IFC ROAD MAP FY15-17

Implementing the World Bank Group Strategy

INTERNATIONAL FINANCE CORPORATION

Version redacted and disclosed in accordance with IFC's 2012 Access to Information Policy, following discussion by IFC's Board on April 23, 2014.
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EXECUTIVE SUMMARY

1. The World Bank Group (WBG) has set two goals, as endorsed by our Board of Governors in April, 2013, to be achieved in ways that are environmentally, socially and economically sustainable:
   - To end extreme poverty – reduce the percentage of people living on less than $1.25 a day to three percent by 2030; and
   - To boost shared prosperity – foster income growth of the bottom 40 percent of the population in every developing country.

2. The first WBG strategy, as endorsed by our Board of Governors in October, 2013, confirms the central role of the private sector in achieving these goals. The private sector is a critical driver of broad-based economic growth, and provider of the most effective path out of poverty through access to more and better jobs. IFC is well-positioned to play a key role in implementing the strategy through private sector development in the strategy’s key pillars: (i) help clients tackle the most important challenges; (ii) become the “Solutions WBG”; and (iii) work in partnership.

3. During FY15-17 IFC will focus on achieving the WBG goals and the implementation of our strategy through greater selectivity and an improved delivery model to increase development impact (primarily through job creation and economic growth) and enhance its financial sustainability and profitability (important both to demonstrate the viability of private sector activities, as well as to have more capital to deploy where it is needed most). Key elements of IFC’s approach include: (i) aligning activities with our goals, and emphasizing impact rather than overly focusing on reach, to be reflected in a revised results measurement framework; (ii) stepping up client focus; (iii) taking smart risks to allow IFC to be transformational while generating healthy returns; (iv) building and leveraging partnerships, across the WBG and with clients and other external partners; and (v) improving productivity and efficiency.

4. IFC is fully committed to the new WBG approach to country engagement which along with client demand and IFC’s additionality, will guide selectivity at the country level. The new approach will identify and address critical constraints and opportunities for accelerating progress toward our two goals at the country level. IFC will help clients tackle the most important challenges, the first pillar of our strategy, by emphasizing those critical development opportunities and constraints where IFC has most additionality.
   - IFC will exercise selectivity through its focus on sectors where impact can be greatest, including infrastructure (particularly energy and extractives), agribusiness and the food supply chain (with a focus on integrated cross-sector solutions), health and education, and financial markets (providing access to finance, including through partnering with intermediaries and ramping up local capital markets programs). It will continue to emphasize the cross-cutting themes of jobs, climate change, gender, and public-private partnerships as appropriate.
   - IFC will continue to pay particular attention to Sub-Saharan Africa (SSA), which has the most countries with a high incidence of poverty, with the aim of making SSA the largest IFC program by 20171; South Asia (including Afghanistan and Pakistan), which accounts for the largest number of the world’s extreme poor; Middle East and North Africa (MENA), with a focus on jobs for disadvantaged youth and women; and Fragile and Conflict Situations and other challenging IDA countries which pose unique development challenges. In Middle Income Countries where 70%2 of the global extreme poor reside, including a large population living in urban areas, IFC will focus on innovation, inclusion, frontier regions, climate change and South-South.
   - In IDA countries, where IFC continues to have a focus, it is also exploring innovative ways to work with other institutions in the WBG, such as the possibility of leveraging some of the IDA17 funding

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1 Excluding mobilization.
in order to catalyze additional private sector investment and increase our impact on growth and job creation.

5. **IFC is an integral part of the “Solutions WBG”, the second pillar of our strategy.**
   - By working as One WBG, supported by cultural and structural changes such as the 14 Global Practice Groups, the five joint Cross-Cutting Solution Areas, and initiatives such as the Finance Business Committee, the WBG will enhance its position as the global development leader and marshal the combined expertise, resources and knowledge across its institutions, as it brings together public and private partners to tackle key development challenges. As an integral part of One WBG, we will be able to provide a broader range of solutions, including finance (own-account investments and mobilized funds from the IFC Asset Management Company (AMC) and other sources), knowledge (including advice), and convening power, and deliver them more efficiently. This promises greater impact for IFC and the broader WBG in priority areas and sectors.
   - Building on the One WBG approach, IFC will simplify its organizational structure and deepen its engagement within the WBG through a re-focused IFC. These enhancements will have a positive impact on our clients, partners, and staff, and enhance our ability to make a lasting difference.
   - IFC will proactively shift resources into a number of transformational engagements, or “game-changers”, that involve a fundamental improvement in peoples’ lives. Many of these are expected to be joint efforts with other institutions in the WBG. Recognizing the added costs, longer time horizons and risks of failure, IFC will continue to refine its approach and learn from past experience and ongoing engagements.
   - In line with efforts across the WBG to strengthen the focus on results, IFC will continue to: (i) enhance its results measurement framework, including by introducing new approaches for measuring private sector development impact, such as monitoring of multi-year, transformational engagements, and (ii) incentivize staff to prioritize in line with the strategy, including through a new scorecard approach.
   - IFC’s risk profile is changing, with more transformational engagements which could result in elevated risks, larger project sizes, and potentially more fiduciary risk from increased partner engagement. By taking smart risks IFC aims to maximize development impact while enhancing profitability, growing its capital base, and maintaining its triple-A credit rating.

6. **By working in partnership with clients and partners**, the third pillar of our strategy, **IFC can have even greater impact.**
   - Through an enhanced engagement model for clients, including a new formal client-coverage function and dedication of senior resources, IFC aims to manage client relationships more actively and holistically, and grow its client base, while adapting processes and its business model where relevant. IFC aims to enhance its value proposition by strengthening its reputation as a trusted advisor to key decision-makers, helping to identify client needs as well as broader opportunities where clients can have significant impact, and then bringing together comprehensive solutions across the institutions of the WBG or with other partners. IFC would be able to work with clients to address key development opportunities in line with the Systematic Country Diagnostics and Country Partnership Frameworks in a strategic manner, in their markets and beyond, and to enable greater impact through projects.
   - IFC will continue to catalyze third-party investments, through a variety of financing and advisory products, including through new mobilization mechanisms, leveraging both traditional and new partners. AMC continues to be an important mechanism for increasing IFC’s development impact by mobilizing third-party capital to expand the supply of long-term finance in developing countries.
   - IFC can broaden its impact even further by working with other partners to leverage finance, knowledge and convening services.
7. **IFC will continue to strengthen its foundations** to ensure successful implementation of the strategy, and its future ability to deploy capital to where it is needed most. IFC will enhance profitability and financial capacity, including through improving equity management, and increasing its Treasury’s contribution to profitability. In addition, IFC will improve efficiency and productivity by introducing greater functional specialization and improving processes. IFC will also strengthen its foundations of knowledge management, information technology and talent management in collaboration with other members of the WBG.

8. Although **global growth is expected to accelerate in 2014**, driven by developed countries, in particular the United States of America, **developing countries may face significant challenges**, such as potentially tighter global financial conditions, deteriorating macro-conditions, and anemic prices for some commodities. The need for support for the private sector, especially in difficult markets, continues to exceed the supply, and demand for IFC remains strong.

9. **FY15-17 Investment Program.** Reflecting IFC’s commitment to overcome a volume-driven culture with a stronger focus on impact, IFC seeks to shift greater emphasis toward the quality of what we do in terms of impact, rather than on the quantity of what we do as reflected in volume terms. IFC will continue to pursue the strategy and planned growth within its available capital and budget resources, directing these resources to where contribution to our two goals is greatest. Highlights include:

   - Increased impact, including through a greater focus on transformational engagements, which are likely to require multi-year efforts due to their complexity; and
   - Modest overall growth. From FY14-17, total long-term finance (LTF) investment volume is expected to grow by 3-4% per year\(^3\), with mobilization volume\(^4\) expected to grow by 6-7% per year. The average annual outstanding short-term finance (STF)\(^5\) portfolio is expected to grow by about 3-4% per year.

IFC envisages that this program can be achieved with a flat budget in real terms for FY15, with program and impact growth enabled by improvements in efficiency and productivity and some internal resource reallocations to priority areas. Should additional resources be needed, especially to deliver transformational engagements, IFC will revert to the Board at the time of the FY15 Budget paper.

10. With input from the Independent Evaluation Group, IFC has decided that, starting in FY15, it will shift from its current practice of reporting the cumulative commitment volume of its STF business over the course of that fiscal year, and then aggregating that with its LTF commitment volumes. Instead, it will report the average annual outstanding portfolio balance of its STF business in a given fiscal year, and reflect that separately from its LTF business, thereby aligning with commercial bank practice and more appropriately indicating the relative size of its STF business and its characteristics and capital use. IFC will concurrently publish total trade supported to reflect the extent of its contribution to cross-border trade.

11. **AMC**, which now has $6.3 billion of assets under management across six funds, is projecting assets under management will continue to grow and annual investments will approach $1 billion in the next several years. With a proven business model, strong investor base and robust platform, AMC will build on its success to develop other fund ideas such as the Global Fund-of-Funds and a follow-on fund to the African, Latin American and Caribbean Fund; and market the Financial Institutions Growth Fund, the MENA Fund, and the Asia Fund.

12. **IFC will continue to employ prudent capital management**, maintaining overall capital that is sufficient to maintain the triple-A rating.

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\(^3\) This is following a record FY13 program delivery.

\(^4\) Core mobilization (the syndicated loan program, initiatives, PPP mobilization, and AMC) excludes MIGA and other non-core mobilization, which could mobilize up to an additional $600m (approximately) each year for FY15-17.

\(^5\) Global Trade Finance Program (GTFP) of less than one year and Global Trade Supplier Finance (GTSF).
I. CONTEXT

WORLD BANK GROUP GOALS AND STRATEGY

1.1 The World Bank Group (WBG) has set two goals as endorsed by our Board of Governors in April, 2013, to guide WBG action:

- To end extreme poverty – reduce the percentage of people living on less than $1.25 a day to 3% by 2030; and
- To boost shared prosperity – foster income growth of the bottom 40% of the population in every developing country.

