An encouraging trend is emerging with a growing number of businesses integrating sustainability into the heart of their operations. However, our current global business model is unsustainable. And planetary equilibrium seems to be becoming more distant. Progress towards sustainable development is still neither fast nor deep enough. The urgency of far-reaching action towards sustainable business remains profound, not least to address the key challenges of food insecurity, climate change, inclusive growth, and job creation, especially for women and youth.

IFC continues to play an important part in concretely tackling these challenges by collaborating with private sector clients and partners across the globe. Working with private enterprises in about 100 countries, we use our capital, expertise, and influence to help eliminate extreme poverty and boost shared prosperity. In FY14, we provided more than $22 billion in financing to improve lives in developing countries and tackle the most urgent challenges of development. Within the sustainability sphere, working with over 500 clients, IFC, through its Sustainable Business Advisory (SBA), played critical roles, including: promoting strong environmental, social and governance standards in companies, facilitating investment in clean and efficient technologies, and helping to build productive and inclusive supply chains.

As we look back and reflect on the last fiscal year, we can again see the sizable difference we are making through our expertise and our partnerships. From significantly boosting farmer productivity and incomes with ECOM in Indonesia and Vietnam, to implementing sweeping corporate reforms in Yemen, our footprint drove forward several transformational projects, including in the Bangladeshi garment and textile sector through the introduction of labor and safety standards, which stand to improve the safety of millions of workers, mostly women.

Looking ahead, to unleash further transformational change and to help speed up business-led sustainable and inclusive growth in emerging markets, we are embarking on exciting organizational changes. We have taken the strategic decision to strengthen and better coordinate our Investment and Advisory Services to achieve two interdependent goals: to add more business value to clients and to facilitate greater development impact, as independent evaluations show happens when we get the combination of finance and knowledge right. In this way, we can bring the full weight of our resources to bear to address the kind of critical sustainability challenges facing the world.

We look forward to putting our planet on a more sustainable path, and in the process seizing further opportunities to partner with you – firm in the belief that business is an essential vehicle for delivering a more prosperous, cleaner, and equitable world to the next generation.

Mary Porter Peschka
Acting Director, Advisory Services
Executive Editor: Daniel Crabtree (Head, Strategy and Impact)

Senior Editor: Deborah Horan

Creative Direction and Design: Rikki Campbell Ogden

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**About IFC**

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector.
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Part ONE
MAKING A DIFFERENCE

Key FY14 results recorded by Sustainable Business Advisory

We reduced 1.4 million metric tons of greenhouse gas emissions through the deployment of clean energy technologies and energy efficient technologies. This is the equivalent of taking 292,000 cars off the road.

We trained more than 85,000 farmers in better agricultural and farm management practices.
We helped companies reach **12.7 million people** with affordable off-grid lighting solutions.

We helped clients save an estimated **8.9 million cubic meters of water annually** by adopting resource efficient technologies and sustainable energy practices.

We helped firms adopt new **practices** and **technologies** resulting in investments in excess of **$2.5 billion**.
As of June 30, 2014, SBA had 127 active client-facing projects in 53 countries with a combined value of $242 million. The average size of an SBA project has doubled from $0.9 million four years ago to $1.8 million today, promoting efficiencies of scale. With respect to larger projects in FY14, SBA contributed to 11 of 15 projects IFC defined as "transformational," with engagements in the energy and power sector in Central Asia, Myanmar, Pakistan, Nepal, and Nigeria; in the extractives sector in Mongolia and Guinea; in the agribusiness sector in Mozambique; and in support of apparel manufacturers in Bangladesh.

The portfolio is strategically targeted towards poorer, often fragile, countries. Fifty eight percent of SBA’s portfolio (74 projects with a combined total value of $143 million) had full or partial engagements in the poorest countries.1 Twenty-three projects with a combined total value of $48 million had full or partial activities in eight fragile or conflict-affected states, namely Afghanistan, Bosnia and Herzegovina, Iraq, Liberia, Nepal, Sierra Leone, Solomon Islands, and Yemen. The majority of these projects were focused on the agribusiness sector to support secure and sustainable supply chains. Furthermore, over half of our portfolio is directed at combating climate change, in particularly through clean and efficient energy promotion.

In order to sharpen our client focus, and reach greater efficiency and impact, and as part of a broader IFC organizational refocusing, SBA has streamlined its activities in the following service areas: (i) Agribusiness Advisory (including smallholder productivity, agribusiness standards, irrigation, and community engagement in the agribusiness sector); (ii) Extractives Advisory (strategic community investment in the extractives sector); (iii) Energy and Efficiency (clean energy, resource efficiency, and energy access); (iv) SMEs and Value Chains; (v) Corporate Governance; and (vi) E&S Advisory (environmental and social management systems, and performance standards).

The distribution of SBA projects across the six regions reflects the legacy of our strong presence in East Asia and the Pacific and in Europe and Central Asia, as well as emerging growth in the portfolio in South Asia and in sub-Saharan Africa.

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1 IDA Countries, eligible for funding from the International Development Association, based on GNI per capita below threshold established annually: including fragile and conflict affected situations (FCS)—countries or territories that have either: a) IDA-eligibility with harmonized Country Policy and Institutional Assessment (CPIA) country rating of 3.2 or less (or no CPIA); or b) presence of UN and/or other peace-keeping or peace-building mission during the last three years.
As of June 30, 2014, SBA had 127 active client-facing projects in 53 countries with a combined value of $242 million.
Regional Snapshot

SBA is proud of its global footprint and the impact we make through our clients. During FY14, SBA had more than 300 new client engagements, with strong growth in engagements with clients who also benefit from IFC Investment Services. In a reflection of the world-class offering that SBA provided, more than 90 percent of our clients said they were satisfied with the quality of our services. Here is a snapshot of some of the regional results that we have achieved.

EAST ASIA AND PACIFIC
In Papua New Guinea, IFC supported a successful pilot of solar phone charging and community lighting stations across 24 sites with client Digicel and expanded the roll-out across an additional 400 sites. More than 500,000 people in Papua New Guinea are expected to gain access to improved phone charging, data, and lighting in remote off-grid communities by the end of 2014. The roll-out will also explore expanding the model in three additional countries across the Pacific.

EUROPE AND CENTRAL ASIA
In Belarus, IFC’s work in setting standards for the development of the private sector through promotion of internationally accepted and recognized food safety management systems achieved great results through our Food Safety Improvement Project. In four years, the growth and competitiveness of food producers significantly increased, including through export opportunities, which was a product of improved food safety management practices.

New rules were widely implemented and reached nearly half of Belarusian food companies directly. The food safety control system in Belarus was recognized by the European Union, which approved four dairy companies seeking to import dairy products into the European market. The tools and materials developed by this project are now widely used throughout the region and globally.

MIDDLE EAST AND NORTH AFRICA
In Yemen, IFC’s work in corporate governance, encompassing the regulator, groups of companies, intermediaries, and individual firms, achieved excellent results. Market standards were improved as a result of engaging with more than 582 company representatives and other stakeholders through workshops and training events. In particular, this project helped 23 companies implement changes, with 18 of those improving their performance. The impact was manifested by $15.5 million in financing being raised by 10 of these companies, directly as a result of their improved corporate governance practices.
LATIN AMERICA AND THE CARIBBEAN

In Peru, IFC worked with mining client Minera Yanacocha to strengthen its community relations strategy with the Cajamaarca region. Leveraging our expertise and global experience, SBA shared tools, lessons, and international best practices. By undertaking a thorough diagnostic and tailoring workshop to address the company’s specific needs relating to Corporate Social Responsibility (CSR), IFC was able to provide concrete recommendations that were adopted and led to adjustments in the CSR strategy; Minera Yanacocha now supports community projects relating to water, education, and agriculture.

SOUTH ASIA

In India, IFC partnered with four companies of the Tata Group to develop a corporate water sustainability roadmap and promote sustainable water use through the companies’ eleven plants across the country. In particular, this roadmap focused on a strategic plan for the companies to account for water consumption and pollution inside plants and in the supply chains, assess the sustainability, efficiency, and equity of that water consumption and pollution, and identify and implement response strategies to mitigate their water footprint. To date more than 3.96 million metric tons of water have been saved and cost savings as a result of implementation of response strategies amount to $1.1 million.

SUB-SAHARAN AFRICA

In Kenya, IFC partnered with ECOM Agroindustrial Corporation to increase productivity and improve the quality of coffee at seven cooperatives. More specifically, 17,000 smallholder farmers, including nearly 2,500 women (45 percent of all registered female farmers), were trained on best farming practices by 350 promoter farmers whose capacity has been built with IFC support. As a result of the training, the average yield per bush nearly doubled from 1.59 kg in financial year 2011 to 3.88 kg in financial year 2013 among farmers who have adopted improved farming methods. Coffee quality also improved: in financial year 2013, 70 percent of the coffee produced was of the highest quality (grades AA and AB), against only 55 percent in financial year 2011. Since the beginning of the program, farmers have seen their revenues increased by 12 percent, despite a 24 percent drop in coffee prices from FY12 to FY13.
WHERE WE WORK

**Europe and Central Asia**
*Active Clients in FY14: 146*
*Total Portfolio Value of $55.7 million, with the main focus on energy and efficiency*

**Latin America and the Caribbean**
*Active Clients in FY14: 22*
*Total Portfolio Value of $16.9 million, with the largest portion of the portfolio in the extractives sector*

**Sub-Saharan Africa**
*Active Clients in FY14: 128*
*Total Portfolio Value of $30.7 million, with a focus on SMEs and supply chains, agribusiness sector, and energy and efficiency*
EAST ASIA AND THE PACIFIC
ACTIVE CLIENTS IN FY14: 68
TOTAL PORTFOLIO VALUE OF
$49.4 million,
with the largest programs in the agribusiness sector

MIDDLE EAST AND NORTH AFRICA
ACTIVE CLIENTS IN FY14: 76
TOTAL PORTFOLIO VALUE OF
$24.8 million,
focusing on SMEs and supply chains, and energy and efficiency

SOUTH ASIA
ACTIVE CLIENTS IN FY14: 110
TOTAL PORTFOLIO VALUE OF
$36.5 million,
with a focus on SMEs and supply chains, and energy and efficiency
Part ONE

The continuation of economic growth in developing countries cannot be taken for granted. For the benefits of such growth—as well as this growth process itself—are being threatened by a number of sustainability challenges, many of which are intensifying in force. Everyday an additional 210,000 people join our human family, accelerating competition for the planet’s life support systems of food, water, and energy on which humanity depends; by 2030, we expect to need at least 50 percent more food, 45 percent more energy, and 30 percent more water, all at a time when environmental constraints present new limits to supply. Just as the severe pressure on these natural resource supplies is unprecedented, so too is the pressure to find new ways to conserve them, promote their most efficient use, and replace non-renewable resources with renewable ones wherever possible. Such aggressive efforts are vital to ensuring that the lifeblood of our integrated global economy is protected and maintained, while mitigating new challenges to the preservation of international peace and security.

This reality underscores the importance of efforts by IFC to create more business value and drive sustainable and inclusive growth. For our clients, it is essential that they understand financial, economic, environmental, and social inter-linkages, as well as the key role that they play as actors in helping to transform markets. In addition to the overwhelming moral imperative, pragmatism lies at the heart of business in helping to achieve sustainable development: business does better when the world does better (and vice versa). Sustainability touches the bottom line; market turbulences, social deprivations or ecological destruction can have material impacts throughout the value chain, affect capital flows, shape public perception and therefore brand reputation, and affect the acquisition of high-quality staff and employee productivity.

An encouraging dynamic is continuing to arise with an increasing number of companies integrating sustainability into the heart of their operations. In our world of scarce resources, such companies are rapidly considering their total return not just on assets and equity, but on resources. Compared to just a decade ago, they are calculating this equation into the heart of their business strategies, realizing it is possible to innovate to meet society’s needs and build a profitable business. Achieving these goals simultaneously—the cornerstone of the ‘creating shared value’ concept—represents the next competitive frontier for firms where sustainability is not a burden to their bottom line, but rather a necessity.

Clients of IFC continue to find themselves in positions of long-term strength through new growth markets, new opportunities for staying cost-competitive (such as through conserving water and energy and eliminating waste), increased labor productivity, and new product and service innovation, giving them a competitive edge.
In turn, they are increasingly aware of the need to earn, as well as maintain, a social license to operate in order to remain profitable over the long-term; this is occurring against the backdrop of increasing expectations from stakeholders that businesses should manage their societal impacts, including on labor standards and the environment.

Yet even though markets are expanding, mobility is increasing, and the private sector is becoming ever more international in nature. Business as a force for sustainable development is yet to be properly harnessed. The international business community must adopt a sense of urgency regarding the need to shift unsustainable patterns of consumption and production and to project and manage the natural resource base on which economic and development rely. It is vital that we focus on innovative businesses that drive corporate and investor success, and deliver societal value—such as lifting people out of poverty by creating quality jobs, especially for women and youth, and developing green products and processes.

In FY14 we were guided by our belief that incorporating best private-sector solutions are vital for creating a world free of poverty and economic exclusion. Our strategic focus areas were aligned with key corporate priorities, including agribusiness and the food supply chain, especially in sub-Saharan Africa, SMEs and jobs, fragile and conflict situations, strengthening engagement in South Asia, given that 36 percent of its population is still living below the $1.25 a day poverty line, and climate change, which is not just an environmental challenge, but a fundamental threat to economic development.

