-effective growth in the field. CO facilities budget requires additional funding for relocation and construction of the co-located office buildings in Africa and MENA regions.

5.5 In addition, IFC continues to seek savings by moving towards ownership of larger offices instead of leasing in cases where annual administrative expenses can be significantly reduced. Where purchasing real estate has been determined by IFC Management as the appropriate course, IFC's CO real estate purchasing strategy continues to identify individual floor ownership arrangements in quality building locations instead of acquiring land and constructing with inherently higher operating costs.

5.6 The Country Office Buy vs. Lease capital budget approved in prior years provides the ability to significantly reduce IFC's annual administrative expenses, net of depreciation charges, by approximately US$3 million.

5.7 In FY20, IFC will continue to support, in coordination with IBRD, the upgrading of security costs associated with country offices in FCS and medium- and high-risk countries (as defined by WBG Corporate Security) through allocation of capital funds to replace outdated security equipment (e.g. vehicles, communication equipment, visitor scanners, personal protective devices for guards, etc.). In addition, to support IFC's Footprint strategy in these countries, all current and future country office fit-outs and/or purchase/construction projects will continue to benefit from direct security needs assessment reviews by WBG Corporate Security Specialists, to ensure that all appropriate security measures are included in the overall project capital requirements and funding.

5.8 In collaboration with Regional Management teams, IFC continues to evaluate ways to increase the efficiency of its field office presence. These options include consolidating smaller offices, where possible, and transferring staff to different offices.

5.9 **Information Technology**. The FY20 Information Technology capital budget proposal of US$43 million will fund two main categories of investment:

a) *Steady State and Enhancements (41 percent).* These programs ensure the reliability of existing systems by addressing technical obsolescence and increasing the IT capacity required to accommodate IFC's growth. The FY20 capital budget request includes upgrades of existing applications to keep pace with business needs; replacement of PCs that have reached end of warranty; and improvements to technical infrastructure, including communications, for both normal operations and business continuity.

b) *Systems Development (59 percent).* These programs focus on the development of new or enhanced IT solutions to support IFC's lines of business. They include automation of business processes and introduction of new IT capabilities. A few programs are multi-year, others are continuation or completion of programs begun in prior years and some are new investments.

5.10 The planned improvements are focused on:

a) *Client Responsiveness/Business Information:* Enhance client engagement management by creating a one-stop-shop for secure interactions with clients; improve access to knowledge, documents and reports standardizing corporate reporting by identifying key data points across the organization and customizing the reporting views; move to the next generation of analytics management through the construction of a modern data platform using the data lakes approach.

b) *Operational Effectiveness:* Align front-line systems to IFC's operating model, transit the remaining iDesk modules into iPortal, conduct cyclical replenishment of IT Infrastructure, wired and wireless network and PC replenishment.

c) *Managing Risk:* Safeguard IFC's data assets and ensure information is made available to authorized users only through fine-grained access implementation to the next set of IFC priority applications. In addition, multiyear Governance and Compliance related IT investments is being undertaken including: a) assessment and implementation of the Valuation System Replacement to improve accuracy of financial statements and portfolio management, to enable informed decision-making based on robust valuations of all IFC's products and to increase staff productivity by replacing the EPMS VM system with a new valuation system; b) ensure compliance of IFC systems with the New, Current, Expected Credit Loss () standard; c) address the implications of the transition from LIBOR to a new benchmark interest rate and enable this transition through implementing changes in all IT systems and; d) aid the convergence of AMC and core IFC processes through integrated data capture across IT Systems.

5.11 IFC's IT investment plan is in alignment with the WBG IT Strategy, which is anchored in three strategic priorities. The first is to deliver solutions for the business that are fit for purpose, transformative, and secure. The second priority is to provide value for money through selectivity, standardization, reliability, and an optimized IT delivery model. The third priority is to excel at the basics.

5.12 IFC will also benefit from several new WBG-wide IT projects. IFC does not contribute capital budget to these initiatives but instead pays for services with SSAs through the Administrative Budget once the service or solution is in place.

6. SHIFTING RESOURCES TOWARDS STRATEGIC PRIORITIES

6.1 **VPU Allocations.** IFC allocates budgets to VPUs according to strategic needs as outlined in Tables 10 and 11. The pro-forma columns in the tables show an indicative allocation of resources to VPUs. The table reflects: i) integration of IFC AMC as a separate VPU within IFC to demonstrate the proposed change in its legal status; ii) distribution of incremental budget based on FY20 WFP staffing plans; and iii) increased budget allocation to IFC Operations and Operational Support departments, indicating the shift of resources towards IFC 3.0 program implementation.