Securing the long-term future of the planet and its resources (environmental sustainability), ensuring social inclusion (social sustainability), and limiting the economic burden future generations will inherit (economic sustainability) underpin our actions.

1.2 In light of these goals, the WBG has laid out a strategy – the first to encompass IBRD, IDA, IFC, and MIGA, working together as One WBG – to reposition itself as the global leader in providing customized development solutions that bring together public and private partners to tackle key development challenges. The WBG intends to deliver on its value proposition:

- Contribute to the global development agenda through dialogue and action on ongoing and emerging development challenges, bringing the perspectives of all its member countries;
- Support clients in delivering customized development solutions backed by finance, knowledge, and convening services; and
- Help advance knowledge about what works, combining the world’s leading development research and practitioner experience with a commitment to transparency, open data, global outreach, and knowledge dissemination.

1.3 To deliver on this value proposition, the WBG strategy, as endorsed by our Board of Governors in October, 2013, outlines key pillars to:

(i) Help clients tackle the most important challenges – by operationalizing the goals at the country level through a more focused, evidence-based country engagement model;
(ii) Become the “Solutions WBG” – by delivering development solutions – including through working as One WBG for more effective use of knowledge through global practices, a focus on results and the science of delivery, seeking transformational engagements, and taking smart risks; and
(iii) Work in partnership – by strengthening and aligning partnerships – to deliver and scale solutions to clients.

1.4 Our strategy confirms the central role of the private sector in achieving the goals. Studies indicate that the most effective path out of poverty is through access to more and better jobs. This requires rapid, broad-based, inclusive and sustainable growth centering on the strong contribution of the private sector. The private sector is not only a critical driver of broad-based economic growth, it creates jobs and provides income, and also promotes innovation, technology and skills transfer; delivers key goods and services; and provides most of the taxes that support government operations. It is also an efficient allocator of credit, and private investment has become the dominant mode of capital transfer worldwide.

1.5 In order to flourish, the private sector requires an enabling environment, including a supportive investment climate, regulation, competition policy, market structure, and trade regime; adequate infrastructure; effective finance for trade and investment, including debt, equity, guarantees and other risk mitigation instruments; and a skilled workforce. Developing countries across the income spectrum often face obstacles to private sector development, and the WBG can help the public and private sectors work together
more effectively and systematically to address these obstacles, as well as other long-term development challenges, as described in more detail in the WBG strategy\(^6\).

**Delivering On Our World Bank Group Goals And Strategy**

1.6 As the principal private sector-facing arm of the WBG, IFC is well-positioned to continue to play a key role in the WBG’s efforts to deliver on our goals by working through the private sector. Broad-based growth is critical for ending poverty, and when growth in the bottom 40% keeps pace or grows faster than overall growth, we can also advance progress toward shared prosperity. IFC activities such as support for infrastructure, promoting regulatory reform, and increasing sector competitiveness can bring about structural transformation of the economy, which in turn supports broad-based growth, expanding economic activity and job creation, and increased access. Other IFC activities that support broad-based growth include our support for financial sector development, cross-border investment and trade. Innovation and sector reforms can also spur demonstration effects that bring in new investors.

1.7 IFC activities help boost shared prosperity including by: (i) generating economic activity and jobs, direct, indirect and induced; (ii) focusing on the “opportunity deprived”, i.e. those segments of the population that have unequal access to income-generating opportunities; and (iii) addressing access gaps. Examples include our work to integrate smallholders and micro, small and medium-enterprises (MSMEs) suppliers in supplier and distributor chains; inclusive business models; activities that focus on women, youth, the frontier and poorer regions of countries, and the poor wherever they are; and operations that provide basic social, financial and infrastructure services, and improve the availability and quality, and lower the cost, of goods and services.

1.8 Sustainability underpins our goals and is a key part of the WBG strategy. In delivering on the goals, IFC aims to ensure long-term business success while contributing to sustainable economic, environmental and social development. IFC continues to be a leader in helping clients to identify possible business opportunities as well as to pro-actively manage environmental, social and governance (ESG) risks, in addition to setting standards and its convening role (see Box 2 below).

1.9 IFC is well-positioned to play a key role in achieving our goals and implementing the strategy through private sector development in the strategy’s key pillars: (i) help clients tackle the most important challenges; (ii) become the “Solutions WBG”; and (iii) work in partnership (see Figure 1 below). IFC will now focus on greater selectivity and an improved delivery model, to increase development impact, and enhance its financial sustainability and profitability. Key elements of IFC’s approach include: (i) aligning activities with our goals, and emphasizing impact rather than overly focusing on reach, to be reflected in a revised results measurement framework; (ii) stepping up client focus; (iii) taking smart risks to allow IFC to be transformational while generating healthy returns; (iv) building and leveraging partnerships, across the WBG and with clients and other external partners; and (v) improving productivity and efficiency.

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\(^6\) The World Bank Group (WBG) Strategy, Chapter IV, section A.
II. HELP CLIENTS TACKLE THE MOST IMPORTANT CHALLENGES

2.1. IFC will be guided by a new WBG approach to country engagement, which will identify priority areas for action, as well as by its own value proposition and additionality in exercising selectivity in its operations.

THE NEW WBG APPROACH TO COUNTRY ENGAGEMENT

2.2. IFC will focus on countries’ critical development constraints and opportunities through the new WBG approach to country engagement. This approach provides a strategic framework for supporting a country’s efforts to end extreme poverty and boost shared prosperity in a sustainable manner, taking into account client demand and the WBG’s comparative advantage. IFC will work closely with the World Bank (WB) to incorporate private sector opportunities and constraints in Systematic Country Diagnostics (SCDs). In developing the WBG priorities in Country Partnership Frameworks (CPFs), IFC will focus on critical development needs and areas where IFC can have the most additionality, and achieve the greatest impact. Through joint implementation plans in selected countries and sectors, we will outline a focused collaboration.

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7 The new WBG approach to country engagement has four main elements: (i) a Systematic Country Diagnostic (SCD), an evidenced-based consultative diagnostic that identifies critical constraints and opportunities; (ii) a Country Partnership Framework (CPF), or Country Engagement Note (CEN) for short-term engagements, which prioritizes the WBG’s key objectives and development results drawing from the SCD and other sources, including from the government and the private sector; (iii) a Performance and Learning Review (PLR); and (iv) a Completion Learning Review (CLR). As appropriate, the CPF may be complemented by joint implementation plans which provide more detail on how different WBG institutions will collaborate to support objectives in selected priority areas.
approach to sharpen synergies and set out the specific outcomes in key sectors or thematic areas in a country which we would aim to achieve together.

**BOX 1: IFC’S COMMITMENT TO THE NEW WBG APPROACH TO COUNTRY ENGAGEMENT**

<table>
<thead>
<tr>
<th>IFC is fully committed to the new WBG approach to country engagement, and this new approach, as well as client demand and IFC’s additionality, will guide selectivity at the country level. IFC will lead the private sector aspects of the SCDs and CPFs, with the level of IFC engagement determined by the relative importance of private sector constraints and opportunities in the development of the country in question.</th>
</tr>
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<tbody>
<tr>
<td>Implementation will require a focused effort and alignment of resources, and IFC senior management is in the process of adjusting IFC’s organizational structure to support this commitment (see section on A Re-focused IFC). The new structure will provide: (i) clearer accountability; (ii) deeper engagement with partners and clients; and (iii) a more effective engagement as part of the WBG, in particular through the creation of the new Global Partnerships Vice Presidential Unit (VPU) with a strong link to the Global Practice Groups (GPGs) – to ensure that there are meaningful private sector inputs to the SCDs, CPFs and GPGs, and that GPG expertise is harnessed for IFC engagements. IFC is forming a new Global Economics and Strategy Department. The new unit will draw from more efficient use and reallocation of existing economics and strategy resources. It will develop the capability to form macro-economic perspectives on high impact areas for private sector engagement, and these perspectives will then be reconciled with IFC delivery capabilities and transactional experience. The new unit will also help IFC incorporate private sector perspectives into the SCDs and CPFs, and inform the development of joint implementation plans where most appropriate.</td>
</tr>
<tr>
<td>In implementing its new structure and approach, IFC is committed to ensuring that the private sector is well represented in the new country engagement model, and will devote the necessary resources to its implementation. Specifically:</td>
</tr>
<tr>
<td>• IFC will engage in all critical areas of the process, from conceptualization, consultations, draft preparation, formal reviews and clearances. Representation at the Regional Coordination Mechanism and SCD Advisory Board will help coordinate, support and monitor IFC’s engagement.</td>
</tr>
<tr>
<td>• The Regional Coordination Mechanism will be comprised of relevant senior management from IFC and the WB as well as MIGA, and oversees WBG coordination (see section on Regional Coordination Mechanism); the SCD Advisory Board will be comprised of various technical experts across the WBG, and supports and advises teams conducting SCDs and develops technical resources. IFC will be represented at the SCD Advisory Board through specialists from IFC’s industry, regional and strategy teams.</td>
</tr>
<tr>
<td>• IFC will work closely with the WB and MIGA to incorporate private sector opportunities and constraints in SCDs, drawing on its extensive client base to ensure that private sector partners have a role in defining these opportunities and the constraints which are important to them, as well as country, regional and industry expertise, networks and experience.</td>
</tr>
<tr>
<td>• IFC will focus on critical development needs and areas that can be addressed through the private sector. Enhancements in IFC’s client engagement model – intended to grow its client base, manage client relationships more effectively, and strengthen its position as trusted advisor – is expected to enable IFC to partner with clients to tackle countries’ key development challenges, in line with the SCDs and CPFs.</td>
</tr>
</tbody>
</table>

2.3. Beyond collaboration within the SCD/CPF framework, which is critical, in its new country engagement approach, IFC will draw from its extensive country presence, its regional and industry departments, the Global Practice Groups (GPGs), and the Cross Cutting Solution Areas (CCSAs). Implementation of the new approach to country engagement will require focused effort and resources, and IFC will monitor impact on its operations and efficiency and learn from experience, adjusting as this new approach is rolled out, including considering additional resources.