We have also sought to engage more deeply with clients and achieve greater impact through transformational projects leveraging the strength of Investment and Advisory Services. For example, in November IFC launched the Global Trade Supplier Finance (GTSF) program in Bangladesh jointly with Investment Services. The GTSF is designed to provide short-term financing to suppliers and small- and medium-sized exporters, helping to address a huge shortfall in supply chain finance and paving the way for small factory building improvements. We are concentrating our efforts now on helping to attract and onboard suppliers to the GTSF program, targeting three big brands, which source approximately $4 billion from Bangladesh and impact one million workers and 300 factories.

To achieve greater effectiveness in advancing the World Bank Group’s twin goals of ending extreme poverty by 2030 and boosting shared prosperity by lifting the incomes of the bottom 40 percent of earners, the WBG is making some important organizational changes. These organizational changes present IFC with a unique opportunity to increase the Corporation’s impact through collaboration and scale. Collective action can deliver significant multiplier effects, resulting in wider and more sustainable outcomes, far beyond what a single business can achieve acting alone. At the same time, enabling individual companies to innovate and to facilitate with others replication of success is an important role of IFC. In this context, we will continue to seek out opportunities to help individual firms through the most relevant combination of knowledge and financial support.

However, the full potential of business to advance inclusive and sustainable growth will only occur if the right enabling environment and the right incentives are in place. A cornerstone of the organizational changes occurring within the World Bank Group is ensuring that IFC works even more closely with the World Bank Group Global Practices. This is imperative to ensure that supportive policy frameworks by national governments are put in place. Business wants, and needs, a level playing field and to be connected to major markets, as well as a smart regulatory framework that makes it easy for them to start and operate a business.

Driving partnerships is and will continue to be of paramount importance. The need for sustainability calls upon the international community to actively pursue deeper collaboration between governments, business, and civil society. IFC continues to be a loud, clear, and coherent voice for advancing the sustainable development agenda, highlighting those sweet spots for business at the intersection of economic development, social inclusion, and environmental protection. Opportunities exist to develop new products, services, and business models, which help solve today’s pressing challenges, particularly those associated with “base of the pyramid” endeavors. The need to upgrade partnerships and collective action will continue to guide our work; we owe nothing less to ourselves, to future generations, and to Earth itself.
DRIVING THE PRINCIPLE OF ‘SHARED VALUE’

The foundation of SBA is built on the concept of ‘shared value’ pioneered by Professor Michael Porter from the Harvard Business School.

In October 2013, Professor Porter came to IFC Headquarters in Washington, D.C. to elaborate further on this concept and to impress upon the importance of driving shared value over the next quarter of a century. “Shared value is where you address a society or environmental problem with a business model, and do it at a profit,” Professor Porter said.

For SBA, the economic value generated by our clients improves the communities in which they operate, and not at the expense of them. This principle recognizes that economic and social value co-exist. The societal benefits that emerge as a consequence of the firm’s very existence address human needs, spanning the well-being of customers and the viability of key suppliers to the natural resources vital to their business. Such benefit must also be inclusive, where all people benefit from the proceeds of prosperity and in which even the poorest have access to opportunities and markets.

Professor Porter acknowledged that many businesses consider socially responsible practices antithetical to maximizing shareholder value. But he disputed the notion that there is an inherent trade-off between profitability and development impact. He cited several examples of successful enterprises that are meeting key human needs affordably, in priority sectors such as health care, housing, water, nutrition, and others.

This esteemed global authority on strategy and business said private companies increasingly see the public sector and civil society organizations as potential allies in their success, with the encouragement of the World Bank Group. “There is a fundamental alignment between good business productivity and moving the needle on many societal needs,” Professor Porter said.

At this event, Jim Kim, the President of the World Bank Group, said the concept of shared value will be critical to the Bank Group’s twin goals of ending extreme poverty by 2030 and boosting shared prosperity for the bottom 40 percent of the population in developing countries. He said the development community has much to learn from the private sector about successful execution, value creation, and the ability to scale up good ideas. He saw many opportunities for a “win-win-win” on three fronts: meeting development needs, with profitable business solutions that reach large numbers of people.

The shared value approach involves a deep appreciation of societal needs, a greater understanding of the basis of company productivity, and the ability to collaborate across profit-nonprofit boundaries. It puts societal issues at the core of business activity, not at the periphery, with firms properly conceiving the intersection between society and corporate performance.
Scaling Up Impact

To transform markets, IFC works to achieve sector-wide or industry-wide impact. As such, our projects are built around interventions that are can be replicated. Such approaches focus building market capacity through the introduction of critical knowledge, promoting broadly usable industry standards, and supporting individual firms by addressing first-mover risk.

Our efforts are centered on raising awareness of commercially viable solutions for sustainable and inclusive business practices or technologies. While most firms are aware of risks related to environmental performance or non-inclusive business practices, many are unaware of tools to address these risks and ways to turn them into commercially valuable market advantages. IFC projects focus on industries with high environmental or social relevance and work with individual firms to analyze and understand firm-level gaps and exposures to risk that can be translated into opportunities. We also work with industry partners to disseminate relevant information and best-practice tools. Services include, for instance, working with groups of companies in extractives sectors to enhance the commercial value of investments in their communities, working with financial institutions to increase their business with women entrepreneurs, or working with both to improve corporate governance structures to address non-financial and financial risk management and attract global capital.

In order to build market capacity by enhancing the broad uptake of environmentally or socially relevant business practices or technologies, our teams create tools that can be used by local partners in multiple contexts and industries with firm-level engagement. To this end, practical research may be supported where the insights gained and tools developed can be used to change business behaviors. For instance, our projects build the capacity of local consulting firms and Institutes of Directors to advise on corporate governance best practice. They introduce resource efficiency tools to local engineering companies, enabling them to provide related advisory services to the local market, or make the SME Toolkit available to local capacity-building partners. They train local groups of business trainers in methodologies to interactively engage SME entrepreneurs on key management topics.

Globalization puts even greater emphasis on our work to promote broadly usable industry standards. Broad deployment of a specific business practice or technology often requires the existence
of verifiable market standards and the availability of standards-based best practices. This is true with regard to sustainable sourcing (agricultural commodities sourced from farmers using sustainable land management practices; textiles sourced from SMEs using decent labor standards for their employees) or with regard to new “green” technologies in consumer markets (e.g. for efficient lighting or solar lighting, consumers in particular in developing countries need to be able to trust product quality to make investment decisions). Where such standards are lacking, IFC projects support their development, as well as their testing and broad uptake, working with producers, buyers, and intermediaries.

The need to support individual firms through addressing first-mover risk is critical to achieving behavioral and investment changes at the sector level. Identifying and working with first movers who can set an example, and based on whose experience other firms can follow, is an important part of many projects. Even where environmentally and socially relevant business practices and technologies may make immediate financial sense, resulting in operational savings or increased market success, most businesses are risk-averse and prefer not to be a first mover. Where transactions do not occur because the risks perceived are too high or because there is simply not enough knowledge and experience available in terms of the “how to,” our projects work with individual firms with the specific purpose to demonstrate commercial value while also making available practical experience on how to handle implementation risks. A good example is the work with industries reliant on fossil fuels to promote uptake of clean energy solutions.

Across the board our projects take a systematic and specific focus on the role of women—as entrepreneurs, staff, or clients and customers—in order to enhance the development impact of the advisory interventions, noting the important and under-invested-in role that women tend to play in the private sector. Specific targets are being set in particular for advisory efforts in sectors with high shares of women entrepreneurs or employees, such as agribusiness and selected sub-sectors in manufacturing.

While many businesses are aware of environmental-, social- or governance-related risks and opportunities, awareness of tools to address these and turn them into commercially valuable market advantages is lacking. Going forward our projects will continue to focus on sectors with high environmental or social relevance, work with firms to analyze and understand firm-level gaps and exposures that can be translated into opportunities, and then develop and disseminate relevant information and best-practice tools in this regard.
Part TWO
Agribusiness

To eliminate food insecurity by 2050, it is expected that we will need to adequately feed 9.3 billion people. That is an additional 2 billion more people than we need to feed today—all at a time when there are 875 million people suffering from chronic hunger. Ensuring a food secure world by the middle of this century will require raising global food production by 70 percent. This unprecedented challenge is complicated further by the constraints on agricultural production caused by increasing demand and growing competition for natural resources, as well as environmental degradation and the effects of climate change. Raising yields and improving agriculture’s resilience to climate change are important actions needed both for sustainable global food security and to raise the income of rural people in the world’s poorest countries.

IFC seeks to promote development of a sustainable and more productive agribusiness sector by working to enhance food security, promote inclusive development, and support environmental and social sustainability. Our goal is to help ensure that farmers are able to sustainably produce more food, minimize impacts on the environment, and provide farmers with the tools they need to adapt to the changing climate.

IFC believes that water, land, animal protein, urbanization, small farmers, nutrition, and innovation are thematic areas where we can play an active role in overcoming many global agribusiness challenges. We combine Advisory and Investment services to help the private sector address the world’s soaring demand for food in an environmentally sustainable and socially inclusive way. From production to distribution and consumption, business has a vital role to play. We help farmers sustainably cultivate land, make best use of water, and as urbanization continues, work to support efficient supply chains to bring food to cities. We work with companies in the agribusiness sector to strengthen their supply chain, adopt environmental, social, and governance practices, and apply technologies that create a competitive edge.

We partner with trading companies and financial intermediaries to reach small farmers and rural enterprises with effective financial and advisory services. We also manage the private sector window of the Global Agriculture and Food Security Program (GAFSP) to strengthen links between small farmers and agribusiness companies.

**ACCOMPLISHMENTS IN FISCAL YEAR 2014**

In FY14, IFC’s Agribusiness Advisory Services supported 85,000 farmers by pursuing a sustainable approach to increase farmer productivity, enhance resilience to climate change, and use water more efficiently. We brought innovation to the heart of our operations. Our work with Bayer Crop Sciences in Ukraine brought pioneering technologies and high-tech solutions to small farmers, including sustainable farm management practices, remote crop-sensing technologies, and precision farming practices.
In FY14 IFC launched the first pilot program on climate resilience in Nepal. The project pioneered a partnership with three leading agribusiness companies to encourage water-use efficiency practices and new irrigation technologies, such as gated pipes for 15,000 farmers in maize, rice, and sugar as a means to improve their resilience and increase farmer production. One of the participating companies in the advisory program became IFC’s first agribusiness investment in Nepal.

In FY14, IFC collaborated with ECOM, a global coffee trader in Kenya, to reach over 17,000 farmers to increase their productivity and incomes. This project is also supporting the development of new training tools and approaches to strengthen farmer cooperatives to give them the business and financial management practices to attract loans from commercial banks.

Also in FY14, Urozhay, a subsidiary of the Ukrainian poultry company MHP, completed implementation of the Integrated Farm Assurance Standard for Grain with IFC support. Furthermore, it has requested IFC to provide follow up advisory in order to prepare for scheme certification, which is planned for FY15. By implementing the program, the company will decrease food and worker safety risks while improving sustainable land management and optimizing chemical usage. Urozhay is engaged in the cultivation of maize, sunflower, wheat, barley, peas, canola, and soybeans, which are subsequently used for the production of animal feed for MHP production of poultry and livestock. Urozhay has 16 branches and farming operations on 77,000 hectares. With the help of the program’s advisory, the company will certify its head office and one branch, which cultivates 3,500 hectares.

IFC is also deepening its engagement with the Food and Agriculture Organization (FAO) to identify priority countries in Africa for efficient irrigation investments and advisory services. Key to this analysis is to identify the crops that provide the payback on efficient irrigation investments and therein create investment opportunities for IFC and GAFSP. Initial analysis has identified the following five countries for deeper on-the-ground analysis: Ghana, Senegal, Kenya, Ethiopia, and Zambia.

**LESSONS LEARNED**

According to the FAO, if women had the same access to productive resources as men, their yields would increase by 20 to 30 percent over current yield levels. Female farmers in low-income countries are a major untapped force in agriculture. It is important to ensure that women farmers are targeted in training by providing the enabling environment—such as the timing of classes and provision of women trainers—for them to attend training courses, while also ensuring that the training provided is gender sensitive. To that end, IFC is looking to gain an improved understanding of successful gender opportunities in agriculture by developing a diagnostic tool on gender in the supply chain as a means to develop relevant training modules to be used to increase the number of women in value chains, as well as their impact and productivity.

In industries with weak supply chains, aggregating smallholder farmers into groups is both critical and challenging for agribusinesses seeking to build efficient supply chains. Aggregation is critical because agribusiness companies cannot deal one-on-one with thousands of dispersed farmers, each producing small volumes. Although farmers may be grouped into producer organizations or cooperatives, IFC has noted that most farmer organizations are weak, which creates difficulties in linking them to formal supply chains. IFC is building its knowledge and links to external organizations with whom IFC can partner to strengthen farmer organizations. This is a critical component in regions such as Africa, where production opportunities exist, but could be strengthened through aggregation.

**STRATEGIC ORIENTATION**

In FY15, IFC will strengthen our work linked to supply chains of agribusiness investment clients as a means to improve development impact. Working with companies, we will support smallholder farmers to increase productivity, improve quality, and create systems for traceability and direct sourcing. We will reduce negative impacts on the environment by improving water efficiency and better management of inputs, while also improving resource efficiency in food processing. We will support farmer resilience to climate change and support sustainable agriculture by supporting farmers seeking to comply with recognized environmental and social standards.