6.2 The largest share of the budget – and incremental budget increase – is allocated to the IFC Operational Units reporting to Chief Operating Officer (COO). IFC Operations houses both Regional and Global Industry departments. IFC has undertaken a significant shift in resources from Global Industry Departments to Regional Industry Departments and more shifts are underway. In FY19, IFC upgraded many Regional Industry Department leadership positions and added an additional Regional Director position to cover the Sub-Saharan Africa region, indicating its continued focus on strengthening capacity of the units based in the Region. Another important development is the creation of IFC GUUs, within the Global Industry Departments. The GUUs will be staffed with the most experienced staff to help in IFC 3.0 Creating Markets efforts. Also, the majority of the 600 new WFP staff which will be hired over the next three years will support IFC's priority regions. All these measures lead to a significant shift in resources toward Regions, in support of the Country Strategies.

6.3 Operational and Operational Support Departments leading IFC 3.0 implementation will receive the bulk of the incremental budget increase, net of the Corporate Overhead needs. Corporate Support Departments will continue to decline in line with the strategy owing to higher efficiencies.

6.4 Within Operations, Middle East/Africa and Asia/Pacific Regional VPUs show the highest year-on-year increase, both in absolute terms and in proportion to other units. LAC/ECA budget will increase in absolute terms but stay largely flat in relative terms. Combined, FY20 Regional VPUs Total Resources will increase by US$60.2 million, both as a result of reallocation of resources from Global to Regional departments and through allocation of the higher portion of the incremental FY20 increase.

6.5 Global Industry Departments appear under the COO heading in Table 10. These departments will continue to play an important role in maintaining the industry expertise and supporting IFC 3.0 implementation, by housing IFC's global industry specialists and specialized investment staff and hosting the newly established Global Upstream Units. In addition, over 20 percent of the Global Industry staff are located in the field, supporting the Regions. Investment positions within the Global Industry Departments will continue to gradually shift to the strategic priority regions.

Table 10: FY20 Pro-Forma Total Resources Budget, by Organizational Structure

US$ Million

	FY19 Restated Budget		FY20 Pro-forma Budget		Change FY20 vs FY19	
	US$m	% of Total	US$m	% of Total	US$m	%
Chief Operating Officer	**693.6**	**40.8%**	**715.9**	**40.4%**	**22.3**	**3.2%**
Regional VPUs	354.6	20.9%	414.8	23.4%	60.2	17.0%
LAC & ECA	*95.4*	*5.6%*	*102.8*	*5.8%*	*7.4*	*7.8%*
Middle East & Africa	*158.2*	*9.3%*	*191.6*	*10.8%*	*33.5*	*21.2%*
Asia & Pacific	*101.0*	*5.9%*	*120.3*	*6.8%*	*19.3*	*19.1%*
Global Industries, PPP, YP program etc.	339.0	19.9%	301.1	17.0%	(37.9)	-11.2%
IFC-Asset Management Company	25.0	1.5%	40.7	2.3%	15.7	62.9%
IFC Global Practices & CCSAs	117.1	6.9%	124.6	7.0%	7.5	6.4%
Total Operational Departments	**835.7**	**49.2%**	**881.2**	**49.7%**	**45.5**	**5.4%**
Risk & Financial Sustainability	85.7	5.0%	94.8	5.3%	9.1	10.6%
Legal, Compliance, Risk & ESG Sustainability	111.3	6.5%	127.6	7.2%	16.3	14.7%
Economics & Private Sector Development (incl DEC)	84.9	5.0%	84.8	4.8%	(0.1)	-0.1%
Treasury & Syndications	57.9	3.4%	56.4	3.2%	(1.4)	-2.5%
Total Operational Support Departments	**339.8**	**20.0%**	**363.7**	**20.5%**	**23.9**	**7.0%**
Corporate Strategy & Resources	76.7	4.5%	75.3	4.2%	(1.4)	-1.8%
Partnerships, Communication & Outreach	35.5	2.1%	34.2	1.9%	(1.3)	-3.6%
Total Corporate Support Departments	**112.2**	**6.6%**	**109.6**	**6.2%**	**(2.7)**	**-2.4%**
IFC Chief Executive Officer	4.2	0.2%	4.2	0.2%	0.0	1.0%
Corporate Overheads (incl SSA)	370.2	21.8%	372.1	21.0%	1.9	0.5%
Governance Services (incl Anti-Corruption & Fraud, Conflict Resolution & Internal Audit)	8.7	0.5%	12.3	0.7%	3.6	41.4%
Other (Board & Corporate Secretariat, IEG)	28.9	1.7%	30.3	1.7%	1.4	4.8%
Total Resources	**1,699.7**	**100%**	**1,773.4**	**100%**	**73.7**	**4.3%**