**IFC’S VALUE PROPOSITION AND ADDITIONALITY**

2.4. IFC is the leading development finance institution focused on the private sector, and is uniquely positioned at the nexus of development and finance. IFC has the largest footprint among private-sector-focused international finance institutions\(^8\) (IFIs) and, with a global reach and decentralized operations, can leverage lessons of experience across regions and sectors while diversifying risk. IFC differentiates itself from commercial financiers as it ensures additionality through provision of needed finance beyond what is

\(^8\) IFIs include multilateral development banks and bilateral development finance institutions.
available from commercial sources; providing comfort to other investors; establishing important standards in areas such as ESG; bringing important parties together for knowledge sharing and project development; and bringing in important technical, industrial and financial knowledge and innovation.

2.5. IFC can utilize and leverage its investment, advisory, Asset Management Company (AMC), and Treasury products and services, as well as products and services of other institutions in the WBG, to provide innovative, comprehensive development solutions customized to meet clients’ needs. Clients view IFC as a provider and mobilizer of scarce capital, knowledge and long-term partnerships that can help address critical constraints in areas such as finance, infrastructure, employee skills and the regulatory environment.

2.6. Advisory services (AS) play a crucial role in strengthening the capacity and know-how of private sector clients, while helping to improve the enabling environment for private investment – thereby extending IFC’s footprint, especially in challenging markets where AS often leads the way for IFC. IFC will strengthen the client focus and impact of AS through closer alignment with industry departments and the GPGs – increasing synergies with investment services (IS) allows AS to better serve its private sector clients, while increasing alignment with the GPGs promises greater impact in broader market development and enabling environment work.

2.7. IFC is also a leading mobilizer of third-party resources for its projects, including through syndications, risk mitigation, AMC, local currency capabilities, and working with institutional investors. IFC’s willingness to engage in difficult environments beyond the risk tolerance of commercial funders provides comfort to its partners, and its leadership in crowding-in private finance enables IFC to extend its footprint and have a development impact well beyond its direct resources. Increasingly, IFC is being recognized for its convening role and its ability to be a trusted advisor to clients, especially in more complex, high impact engagements. IFC also continues to demonstrate leadership, working with partners and ensuring that engagements – particularly in difficult areas, and which may not happen without IFC – move forward. IFC’s pioneering investments often demonstrate to others the viability of new approaches, leading to even greater impact through replication by others.

2.8. Finally, with a commitment to sustainable development impact, IFC is a leader in measuring, evaluating, and reporting on development results, particularly in frontier markets. IFC’s ability to demonstrate impact will become increasingly important as stakeholders consider options for the use of limited resources.
**BOX 2: IFC’S LEADERSHIP AND INNOVATION IN ESG**

Doing business sustainably drives positive development outcomes while helping companies find opportunities for growth and innovation. IFC supports its clients with a Sustainability Framework and a Corporate Governance Framework that promote sound ESG practices, broaden development impact, and encourage transparency and accountability.

In the countries where the WBG operates, the private sector faces complex sustainability risks from climate change, to resource scarcity, to rising social pressures. These risks impact companies’ – and their supply chains’ – ability to source inputs, manufacture products, or distribute goods. An environmentally and socially aware global marketplace of consumers and investors is also demanding more attention to ESG opportunities and issues which could impact a company’s bottom line.

IFC works with clients to devise solutions to the ESG challenges that they face and find opportunities for business growth related to sustainability. Through its operational engagement with clients, IFC is able to draw lessons on ESG risks and solutions and to disseminate them globally. IFC partners with industry and civil society to find solutions and keep on top of emerging ESG challenges facing business.

Clients look to IFC to provide and catalyze ESG knowledge and expertise. For example, IFC has worked with major commodity companies to achieve sustainability throughout their supply chain by tackling ESG risks related to ecosystems, child labor, or community engagement, and helping farmers and clients increase productivity and boost revenues.

IFC also continues to use its convening power to bring together thought leaders in business and sustainability. Private companies want to be involved with IFC because of its ESG risk management expertise – and also because its performance standards and corporate governance standards continue to constitute a global benchmark. Attracting much more private sector investment into developing countries in order to achieve the WBG goals underscores the importance of continuing outreach to the Equator Banks, IFIs, and private equity, among others. IFC’s Advisory Panel on Business and Sustainability is another example of how IFC is leveraging outside expertise to develop solutions to emerging ESG risks that may hinder investment, sustained growth and shared prosperity.

As IFC participates in transformational engagements, successful implementation requires working across the WBG and addressing upstream sector challenges with the WB and other partners, and promoting broad-based uptake of good ESG practices. For example, in Mongolia, IFC plays a key role in providing comprehensive ESG solutions around community engagement and biodiversity. This has enabled IFC to help unlock investments for its clients and to help structure Mongolia’s largest private sector financing in a sustainable way, while contributing to the generation and dissemination of knowledge across the WBG.

**EXERCISING SELECTIVITY TO DELIVER ON OUR GOALS**

2.9. IFC will exercise selectivity to focus on activities that contribute the most to achievement of our goals. IFC will be guided by the intersection of CPF priorities, private sector client demand and IFC’s additional in demonstrating selectivity at the country level. IFC puts increased emphasis on activities that have lines of sight to the goals, ensuring selectivity in its approach within regions, sectors and cross-cutting themes.

2.10. IFC places strong emphasis on frontier markets (see Annex III), in particular Fragile and Conflict Situations (FCS) and IDA countries. IFC will be active in all regions, with Sub-Saharan Africa (SSA), Middle East and North Africa (MENA), and South Asia (including Afghanistan and Pakistan) continuing to be priorities as highlighted in earlier IFC Road Maps. IFC also continues to refine its selectivity in Middle Income Countries (MICs), expanding on its MIC strategy previously discussed with the Board. These regional focus areas are aligned with those highlighted at the first Group-wide strategic planning and budget exercise in February, 2014. The WBG Senior Management Team (SMT) agreed to prioritize regions with the highest incidence of extreme poverty – Sub-Saharan Africa and South Asia – and fragile and conflict-affected situations, which could be in any region; while, in keeping with the goal to boost shared prosperity, the SMT acknowledged the need to support MICs in adapting to new opportunities and challenges. IFC also maintains emphasis on key sectors such as infrastructure (particularly energy and extractives), agribusiness and the food supply chain, health, education, and financial markets and access to finance. These sectors also offer potential for increased WBG collaboration especially through the GPGs (see also section on Working

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9 IFC Road Map FY12-14: Impact, Innovation and Partnership.
as One WBG). IFC also exercises selectivity in key themes – jobs, climate, gender, and public-private partnerships (PPPs) – to contribute to the achievement of the WBG goals. These four themes, plus fragility, conflict and violence, are in line with the new WBG CCSAs. IFC will work closely with the CCSAs to help set a strategic agenda, set common targets, improve knowledge, develop practical approaches, measure results and forge key partnerships that strengthen the private sector contribution to integrated development solutions.

**Selectivity In Regional Focus**

A)  **FCS and IDA**

2.11. FCS remain an urgent development priority. Achieving our goals of ending extreme poverty and promoting shared prosperity requires a sustained commitment to FCS, as the poor in FCS are expected to constitute a much larger share of the global poor by 2030 compared to current levels\(^{10}\). Sustainable job creation in FCS is especially critical, as without economic development, there is one chance in two that a post-conflict country will lapse back into conflict. At the same time, higher risk levels (actual or perceived) continue to deter the private sector from investing in FCS and other challenging countries, pointing to a key role for the WBG, and in particular for IFC.

2.12. As outlined in the Road Map FY14-16\(^{11}\), IFC has committed to increasing its investment volume in FCS by 50% over FY12 levels by end-FY16. While this is a three-year time horizon for ramping up, IFC is currently on track to meet this goal. Own-account investments in FCS during FY13 increased by 7.4% over FY12 levels, to $577 million. In addition, IFC mobilized a further $608 million in FCS in FY13\(^{12}\); increased mobilization reflects the willingness of the private sector to co-invest with IFC in well-structured investments. If market conditions permit, IFC expects additional mobilization as it continues to focus on viable infrastructure projects in FCS. Meanwhile, AS increased its client-facing expenditure in FCS to $39 million in FY13, an 18% increase year-on-year.

2.13. In FY14, IFC received a $7 million FCS budget allocation which has been deployed as follows: 50% allocated to increase FCS program funding; the remaining 50% held centrally for use towards support for transformational engagements and special focus areas (agribusiness and infrastructure), consultants, security and other contingencies. Commitments for FY14 in FCS are projected to exceed FY13 levels by at least 20%. More private sector investment is needed in FCS, and IFC is considering bolder measures and developing new approaches to address the unique challenges of investing in FCS.

2.14. IFC will take more risk in FCS. In particular, its program for small investments will facilitate more projects in FCS. Investment opportunities in FCS are often smaller in size, involve inexperienced sponsors, and occur in weak regulatory environments that undermine perfection of security. These environments pose greater risks to investments, typically resulting in long gestation periods and prolonged approval processes for projects. To address these difficulties, and to support the development of more projects in FCS, in October, 2013 IFC introduced a new program for small ($10 million or less for IFC’s own account) FCS investments. The program involves an allocation of capital to: (i) support the development specifically of smaller projects in FCS outside IFC’s normal risk tolerance, such as those involving less experienced local sponsors, or a weak legal system; (ii) create more operational flexibility for smaller projects in FCS; and (iii) enhance project returns through greater coordination between IS and AS. A program manual and simplified legal agreement have been created, and the first project under the program is pending approval. The program has stimulated more investment promotion, resulting in a greater number of projects in the pipeline.