Our focus in FY15 will continue to implement our work program in East Asia and the Pacific and sub-Saharan Africa, and look to grow our portfolio in South Asia, so as to promote growth in regions that have the largest number of poor people. In 2015, we will use our ‘One’ World Bank Group approach to leverage expertise in different regions, and mobilize staff according to areas of expertise. We also plan to leverage the World Bank Group resources to provide the best and most relevant advice to our clients, focusing specifically on improving the enabling environment for sustainable agribusiness.
IMPROVING THE PRODUCTIVITY OF SUGAR FARMERS IN INDIA

In India, more than 50 million farmers depend on sugarcane cultivation for their livelihood. While some states in India have a high farm yield of more than 100 tons per hectare, the four million farmers in the low-income state of Uttar Pradesh produce only around 50-55 tons per hectare on average, resulting in reduced incomes from sugarcane cultivation. DCM Shriram Consolidated Ltd. (DSCL Sugar), an IFC investment client, is the fifth largest sugar company in India, and one of the major sugar producers in the state, with four sugar plants and more than 150,000 farmers in its supply chain.

DSCL Sugar is under pressure to increase the productivity of farmers in its supply chain. Current capacity utilization is low and if it falls any lower, it will hurt the company’s profits. In the past, measures undertaken by the company to enhance productivity had limited success because the programs were fragmented rather than holistic in their approach.

IFC helped farmers increase their productivity by bringing in experts in growing sugar in India’s climate and by training farmers in advanced farming practices related to seed management, soil improvement, water usage, planting, monitoring, and reporting. These practices were incorporated into a training manual for DSCL Sugar and an easy reference pictorial flipchart for farmers that demonstrates farming practices to be followed during each month of the crop cycle. After two years, trained farmers obtained sugar cane yields that were higher by over 79 percent than those who were not trained.

Initially, 2,000 farmers received training, and this number has grown to 17,769. IFC plans to expand the project to reach 50,000 farmers in DSCL Sugar’s supply chain. Following this expansion, DSCL Sugar plans to replicate the training to reach all 150,000 farmers in its supply chain. Four other Indian sugar companies also plan to replicate the training to reach more than 200,000 farmers.
Across the globe, oil, gas, and mining companies invest billions in local communities, contributing to local development through employment, local supply chains, taxes paid, and voluntary programs to improve the lives of people in host communities. Nearly half of sub-Saharan Africa’s population lives in countries rich in oil, gas or hard mineral resources, and these countries account for some 70 percent of Africa’s gross domestic product and receive the bulk of foreign direct investment.

IFC is committed to enhancing the capacity of oil, gas, and mining companies to engage effectively with communities and other stakeholders to mitigate risks, promote strategies to ensure tangible benefit sharing and secure the social license to operate. We work with firms to improve the quality and effectiveness of their community engagement and sustainability investments to boost shared prosperity, increase productivity, and reduce poverty.

**ACCOMPLISHMENTS IN FISCAL YEAR 2014**

In FY14, the Strategic Community Investment (SCI) team partnered with IFC clients in extractives, forestry, and agriculture providing firm-level and, in specific cases, sector-level support to enhance benefits to communities.

IFC continued to implement local supplier development programs, working with large-scale investment clients in Guinea, Ghana, and Mozambique to strengthen and localize their supply chains to reach wider segments of small and medium enterprises (SMEs). We enable our clients to maximize the socioeconomic benefits to local communities impacted by extractive operations by increasing income and employment opportunities through local SME participation in the extractives supply chain as well as the broader value chain. In FY14 this approach is being applied in fragile and conflict-affected states such as Liberia through partnerships with more junior companies.

IFC worked with key extractives clients in FY14 to improve management of revenue for the increased benefit of affected communities. We signed a new cooperation agreement in Colombia with Ecopetrol, the country’s largest company, and the Colombian School of Public Administration (ESAP), to enable both the company and Colombian municipalities to plan more efficiently how they spend oil revenues to improve infrastructure and social services. We also developed the Apurimac Region Revenue Management program, part of the World Bank Group’s transformational initiative with the Government of Peru. Over the next few years, approximately 20 percent of mining investment in Peru is expected to occur in Apurimac so this initiative will help prepare municipalities to harness such investment into positive development outcomes.

IFC continues to enhance the Financial Valuation Tool for Sustainability Investments (FV Tool), which helps companies articulate the business value and calculate the return on their sustainability investments. In FY14 we saw an increased interest from large footprint companies to use the FV Tool for aligning their business needs with priority community investment projects.
Current applications are being developed with Pacific Rubiales in Colombia and New Forest Company in Tanzania.

In FY14 IFC worked with Deloitte to explore the demand for and feasibility of a simplified version of the FV Tool for the forestry and agribusiness sectors. Research confirmed plantation forestry sector interest among leading paper, pulp, wood products, and packaging companies, including UPM-Kymmene Corporation, Fibria Celulose, Stora Enso, and the New Forest Company. Together, IFC and Deloitte developed a streamlined beta version of the FV Tool, which debuted at the New Generation Plantations working group.

In FY14 the Water, Mining & Communities roundtable continued to be implemented in Mongolia with 10 mining companies. These frequent roundtables have led to tangible results, including improved practices by individual companies (e.g. mechanisms to better engage and involve local community groups), as well as collective advancement through voluntary industry standards going beyond current regulatory compliance. Similar mining company roundtables took place in Chile and Peru where extractive companies demonstrated high interest in developing a more comprehensive program around the social, political and technical challenges around water.

The SCI team launched four new publications in FY14, including a discussion paper on Water, Mining & Communities, a Handbook on Early Stakeholder Engagement for smaller companies working in the extractives industries, a guide for companies whose operations impact the livelihoods of Artisanal Fishermen, and a primer on using Strategic Communications in Mining with ICMM and Brunswick.

Another high point for the SCI team was convening our 8th Annual Sustainability Exchange on Transformation through Collaboration. This was attended by more than 300 participants spanning companies, think-tanks, NGOs, donors, and academia. Sessions focused on issues such as the water, food, energy, minerals nexus, ways to improve cross-sectoral collaboration, and the need for earlier stakeholder engagement to build a social license to operate. One of the key takeaways from the Exchange was that companies must “go slow to go fast later,” engaging diverse stakeholders proactively rather than rushing to meet short-term deadlines which may lead to future costly delays.

LESSONS LEARNED

Listening to our clients and understanding their priorities is always key to providing them with the most innovative solutions. Early engagement with partner companies, including diagnostic assessments, is important to build trust and customize sustainability and benefit sharing approaches. We have also learnt that allowing enough preparation time is critical for developing a comprehensive and responsive client solution.

Our goal is to establish long-term strategic partnerships, providing advice and benchmarking services to both debt and equity clients through many stages of their operations. To be a creative solutions provider we harness skills and synergies across IFC and the World Bank Group, identifying the right expertise and practical experience to meet our clients’ expectations and deliver high-quality services. For instance, our collaboration as ‘One’ World Bank Group has led to successful implementation of projects in Mongolia, Guinea, and Sierra Leone because we are able to work with the public and private sectors to address our clients’ needs.

STRATEGIC ORIENTATION

The SCI team will continue in FY15 to provide support to extractive and other infrastructure and large footprint companies to increase benefits to the communities affected by business operations. Priority will be given to more upstream support for larger, complex transformational projects to leverage IFC’s unique convening power. Our reintegration into the Infrastructure and Natural Resources Department of Global Client Services will further align investment and advisory efforts in harmony with the World Bank Group to leverage IFC investments and comprehensive and prompt response to clients.
NEWMONT’S AHAFO LINKAGES PROGRAM IN GHANA

Calculating the Value of Sustainability Investments

The Newmont Mining Corporation is a global extractives company that operates gold mines in Nevada, Indonesia, Australia, New Zealand, Ghana, and Peru. Company relations with communities in Ghana reached a low point in 2009 when environmental organizations lambasted Newmont because of perceptions that its operations in Ghana had forced relocation of local populations, destroyed wildlife, and polluted land and rivers.

Working with IFC, Newmont created a community development strategy designed to repair its reputation and improve relations with communities located near its Ahafo goldmine. The strategy entailed streamlining the company’s approach to land negotiations and conducting a more inclusive stakeholder engagement process. To accomplish this, Newmont dedicated community engagement specialists to the project’s engineering team responsible for negotiating land access and compensation rates, which led to lower expenses for land compensation.

To make the business case for investing in community development, Newmont relied on IFC’s Financial Valuation Tool for Sustainability Investments (FV Tool), an innovative method of calculating net present value ranges on the return from community investments and the financial value of risks mitigated through such activities.

IFC partnered with Newmont to create opportunity for local small- and medium-sized business owners to participate in Newmont’s supply chain as suppliers and providers of goods and services to the mine. IFC sought to improve the competitiveness of local non-mining related businesses to help develop a diversified local economy outside the mining sector and to improve the capacity of local business associations and institutions so that they could provide long-term sustainable business support, training, and other services to the local business community.

Additionally, IFC worked with Deloitte, the Government of Norway, and other partners to create the FV Tool to help companies calculate a probable range for the net present value from a portfolio of sustainability investments, including value protected through risks mitigation and value created through productivity gains. The tool helped Newmont calculate the financial value of investing in the local Ahafo community in Ghana. Specifically, the goal was to determine the priority/optimal portfolio for community investments, the financial return from this portfolio, and the value drivers of each community investment.

The FV Tool can have a positive impact on companies in the extractives industry by making the business case for community investment: An IFC case study suggests that companies can develop metrics to guide their community investments in terms that are understood by the market, including risk reduction, productivity gains, savings, return on investment, and enhanced reputation.

In Ghana, implementing the community development strategy and using the FV Tool resulted in lower land compensation rates and a higher level of trust with communities due to a perception that Newmont acted fairly in terms of land compensation. This outcome positively impacted Newmont’s plans to acquire land for a second project.

Newmont’s positive experience has convinced other mining companies to use the FV Tool, including the Oyu Tolgoi mine in Mongolia. Newmont is now considering how to integrate the FV Tool into next year’s budget and planning process.
Rising demand for scarce resources has increased the pressure to drive economic growth in ways that are environmentally and socially sustainable. IFC’s Advisory Services in clean energy and resource efficiency address critical challenges for inclusive green growth, and help ensure environmentally sustainable outcomes and an efficient use of resources. Our advisory team works with the private sector to catalyze investment and market growth in three primary areas of focus: supporting markets for renewable energy for both on- and off-grid uses, supporting private sector solutions to provide energy access for the underserved, and catalyzing investments for resource efficiency.

Our clients and partners are renewable energy project developers and industrial and agribusiness clients seeking cost-effective solutions to reduce energy, water, and waste; industry associations and other groups of firms; local governments; manufacturers; and suppliers of clean energy and resource efficiency services. Working with them, IFC develops and replicates successful business models across markets, helping countries and the private sector to scale up technologies that will result in less waste and lower greenhouse gas emissions, and to promote access to energy to meet the needs of those who do not have access to modern energy services.

ACCOMPLISHMENTS IN FISCAL YEAR 2014

In 2014, IFC took a significant step forward in scaling up our support for the global off-grid lighting market. Building on our success with Lighting Africa, IFC launched several new country programs supported by a new Lighting Global project, which will link and support the new country level programs in India, Kenya, Ethiopia, Bangladesh, Pakistan, and Nigeria. IFC is also coordinating closely with our World Bank colleagues, who are engaging with governments to foster an enabling environment for off-grid energy products in new markets. In FY14, the companies selling Lighting Global quality verified products have improved energy access for close to 13 million people due to modern solar lighting products sold on a commercial basis.

Following IFC’s successful pilot work assisting telecommunications provider Digicel in its effort to introduce solar powered phone charging and community lighting stations across 24 sites in Papua New Guinea (PNG), Digicel now plans to expand the rollout across an additional 400 sites. As a result, more than 500,000 people living in remote off-grid communities in PNG are expected to gain access to improved phone charging, data access, and lighting from renewable energy sources by 2016. This client will also explore expanding the model in three additional countries in the Pacific region.

Additionally, IFC has successfully delivered multiple client-level advisory engagements to support clean energy across regions, including larger scale, grid-connected renewable energy. In the Balkans, our program has focused on small hydro power projects with a variety of client-level engagements, including banks in Albania that offer loans for such projects.
These client-focused projects follow successful previous IFC advisory work with governments to strengthen the enabling regulatory environments for clean energy. Other key clients of note from the past year include the global wind company Vestas to support their market entry into Central Asia; Karachi Organic Energy Limited, a subsidiary of a major Pakistani utility, to help design the largest biogas power project in Pakistan; and MunichRe, the global insurance company, which is working with IFC to develop a geothermal exploration risk insurance product in Turkey.

On the resource efficiency side, our work continued in FY14 to cover a broad range of industries and clients. Our offer of conducting resource efficiency assessments was delivered to 90 clients, including in-depth work with 13 companies that are also current IFC investment clients. This assessment has helped clients identify potential improvements by differentiating low/no-cost and higher investment options to save energy and water, which translates into reduced costs and improved operational efficiency.

IFC has also adopted a strategy of focusing our resource efficiency activities on sectors with concentration in particular geographic hubs in order to have a more transformative impact. For example, IFC’s Bangladesh Partnership for Cleaner Textiles project aims to enable a critical mass of textile factories in Bangladesh to reach a tipping point in the adoption of water and energy efficiency improvements. In FY14 in-depth cleaner production assessments were completed at additional 19 factories, bringing the total number of served factories in Bangladesh to 60. Factories partnering with the project are expected to reduce water consumption by almost 1.5 million meters cubed and 75,000 tons of greenhouse gas emissions annually.

IFC continued our sectoral work to build the capacity of industry more broadly, including small- and medium-sized businesses. In FY14 this included a global study on waste heat recovery in the cement sector; developing tools and standards for green buildings in Turkey, South Africa and Latin America; benchmarking nitrogen chemical producers in ECA; providing technical training to over 50 private water operators in Benin; and conducting consumer awareness activities to build demand for “bottom of the pyramid” sanitation products providers in Kenya.