Numbers may not add up due to rounding

Table 11: FY20 Pro-Forma Administrative Budget by Organizational Structure

US$ Million

	FY19 Restated Budget		FY20 Pro-forma Budget		Change FY20 vs FY19	
	US$m	% of Total	US$m	% of Total	US$m	%
Chief Operating Officer	**363.3**	**34.1%**	**374.0**	**33.7%**	**10.8**	**3.0%**
Regional VPUs	207.4	19.4%	241.2	21.7%	33.8	16.3%
LAC & ECA	*68.2*	*6.4%*	*70.6*	*6.4%*	*2.5*	*3.6%*
Middle East & Africa	*78.7*	*7.4%*	*96.8*	*8.7%*	*18.1*	*23.0%*
Asia & Pacific	*60.5*	*5.7%*	*73.8*	*6.6%*	*13.2*	*21.8%*
Global Industries, PPP, YP program etc.	155.9	14.6%	132.9	12.0%	(23.0)	-14.7%
IFC Global Practices & CCSAs	16.4	1.5%	17.0	1.5%	0.7	4.1%
Total Operational Departments	**379.6**	**35.6%**	**391.1**	**35.2%**	**11.4**	**3.0%**
Risk & Financial Sustainability	64.7	6.1%	68.8	6.2%	4.1	6.3%
Legal, Compliance, Risk & ESG Sustainability	83.6	7.8%	90.0	8.1%	6.3	7.6%
Economics & Private Sector Development (incl DEC)	55.6	5.2%	55.5	5.0%	(0.1)	-0.2%
Treasury & Syndications	23.2	2.2%	23.8	2.1%	0.6	2.5%
Total Operational Support Departments	**227.1**	**21.3%**	**238.0**	**21.4%**	**10.9**	**4.8%**
Corporate Strategy & Resources	61.7	5.8%	60.3	5.4%	(1.4)	-2.3%
Partnerships, Communication & Outreach	31.3	2.9%	30.1	2.7%	(1.3)	-4.0%
Total Corporate Support Departments	**93.0**	**8.7%**	**90.4**	**8.1%**	**(2.7)**	**-2.9%**
IFC Chief Executive Officer	4.2	0.4%	4.2	0.4%	0.0	1.0%
Corporate Overheads (incl SSA)	325.2	30.5%	345.2	31.1%	20.0	6.2%
Governance Services (incl Anti-Corruption & Fraud, Conflict Resolution & Internal Audit)	8.7	0.8%	12.3	1.1%	3.6	41.4%
Other (Board & Corporate Secretariat, IEG)	28.9	2.7%	30.3	2.7%	1.4	4.8%
Total Administrative Resources	**1,066.7**	**100%**	**1,111.5**	**100%**	**44.8**	**4.2%**

Numbers may not add up due to rounding

6.6 **Shifting Resources to Upstream.** Another important IFC 3.0 milestone was the creation of three IFC Global Upstream Units announced in January 2019. GUUs will anchor and enable upstream initiatives across IFC and will be supported by dedicated Regional Industry staff who will lead the implementation of upstream engagements on the ground, ensuring global and regional know-how is shared and the right enabling environment is created. They will work closely with a network of regional and industry staff for maximum impact and adoption.

6.7 More specifically, IFC's Global Upstream leadership will draw on diagnostic tools to help IFC identify, assess, and prioritize new market creation opportunities. They will also help IFC to link various parts of the market creation process—policy reform, advisory, investment, and mobilization—and to better collaborate across the industries and departments in WBG to implement the Cascade and pursue sustainable private sector solutions, GUUs will play the role of incubator and integrator. By connecting expertise from investment and advisory staff, the Bank Global Practices (GPs), and external partners to projects and initiatives, the units are designed to spot game-changing trends, technologies and business models that can accelerate development impact. They will then disseminate knowledge and experience across the industry group to support adoption of new approaches and best practices.