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\(^{10}\) Data from Brookings Institution’s Development, Aid, and Governance Indicators (DAGI), which uses measures for moderate poverty (under $2 a day), point to the poor in FCS constituting 46% of global poor by 2030 from 24% in 2013.

\(^{11}\) IFC Road Map FY14-16: Leveraging the Private Sector to Eradicate Extreme Poverty and Pursue Shared Prosperity.

\(^{12}\) If MIGA is included, mobilization is $724 million for FY13.
2.15. IFC will also step up its focus on transformational engagements in FCS, including in agribusiness and infrastructure. Agribusiness in FCS has the potential to increase productivity and profitability of smallholders, enhancing jobs and livelihoods of large segments of the population. As this sector faces acute challenges such as poor productivity, poor infrastructure, and long-term environmental and social sustainability, IFC will deploy an integrated investment and advisory strategy, and work with other members of the WBG, to address such challenges. IFC’s investments in this sector will attract quality sponsors committed to meeting IFC’s performance standards; and its AS will work with these sponsors to develop effective community engagement and outgrower development programs, leading to increased project and sector sustainability. For example, IFC is pursuing a potential investment in Liberia’s palm oil sector, in which an integrated investment-advisory approach is envisioned in order to address community and environmental issues.

2.16. IFC will also seek to replicate its past FCS infrastructure investments with transformative potential, such as the FY13 investment in telecoms firm Roshan, which will provide essential telecommunications services in Afghanistan. In particular, IFC will seek to increase its investments in power (following the recent investments in the Ciprel and Azito power plants in Côte d’Ivoire). Power is pivotal to unlocking economic growth in FCS, and it provides a powerful multiplier effect on job creation which is essential for social stability and income growth. However, power projects require coordination among government, local stakeholders, and commercial entities (and often with neighboring countries); and in FCS, the high capital costs, regulatory contexts, offtake risks, and affordability gap present many barriers to private investment. To tackle these challenges, IFC is exploring new infrastructure solutions, including PPP models, working in conjunction with other institutions of the WBG and other development partners, to develop the solutions necessary to enable commercially viable power projects in FCS. For example, in some situations, the additional risk involved or the affordability gap may need to be covered through a separate, more concessional funding source. Learning and experience drawn from these models will also be applicable to other challenging IDA countries which share similar characteristics.

In order to further advance Nepal’s progress in poverty reduction and human development, the WBG will combine institutional complementarities in policy, business environment and investment to achieve transformative impact in the hydropower sector. This initiative aims to strengthen institutional and technical capacity in key agencies, establish the requisite regulatory and policy framework for hydropower development to create an enabling environment for private sector investment, finance more than 3,000 MW of reliable hydro-electricity to improve electricity access for 16 million people (60% of Nepal’s population), who suffer through over 16 hours of power cuts a day, and reduce peak power deficits in India and Bangladesh. To make the transformation sustainable, a programmatic approach endeavors to also tackle fundamental bottlenecks impacting power deficiency: a weak enabling environment for private investment and underdeveloped domestic financial markets. As the country transitions to a more stable environment, concerted hydropower development is expected to contribute not only to more sustainable power access, but also to improved agricultural productivity and non-farm employment in the urban areas, as well as to electricity export.

Program Objective:
(i) The key objective of the Nepal Hydro engagement is for IFC, MIGA and WB to work jointly to overcome the challenges preventing development of hydropower projects in Nepal to achieve reliable, affordable and sustainable electricity supply. 
(ii) The joint project will address: (a) the challenging institutional, regulatory, policy, and political environment for hydro development; (b) inadequate supply of and access to electricity in Nepal; and (c) the shallow domestic financial markets for hydro development in Nepal.

Key Expected Development Results:
(i) Improved supply of and access to electricity (16 million people in Nepal), with supply demand balance by 2020; 
(ii) Improved regulatory environment to attract private investment in hydro power development; 
(iii) Significant positive climate change impact as hydro from Nepal would replace power supply from India which is largely coal-based; and 
(iv) Enhanced financing options for hydropower projects.

To monitor and evaluate expected results, the joint WBG team has developed a simple results framework that will allow them to track progress towards the achievement of a few intermediate outcomes – e.g. 800 MW power generation capacity in construction or rehabilitated by FY19 and 100 MW of power exports, and measure the expected impacts, for instance: people with access to power, GDP added ($ billions) and jobs supported.

Expected Synergies:
WB, IFC and MIGA have complementary strengths which will help leverage WBG knowledge and financing. 
(i) WB’s upstream engagement is essential to policy actions and institutional restructuring, strengthen the regulatory environment, capacity building, finance public assets, and develop a political consensus; (ii) IFC brings in private sector perspective in the WB’s work; addresses downstream aspects such as attracting private investors, commercial financing of transactions, and advisory support on transactional aspects; and (iii) MIGA contributes with its unique set of political risk guarantees and understanding of political risk to ensure the best use of WBG expertise and private sector participation.

Instruments of Engagement:
IFC: InfraVentures, A/B Loan/Equity, AS  
WB: IDA partial-risk guarantee, IDA funding (including Regional IDA), IBRD enclave funding, capacity building and policy work  
MIGA: guarantees

IFC Own Account: $990m; Mobilization: $3,450m; WB: $950m; Other partners: $2,310m

Through active, continuous collaboration across all entities of the WBG (rather than through sequential engagements), the project is expected to leverage synergies and a wide array of products as well as mobilize external partners to maximize impact.

2.17. IFC continues to have an IDA target of 45 to 50% of its investment projects per year, while also maintaining the bulk of its AS program in IDA countries, based on the current IDA country definition. This target may be revisited as countries graduate from IDA status. IFC has been designating retained earnings to IDA since 2006, and has contributed more than $1.9 billion in the last five years. In light of the recognition of the role of the private sector for sustainable employment creation, growth and stability at the December

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14 As disclosed in IFC’s Annual Report 2013.
2013 IDA17 Replenishment Meeting, and a focus on more deliberate leveraging of private resources, IFC is exploring innovative ways to work with other members of the WBG in IDA countries. This includes the possibility of leveraging some of the IDA17 funding to complement its own resources, (e.g., creating an IDA window to develop blended finance solutions in the power sector), in order to catalyze additional private sector investment, increasing the WBG impact on growth and job creation. In line with the WBG’s commitments to IDA17 replenishment, IFC is also working with IDA and MIGA to develop at least 20 joint implementation plans in 20 IDA countries, at least 10 of which will be in FCS (including in Nepal).

2.18. IFC will work closely with the new Fragility, Conflict, and Violence CCSA, to ensure that private sector solutions are considered in post-conflict engagements, to maximize the potential for sustainable job creation, and thereby to reduce the risk of a relapse into conflict. IFC’s engagement with the CCSA will also support country teams and global practices in developing strategies in FCS that leverage successful experiences in other FCS. Joint implementation plans remain important tools to guide WBG private sector interventions in sectors offering the greatest potential for private sector development.

B) SUB-SAHARAN AFRICA, SOUTH ASIA, AND MIDDLE EAST & NORTH AFRICA

2.19. In FY15-17 IFC looks to: (i) make SSA IFC’s largest program; (ii) address critical needs for the underserved through select high impact interventions in South Asia; and (iii) build upon IFC’s position as the leading IFI providing counter-cyclical support and delivering an integrated program of IS and AS to the private sector in MENA. See Annex I for strategies for all regions.

2.20. Reducing the global extreme poverty rate to 3% by 2030 will require accelerating the pace of poverty reduction in many countries, particularly in South Asia and SSA; while boosting shared prosperity entails increased attention and effort to support the disadvantaged and underserved. SSA lags behind on achievement of the MDGs, with substantial heterogeneity in country-level progress; countries in the region exhibit among the highest rates of extreme poverty and inequality. In South Asia (including Afghanistan and Pakistan), 31% of the population is still living below $1.25 a day despite robust growth in the recent past. Greater equity and economic inclusion would enhance the income and opportunities of the poor and disadvantaged in the region. In MENA, with many countries undergoing political change, constraints to sustainable and inclusive growth that would deliver the quantity and quality of jobs needed disproportionately impact the region’s youth and marginalized.

2.21. In SSA, IFC will help bridge the large infrastructure gap and address rising food demand, low access to finance, investment climate challenges, and ongoing fragility; and aim to make SSA IFC’s largest investment and advisory program by FY17. IFC is proactively focusing on the infrastructure gap through PPPs, joint implementation plans (e.g., Nigeria Energy Business Plan), transformative power projects, and South-South initiatives. IFC is also focusing on increasing real sector productivity with a special emphasis on enabling farmers’ access to finance and investments in irrigation for commercial agriculture. As part of the Agribusiness in Africa Special Initiative (AGASI) that was outlined in last year’s IFC Road Map, IFC aims to increase its agriculture value chain investments in the region to a total of $2 billion and benefit one million farmers by 2018. To improve shared prosperity levels, IFC is focusing on a number of initiatives to raise standards and support inclusive growth, including improving the business climate and increasing finance for small and medium-enterprises (SMEs) to support entrepreneurship and job creation.

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15 A record $52 billion financing was committed for use in the most challenging frontier areas, for greater private sector mobilization, and stronger, more targeted investments in climate change and gender equality.

16 Excluding mobilization.

17 Program and impact in South Asia are contributed to both by the IFC MENA Region (Afghanistan and Pakistan) and the IFC South Asia Region (rest of the sub-continent).