Overall, IFC advisory programs in clean energy and resource efficiency continued their strong track record of tangible impacts, including 1.9 billion in investments made into clean energy and resource efficient technologies resulting in 4.5 million metric tons of Greenhouse Gas emissions reduced, 46.5 million cubic meters of water saved annually, and 2.1 million mwh of renewable energy produced per year.

**LESSONS LEARNED**

IFC’s engagements in FY14 underscore the success that can be achieved by increasing our focus on clients and linking IFC’s Advisory Services to IFC’s Investment Services. Given falling costs for numerous renewable energy technologies, coupled with increasing costs for fossil fuels in many markets, as well as increasing corporate understanding of the risks they face related to resource scarcity, we see the markets for clean energy and resource efficiency solutions continuing to strengthen in the future.

Our support for climate-smart projects is matched by the Corporation’s continued commitment: IFC investments in renewable energy reached $1.4 billion in FY14—up from only $290 million in FY07. IFC has committed over $13 billion in climate-smart projects since 2005, and this commitment is slated for another boost in growth, reaching 20 percent of IFC’s long-term finance in FY15.

In FY14 IFC completed an external review of a sample of projects aimed at improving the design and results measurement of IFC’s sector-level market transformation initiatives. Four projects in South Asia, East Asia, and Europe and Central Asia were covered by the review.
IFC is already generating sector-level outcomes and impacts recognized by external stakeholders, but many are not captured today. For example, in Bangladesh, stakeholders estimated that IFC accelerated the textile sector’s awareness and uptake of resource efficiency technologies by two to three years, with nearly exclusive attribution to IFC of various positive changes in the sector’s resource efficiency awareness and adoption.

While there is a lack of consensus on exactly what constitutes sector transformation, the review defined a sector transformation impact target as additional market growth achieved over the business-as-usual scenario.

The review confirmed that achieving market transformation takes time and requires intervention on multiple levels, including a client’s ability to act upon information and market intelligence, secure financing and supply of services, implement technologies, build infrastructure, and comply with regulation.

**STRATEGIC ORIENTATION**

In FY15, IFC expects to continue to focus its efforts clean in energy and resource efficiency in Europe and Central Asia, whilst also deepening our engagement in the African and South Asian markets. We will also boost our development impact by increasingly offering complementary knowledge support to our investment clients, particularly in the Manufacturing, Agribusiness and Services sectors, and also in Infrastructure.

We will continue to support grid-connected renewables projects, as well as solutions for captive power from renewable energy sources, and focus on resource efficiency IFC clients. Our resource efficiency team will roll out work on waste heat recovery in the cement and chemical sector in multiple geographies around the world. Finally, we will continue to scale our support for off-grid clean energy solutions to match the potential shown by the industry’s annual growth rates of over 300 percent.
BRINGING GREEN POWER TO MOBILE USERS IN REMOTE AREAS AROUND THE WORLD

Remote and rural regions around the world lack power infrastructure and access to energy. These constraints hinder the expansion of mobile networks that could transform the lives of people living in off-grid communities and help develop local economies. Delivering fuel to diesel-powered mobile towers and bringing engineers to service the generators can be costly in such environments. Mobile network operators see opportunities to extend their networks into increasingly remote regions, but the costs of providing power infrastructure can escalate to a point where expansion is no longer attractive.

Another major issue surrounding the use of diesel to power base stations is the significant emissions that result from their 24-hour-a-day operation—a typical rural base station will generate approximately 40 tons of CO₂ per year, as well as local pollution.

Green power, which includes but is not limited to solar, wind, fuel cell, and deep-cycle battery, can replace or significantly reduce the use of diesel generators. It can decrease operation expenditures, reduce greenhouse gas emissions, and mitigate operational challenges. Currently, only 2.1 percent of all off-grid sites are green, but conservative estimates suggest that green solutions are commercially viable for at least 18 percent of them.

IFC has been working with Groupe Speciale Mobile Association (GSMA), representing telecommunications providers globally, to build green power infrastructure that will expand access to mobile services in remote and rural areas around the world. Particularly in developing countries, Mobile Network Operators (MNOs) extend their coverage into off-grid areas by using mobile base-stations that are powered by diesel generators, which produce greenhouse gases. IFC is working to offer solar- and wind-powered generators as an alternative.

In partnership with GSMA, IFC aims to address barriers to Green Power for Mobile deployment directly through focused interaction with MNOs, tower companies, vendors, and energy service companies.

GSMA estimates that there is potential for 118,000 green energy base stations in developing countries, which could save operators up to $2.5 billion on diesel expenditures, cut annual carbon emissions by up to 4.7 million tons, and connect 118 million people in developing countries to mobile networks using green power.

The incremental installation of 11,800 green mobile sites will result in $354 million of investment mobilized, 475,068 metric tons of greenhouse gas emissions avoided per year, and 114,342 mwh of renewable energy generated per year. Additionally:

- The total number of green deployment sites has increased to more than 35,000 and is expected to grow to 40,000. There are 104 operators implementing Green Power for Mobile sites.
- 13 regional and five national working group meetings with training sessions have been organized
- More than 27 feasibility studies for mobile operators worldwide have been successfully conducted
- Market research has been conducted for 10 countries (Kenya, Tanzania, Uganda, Nigeria, Ghana, Cameroon, Senegal, India, Indonesia, and Bangladesh).
SUPPORTING CLEAN ENERGY DEVELOPMENT IN THE BALKANS

At present, electricity production in the Western Balkans is predominantly based on coal-fired thermal power plants. These plants produce two thirds of regional energy, augmented by conventional hydro power plants, which are the source of the remaining third. The largest power plants in the region were constructed more than 40 years ago. Some countries, such as Bosnia & Herzegovina, meet their electricity needs with domestic power sources, while others, especially Albania, import up to 30 percent of their energy supply.

According to estimates, more than 2,000 sites in the Western Balkans are potentially technically feasible locations for small hydro power plants (SHPP). These sites would have an installed capacity in excess of 2,000 MW and would require a total investment of approximately $4.8 billion. In order to unlock the potential for renewable energy in the Balkans, IFC developed a holistic view to bring about the transformation of an entire sector by designing a program that addresses existing gaps and capitalizes on the region’s natural potential for renewable energy projects.

IFC’s Balkan Renewable Energy Program (BREP) is helping to develop the regional market for renewable energy as a way to improve the environmental sustainability of local economies, diversify the area’s sources of energy, and support the countries’ path toward membership in the European Union. BREP was initially implemented in Albania, Bosnia and Herzegovina, and FYR Macedonia. In 2012, the program was expanded to include Serbia, Kosovo, and Montenegro.

IFC focused on three areas of intervention to implement its program: the regulatory or government level, the firm level, and the financial institution level. The regulatory level sought to create an enabling environment that could attract and support a market for new projects. Improving the existing regulatory framework was a prerequisite for renewable energy investors to be able to develop and finance viable projects. The firm level intervention sought to develop a pipeline of early-mover projects, to educate local developers, and to promote new legal and financial instruments, as well as new technologies. IFC worked with individual investors at this level to develop firms’ technical and managerial capacity. The work with financial institutions sought to improve internal capacities and knowledge of renewable energy and project finance of select financial institutions in the Western Balkans. IFC also provided financing to local banks for on-lending for clean energy projects.

As of May 2014 the BREP had resulted in the following:
- $505 million in direct and indirect financing facilitated
- 193 renewable energy plants built
- 191 megawatts of installed power

These plants are expected to produce over 783 GWh of renewable energy per year and to reduce greenhouse gas emissions by 585,000 tons annually.
Small and Medium Enterprises (SMEs) are the pivotal drivers of growth and the primary engine of job creation in developing countries, accounting for more than 90 percent of new formal jobs in emerging markets. IFC partners with companies whose value chains integrate large numbers of suppliers and retailers within different sectors, such as agribusiness, construction, financial services, extractives, manufacturing, telecoms, retail, and tourism. Evidence has demonstrated that by partnering with large companies, IFC programs can reach a larger number of SMEs, including women and youth.

Specifically, IFC works to support SMEs using two unique tools: Business Edge, which offers SME owners, youth, farmers, and entrepreneurs practical management training workshops adapted to the local business context; and SME Toolkit, a cutting-edge web portal that leverages the latest information and technologies to help SMEs in emerging markets learn and implement sustainable business management practices. These two tools are known to help SMEs increase productivity, efficiency and capacity, and improve their access to finance and new markets.

IFC also works with financial institutions to expand and strengthen their customer base through access to information and skills, including financial literacy and business planning. Such training facilitates improved access to finance by enhancing the readiness of micro and small borrowers to receive credit, and increases the confidence of the financial institutions to lend to this market segment.

By FY14, the network has reached 54,000 SME owners, managers, and employees in more than 50 countries. By combining finance solutions with global sector knowledge, tools and approaches, IFC enables small businesses in the value chains of its clients to grow and increase their profitability, access new markets or integrate more effectively within existing markets. IFC programs can result in improved skills of company staff and greater loyalty of suppliers, retailers, and clients within corporate value chains; paving the way for increased sales, more satisfied customers, and more competitive value chains.

To promote entrepreneurship, IFC has developed targeted business training tools, such as Business Edge and SME Toolkit. Business Edge solutions are delivered by a network of accredited providers and certified trainers. By FY14, the network has delivered close to 200,000 training seats in more than 50 countries, reaching 54,000 SME owners, managers and employees in 15,000 SMEs.
The SME Toolkit portal provides complimentary access to essential business knowledge, online collaboration, and world-class training. SME Toolkit sites now receive over 5.5 million visits per year, are present in 43 countries, and have a local partner network of 30 organizations. Seventy-eight percent of SME Toolkit users who repeatedly visit the website report improved business performance.¹

These training tools—when combined with innovative adult learning approaches—can help SMEs increase productivity, efficiency, and capacity, and improve their access to finance and new markets. IFC’s management training is adapted to the local business context, and is offered to entrepreneurs in local languages.

As the prime vehicle for finding employment for some 200 million unemployed and newly graduated young people who are actively looking for work in developing countries, SMEs and youth were an IFC priority in 2014. Our goal was to help small- and medium-sized business owners and entrepreneurs create and grow their businesses in sustainable ways, become bankable, create job opportunities, and contribute to economic growth.

ACCOMPLISHMENTS IN FISCAL YEAR 2014

In FY14 IFC, in partnership with IBM, initiated development of a new technology platform for SME Toolkit. Apart from being more user-friendly and flexible, the new platform will also offer extensive responsive design capabilities, making SME Toolkit sites mobile friendly by adjusting to the size of mobile devices and making it easier for users to navigate through it. This feature is expected to increase the reach of SME Toolkit to more markets and users as well as improve the experience for users accessing SME Toolkit from mobile devices.

IFC developed 12 new interactive eLearning videos and tutorials on SME financial literacy topics, such as creating a business plan, applying for a loan, controlling costs, financing a business, managing inventory, and controlling costs. These videos are offered through the SME Toolkit portal.

At the request of the G-20 Global Partnership for Financial Inclusion, IFC developed a new financial literacy course to add to its library of customizable SME management training programs. Business Finances Made Easy provides emerging microenterprises and SMEs with information on subject areas ranging from the basics of accounting to funding options for expansion.

IFC has partnered with the Management Development Institute (MDI) in Pakistan to develop a new Business Edge training course that is providing a Diploma in Entrepreneurship to individuals who want to start and grow their businesses. IFC also partnered with a financial institution in Nigeria to develop SME governance courses that improve governance practices among SMEs.

IFC’s SME Toolkit and Business Edge have gained prominence in the financial inclusion agenda through partnerships with financial institutions worldwide that were increasingly offering these products to their existing and potential customers as part of the business advisory services they provided to SMEs in combination with financing.

LESSONS LEARNED

IFC explored how it could strengthen the performance of its SME programs, and identified a number of areas that could be improved to increase reach and enhance the quality of services. Key takeaways included:

• There was a need to refine the delivery models of our services and work towards improving their financial sustainability;

• To remain competitive and relevant, we would need to strategically tap into the opportunities that new technological advancements are offering;

• The need for sector-specific solutions to better service SMEs in corporate value chains.

In response to these findings, in FY14, we set goals to streamline our SME Advisory product offering and make its delivery in our target markets more efficient. SME Toolkit outsourced some of its functions to a professional consulting company to provide more timely and customized operational support to its local partners.

The Business Edge Global team completed an extensive strategy development exercise to define a clearer

vision of what Business Edge would stand for three years from now. The resulting strategic recommendations are intended to help us further increase impact, achieve financial and operational sustainability, and decrease costs. Examples include leveraging technology to reduce cost of delivery and increase reach, growing delivery capacity in the regions to expand service offering for SMEs, refining the corporate value chain delivery model while selectively deploying our service offering in fragile and conflict-affected states.

As referenced above, IFC also developed a first set of eLearning tools for SMEs to offer more technologically advanced services. Additionally, having in mind current technological trends and the need to reduce costs associated with partner network capacity building, we aimed at diversifying product delivery methods through technology-enabled solutions. The first set of such online capacity-building products include Partner onboarding/Content Management Training for new SME Toolkit partners, an on-line instructional design course that allows IFC to build regional capacity of instructional designers in a much more cost effective and timely manner. Expanded cadre of instructional designers will also allow IFC to develop and customize sector specific training content to maximize our offering for corporate value chains.

**STRATEGIC ORIENTATION**

To help find solutions for many development issues, IFC will continue to focus on SME segments, youth, and women-owned businesses, including supporting SMEs in fragile and conflict-affected countries, strengthening local business capacity, and supporting domestic entrepreneurs. We plan also to focus on ways to enable SMEs to participate in the supply chains and portfolios of client banks and corporations.