6.8 IFC Global Upstream leadership will comprise three Global Managers (MAS, FIG, INFRA) and one Regional Manager for Middle East/Africa Infrastructure. This dedicated team will have the right skills-set and expertise to connect global and regional teams and ensure solutions and knowledge flow across the WBG. These reassignments will result in an immediate shift in resources between mainstream and upstream activities.

6.9 Overall staff engagement on upstream activities is expected to grow a substantive portion of their time to delivering on Upstream and Creating Markets activities by FY21.

7. CORPORATE SCORECARD

7.1 IFC's new Corporate Scorecard (CSC), which was shared with the Board in October 2018, is a critical tool for aligning IFC's operations with its strategic goals. The Scorecard has been comprehensively revised to reflect IFC's Capital Package commitments and implementation of IFC 3.0, with the target-setting horizon broadened to three years – the current year and two subsequent years, (FY19-21) for this first iteration – along a trajectory toward meeting its 2030 goals.

7.2 Progress against targets are anchored and tracked across four dimensions:

i. **Development Impact.** Two *ex-ante* measures are drawn from AIMM for new investment projects, targeting both the average AIMM score and percentage of commitments with "Very Strong" potential for market creation. *Ex-post* results currently reflect IEG ratings for investment development outcomes and advisory development effectiveness, with an average *ex post* AIMM score for investments in the portfolio to be developed in FY19.

ii. **Financial Sustainability**. One measure each for debt and equity is included: the risk-adjusted return on capital for IFC's debt portfolio and the total return on IFC's equity portfolio compared to the MSCI Emerging Markets Index.

iii. **Client Delivery.** This has both a program delivery and creating markets component. Program delivery primarily reflects Capital Package commitments, both for IFC's overall program and specific focus areas such as IDA17 + FCS, IDA17-FCS and LIC-IDA17, climate and gender. The Creating Markets component has two indicators for development in FY19, one is related to Upstream and Creating Markets efforts which will monitor Advisory-specific progress, and the other is a Cascade metric to be developed jointly with the Bank and MIGA.

iv. **Efficiency and Diversity.** On efficiency, IFC has added two new metrics to the existing metric of median days from mandate to disbursement - a budget coverage ratio which reflects IFC's administrative budget as a percentage of its net loan and debt security interest and fees, and the amount of efficiency gains. On diversity, the prior metric on the staff diversity index has been replaced with four targets related to female, Part II and Sub-Saharan African and Caribbean staffing.

7.3 The linkage between strategy and delivery is further reinforced by cascading the CSC metrics into KPIs, not only for Operations but also for corporate and support departments to enhance IFC-wide accountability for delivery. IFC also continues to align performance awards with KPIs.

7.4 IFC is increasingly doing business in challenging environments that often require multi-year efforts and pose higher execution risks. Macro-economic and market conditions may also impact the ability to reach targets on an annual basis. While annual performance may not be predictable, the new three-year target horizon reflects IFC's commitment to, and delivery progress on, its long-term commitments agreed to as part of the Capital Package.

7.5 Progress against most scorecard targets will be reported on a quarterly basis in the form of the IFC Operations Report (IOR) to the Board. Savings through efficiency gains and economies of scale will be reported annually on a retroactive basis in the first three years, and on a semiannual basis thereafter.