18 AGASI objectives include reaching one million additional farmers per year, doubling commercial bank lending to the agricultural sector, and tripling total IFC agri supply chain investments in SSA.
2.22. IFC continues its increased emphasis on South Asia and will build on a strategy centered on inclusive growth, climate change and global integration. IFC seeks to meet critical gaps faced by vulnerable populations across the region while simultaneously strengthening IFC’s financial sustainability with emphasis on promoting: (i) access to services, finance, food, health, and jobs; and (ii) sustainable infrastructure, especially for access to energy, through renewables and clean technology. At the center of this effort are transformational engagements – select game-changing initiatives implemented in collaboration with the WB and/or other partners. IFC is also leveraging its leadership position for important development objectives, including green buildings in India, Bangladesh power and gas, support for the development of India’s capital markets, and access to finance by SMEs in Sri Lanka.

2.23. In MENA, IFC will continue to implement its integrated jobs strategy for the region which focuses on: (i) access to finance, especially for MSMEs; (ii) access and quality of infrastructure services; (iii) skills and training; and (iv) investment climate reforms. Key themes remain boosting investor confidence and increasing regional integration through cross-border investments, as well as climate change. In order to continue to boost investors’ confidence and address constraints to private sector development in the region, IFC will sharpen its focus on client relationship management, identify priority sectors and countries, develop a programmatic approach to engaging in FCS, and significantly ramp up intervention in the area of climate change, especially renewables. IFC will continue to seek new opportunities amid increasing challenges in the region. Overall, IFC will adjust its approach to allow for flexibility in responding to a highly fluid operating environment; take more risks to continue to play a counter-cyclical role; and draw on the expertise of global teams to sharpen the delivery of the program. IFC will continue to implement a strong AS program, which is critical in MENA to lay the framework for a leveled playing field to foster a competitive private sector. In addition, IFC will look at opportunities for selectively increasing its engagement in the Gulf Cooperation Council (GCC) countries to leverage their capital and knowledge to support intra- and inter-regional integration.

C) MIDDLE INCOME COUNTRIES

2.24. MICs, where 70% of the global extreme poor reside, play a key role in meeting the WBG’s goals. These countries face many critical development challenges, including inequality, large frontier regions, rapid urbanization, low productivity, weak institutions, vulnerability to external shocks and uneven access to finance, that render them vulnerable to the “MIC trap”. MICs provide significant opportunities to contribute to our goals as they offer a potential for projects with large-scale impact and profitability and can serve as a laboratory for new business models that can be transferred to other markets. Examples of bold, impactful engagements include joint IFC and WB support to: the telecoms sector in Mexico to open up the sector and allow broader, cheaper and improved access to users in countries where mobile and internet penetration is still low; health PPPs in Turkey targeted at underserved markets; and infrastructure, including financial infrastructure and local capital market development, in Indonesia, Philippines and Vietnam, where the challenges and needs are significant. These interventions address the WBG goals in ways that meet country demands, offer opportunities for large-scale resource mobilization and meaningful counter-cyclical engagement, leverage WBG comparative advantage, and contribute to IFC profitability.

2.25. IFC will remain highly selective in its engagement in MICs, segmenting by country type when applying its test for additionality, and focusing on areas such as:

- Innovation – advice or investment in new industries, products or processes that support key development objectives such as growth, job creation and food security;
- Inclusion – inclusive business models (see Box 4 below) and projects that focus on excluded groups, such as low income populations, women, farmers, youth, the urban poor, and SMEs;

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• Frontier regions – projects in low-income areas within countries where capital is often less available. Focus can be on both urban and rural development within low-income areas;
• Climate change – including energy efficiency and renewable energy, and related financial intermediary products; and
• South-South/regional integration – projects that link regions and transfer know-how, thereby helping to foster regional development and growth.

BOX 4: INCLUSIVE BUSINESS MODELS

IFC continues to be a global leader in working with companies that offer jobs, income opportunities, and access to affordable goods and services to low-income people by incorporating them into their value chains – as suppliers, distributors, or consumers. IFC client companies use inclusive business models as a competitive strategy to diversify supply chains and create new market opportunities. These commercially viable companies directly benefit low-income populations through scalable market mechanisms. Through their core business, these companies are advancing the WBG’s goals of ending extreme poverty and boosting shared prosperity. For example, IFC is providing support for AEGEA Saneamento – a water/wastewater company expanding connections in rural Brazil including connections to low-income households.

IFC is the largest IFI investor in emerging market companies that use inclusive business models. IFC has committed $9.7 billion to over 400 companies across many different sectors in over 80 countries since FY05. In FY13 alone, IFC invested in 96 inclusive business projects amounting to $1.7 billion (of which 73% was in MICs) in commitment volume (around 9% of IFC’s total committed volume in FY13). Going forward, IFC will continue to play a catalytic role in this area to accelerate the uptake of inclusive business models as market-based solutions to poverty by contributing knowledge and South-South replication opportunities.

SELECTIVITY IN KEY SECTORS

A) INFRASTRUCTURE

2.26. Infrastructure is essential for sustained delivery on our goals through its support for economic growth. The links to growth are several, and on average, the poorer a country, the larger the potential impact on growth from adding to the infrastructure stock. The more direct impact of investing in infrastructure and facilitating infrastructure reform emerges from enabling affordable access to the poor, which in turn allows them access to markets, health and education facilities; and more time for income generating opportunities. Infrastructure also impacts the poor through creation of direct, indirect and induced jobs. As the IFC Jobs Study highlights20, there are two main categories of jobs created through infrastructure investments: (i) jobs associated with construction and maintenance activities (direct, indirect and induced); and (ii) jobs associated with improved, more reliable services and lower costs for firms, enabling higher output and employment. The latter second order growth effects are longer-term, yet the largest, and positively affect the overall economy.

2.27. IFC continues its support for infrastructure, expanding access and addressing bottlenecks for sustainable growth where it is most needed, such as in SSA. IFC will also seek to scale up the provision of privately funded infrastructure in underserved countries, such as Myanmar, Iraq, and Nepal. It will develop new approaches to multi-sector, possibly multi-year, country-level engagements as member countries look to the WBG for innovative solutions to infrastructure problems, including PPPs. Infrastructure linked to extractives, especially in SSA, will be another key area of focus. IFC also looks to play a more prominent role in mobilizing third-party sources of financing (see also section below on access to finance) to speed up the closing of large projects and make IFC an “arranger of choice”. Support for South-South investments, allowing clients and host countries to benefit from IFC’s global presence, country and sector expertise, and

standards, will also be prioritized. In FCS, IFC will leverage donor interest in infrastructure solutions including PPP models (see also PPP section below), with a particular emphasis on the power sector (see also above section on FCS).

B) **Agribusiness AND THE FOOD SUPPLY CHAIN**

2.28. Agribusiness and the food supply chain supports inclusive growth by providing the opportunity to economically integrate farmers (including smallholders) and SME suppliers, increasing farm income, and supporting food security. As developing country populations grow and incomes rise, food demand will continue to rise disproportionately, combined with dietary shifts. Meeting this increased demand with available resources of land and water requires a focus on sustainable production and resource efficiency. Rapid urbanization is driving structural shifts in agriculture, with increased scale, more complex supply chains, formalized distribution networks, and higher productivity and yields. Managing these structural changes well can yield gains both in food security and rural incomes, but significant investments are required. The agribusiness sector continues to have a strong effect on increasing incomes due to its labor intensity, extensive linkages, and direct involvement of women.

2.29. IFC will maintain its focus on agribusiness and the food supply chain, continuing to support initiatives that enhance food security and extend reach to farmers and SMEs, including through agri-commodity traders, irrigation and inputs companies, and warehouse finance, as outlined in its Agribusiness Strategic Action Plan (ASAP)\(^\text{21}\). It also continues to implement AGASI. Looking ahead, IFC will: (i) increase emphasis on integrated supply chain solutions, in particular those that enhance livelihoods, food production and safety; (ii) support rapidly growing sectors such as animal protein (meat, poultry, dairy, and, aquaculture) while mitigating climate change impacts and water use; and (iii) foster innovation and use of new technology to address resource efficiency, resilience, and increasing yields. IFC is also looking to develop high-impact, country-level engagements that use anchor agribusiness projects to bring in multi-sector solutions involving infrastructure, investment climate, and sustainable and inclusive supply chains.

C) **HEALTH AND EDUCATION**

2.30. Investments in health and education improve human capital and enable people to access income or job opportunities to improve their lives. The One WBG approach promises to contribute to stronger impact by leveraging contributions by public and private sector. Within this context, IFC will focus on supporting innovative business models that enhance access to health and education services. IBRD and IFC investments in these sectors will be complementary, strategically aligned, and mutually supportive of better health and education outcomes and more sustainable systems (both financially and programmatically).

2.31. In the health sector, the private sector is responding to increasing demand, and driving innovation in service delivery, which is increasing access to quality care. Across all income levels, the private sector is emerging as a key player in addressing the expansion of health care and access to both basic care and advanced treatment. Much greater potential is beginning to be realized for combining public funding with private provision through PPPs and public insurance, further expanding access and driving efficiency. IFC’s work in health covers the health value chain, from health service providers to pharmaceutical and medical technology companies, to insurance. IFC will enhance focus on innovative business models that drive health service delivery change aimed at those living at the base of the economic pyramid, e.g. health PPPs, and hospitals/clinics reaching low-income groups, with an emphasis on India and Africa.

2.32. In education, the IFC Jobs Study highlighted the mismatch between the demand and supply of workers, and found skills and training to be a key constraint to private sector job creation in developing countries. The lack of skills particularly affects the youth, and there remains a gender gap between

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\(^{21}\) ASAP was included as part of the WBG’s “Agriculture Action Plan FY13-15”.
economically active men and women. Public institutions have been unable to keep pace with the demand for education, particularly in fields directly related to workplace and technical skills. The private sector is increasingly filling this gap with innovative approaches that are driving down costs and facilitating a rapid expansion in access, especially in tertiary education. IFC maintains its support for replicable business models in education for improving skills and employability through expanding access to tertiary and vocational education, and for reaching low income populations in primary schooling.