Over the course of FY15, IFC will upgrade its SME Advisory offering by releasing the new SME Toolkit platform and adding new content/modules to better serve targeted SME segments and sectors. Examples include cooperatives management training for agribusiness, entrepreneurship workshops for women-owned businesses, and relationship management training for banks in cooperation with IFC’s Investment Services.

In addition to content and tools, IFC will diversify its delivery mechanisms using technology to increase the scale of our reach and to reduce the costs of delivery, while increasing our focus on blended learning content—further integrating SME Toolkit and Business Edge to create an enhanced blended learning offering.

IFC will be actively pursuing new global partnerships to diversify its product offering and leverage partners for better reach. We will continue to work closely with the E4E Initiative for Arab Youth and Let’s Work programs to facilitate job creation and improve youth employability through skills development in emerging markets. We also look forward to increasing our reliance on technology to deliver services and expand our network of service providers worldwide as ways to increase the financial sustainability of our offerings.
STRENGTHENING SMALL BUSINESSES IN HAITI’S FRAGILE ECONOMY

Small and medium enterprises are vital to Haiti’s economy: they account for more than 80 percent of total employment, but often their growth is constrained because entrepreneurs and managers lack the skills to improve their performance and profits. These enterprises had few options for affordable management training until 2009, when IFC partnered with SOFIHDES, a local financial institution, to successfully launch and deliver the Business Edge management training program. The program took off well during its first year, but when a massive earthquake hit Haiti's capital of Port-au-Prince in 2010, only a few small businesses could afford management training to equip their staff with the skills to help them recover from the earthquake’s devastation.

As part of the post-earthquake recovery strategy, IFC partially subsidized Business Edge training workshops, resulting in more than 1,000 training seats delivered in Haiti’s provinces during the first year after the earthquake. In total, SOFIHDES has delivered 3,500 training seats to more than 1,100 SME owners, managers and employees, many of whom reported increased profits and greater access to finance. Building on this success, SOFIHDES is currently expanding Business Edge workshops throughout the country, providing high quality management workshops at a fair price.

IFC partnered with SOFIHDES to spur growth in Haiti’s textile factories, tourism industry, and construction sector, among other areas of business. IFC sought to capitalize on SOFIHDES’ expertise in small business development, to expand Business Edge throughout Haiti, and train master trainers who can in turn set up trainer groups across the country. SOFIHDES has proved to be a strong partner capable of tailoring Business Edge to the needs to the local business community and delivering quality workshops. The strength of the partnership has helped SOFIHDES expand its operations, diversify its products, and build the Business Edge brand to reach thousands of Haitian small business owners and employees.

IFC and its partners invested $620,000 in Business Edge to translate and localize 51 training manuals, develop a strong, certified trainer pool, set up a training center, and develop a market for small business management training by highlighting the practical and interactive methodology of Business Edge. Additionally, IFC has:

- Delivered 3,500 training seats, including 42% to women, to more than 1,100 SME owners, managers and employees; the trainee satisfaction rate was 92 percent.
- Trained two master trainers to set up IFC’s Business Edge trainer groups in other areas of Haiti.
- Designed a successful media strategy to market IFC’s Business Edge management training and position SOFIHDES as a market leader for training in the SME community.
Jobs

The world needs to create 600 million new jobs by 2020 just to accommodate the number of young people entering the workforce over the next six years.¹ These jobs will need to be created mainly in sub-Saharan Africa and Asia, largely due to demographic trends. The link between poverty and unemployment is stark. Employment is the surest path out of poverty—it boosts living standards, raises productivity, and fosters social cohesion. A job for the individual is also integral to human development because it recognizes human dignity; work is not just a means of self-support, but also a contribution to society. Being out of work for a prolonged period undermines the freedom and creativity of an individual, and underlines that human costs always include economic costs.

IFC works to ensure that people have the opportunity to escape poverty and improve their lives. We are committed to creating employment opportunities and boosting the quality of jobs by helping to strengthen labor standards and increase competitiveness in global supply chains. Through the Better Work program, a partnership between the International Labor Organization (ILO) and IFC, we seek to enhance the creation and quality of jobs by increasing productivity in more than 900 ready-made garment (RMG) and footwear factories and to improve the working conditions for more than one million workers in eight targeted countries: Vietnam, Indonesia, Jordan, Cambodia, Nicaragua, Haiti, Lesotho, and Bangladesh. IFC launched the Bangladesh Textile Competitiveness Program in FY14 and aims to strengthen the overall sustainability of the RMG sector in the country and improve worker’s safety.

IFC also continued to support employability opportunities in the Middle East and North Africa in FY14 through our flagship E4E for Arab Youth Initiative. Central to this initiative is providing Arab youth with the skills to be employable, including providing entrepreneurs with skills needed for new businesses. It aims to bring public and private partners together to improve the quality and relevance of the skills that students bring into the workforce as a way to increase their chances of employment.

ACCOMPLISHMENTS IN FISCAL YEAR 2014

The Better Work program has been operating in seven countries in partnership with more than 60 leading clothing brands. A key success in FY14 was the launch of the program in Bangladesh. Over the next five years, this project seeks to support up to five million jobs as a path to reducing poverty, facilitating training for

government officials regarding safety standards, building the RMG sector’s capacity in the areas of equipment supply to address building and fire safety, and launching sustainable financing initiatives to support exports.

To further support Better Work in FY14, IFC helped mobilize $1.2 million from the Disney Corporation for further development of garment factory line supervisor skills training, support of key IT tools for improving client management, and assistance on improved worker rights and responsibilities training and outreach.

IFC also supported the Better Work annual global buyers forum in San Francisco in November, which convened 74 buyers from 36 countries. The meeting provided an opportunity to inform buyers of the new Better Work Bangladesh program and to hear from Better Work partners on the value that the partnership brings. Better Work also successfully expanded brand and retailer clients including Talbots, Abercrombie and Fitch, Dicks Sporting Goods, and the British retailer, Next.

IFC also participated in a series of seminars with the U.S. Department of Labor on topics such as factory-level social dialogue, the role of IFC in the Better Work program, and program impact that were designed to strengthen U.S. support for Better Work.

IFC provided $1 million in financing to factories in Vietnam participating in the Better Work program through our Global Trade Supplier Finance Program, a multi-currency investment and advisory program that provides short-term financing to emerging market suppliers and small- and medium-sized exporters.

In FY14 Better Work published impact briefs consolidating key findings from research and country reports with program impact in Vietnam and Jordan. The briefs have been welcomed by donors and are used at the global and national level by various stakeholders.

Better Work has garnered attention outside of industry circles: in FY14 the program was featured at international conferences and in major media outlets, including The New York Times, The Wall Street Journal, and The Washington Post.

To mark the first anniversary of the Rana Plaza and Tazreen Fashions tragedies—the fire and building collapse that resulted in the deaths of more than one thousand workers—IFC convened a panel discussion to reflect on opportunities and challenges. This discussion, at IFC headquarters in Washington, D.C., brought together key representatives from the ILO, the clothing company GAP, Inc., and trade and labor representatives from the U.S. Government.

In FY14 IFC worked with other stakeholders to improve conditions at garment factories. We co-sponsored the first Supplier Fire Safety Expo, organized by The Alliance for Bangladesh Worker Safety, with the C&A Foundation and the Bangladesh Garment Manufacturers and Exporters Association. The Alliance for Bangladesh Worker safety brings together major US retailers and brands, and aims to inspect and set safety standards in 100 percent of factories used by signatories over the next five years.

In other areas of our work, IFC strengthened its support of the E4E for Arab Youth Initiative in FY14 through six projects that were implemented in Middle Eastern countries, including Jordan, Egypt, Tunisia, and Morocco. The projects are designed to bridge the skills gap for a specific industry by creating a mechanism to identify gaps and industry skill needs. IFC helps to accomplish these goals by building partnerships between employers and training providers to adapt training curricula to market needs, and thus improve graduates’ employability.

In FY14 IFC worked with the ICT Industry Association, Intaj, to roll out the E4E for Arab Youth Initiative at three universities in Jordan. In Tunisia and Egypt, IFC partnered with the ICT Federation and the Information Technology Industry Development Agency to facilitate consultancy work that will begin in FY15. In Morocco, the tourism and logistics sectors continued to implement the E4E for Arab Youth Initiative in partnership with the National Logistics Agency and the Tourism Observatory of Morocco.

Also in FY14 IFC signed five agreements with training providers in Tunisia and Morocco to deliver Business Edge training workshops with the goal of improving youth employability by bridging the business and soft skills gap for youth to enable them to obtain jobs or progress their careers. The initiative won a Transition Fund allocation in FY14 to expand, work, and implement the business model in Yemen, in partnership with the Islamic Development Bank, with potential future expansion in the West Bank.
LESSONS LEARNED

Better Work launched an impact assessment study based on annual surveys of workers and managers in participating factories. By early FY14, surveys in five countries provided strong evidence that high labor standards compliance gave a competitive advantage to factories by attracting and retaining reputation-sensitive buyers. Surveys further indicated that being in compliance with ILO labor standards makes suppliers 56 percent more likely to retain buyers and leads to longer-term supplier-buyer relationships.

Creating labor and safety standards also improved companies’ bottom lines: for instance, factories enrolled in Better Work Vietnam saw a 5.9 percent boost in profitability for each incremental improvement perceived by workers, such as a greater sense of physical security or assurance of wage payments. Factories also experienced increased profitability when workers were happier with water and air quality and access to restrooms and health services.

STRATEGIC ORIENTATION

In FY15 IFC will continue to support the Better Work program, including rolling out the new program in Bangladesh. We will continue working with governments, factories, and buyers to improve the safety and working conditions of the RMG factories participating in the Better Work program. We will also support factories to improve their environmental and social management systems and enhance their resource efficiency and clean energy practices.

IFC will continue to help RMG suppliers improve capital management through our Global Trade Supplier Finance Program. We will facilitate training for government officials regarding safety standards, raise awareness and increase implementation of cleaner production practices, support exports, invest in garment suppliers, and provide financing for building upgrades.

Additionally, in FY15, IFC plans to leverage the experience from the Better Work program to support IFC clients in other sectors, such as agribusiness and infrastructure, to bring about improvements to their labor standards. We are currently working with the German development finance institution, Deutsche Investitions-Und Entwicklungsgesellschaft MBH (DEG), on the design of a joint initiative to improve working conditions in the construction sector in India. We are also exploring how to support better working conditions in the cotton sector in Uzbekistan.
INTRODUCING LABOR AND SAFETY STANDARDS IN BANGLADESH’S GARMENT SECTOR

The garment and textile sector in Bangladesh employs 4.2 million mostly women workers in formal, private-sector jobs in more than 4,500 factories. Worker welfare, working conditions, and safety became top international priorities after a building collapse and a fire killed hundreds in the Bangladesh garments sector last year. The sector generates $19 billion in annual exports, accounting for 80 percent of Bangladesh’s total export earnings and 20 percent of its GDP. The challenges facing the industry are many, including:

- high building and fire safety risks;
- a lack of financing for building upgrades;
- poor emergency preparedness;
- inadequate labor and occupational safety and health management;
- wasteful and inefficient operations; and
- significant shortcomings in labor market governance and inspections, and environmental compliance procedures.

IFC has developed an integrated investment and advisory strategy to help transform the Bangladeshi garment and textile sector in the medium to long term by helping textile suppliers in a variety of ways. IFC supports exports through our Global Trade Supplier Finance Program, a $500 million multi-currency investment and advisory program that offers post-shipment finance to suppliers based upon the acceptance of receivables by buyers approved by IFC. We help to facilitate medium- and long-term capital expenditure investments in building upgrades and renovations. We have directly invested in two ready-made garment suppliers and are looking to invest in others. We are investing in energy and power to improve grid power supply and reduce the need for dangerous rooftop generators. And we’re considering how we can best support the government’s efforts to establish industrial parks with state-of-the-art building and fire safety manufacturing facilities.

Additionally, IFC and the International Labor Organization launched a new Better Work program in Bangladesh in November 2013 to provide assessments of factory compliance with national law and international labor standards and began transparent public reporting on findings. IFC’s Bangladesh Water Partnership for Cleaner Textile will build awareness of cleaner production among 500 factories over four years, support 200 factories implementing low- or no-cost cleaner production, work with 100 factories to create bankable cleaner production technology investment plans, and facilitate access to finance for these investments. IFC will use its network and expertise to build the market for private sector fire and building safety-related service providers.
Evidence shows that achieving the World Bank Group’s twin goals of shared prosperity and reduced absolute poverty is only possible if the private and public sectors succeed in efforts to include women in the economy and eliminate barriers to their full participation. IFC recognizes the potential of women—as entrepreneurs, employees, and leaders—to drive economic growth and enhance business performance.

Yet, a wide economic gender gap persists. For example, discriminatory lending practices and regulations have resulted in an estimated gap in financing of almost $300 billion for women-owned businesses compared to men-owned ones. On average, women earn 10 to 30 percent less than men and over half of the women participating in the global labor force are engaged in the informal economy, rather than in salaried or wage work. Despite evidence that women on boards contribute to improved corporate performance, over 90 percent of board directorships globally are held by men.

Creating equal opportunities for women and men to participate in the private sector has been a constant and growing component of IFC’s advisory and investment services in FY14. As of June 2014, IFC has invested $830 million in access to finance for women entrepreneurs, $430 million of which have been mobilized. Furthermore, IFC established a Gender Secretariat in September 2013 with the aim of supporting staff and clients with gender resources, ideas, training, and technical expertise. Governed by a steering committee comprised of four investment and two advisory directors, the Secretariat’s overall focus is on mainstreaming gender across IFC’s operations, helping to scale up IFC’s existing gender products, and developing new gender value propositions for clients in the agriculture, extractives, and insurance sectors.