Table 12: IFC Corporate Scorecard

		Indicators	FY19 Q1-3 Results	FY19 Target	Progress vs. Targets	FY20(E)	FY21(E)	FY19-21 average	FY18 Baseline	FY30 Goal [1]
Development Impact	Ex Ante	Average ex-ante AIMM score of [#] for commitments (Likelihood adjusted) (IS)	63	**56**	**112%**	58	60	58	*55* [2]	..
		[#] percentage of commitments with contribution to Market Creation potential rating of "Very Strong" (IS)	19%	**15%**	**127%**	18%	20%	18%	*10%*	..
	Ex Post	*[Placeholder - Average ex-post AIMM score of [#] for active portfolio projects (IS) [no values yet available; ex-post AIMM scoring of portfolio during FY19]*	*n/a*	**n/a**	**n/a**	..	..	..	..	..
		Satisfactory Development Outcomes of IFC Investment Operations (IEG Rating)	n/a	**45%**	**n/a**	50	55	..	50 [3]	..
		IFC Advisory Services successful development effectiveness rating (IEG Rating)	38%	**40%**	**95%**	42	55	..	49 [3]	..
Financial Sustainability	Financial Sustainability	IFC Debt Portfolio RAROC (%)	8.5%	**8%**	**106%**	8%	8%	8%	*7.5%*	..
		Equity Portfolio Total Return ~ MSCI	Positive	**>0**	**Above**	>0	>0	>0	*0.1%*	..
Client Delivery	Program	Total LTF Commitments (excl. MIGA): O/A + Core Mobilization ($B)	10,098	**20.8-21.3**	**49-47%**	22.3	24.3	22.5	*23.3*	*48B*
		LTF OA Commitments ($B)	4,348	**12.3-13.0**	**35-33%**	13.2	14.2	13.3	*11.6*	*25B*
		IDA-17 + FCS as a % of LTF OA Commitments	24%	**24-26%**	**102-94%**	27%	29%	27%	*21%*	*40%*
		IDA17-FCS & LIC-IDA17 as a % of LTF OA Commitments	7%	**7-8%**	**100-87%**	9%	10.5%	9%	*6%*	*15-20%*
		IDA-17 as a % of LTF OA Commitments	22%	**23-25%**	**95-87%**	25-27%	28%	26%	*20%*	..
		Climate as a % of LTF OA Commitments	31%	**28%**	**110%**	28%	30%	30%	*34%*	*35%*
		IDA-17 LTF Project Count as % of LTF Projects	27%	**33%**	**81%**	33%	35%	34%	*35%*	..
		STF Average Outstanding Portfolio ($B)	3.5	**2.8-3.2**	**123-108%**	2.8-3.2	2.8-3.2	2.8-3.2	*3.4*	..
		IDA PSW Funds Committed ($) *FY21 estimate contingent on PSW renewal ($M)*	54	**825**	**7%**	1107M	..	966M	*68M*	..
		financing metric)	44%	**40%**	**109%**	..	..	40%	*45%*	..
		% share of Women directors nominated on IFC Board Seats	35%	**30%**	**117%**	32%	35%	32%	*26%*	*50%*
		New LTF commitments (O/A + Mob.) ($B) to FIs specifically targeting women ($B)	0.33	**1.0**	**33%**	1.15B	1.32B	1.16B	*686M*	*2.6B*
		Client feedback/satisfaction on IFC IS (% satisfied)	n/a	**85%**	**n/a**	85%	85%	85%	*88%*	..
		Client feedback/satisfaction on IFC AS (% satisfied)	n/a	**85%**	**n/a**	85%	85%	85%	*91%*	..
	Creating Markets	*[Placeholder, Performance indicator for upstream, creating markets efforts – to be developed in FY19]*	*n/a*	**..**	**n/a**	..	..	..	..	..
		[Placeholder, Cascade Metric, To be agreed with IBRD and MIGA and developed in FY19]	*n/a*	**..**	**n/a**	..	..	..	..	..
Efficiency and Diversity	Efficiency	Budget Coverage Ratio (%)	77%	**<85%**	**Below**	<83%	<82%	<83%	*83%*	..
		Efficiency Gains ($M)	n/a	**$60**	**n/a**	$60M	$60M	$60M	..	*(cum.)*
		Mandate to Disbursement (M2D), median days	308	**269**	**88%**	259	249	259	*279*	..
	Diversity [5]	GF+SSA/CR	13.0%	**12.5%**	**104%**	12.5%	12.5%	12.5%	*11.2%*	..
		GF+ Technical Women	47.5%	**47%**	**101%**	48%	50%	48%	*46.7%*	..
		Women Managers	39.8%	**41%**	**97%**	45%	50%	45%	*40.5%*	..
		Part II Managers	40.3%	**41%**	**98%**	46%	50%	46%	*39.5%*	..

(1) FY30 Goals as agreed in the Capital Package.

(2) AIMM Baseline derived from a sample of FY15-17 projects.

(3) IEG baseline, while noted as FY19, reflects a three-year rolling average FY15-17 AS results.

(4) IFC will replace Gender % AS project count with a joint Gender % of AS & IS project count metric starting in FY20, following the introduction of gender flag for investment projects. Once projects are appropriately tagged in FY20, IFC will also introduce a metric "annual financing dedicated to women and women-led SMEs".

(5) WBG Diversity Compact is currently under review. These metrics will be updated once the new compact is finalized.

8. RECOMMENDATIONS

8.1 IFC Management recommends that the Board resolve to approve the following:

A. Administrative Budget Authority

i. An Administrative Budget for FY20 of US$1,111.5 million

B. Capital Budget Authority

ii. A Capital Budget for FY20 of US$59.4 million

C. Special Initiative

iii. Authority to spend an additional US$5.25 million for IFC InfraVentures through FY20.