D) FINANCIAL MARKETS AND ACCESS TO FINANCE

2.33. Higher levels of financial sector development result in a faster decline in the population in poverty\textsuperscript{22}, lowering incidence of poverty and boosting shared prosperity. The challenge of financial inclusion remains enormous: 2.5 billion adults and close to 200 million businesses in developing countries are still lacking access to credit and basic financial services; and the unmet financing needs of MSMEs in emerging markets are estimated at more than $2 trillion. Inclusive financial systems, underpinned by sound financial infrastructure that enables capital and financial markets to flourish, support broad-based growth and are critical to private sector development and job creation. IFC works at all these levels, across IS, AS and Treasury, and will work with the Finance & Markets GPG, to support: (i) the creation of deep, efficient, competitive and innovative markets and well-functioning financial infrastructure (this will include local capital markets development, which also promotes financial stability and helps counteract cyclical downturns); and (ii) financial inclusion for underserved individuals and companies.

2.34. IFC continues its work to expand access to finance to individuals and small businesses, working through its client network of financial intermediaries, including banks, microfinance institutions, housing finance companies, insurance companies, mobile service providers, and others. IFC will offer clients comprehensive solutions from across the WBG, including joint investment and advisory solutions that address their financing needs and offer know-how and tools to optimize use of their capital. IFC will support these clients to: (i) address the saving, risk management and credit needs of the financially excluded; and (ii) target job-creating enterprises in emerging markets that need credit. In addition, IFC’s work on capital markets development and with financial institutions will aim to help address the $22 trillion of infrastructure financing needed by 2030.

2.35. Meeting the 2030 infrastructure financing gap will require efforts well beyond IFC’s and the WBG’s direct and mobilized financing. IFC will aggressively support the development of capital markets infrastructure and local intermediaries that can mobilize this level of infrastructure financing. IFC’s work will include capital markets development in a number of countries that increases the number of long term bond issuers and investors, and builds the supporting market infrastructure required to efficiently mobilize such large amounts of money. This will entail working with governments and the private sector to build new infrastructure banks, to increase local banks’ access to long-term funding through bond markets, to support sub-sovereign infrastructure bond issues, and to mobilize longer term domestic and international capital. IFC will also support the creation of the supporting secondary markets and the local ecosystems needed to make these markets work, including rating agencies, brokers/dealers, exchanges, industry associations and the supporting legal, and regulatory changes needed to improve market functioning. Across all of its financial sector activities, IFC will work with the WB, primarily through the joint Finance & Markets GPG, and partner with clients, aiming to focus on scalable initiatives that have transformational impact in multiple markets, including in FCS. It will increase the number and types of partners it works with, as well as strengthen its relationships with technology partners, and focus on innovative solutions that may entail more risk, but have much greater potential impact.

2.36. IFC pursues many opportunities for innovation in these key sectors, including new ways of using trade and supply chain products. IFC’s Global Trade Finance Program (GTFP) not only plays a critical role to support trade of essential goods for the economy, but also develops critical networks among cross-border banks over time thereby also helping to strengthen individual client banks as well as the linkages between domestic and international banking systems. In doing the above, these programs help support overall economic growth and job creation in critical sectors of the economy. This extensive client network provides IFC with the opportunity to support key sectors, as well as other priorities such as energy efficiency and FCS. Notably, GTFP has been a valuable instrument for first engagements with prospective IFC clients – to date initiating IFC’s first engagement with over 180 banks, many of which have participated in follow-on investments with IFC. Going forward, IFC will extend its trade and supply chain offerings to support imports of capital equipment that require tenors up to five years. In addition, IFC will continue to build on its innovative portfolio of programs, including the Global Trade Supplier Finance (GTSF) program, the Global Warehouse Finance Program (GWFP), and the Critical Commodity Finance Program (CCFP), that target support for private sector growth in areas such as working capital for SMEs, support to agricultural communities, often in challenging markets, and the import of critical commodities such as energy and agriculture; as well as other products offering liquidity facilities.

**BOX 5: SUPPORTING SMES**

Emerging markets face a jobs and competitiveness crisis and SMEs are part of the solution. Improving the ability of SMEs to become more productive and create more jobs is key to achieving our two goals. The IFC Jobs Study\(^{23}\) highlights the role and needs of SMEs, and IFC operationalizes the findings of this study through its work within key sectors that address SMEs’ need for a strong and mutually reinforcing ecosystem comprised of reliable and accessible infrastructure, an enabling environment, access to finance, and access to markets.

Under the direction and oversight of an SME & Jobs Committee, IFC seeks to deploy its broad array of investment and advisory products to address the SME ecosystem and support SMEs in its markets, thereby expanding its impact on jobs and growth through SMEs. Key opportunities to support SMEs include:

- Increased targets, focus and resources to expand SME penetration through value chains;
- Investments in technologies that reduce transaction costs and level the field for smaller and less formal SMEs;
- Creating incentives for innovation where there are gaps, such as high-growth /early stage SMEs, women and SMEs in FCS;
- Greater engagement across WBG and country or sector-level strategies that address SME ecosystems;
- More strategic engagement on SMEs across the WBG and with other partners that see SME growth and job creation as a key shared value; and
- Improving our understanding of our impact and additionality in the SME space.

**SELECTIVITY IN THEMES**

A) **JOBS**

2.37. Jobs are critical to development – boosting living standards, raising productivity, and fostering social cohesion – and offer the surest pathway out of poverty. Yet more than 200 million people are officially unemployed today, most of them women and young people in developing countries, and over 600 million young people neither work nor study. In the coming years, hundreds of millions more will seek jobs. Addressing this challenge is not possible without the private sector, which accounts for 90% of jobs created in developing countries.

2.38. By addressing the key constraints to private-sector-led job growth – investment climate, infrastructure, and access to finance and skills – and cross-cutting issues such as gender and working conditions, IFC can support the creation of quality jobs. Sustainable employment helps increase productivity and wages, create good working conditions, and provide opportunities for employees to advance. Quality

\(^{23}\) The findings of the IFC Jobs Study were outlined in Box 1 of last year’s Road Map.
jobs also provide opportunities for groups that are often marginalized, such as women, youth, the long-term unemployed, and the poor (see Box 5 below for an example).

2.39. These key constraints differ by country and type of company. For example, in many low-income countries and FCS, lack of adequate infrastructure, in particular a reliable power supply, is a major constraint to job creation and improved productivity (see also FCS section above). SMEs, which provide two-thirds of jobs in emerging markets, are particularly affected by weak investment climates and lack access to finance (see Box 5 above). Larger companies, whose value chains also indirectly provide opportunities for smaller businesses and poorer segments of the population, suffer relatively more from skills gaps. IFC is working within the WBG on improving the jobs diagnostics as part of the WBG’s IDA17 commitments and as a key component of improved SCDs.

**BOX 6: BANGLADESH APPAREL INITIATIVE**

The apparel industry in Bangladesh has been an engine of growth and poverty reduction in the past 20 years. The industry employs 4.2 million people (mostly women), generates $19 billion in exports, and is the largest employer and exporter in the country. The recent tragedies in Bangladeshi garment factories have highlighted the need to improve workplace safety and labor standards which threaten lives as well as competitiveness. IFC is putting together a comprehensive program to address these issues, working together with the government, the two main industry coalitions (Accord, and Alliance), labor groups, and other stakeholders including the International Labor Organization (ILO) and bilateral donors. This builds upon actions taken by industry groups and government, such as: (i) buyer commitment to long-term relations with key suppliers and help for meeting strong safety and workplace standards, (ii) government increases in minimum wage, commitment to improving worker rights, and pledges to better enforce existing standards and regulations, and (iii) industry/government agreement on common standards to be implemented for workplace safety.

The IFC program combines advisory and investment services in a manner no one else has been able to do, including:

- Collaboration with Alliance and Accord to support mechanisms to finance improvements in factories;
- Implementation with ILO of the Better Work (BW) program, made possible by labor law reforms recently implemented by the Government. IFC advisory resources will leverage BW to help companies meet BW standards, reaching 500 - 700 factories with holistic support within five years;
- Medium- to long-term financing, including mobilization, to help bring existing factories up to standards and improve competitiveness;
- Extension of short-term working capital financing using the GTSF product to qualified suppliers meeting BW or Alliance/Accord standards;
- GTFP and working capital facilities to banks to help suppliers with trade and working capital needs;
- Sustainable Energy Finance to banks to promote sustainable energy infrastructure;
- Support for improved government enforcement and inspection of factories;
- AS to suppliers to meet ESG standards, and to foster women empowerment; and
- Financing support for industry-enabling infrastructure, including mobile payments to facilitate domestic remittances (through bKash, an IFC investee servicing more than 11 million Bangladeshis, primarily women); grid power supply and other energy access to reduce the use of structurally unsafe factory-specific rooftop generators; and improved shipping services to strengthen trade transport.

These efforts are complemented by WBG engagements in private sector development, including special economic zones, and power.

2.40. In addition to approaching its operations with a jobs lens, many of these issues are much better addressed in collaboration with others, and IFC will work with the Jobs CCSA and with key partners to further improve knowledge, and develop practical approaches and forge key partnerships to tackle the jobs agenda that would serve as a public good for the development community.

2.41. A key element is *Let’s Work*, the global partnership for more and better jobs which is being coordinated by IFC. *Let’s Work*, which brings together the WBG, private sector, IFIs and donors, was convened to promote action for creating more and better jobs by the private sector; further deepen and improve knowledge; and develop practical approaches to improving employment opportunities in developing countries.
B) **Climate Change**

2.42. Poverty cannot be eradicated without addressing causes and effects of climate change; boosting prosperity must be done in a climate-smart way to ensure sustainable growth. The private sector is key in addressing climate change: it has innovation and execution capacity, and is critical to supply the volume of financing needed. IFC is catalyzing private sector action on climate change through direct investments, mobilizing and leveraging finance, convening stakeholders, and setting global standards. IFC committed to a FY15 target of annual climate-related own account volume of 20% of long-term finance (LTF) and 10% of short-term finance (STF), which, pursuant to IFC’s STF reporting change (see FY15-17 Program section for more detail), translates into a target of 10% of the average annual outstanding portfolio balance of its STF business. The climate-related share of the AS program is expected to be 24% by FY17. After FY15, IFC will explore using a common WBG metric related to climate change mitigation, which is in line with IFC’s development of impact measures through IDG6: Reducing greenhouse gas emissions. In addition, we are revising business goals, targets, and strategies in line with the corporate priority associated with climate change.