**ACCOMPLISHMENTS IN FISCAL YEAR 2014**

Developing new gender value propositions and products that help businesses deploy gender smart strategies is central to IFC’s gender strategy. For example, the Gender Secretariat hosts the WBG private sector partnership on women’s employment, called WINvest (Investing in Women), which includes 15 companies from six regions. The objectives of this partnership are to develop innovative business case research, provide peer learning opportunities, and to develop a women’s employment product. IFC and WINvest members developed the business case report, Investing in Women’s Employment: Good for Business, Good for Development, which was launched at the Annual Meetings in October 2013.

**IFC has invested $830 million in access to finance for women entrepreneurs.**
The report has been widely disseminated through four regional and two global events and, as a result, WINvest companies have improved their gender policies and practices.

IFC has also substantially expanded gender-related work in East Asia and Pacific (EAP) as well as in Europe and Central Asia (ECA) in FY14 by developing regional gender plans and placing dedicated gender coordinators in the region. For instance, in Papua New Guinea, IFC has established the Business Coalition for Women to share best practices and to drive positive change for women. In Azerbaijan, Bosnia & Herzegovina, and Serbia, IFC and local partners organized a series of training activities for women on boards in order to improve their skills in risk governance, financial literacy, and board strategy development.

The Gender Secretariat has developed a number of support services for IFC staff to further mainstream gender into operations across Investment and Advisory Services. The Secretariat helps colleagues by identifying gender market opportunities, developing communications tools, building new partnerships and networks, and providing IFC teams with gender-related advice, knowledge, training, and other forms of technical support. The Secretariat conducted a gender survey in FY14 in order to assess the needs of colleagues and refine its service offering accordingly. The survey found that 37 percent of respondents usually or always factor gender into their work, but require more tools and resources to do so effectively.

LESSONS LEARNED

IFC has learned that in order to reach its gender goals, we need to better leverage the knowledge and resources of internal and external partners. Starting in FY15, the Secretariat will form part of the new World Bank Group Gender Cross Cutting Solution Area (CCSA). While IFC will continue to focus on private sector contributions to integrated gender solutions, this new structure will allow for better coordination of resources and more knowledge-sharing. Furthermore, the newly established Global Gender Network, with staff from across IFC, helps to disseminate gender-related learning across all regions and industries.

IFC has also taken steps to better leverage resources and ideas from external partners. In FY14, IFC joined the Multilateral Development Bank’s Gender Group and formed several new global gender partnerships with the Goldman Sachs Foundation, USAID, and WeConnect International.

STRATEGIC ORIENTATIONS

In FY15, we will focus on developing an integrated World Bank Group gender strategy and building a more robust results measurement framework. This will allow us to take stock of what we have accomplished to date, establish new corporate gender targets, and better track our progress moving forward.

The Gender Secretariat will continue to support scaling of existing gender products in the areas of corporate diversity and women’s access to finance. Capitalizing on the knowledge gained through the WINvest partnership, we will develop a new women’s employment offering, which will be piloted with three clients in FY15 and subsequently rolled out. By combining gender analysis with practical tools, IFC aims to help companies address gender gaps in employment thereby driving gains in productivity, competitiveness, innovation, and branding.

IFC will also work with partners to document the business case for a gender approach in the agriculture, extractives, and insurance sectors. By identifying the gender market opportunity in these key sectors, IFC aims to open more opportunities for women and help clients capture untapped business potential.

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INTEGRATING WOMEN INTO THE COFFEE SUPPLY CHAIN IN INDONESIA AND VIETNAM

Indonesia and Vietnam are among the world’s largest coffee producers, with millions of people relying on coffee for their livelihoods. In order to meet an increasing demand for high-quality coffee beans that are produced sustainably, the two countries must strengthen the supply chains in their respective coffee industries.

Women make up 80 percent of coffee farm workers in North Sumatra, Indonesia, and about 50 percent in Lam Dong, Vietnam. Although they play a key role in coffee cultivation, processing and marketing, they are often excluded from training and other development opportunities.

ECOM is an international commodity trading company, ranked third among the world’s largest coffee dealers, with a 13 percent world market share. Its major customers include Nestle, Starbucks, Kraft, Procter & Gamble, and Sara Lee. Despite its success, ECOM faces a number of issues in its coffee supply chains, including absent or ineffective agricultural extension services.

IFC worked with ECOM in Indonesia and Vietnam to set up farmer training centers to promote quality awareness and best practices for sustainable coffee cultivation. The centers help farmers improve coffee productivity and quality, reduce costs, and obtain internationally recognized certification for sustainable production. IFC took the following measures in Indonesia and Vietnam to increase women farmers’ skills and improve overall coffee productivity and quality:

- Identified women’s role in on-farm supply-chain work.
- Deployed women trainers and women volunteers; engaged leaders of women’s union, farmers’ association, and village heads.
- Adjusted the training schedules to accommodate women’s needs.
- Developed gender-specific training materials, and provided training of trainers for ECOM’s staff and local communities.
- Introduced more visual aids, such as videos and pictures, to accompany traditional training materials.

IFC has trained 1,600 women in Indonesia and more than 2,300 women in Vietnam. In North Sumatra, Indonesia, a survey of coffee farmers showed that training groups consisting of both male and female farmers reported a 92 percent increase in their productivity level, compared to a 37 percent increase in productivity among farmers who did not receive training.
Sound corporate governance makes companies stronger, more efficient and accountable, and supports implementation of good environmental and social practices. IFC works with the private sector in emerging markets and developing countries to achieve these goals by putting in place corporate governance practices that allow businesses to mitigate risk, safeguard against mismanagement, and attract the investment and capital that will fuel their growth.

Improved corporate governance practices also increase access to markets and lower the cost of capital, which encourages new investments, boosts economic growth, and provides employment opportunities. Businesses that operate more efficiently tend to allocate and manage resources more sustainably. Better stakeholder relationships help companies address environmental protection, social, and labor issues.

With strong donor support, IFC continues to build up corporate governance advisory programs in sub-Saharan Africa, Latin America, and East Asia and the Pacific. We aim to replicate the sustainable model implemented in Europe and Central Asia to work closely with partner intermediaries to build their capacity to deliver corporate governance advisory services and training to firms and banks in their local markets.

**ACCOMPLISHMENTS IN FISCAL YEAR 2014**

Building on our successes in Europe and Central Asia, IFC continued in FY14 to build strong local partnerships as a central component of our work.

In Europe and Central Asia, IFC sustained its work with over 20 local partners in 12 countries to build their capacity to deliver training and consulting services, helping them to generate over $320,000 in sales revenue in just over two years. In the Kyrgyz Republic and Tajikistan, IFC client companies reported an additional $10.8 million in financing following improvements in corporate governance practices.

Elsewhere, IFC joined forces with a variety of organizations to strengthen corporate best practices. In sub-Saharan Africa, IFC partnered with a network of institutes of directors to improve corporate governance. In
Indonesia, we partnered with the local institute for corporate directors and joined forces with a family business foundation to improve the governance of family-owned enterprises. And in Morocco, in partnership with the local institute of directors, IFC helped to deliver a training program aimed at widening the pool of professional directors available to sit on the boards of small- and medium-sized businesses. We also organized a board leadership training of trainers program in collaboration with the Indian Institute of Corporate Affairs to help create a key constituency of trainers in India, and in Panamá, we delivered a fee-based training program in partnership with the Corporate Governance Institute of Panamá. Earlier, the same institute delivered training for local journalists using IFC’s media guide.

In FY14 IFC achieved other milestones in the regulatory environment for corporate governance. In close collaboration with the World Bank, IFC is ensuring that regulation in emerging markets is developed using IFC’s frontline experience as an investor. Together, we developed a corporate governance strategy for Latin America and the Caribbean, with a particular focus on Perú and Colombia. In Kenya, we are jointly developing a corporate governance roadmap to improve emerging markets regulatory environment, and discussing the development of codes and scorecards. In Vietnam we are jointly revising the Law of Enterprises and finalizing the Governance Report on Standards and Codes.

We worked with regulators in Bangladesh to establish greater consistency in corporate governance regulations. In Mongolia, IFC partnered with a regulatory commission to launch the corporate governance code to enhance the competitiveness of Mongolian companies. In Indonesia, IFC and the regulator, Otoritas Jasa Keuangan, launched the country’s first corporate governance roadmap.

In total, as of June 2014, IFC has helped firms attract $3.4 billion in financing. IFC has also contributed to the development of 77 corporate-governance codes and laws in 24 countries. Additionally, in FY14 we had nearly 60 firm-level corporate governance

fee-based engagements. We also conducted nearly 90 corporate governance assessments for IFC clients as part of our investment process.

IFC’s wealth of experience has attracted the attention of development banks and other investors working in emerging markets, who look to IFC for leadership on corporate governance strategies. By FY14, more than 30 development finance institutions have implemented IFC’s Corporate Governance Methodology, a process of analyzing corporate governance structures and policies.

We also successfully worked to create sound corporate governance in several conflict-affected states, including Timor-Leste, Yemen, Bosnia and Herzegovina, Myanmar, and Iraq.

LESSONS LEARNED
IFC’s convening power allows us to build partnerships and create networks, allowing our partners to learn from each other. We continue to learn how we can better build the capacity of local partners to deliver corporate governance services in their respective markets, contribute to their sustainability, and increase their sense of ownership.

Our close alignment of investment support and advisory services in each region has allowed us to create flexible teams to focus on global-local issues. We continue to reinforce our comprehensive approach in partnering with the World Bank in our work with regulators, with media to raise awareness, with academia to reach the next generation of managers, and at the firm level to directly impact their operational efficiency and demonstrate the benefits to other companies.

STRATEGIC ORIENTATIONS
IFC will continue to replicate the Europe and Central Asia regional capacity-building efforts, focusing on intermediaries to strengthen their ability to deliver corporate governance services in the regions of the East Asia Pacific, sub-Saharan Africa and Latin America and Caribbean. We will continue to partner with local organizations to deliver fee-based services to firms and
banks to enable them to become sustainable. We will also continue to enhance our service offerings focused on strengthening control environments, and improving board effectiveness and family business governance.

In FY15 IFC plans to develop training curricula to build the corporate governance capacity of SMEs. IFC also plans to co-sponsor the Fifth International Conference on Corporate Governance in Emerging Markets, to take place in 2015 in South Africa. Eleven publications and good practice guidance and capacity-building materials are also planned, along with human interest stories from our work around the world.

Strong corporate governance depends on diversity in board leadership. IFC will continue in this next fiscal year to strive to increase the number of women who serve as nominee directors on the boards of our client businesses. To date, almost a quarter of IFC nominee directors are women. We are committed to increasing that share to 30 percent by the end of FY15.
HELPING YEMENI BUSINESSES THRIVE AMID UNREST

Yemen’s business environment suffers from a lack of corporate governance standards, particularly among family-owned business, which constitute roughly 95 percent of the country’s workforce. Cultural barriers to women’s participation in business and years of political uncertainty and a troubling security situation have created additional difficulties for small- and medium-sized enterprises (SMEs). Improved corporate governance can improve companies’ performance, facilitate women’s ability to play a prominent role in business, and attract essential investment.

IFC reached out to nearly 600 representatives from local companies and other stakeholders, either directly or through local partners, to raise awareness and build knowledge on good corporate governance practices, including the importance of gender diversity, through training events and workshops. Trainings furnish female board members with the corporate governance skills they need to guide their business, and support companies by improving performance and making them more attractive to investment.

IFC works with partner organizations to train SME owners and employees and management and staff at banks and financial institutions to raise awareness of the benefits of good corporate governance practices and to provide technical assistance on developing a clear strategic direction for the company, supporting and guiding executive directors, and establish committees to support the board. IFC has played a prominent role in increasing the awareness of the value that women can add to a company’s success.

After helping launch the Yemen Institute of Directors, IFC’s local partner, and to ensure sustainability of their capacity-building program, IFC trained four Yemeni women to become corporate governance trainers. This increased women’s participation and diversity of the training team, and improved the local partner’s ability to conduct this type of training. The institute already delivered a workshop for family business on its own with promising results.

As of FY14, more than 200 Yemeni companies and banks have received advisory services from both projects, with a combined total of 30 reporting making corporate governance changes thus far, which has helped facilitate $15.5 million in financing. Some of the SMEs trained reported improved productivity, decision making, internal controls, lower cost of capital, and other improvements. We expect the numbers to grow as the second project continues implementation.
Environmental and Social Performance Standards

Environmental and social risks and challenges are becoming even more important, impacting companies’ long-term strategies, their customers, and external stakeholders. From increasing demand for natural resources to economic disparity to climate change, companies are facing a more complex array of trade-offs and risks across their value chains. Population growth, a rising middle class, rapid urbanization, and economic growth are all fueling an increasing demand for food, water, energy, land, and other resources. In the last decade, emerging markets saw an 80 percent increase in per capita income, which in turn is resulting in an increase in consumption. Early projections show an 80 percent increase in energy use and a 60 percent increase in water use.

The private sector is becoming the engine of competitive solutions to address these challenges, and IFC helps bring global principles and best practices to the private sector in developing countries by improving environmental, social, governance, and industry standards, and promoting their widespread adoption. As part of the World Bank Group and in partnership with other global development institutions, we strengthen the ability of firms to meet international environmental and social standards and we support governments in building their regulatory capacities.