2.43. Business development efforts will include a focus on capturing new climate opportunities and client solutions for climate-smart growth and resiliency, leveraging existing momentum in operations. To grow impact, IFC is integrating a climate-smart approach in areas such as sustainable cities, agribusiness and food security, and industrial efficiency, by developing climate risk screening and financial solutions for its clients. IFC’s strategy is closely aligned to the WB’s five areas of climate action (cities, agriculture, energy access, removing fossil fuel subsidies, and carbon pricing), with solutions specific to private sector clients. IFC will work closely with the new Climate Change CCSA to strengthen private sector contributions to integrated solutions.

C) **Gender**

2.44. Investing in women’s employment and entrepreneurship is good for business and essential for economic growth. Yet, a wide economic gender gap persists – for example, unfavorable lending practices and regulations have produced a $300 billion gap in financing for women-owned businesses. Evidence shows that achieving the WB’s goals is possible only if the private and public sectors make concerted efforts to include both genders in the economy and eliminate barriers to their full participation. Where women’s participation in the labor force grew fastest, the economy experienced the largest reduction in poverty rates.24 Better jobs for women provide companies with a competitive advantage and have a positive impact on the way households control and spend money, as women tend to reinvest 90% of their income into their families. IFC recognizes the importance of the gender opportunity for development impact and business progress. Integrating women as employees, entrepreneurs, consumers, and leaders is a continuously growing component of IFC advisory and investment services. IFC has set up a Gender Secretariat that supports staff and clients in identifying the business case for gender in their region, sector or firm, that will work as part of the new Gender CCSA to support private sector contributions to integrated solutions.

2.45. IFC works closely with its clients to look at their entire workforce, their consumers, supply chains and leadership structures to identify where business results can be achieved by incorporating gender. IFC concentrates its gender effort on financial markets, as well as other sectors such as agriculture; extractives; and information, communication and technology (ICT); as well as in FCS. IFC created a specific Banking on Women program in 2010 aimed at financing businesses owned or run by women in emerging markets. To date, IFC has invested more than $800 million in about 20 investments, and expects this portfolio to grow. As part of an effort to develop an asset class and signal the importance of the women entrepreneur market segment, the Banking on Women program has collaborated with IFC Treasury to issue Banking on Women

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bonds specifically aimed at financing the program’s pipeline of investments. Recently, the program has collaborated with the Goldman Sachs Foundation to establish a $600 million Women Entrepreneur Opportunity Facility, the first of its kind.

D) Public-Private Partnerships

2.46. Expanding and improving public services, including infrastructure, are intrinsic to sustainable economic growth and poverty reduction (see also above section on Infrastructure). Economies with poor infrastructure and public services face significantly higher costs. For example, inadequate sanitation in Vietnam, Indonesia, and the Philippines, costs these countries together almost $9 billion a year, or about 2% of their combined GDP.

2.47. In order to better leverage private sector resources and expertise in developing infrastructure and public services, IFC emphasizes a programmatic approach to PPP engagements and focuses both on the core transaction advisory services for governments as well as on pipeline generation and upstream support for clients. IFC’s strategic approach focuses resources on countries and sectors with the highest need.

2.48. In order to improve the sustainability of private sector solutions for service delivery, IFC also provides post-transaction support. Additionally, IFC partners across the WBG, including through the new PPP CCSA, to identify and address skill gaps and build capacity of implementing agencies. To improve its own operations, IFC proactively leverages expertise within the WBG through joint business development and joint appraisal of projects. Furthermore, IFC strategically pursues more systematic linkages with IDA and IBRD (for example in Ghana, Guinea, and Myanmar) and also actively seeks and analyses lessons from its projects, making a concerted effort to feed them back into operations.

III. Become the “Solutions WBG”

Working as One WBG

3.1. IFC is an integral part of the “Solutions WBG”. By working as One WBG, we can more efficiently provide a broader range of customized solutions for our clients. The WBG aims to enhance its position as the global development leader, bringing together public and private partners to tackle key development challenges, and marshalling the combined expertise, resources and knowledge across the WBG institutions. Delivering joint solutions for clients is facilitated by structural and cultural mechanisms across the WBG. This will be particularly important in delivering joint transformational engagements. The full implications for IFC (including on efficiency and operations), from implementation of the new approach to country engagement as well as the GPGs and CCSAs, and from the recent integration of WBG human resources, information technology (IT), and communications functions, will become apparent once fully operational.

3.2. Harnessing Expertise with GPGs and CCSAs. A new organizational structure across the WBG, consisting of 14 GPGs and five CCSAs, will complement existing strengths with the ability to generate, share and deploy globally the knowledge and expertise that is presently fragmented across regions, sectors, and institutions. This should facilitate the development of innovative, programmatic solutions for clients.

3.3. The GPGs are designed to provide: finance and advice, thought leadership and research, and programmatic solutions to the most significant development challenges that go beyond client demand through multi-regional platforms, which is particularly relevant for IFC.

3.4. The GPGs will have functional responsibility for:
   - Building WBG strategy and collaboration into their operating models;
   - Embedding knowledge as a core responsibility – creating, curating and sharing knowledge, learning and innovation, including global thought leadership;
• Financing, knowledge, and convening services;
• Enhancing technical expertise and mobility of staff;
• Influencing global agendas and leveraging resources, ideas and expertise of multilaterals, bilaterals, public sector, private sector and civil society.

3.5. All 14 GPGs will work collaboratively across the WBG. Eight of the practices – where particularly strong WBG synergies are expected – will have formal collaboration structures to facilitate joint strategy development, information sharing and identification of joint projects. Two of these eight practices, that promise the greatest synergies – Trade & Competitiveness and Finance & Markets – will be fully integrated WB-IFC practices from FY15. All five WBG CCSAs are fully joint – and are aligned with strategy and priority development areas. The CCSAs will ensure integration, coordination and knowledge creation/sharing across the WBG and with external partners.

3.6. IFC’s role within the joint GPG/CCSA solutions can be tailored to the scale of client demand, potential synergies and complementarities between products, with an emphasis on harnessing expertise and sharing knowledge. These engagements are expected to be reflected in a growing number of joint strategies, joint implementation plans, joint projects and joint teams.

BOX 7: ILLUSTRATION OF A JOINT PROJECT – PAKISTAN POWER

The Pakistan Power engagement aims to place Pakistan on a steady path of sustainable growth. The country needs to increase power generation capacity by over 10,000 MW in the next five years while reducing reliance on imported fuel oil/diesel based thermal generation. IFC, the WB, and MIGA (along with other development partners) aim to mobilize up to $10 billion in private investments to support new generation in a mix of public and private projects that address current energy supply gaps and future needs. The increased engagement of the WBG in the energy sector in Pakistan will be reflected in the joint Country Partnership Strategy (CPS) which is currently under preparation. Building on its experience in the power sector, including on PPPs, IFC has started to work with international investors to mobilize substantial private investment for the energy sector, while the WB continues to support the Government of Pakistan to implement necessary policy reforms with a series of Development Policy Lending operations.

3.7. As an integral part of One WBG, we will be able to provide a broader range of solutions, including financing (own account investments and mobilized funds from AMC and other sources), knowledge (including advice), and convening power across the WBG. These solutions will strengthen IFC’s value proposition and scale up efficient delivery. They will also enable all WBG institutions to better leverage each other for greater impact. This could include increased innovative and collaborative solutions across the institutions of the WBG, particularly in IDA and FCS.

3.8. For IS, the GPG/CCSA model will improve the “ecosystem” for executing transactions – strengthening the ability to provide comprehensive knowledge and investment packages.

3.9. For AS, the GPG/CCSA model also presents opportunities for IFC to strengthen the client focus and impact of advisory services. The Trade & Competitiveness GPG will be fully joint – incorporating IFC’s Investment Climate business line, and the Finance & Markets GPG will be partially joint – incorporating part of IFC’s Access to Finance business line (see Box 8 below for more on AS and the new GPG/CCSA model). To ensure effective alignment and coordination, IFC will retain an AS governance structure which takes into account changes to the WBG operational model.

25 These are: Agriculture; Education; Energy & Extractives; Health, Nutrition & Population; Transport & ICT; Water; Finance & Markets; and Trade & Competitiveness.
26 These are: Climate Change; Fragility, Conflict and Violence; Gender; Jobs; and PPPs.
Over recent years, IFC has been pursuing a series of bold reforms to strengthen the impact and effectiveness of AS. The reforms have contributed to continuous improvement in development results (Development Effectiveness ratings climbing from 62% in FY10 to 76% in FY13), and consistently strong client satisfaction (90% in FY13). They have also contributed to improved efficiency as well as progress in building a more sustainable funding model. IFC’s AS has an active program of around 600 projects in over 100 countries.

Current changes in the WBG create significant opportunities to further strengthen impact and to better develop comprehensive solutions for clients. IFC has decided to strengthen client focus and impact by bringing AS together with relevant GPGs and with IFC IS. The current four AS business lines – Investment Climate, Access to Finance, Public Private Partnerships, and Sustainable Business – are being reorganized as follows:

- The Investment Climate business line will become an integral part of the Trade & Competitiveness GPG;
- Part of the Access to Finance business line that focuses on market development and enabling environment work will join the Finance & Markets GPG, while work with individual firms will join IFC investment services as part of IFC’s Financial Institutions Group;
- The PPP advisory services will remain a core IFC offering, working closely with industry departments and the GPGs. The exact division of labor and relationship between the PPP unit and the PPP CCSA is still being defined, but it will ensure that there is no overlap, maximum efficiency and ability to deploy the best resources across the WBG to deliver the best services to clients; and
- Alternative configurations for the Sustainable Business Advisory business line are currently under consideration.