At the sector level, IFC increases access to markets for firms by setting internationally recognized standards that address environmental, social, and industry issues. Examples of these issues include food safety, child labor, gender-appropriate labor practices, biodiversity protection, and sustainable land management.

IFC also works with individual firms to implement good practices and build efficient verification and certification schemes along their supply chains. We also work with firms to put in place good corporate governance structures and practices that allow businesses to mitigate risk, safeguard against mismanagement, and attract the investment and capital that will fuel their growth. Sound corporate governance and strong environmental and social management systems make companies stronger, more efficient, and more accountable.

ACCOMPLISHMENTS IN FISCAL YEAR 2014

IFC is a leader in developing environmental and social standards in emerging markets, with a growing program that helps firms meet international requirements. Building on our success in helping Ukrainian food producers to adopt better food safety procedures and standards and increase their competitiveness, we are now expanding our food safety program to sub-Saharan Africa and East Asia, where we will continue working with Société Ivoirienne de Productions Animales S.A. (SIPRA) in Ivory Coast and with the Programme for Rural Advancement Nationally (PRAN) in Bangladesh.
IFC is currently providing food safety advisory for 20 food suppliers in Ukraine as part of its partnership with Auchan Ukraine, a subsidiary of the global retailer. The program is being delivered in stages, including initial and final assessments for each supplier, food safety training hosted by Auchan Ukraine, and on-site consultations.

In December 2013, IFC signed an Advisory Services agreement with Rubliovskiy, a large Belarusian retail, trading, and logistics holding company and an IFC investment client. The engagement entails support to three selected pilot stores in Minsk to upgrade their food safety management system based on international requirements. So far, only six months into the engagement, the client reports that productivity in production of the pilot stores grew by 5 percent; operational effectiveness has increased, and expected cost savings due to the project advisory work is $30,000.

IFC is finalizing its food safety advisory support with Euroterm, a juice producer and investment client in Armenia; certification is planned for September. Over the last year, the client has benefited from an increase in sales of $1.2 million. Other benefits include a 43 percent reduction in the cost of defective products, a 15 percent cost reduction due to better waste management, and a 50 percent cost reduction for state inspections and penalties. Total production costs were reduced by 4 percent per unit of production.

In addition, IFC plays an active role in the public-private partnership initiative called Global Food Safety Partnership (GFSP), which is focused on gathering global knowledge related to food safety and making tools available for implementation of better food safety practices at the government- and private-sector levels. In addition, GFSP is piloting these tools in China in FY15.

We have also improved the environmental and social management systems tools that we offer to firms in developing countries. In FY14, IFC published the Environmental and Social Management Systems (ESMS) handbook and toolkit in four industry sectors, which helps firms align their procedures and processes with IFC’s Performance Standards. IFC is currently deploying these tools through direct engagements with firms across the globe. For example, IFC provided training on ESMS to two companies in Georgia and four in Ukraine. Participants were required to conduct assessments of their own company’s ESMS using the IFC self-assessment tool. Based on assessment results, the participants developed an improvement plan using IFC’s ESMS toolkit. In addition, we are supporting an agri-business company in Ethiopia and another one in Ivory Coast to improve their ESMS and increase their access to more demanding markets.

LESSONS LEARNED
We have learned that we must better leverage our own internal resources as well as our partners’ resources while also building long-term, sustainable capacity within developing markets so that local firms can continue to meet international standards. In this regard, we are working to expand and translate our tools and reports into local languages and leverage our technical staff so that we can deliver services on the ground. Building local capacities is essential for knowledge transfer, not only to our client companies, but also to other companies and partners in the local markets. Through various training programs, pairing up the local consultants with IFC experts or international consultants, coaching, and mentoring, we build their expertise and deploy it where needed. We have also worked to improve the dissemination of our knowledge products across different platforms, such as the GFSP and through the Better Work Program, an innovative partnership between us and the International Labor Organization that works to improve compliance with labor standards and competitiveness in global supply chains. IFC tools on food safety and ESMS will be shared for wider use on a global level.

By providing targeted services to our clients, we leverage our knowledge and resources from both the Investment and Advisory Services sides of IFC to offer clients comprehensive support. Both sets of knowledge provide a full package of advisory support that makes our clients more competitive on local and regional markets.

We have improved our alignment with Investment Services’ priorities, leveraging priority sectors and resources to ensure added value to our clients and more impact on the ground.

STRATEGIC ORIENTATIONS
In FY15, IFC will continue to replicate the Europe and Central Asia regional Food Safety Program, expanding the program to sub-Saharan Africa and South Asia and strengthening the private sector’s ability to improve their environmental and social performance and improve their access to new markets.

In FY15, IFC plans to disseminate the food safety and ESMS tools to external stakeholders and continue using them to improve overall performance of IFC investment clients.
CONNECTING HYDROPOWER DEVELOPERS IN LAO PEOPLE’S DEMOCRATIC REPUBLIC

Working Together to Create a More Sustainable Sector

First of its kind in the Mekong region, the Hydropower Developers Working Group is a platform to help companies channel their concerns to the government, tackle business challenges, and develop hydropower that meets international industry standards for safeguarding the environment and society.

Lao People’s Democratic Republic (PDR) has huge hydropower potential. About 20 hydropower projects have been developed so far, tapping just 15 percent of the country’s hydroelectric potential. Another 40 to 50 hydropower projects will be operational by 2025, generating income that will contribute to national development.

As hydropower investment accelerates in Lao PDR, IFC and the Lao government want to make sure development is done right. At the forefront of this development, hydropower and construction companies can play a significant role toward properly managing water resources and addressing issues that impact project sustainability. Through the working group, hydropower developers discuss their role in the development of Lao PDR’s hydropower sector.

Since its inception in December 2013, the working group has acquired over 200 members that include hydropower companies, contractors and suppliers, and representatives from the Lao Business Forum. The group is successfully bringing together companies from around the region that are interested in investing in hydropower development and eager to contribute toward positive change in the sector.

To establish the working group, IFC partnered with the Lao National Chamber of Commerce and Industry to create an official platform for hydropower developers to work together more closely on pressing issues in their sector. IFC also involved the Ministry of Energy and Mines and Lao PDR’s largest hydropower company, Electricité du Laos Generation (EDL GEN) to officially launch the group.

Each quarterly working group business meeting is followed by a business seminar on topics that help companies work through their business challenges. IFC is facilitating the group to collectively voice their concerns through a variety of channels, including the Lao Business Forum, an inter-ministerial government dialogue, and bilateral discussions with respective ministries.

The Hydropower Developers’ Working Group aims to develop hydropower that is both commercially viable and environmentally sustainable. Companies have voiced their interest to learn more about issues that include dam safety, environmental and social risk management, and technical and financial policies in future seminars. This year, working group members have had the opportunity at business seminars to discuss fiscal policy issues that impede business performance, as well as social and environmental standards obligations during the concession agreement period of project development.

The working group’s diversity contributes to its effectiveness because it includes representatives from small, large, domestic, and international hydropower companies. Leading developers from independent power producers, as well as domestic and foreign companies, lead the group as co-chairs. The strong commitment from the co-chairs has supported the group’s efforts to prioritize their top issues to address this year.
Thought leadership and strategic knowledge management at the global level enable SBA to develop technical expertise, assure quality, innovate, and enhance our efficiency. A core function of the SBA global team is to encourage new thinking, and capture lessons learned to enable replication and adaptation of successful business models and projects across regions and countries, and help transfer skills from one business context to another. The knowledge generated in our work is made available to our partners and stakeholders through our web pages, seminars, events, and a number of publications.

**SUSTAINABLE BUSINESS ADVISORY PUBLICATIONS IN FISCAL YEAR 2014**

Our commitment to excellence in thought leadership and knowledge management can be seen in the range of publications we developed and disseminated over the year.

A significant high point was the launch of ‘SUSTAIN’—a new magazine for clients, which offers a global platform for a conversation on cutting-edge business solutions among thought leaders and pioneers from the private sector, international organizations, academia, and the World Bank Group.

At the time of publication of the SBA Annual Review, the magazine’s website (sustainbusiness.org) had attracted more than 13,000 unique visitors and subscribers from 68 different countries.

**AGRIBUSINESS**

**SUSTAIN**

How can companies across the world achieve stronger performance while addressing sustainability challenges? How can they learn from each other? And how can IFC help by leveraging its unique vantage point at the intersection of business and development? The first issue of SUSTAIN magazine addressed these questions through the agribusiness angle. It features interviews with sustainability heads and experts in companies like Bayer, ECOM, Coca-Cola, IBM, Marks and Spencer, Mars, and Metro Group. It also includes op-eds and contributions from the Financial Times, the Vodafone Foundation, the UN, the University of California at Davis, the World Economic Forum, the World Cocoa Foundation, and others.
Working with Smallholders: A Handbook for Firms Building Sustainable Supply Chains

126 pages | © July 2013 IFC | Complimentary

This handbook is for firms who wish to expand their supply chains by working with smallholder farmers. It is designed as an overview of key topics for sustainability and supply chain managers at agribusinesses, plantation companies, and extractives. It covers a broad range of topics, including farmer aggregation, training and communication strategies, standards and certification, access to inputs, farm management, the role of women in supply chains, and measuring results.

Recommendations for Companies Developing a Production Control Program Based on HACCP Principles

80 pages | © October 2013 IFC | Complimentary

This brochure contains practical aspects of implementation of prerequisite programs, which are fundamental for effective functioning of a food safety management system at food processing companies. The brochure was prepared in cooperation with the Ministry of Health of the Republic of Belarus. 850 Russian and 50 English copies were published in 2013 and distributed among food processing companies, HACCP training participants, state officials, and partner organizations.

ENERGY

Russia’s New Capacity-Based, Renewable Energy Support Scheme: An analysis of decree No. 449

20 pages | © 2013 IFC | Complimentary

The report introduces Russia’s capacity-based support scheme, adopted on May 28th, 2013, and examines how the authorities have integrated the variability of renewable energy sources into the regulation of capacity supply. The central question of the report is whether the authorities have created a regulatory framework that will incentivize investment in renewable energy projects in Russia.

Regional Renewable Energy Tariffs in Russia

43 pages | © 2013 IFC | Complimentary

The report analyzes the role of the federal subjects (regions) as alternative drivers of renewable energy policy in Russia. In particular, it examines how regions could stimulate the development of renewable energy sources in their electricity systems by establishing tariffs for the electricity produced from renewable energy sources (RES-E). The report also examines political and regulatory obstacles to the adoption of such regional support.

GENDER

Investing In Women’s Employment

188 pages | © October 2013 IFC | Complimentary

This report outlines how investing in women’s employment has led to enhanced business performance and productivity for companies in diverse countries and sectors. It was produced by WINvest, a World Bank Group partnership with the private sector for promoting women’s employment.

Striving for Business Success: Voices of Liberian Women Entrepreneurs

35 pages | © April 2014 IFC | Complimentary

This report is an overview of the women’s market in Liberia and
provides insights on the experiences of women entrepreneurs in fragile and conflict-affected states. Through the journey of seven Liberian women business-owners, the report highlights the many challenges women-owned enterprises face in post conflict countries. The report also provides recommendations to governments, private sector entities, donors and practitioners looking to increase opportunities for women-owned enterprises in these countries.

**CORPORATE GOVERNANCE**

Corporate Governance Scorecards

100 pages | © May 2014 IFC | Complimentary

This publication is a supplement to IFC’s Toolkit 2: Developing Corporate Governance Codes of Best Practice and it provides practical guidance and a step-by-step approach on how to develop a corporate governance scorecard.

Emerging Trends in Environmental, Social, and Governance Data and Disclosure: Opportunities and Challenges

16 pages | © January 2014 IFC | Complimentary

Private Sector Opinion 32: This paper argues that the social factors that have driven increased voluntary environmental, social, and governance (ESG) disclosure in the last three decades are sufficiently compelling to lead to mandated disclosure worldwide.

**ENVIRONMENTAL & SOCIAL**

Environmental and Social Management System Implementation Handbook—Crop Production

64 pages | © June 2014 IFC | Complimentary

The Environmental and Social Management System Implementation Handbook (ESMS Handbook) for Crop Production is for firms who wish to develop and implement a management system in line with the requirements of IFC Performance Standard 1. The handbook addresses the specific environmental, occupational health and safety, labor and community risks and impacts that companies are likely to face in their industry.

Environmental and Social Management System Implementation Handbook—Textiles & Apparel

70 pages | © June 2014 IFC | Complimentary

The Environmental and Social Management System Implementation Handbook (ESMS Handbook) for Textiles and Apparel is intended to be a practical guide to help companies in the textiles and apparel industry develop and implement an environmental and social management system, which should help to improve overall operations.

**2013 SBA ANNUAL REVIEW**

IFC Advisory Services in Sustainable Business: 2013 Annual Review

70 pages | © December 2013 IFC | Complimentary

This report presents the performance of SBA during FY13 and highlights recent projects and achievements as well as lessons learned and strategic priorities. During this period, SBA largely exceeded its targets, helping clients mobilize $891 million in financing, of which $200 million was IFC’s own investment in clients, sustainable business models, and projects that create value for companies, communities, and the environment.
Second Sustainability Circle

On February 10 and 11, 2014, more than 50 donors, IFC clients, and other partners, united for the second Sustainability Circle in The Hague, Netherlands. Hosted by the Dutch Ministry of Foreign Affairs, the purpose of this gathering was to discuss how we can best scale up innovative private-sector solutions to some of the most pressing development challenges of our time. Participants asked questions such as: What will it take to transform the garment and textile industry in Bangladesh into a sustainable sector—with safer factories, better working conditions, and cleaner production? What is the optimal strategy to unlock the leadership of the private sector and other stakeholders for sustainable water resources management at the sub-basin level? What will it take to develop sustainable food supply chains to feed 9 billion people by 2050?

Acting Director of Sustainable Business Advisory, Mary Porter Peschka, reminded those gathered that economic growth, environmental protection, and social equity are one and the same agenda: the sustainable development agenda. She stated that the challenge—and opportunities—of sustainable development are more relevant than ever, adding that today government, business, and civil society must be natural allies and mutually dependent. Mary also told those gathered that it is vital that governments and business build strategic partnerships with local communities to implement sustainable development investments. The cost of inaction, she said, is far greater than the cost of action.

Five donors (Austria, Denmark, Sweden, Finland, Switzerland, and the Netherlands) attended the meeting, together with representatives from private sector companies, civil society organizations, and multilateral organizations, including H&M, C&A, Jain Irrigation, Tata Cleantech, Rabobank, IDH, FMO, New Foresight, and the ILO and UNIDO.

All panelists agreed on the need to scale up commitment and action in the context of diverse national circumstances. The key themes shared by panelists and participants were:

1. Leveraging the power of partnership. Only by strengthening and deepening collaboration between business, government, and civil society will we be able to tackle the burdens of the sustainability challenges that we share. There is a need to encourage innovative partnerships among various stakeholders in priority areas. Public-private partnerships reduce investment risk, optimize the use of both public and private sources of finance, and pool human resources and strategic capabilities. Such partners are crucial to the promotion of micro-, small-, and medium-sized enterprises. These companies are pivotal drivers of growth, wealth-creation, and employment. Governments and the financial sector should aim to develop innovative partnerships to provide capacity building and increased access to capital as a means of incentivizing small- and medium-sized enterprises and enabling them to take part in the new sustainable economy. Leveraging partnership is pivotal to scaling up sustainability efforts in both developing and developed countries.

2. Engaging local solutions. As we seek to implement sustainability solutions, we should not forget that for transformation on the ground to occur in and across sectors, locally devised solutions will be more legitimate and durable than those imported from outside. Therefore, in seeking to drive sustainable change in developing countries, there is a need to support and facilitate local processes alongside traditional technical approaches. This places emphasis on the need to understand local contexts, and local leadership; only local leaders can make the tough choices that will unleash the dynamism of their country, and the sustainable investments that improve the health and well-being of their nation so it is more prosperous. We can be partners, but ultimately it is up to locals to take the lead.

3. Articulating the business case. There is a growing need for businesses to understand the risks and potential opportunities associated with sustainability challenges—growing global population, resource scarcity, and environmental change—and how they could jeopardize long-term profitability, or the survival of their business. Companies can find ways to save resources and reduce business risks, while also cutting costs. By planning for
future resource shortages, they can improve the material efficiency of production, develop alternate materials, or find new ways to use fresh water or energy more efficiently. Focusing on sustainability could also lead to access to new markets for greener products, improved brand credibility, and new sources of finance. This highlights the overwhelming need to amplify the effective ways for businesses in wide-ranging sectors to implement action that is good for their bottom line in the long run, and simultaneously good for development outcomes.

4. Ensuring effective governance. The common thread of progress is the principle that government is accountable to its citizens. Sustainable economic growth is not possible without social accountability and the equitable distribution of the benefits of development. This means ensuring the capable management of a country’s resources and affairs in a manner that is accountable and responsive to citizens’ needs and interests. Business needs to understand the rules and processes that determine how decisions are made and implemented. But, they also must play an active role, together with civil society, in ensuring that such rules and processes be legitimate, fair, accountable, and efficient and that they enable collective action to solve problems for the public good. Effective governance needs to encompass societal, technical, and agency-based responses to sustainability challenges—including building effective institutions and engaging with civil society.

All those gathered agreed that, looking forward, there is a need to better coordinate and facilitate collective action. Where collective action is necessary, trust and mutual support are essential. This means finding fresh and productive ways of accommodating the diverse capabilities and circumstances of various countries and regions, as well as between government and business.

Mary Porter Peschka concluded that a sustainable planet will not be easy to attain. It will not come without setbacks, nor will it be quickly claimed. But she told everyone that we should be encouraged by progress, and galvanized by the potential of what is possible.

**SBA Engages Dutch Agribusiness and Water Industry**

On February 12, IFC and the Dutch agribusiness and water industry organized a special event in The Hague to highlight the relationship between the private sector and sustainable business.

Organized by the Ministry of Foreign Affairs, the Confederation of Netherlands Industry and Employers (VNO-NCW), RVO (the Netherlands Enterprise Agency, formerly known as Agentschap NL), and IFC, this gathering took advantage of the presence of IFC experts from Investment and Advisory Services, who were in the Hague for the Sustainability Circle and ready to share knowledge and explore investment opportunities in emerging markets with leading Dutch companies in agribusiness and water.

The event gathered over 80 attendees, representing 31 companies. Opening the event, Ambassador for Private Sector and International Cooperation, Jeroen Roodenburg, noted how many Dutch companies are already seizing opportunities in emerging markets, but added that there is room for more, particularly in agribusiness and water activities.

In a powerful demonstration of Investment and Advisory Services collaboration, presentations were delivered on IFC’s suite of combined offerings, and how they work together to catalyze market development. Representatives from Dutch businesses followed up with questions on how IFC leverages the knowledge of the World Bank and the mechanics of obtaining an investment loan. Participants also asked about IFC’s minimum thresholds for investments, and timeframes for equity and debt financing.

In the breakout session on agribusiness, key staff from Investment and Advisory Services discussed IFC’s value proposition. The various investment products for agribusiness clients were outlined, and the work Advisory Services does with companies was explained with regard to supporting the growth of the agribusiness sector and improved livelihoods for farmers. Other areas explored included strengthening of supply chains, facilitating access to finance, and supporting the enabling environment.

In the breakout water session, SBA’s water efficiency programs, through which IFC works with Dutch companies, was explained. Participants were interested in knowing more about IFC’s work on water in agriculture, as well as its work to promote water and energy efficiency in the production of ships.

**2014 FT/IFC Transformational Business Awards**

In June 2014, IFC and The Financial Times co-hosted and announced the winners of the inaugural FT/IFC Transformational Business Awards. Bima, the Swedish mobile micro insurance provider, won the Award for Excellence in Transformational Business.
The FT/IFC Transformational Business Awards, an expansion of the FT/IFC Sustainable Finance Awards, highlighted innovative, commercially viable, and replicable products and services that can create long-term, transformative solutions to development needs in areas such as infrastructure, energy, food and water, affordable housing, and health. The awards also recognized the use of technology to empower the poor, initiatives to reverse environmental and social degradation, and efforts to promote gender diversity. The program, in its first year, attracted 237 entries from 214 institutions in 61 countries.

The awards followed a one-day Transformational Business Conference organized by The Financial Times and IFC. The conference keynote speaker, Lady Lynn Forester de Rothschild, focused on inclusive capitalism, suggesting that investors and customers should urge companies to focus on the longterm and adopt strong corporate governance.

IFC 8th Sustainability Exchange: “Transformation through Collaboration”

With a record participation of over 300 clients and partners, SBA’s 8th Sustainability Exchange this year focused on “Transformation through Collaboration.” The theme was captured in a Rubik’s cube demonstrating the multi-dimensional, multi-sectoral, creative behavior required for true transformation. The global practitioners who attended the Exchange at IFC Headquarters in Washington D.C. included companies, think tanks, NGOs, donors, and academia. Participants jointly explored economic, environmental, and social challenges and opportunities, while adapting the latest sustainability trends to their operational activity.

Keynote speakers included Jane Nelson, Director of the Harvard Kennedy School’s Corporate Social Responsibility Initiative, Larry Susskind, Ford Professor of Urban and Environmental Planning at Massachusetts Institute of Technology, Alan Davies, Chief Executive, Diamonds and Minerals, Rio Tinto, and Simon Thompson, Chairman, Tullow Oil. Other speakers were from Conservation International, FSG, Nestlé, Newmont, Shell, Sodexo, Wharton Business School, World Wide Fund for Nature, and many more cutting-edge organizations.

During more than 20 sessions held on May 21 and 22, each participant was asked to think outside the box on the fiscal and non-fiscal aspects of benefit sharing, sustainability trends in infrastructure and the natural resource sectors, research and practices for successful collaboration, and other development topics. Participants spoke on the roles and responsibilities from the board room to the front lines, transformational opportunities through investments and collaboration in post-conflict environments, and community-driven processes and market-driven livelihoods.

IFC’s Sustainability Exchange is a valuable annual platform to help clients develop strategic relationships while sharing works-in-progress and successes.
Part FOUR
The trusted relationship between SBA and our donors is the cornerstone of our ability to have maximum impact and deliver concrete results. Over three-quarters of our project funding is derived from our ongoing partnership with more than 20 donors. The power of this partnership in FY14 enabled SBA to continue to be effective and efficient in the delivery of our products and services.

Our donors recognize that broad-based sustainable economic growth and private-sector development are essential for reaching desired development outcomes. Conscious of the importance SBA places on delivering value for money and the impact our high-quality specialist advice can have, our donors continue to make contributions to SBA either directly to our programs and projects in the regions, through core funding to the Global SBA Facility, or through other IFC Multi-Donor Trust Funds, which fund our global work and are channeled to projects in the regions.

In addition to funding received from our donor partners, SBA is financed by retained earnings from IFC’s investments, as well as by the fees earned for the services that SBA provides to more than 500 firms and other clients. In May 2011, the IFC Board of Directors’ allocated up to $25 million of retained IFC earnings for the Global SBA Facility for the five-year period from fiscal year 2012 to 2016.

**CLIENT CONTRIBUTIONS**

IFC places significant importance on client contributions to Advisory Services. We price the services we provide to clients for three reasons: (i) to provide a market test of the value being provided to clients; (ii) to strengthen clients’ commitment to implement advice; and (iii) to contribute to sustainable funding for Advisory Service, including by leveraging funding provided by IFC and by donor partners.

Our efforts continued to build on recent measures undertaken to strengthen the consistency in the application of IFC Pricing Guidelines. The main principle of the guidelines is that any subsidies embedded in the pricing of Advisory Services must be justified by the balance of public and private benefits involved. In other words, clients should contribute to the extent that they capture private benefits. In FY14, SBA received $6.3 million in client cash fees. In FY15, we expect to collect $11 million from our active projects.
FISCAL YEAR 2014 FUNDING RESULTS

In FY14, the Dutch Ministry of Foreign Affairs was the largest donor to SBA with a contribution of $10 million of core funding to the SBA multi-donor Facility, which complements IFC’s own funding of SBA. The Facility is a global mechanism on which regional and global teams draw to implement the work program and drive objectives.

Together with $15 million committed last financial year to the Facility by SBA’s largest donor, the Swiss Secretariat for Economic Affairs (SECO), this funding from the Dutch Ministry of Foreign Affairs is vital to ensuring the Facility can carry out its core function of the preparation and implementation of strategy, product development, knowledge management, thought leadership, resource mobilization, and global client engagement advocacy—all in support of regional teams who implement local projects in line with country priorities.

In FY14, the Danish Ministry of Foreign Affairs contributed $4.47 million in funding for inclusive green growth, which is the pathway to sustainable development. This thematic support is critical because it is central to achieving IFC’s strategic priorities. Furthermore, green growth is the only way to reconcile the rapid growth required to bring developing countries to the level of prosperity to which they aspire, meet the needs of the one billion people living in poverty, and keep us on the path to achieving the World Bank Group’s ambitious twin goals. SBA’s approach to green growth leverages IFC’s comparative advantage, including its capacity to engage the private sector, and to play a transformational role in catalyzing sustainable and inclusive market development. In executing green growth projects, SBA works at both the firm level and sector level, as well as with policy makers and regulators to improve the enabling environment for private sector investment which enables green growth.

SBA’s efforts in tackling climate change were bolstered in FY14 with a contribution from the Austrian Government of $3.4 million, and a contribution from the Italian Government of $3.5 million. These funds are specifically designed to increase investment opportunities in clean energy and resource efficiency, create opportunities to reduce greenhouse gas emissions in the forestry and agribusiness sectors, while working with firms and sectors to understand and invest in opportunities focused upon climate change adaptation. This funding from Austria particularly focuses on low carbon solutions to expanding access to basic services related to energy and water access, and low carbon economic development. These activities track impact under IFC’s climate change results measurement framework, and then aggregate results to several specific standard impact indicators.
## TABLE 1 Fiscal Year 2014 Commitments to SBA in USD

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<thead>
<tr>
<th>DONOR</th>
<th>Total for FY14</th>
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<tbody>
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<td>Australia</td>
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<tr>
<td>Austria</td>
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<td>Canada</td>
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<td>CIF*</td>
<td>$16,620,000</td>
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<td>European Commission</td>
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<tr>
<td>Ford Foundation</td>
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<td>Germany</td>
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<tr>
<td>Japan**</td>
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<td><strong>GRAND TOTAL</strong></td>
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*CIF donors include: Australia, Canada, Denmark, France, Germany, Japan, Korea, the Netherlands, Sweden, Switzerland, United Kingdom and the United States.

**Raised via Advisory Services Operations Department (CPA)

## TABLE 2 Fiscal Years 2013 and 2014 Commitments to SBA in USD

<table>
<thead>
<tr>
<th>DONOR</th>
<th>Total for FY13 and FY14</th>
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<td><strong>GRAND TOTAL</strong></td>
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</tr>
</tbody>
</table>

*CIF donors include: Australia, Canada, Denmark, France, Germany, Japan, Korea, the Netherlands, Sweden, Switzerland, United Kingdom and the United States.