Additional implementation details, including transition arrangements, are currently being finalized and will be communicated to stakeholders in due course.

### 3.10. IFC will also be exploring ways to improve a continuing dialogue with the WB in various fora, including on overall strategies in countries and specific project engagements. In addition, IFC will be working on ways to strengthen the bond of WBG collaboration through improving incentives and training, within the overall change process, to further improve working together.

### 3.11. As part of One WBG, IFC will continue to engage through initiatives such as the Finance Business Committee (FBC). By being an integral participant in the FBC, IFC is proactively engaging in the support and development of significant One WBG finance-related initiatives. By contributing IFC’s expertise into these discussions and working in partnership with other parts of the WBG, IFC is able to help in the development of the business-oriented approach of the FBC and with the implementation of concrete deliverables of various projects.

### 3.12. Regional Coordination Mechanism. Working as One WBG also increases the need for clearer, more effective coordination during the new country engagement process. The Regional Coordination Mechanism brings together WB and IFC Regional Vice Presidents and the MIGA Vice President and Chief Operating Officer every quarter to agree on the level of IFC and MIGA engagement in upcoming SCDs and CPFs or Country Engagement Notes (CEN), and which sectors and thematic areas will have joint implementation plans. The emphasis is on working as One WBG to ensure alignment with the goals, and maximum development impact.

### 3.13. From FY15 onwards, there will be a synchronized WBG planning cycle, with a combined kick-off WBG SMT strategy meeting, coordinated planning engagements and other frequent touch-points ensuring alignment across the WBG. This new process is still in the early stages of discussion.

### A RE-FOCUSED IFC

### 3.14. IFC is proposing to simplify its organizational structure and deepen its engagement within the WBG, as mentioned in Box 1. The realignment will not fundamentally shift IFC’s day-to-day activity – core execution processes are not being disturbed. IFC is reducing the number of committees, eliminating duplication and easing demands on staff time.
3.15. These changes are expected to have a positive impact on IFC’s clients, partners, and staff, and enhance its ability to make a lasting difference. They will allow IFC to streamline processes, share best practices more effectively, and identify new areas for collaboration. In order to do this, IFC will establish three new Vice Presidential Units (VPUs). The main elements of the new structure are:

- Global Client Services VPU to encompass investments, advice, and client relationships.
- Corporate Risk & Sustainability VPU to unify transaction-enabling services.
- Global Partnerships VPU to facilitate smooth interaction with counterparts in the WBG and ensure strong private sector engagement.

3.16. IFC’s re-focused organization will help it to address challenges, respond more quickly to external changes and emerging opportunities, and share lessons learned more efficiently through more flexible staffing. It will also allow IFC to provide better engagement with partners, better service to clients and better internal processes. IFC will also reallocate resources to priority areas, including proactively shifting resources into a number of transformational engagements (see below) and FCS, and increase efficiency and improve productivity overall. The external challenges and orientation of IFC’s activity and portfolio also require consistency in the management of financial and non-financial risks. IFC is responding with the creation of a new Corporate Risk & Sustainability Vice Presidency, the establishment of a new Enterprise Risk Management (ERM) Framework, and efforts to strengthen IFC’s credit and Environment & Social (E&S) risk culture at individual investment officer and project team levels (see section on Taking Smart Risks).

TRANSFORMATIONAL ENGAGEMENTS

3.17. Transformational engagements, or “game-changers”, have the potential to make a significant contribution to addressing a country’s key development challenges and improving peoples’ lives, and help client countries shift to a more sustainable development path. The WBG strategy refers to transformational engagements as those that have demonstration effects, positive spillovers, and far-reaching impacts. These are engagements which offer a unique role for the WBG based on its comparative advantage, and by their nature are anchored in the country context. Opportunities for joint WBG transformational engagements will be informed by and identified through the new approach to country engagement.

3.18. IFC will strive to be a strong leader in these engagements, demonstrating its additionality, and working with partners, thereby enabling the engagements to move forward. Building on its existing portfolio and pipeline, which already includes transformational engagements, IFC intends to give greater focus to such engagements. Some transformational engagements will be done as part of core business while others would need additional management support. IFC is proactively shifting resources toward more transformational engagements and increasing senior management monitoring and engagement, to ensure that they receive support from across the WBG as needed, optimizing joint and complementary value proposition. Transformational engagements will most likely have a programmatic approach – they integrate IS, AS and/or WB/MIGA projects and seek to achieve a high order objective, which is greater than those of underlying projects. IFC has identified transformational engagements that will be closely monitored by IFC management during FY14 and into FY15 and beyond, to ensure that WBG resources are aligned to give them the best opportunity for success and learning. In addition to these game-changing engagements, IFC will continue to enhance the impact it can achieve through its core business, by becoming more selective in the pursuit of our goals, more client-focused, and more efficient. In making choices and allocating resources, IFC will continue to focus all its activities on areas where it can have development impact, financial sustainability, and additionality.

3.19. These engagements can be large and complex, implemented as several projects over many years, and could involve a broad range of stakeholders. Others are smaller interventions with large scale impact, or a
combination of both large and small projects. Aligned with the description in the WBG strategy, whether large or small, these are interventions which could: produce demonstration effects with potential for replication or scaling up; generate spillover effects on multiple sectors of the economy, including broader changes that increase government effectiveness or stimulate private investment; result in far-reaching, sometimes unanticipated, impacts; or help client countries or regions shift to a higher and/or more sustainable development path.

3.20. IFC expects these engagements would entail more complex program development, likely jointly with other entities in the Group; additional resources for implementation\(^2^7\), monitoring and evaluation; longer time to maturity; and elevated risks. As IFC continues its emphasis on the frontier and focuses more on transformational engagements, this may lead to expected elevated risks and more complex E&S considerations. IFC will increase understanding of contextual and sector based risks in partnership with the WB and development partners and promote broad-based uptake of ESG practices. Ensuring that these engagements are environmentally and socially sustainable is essential to delivering development results over time (see also Environment, Social and Corporate Governance section below).

**Focus on Results**

3.21. IFC’s strongest contribution to the goals comes from promoting private enterprise with the objectives of creating and providing quality jobs and facilitating greater and more inclusive economic growth, taking into account the need to ensure sustainable development. In this context, job and economic growth effects serve as proxies for IFC’s development impact\(^2^8\).

3.22. Over the past year, IFC undertook several initiatives designed to understand and articulate the effect of its operations on the two goals. Going forward, IFC will continue to:

- Conduct literature reviews to identify the effects on poverty from activities in sectors such as trade;
- Design frameworks to better articulate the link between IFC operations and the two goals in project documents;
- Strengthen IFC’s self-evaluation strategy as it continues to be more focused on deepening its understanding of the causal chain of IFC’s operations to our goals. Evaluative approaches such as the Simple Poverty Scorecard \(^2^9\), which captures the socio-demographics of clients’ ultimate beneficiaries, will be scaled up. Work has also begun to develop practical tools that will help to estimate, ex-ante, the economic impact of IFC investments, initially focused in the power sector.

3.23. Moving from Reach to Impact: Re-Shaping IFC’s Results Measurement Framework. The need for relevant and effective results measurement across the WBG has never been greater. Tracking progress, learning from results, and assessing impact in order to allocate scarce resources most effectively, is central to achieving our goals.

3.24. IFC is taking more risk while being more selective and targeted in its interventions, as already discussed (see above sections on Selectivity and Transformational Engagements). To respond to these

\(^2^7\) Analyses indicate that transformational engagements appear to absorb significantly higher efforts in terms of time (actual hours recorded by staff), travel costs incurred, and staff costs associated with the time spent. On average, transformational engagements require more than three times the actual hours spent on typical IFC projects. Associated staff costs and travel costs are also both significantly higher.

\(^2^8\) Job creation alone is not a sufficient proxy since not all that IFC does creates jobs; some of its operations might affect poverty through income and productivity increases (e.g. farmer training, small agribusiness, microcredit), and sometimes even job losses will be necessary to ensure the sustainability of a company. Improved access to services, such as infrastructure or finance, can help companies grow and thrive, and thus indirectly lead to economic growth and more or better (e.g. more productive) jobs.

\(^2^9\) The Simple Poverty Scorecard is an easy-to-use, objective set of a few questions/indicators, developed with data from the Living Standards Measurement Survey in each country. Applying the scorecard is easy because it comprises ten simple, verifiable indicators that can be collected in less than ten minutes. The scorecard estimates the probability that the income of a household is below a given reference value. The scorecard can be used not only to measure income levels at a point in time, but also – by applying it at two points in time – it can also estimate changes in income over time.
changing business needs, IFC is reshaping its results measurement framework. Key elements of the proposed changes are highlighted in Box 9 below.

**BOX 9: IFC’S EVOLVING RESULTS MEASUREMENT FRAMEWORK**

After detailed assessment with operational staff and with the Independent Evaluation Group (IEG), IFC proposes the following changes to its results measurement framework, focusing more closely on understanding impact, while maintaining its leadership role. IFC’s results measurement framework will evolve in the following ways:

**Corporate Level (all new):**
- Adjust the monitoring system with greater emphasis on monitoring progress towards outcomes with a line of sight to the WBG goals;
- Align the IFC results measurement framework with the WBG Corporate Scorecard, with certain indicators cascading into a revised IFC Corporate Scorecard;
- Target research, case studies and evaluations to continue to deepen the understanding of impact of IFC’s interventions – primarily through jobs and economic growth effects (see section Strengthening IFC’s self-evaluations below); and
- Results Measurement and Evidence Stream for all staff across the WBG working in this space.

**Country and Sector Level (new):**
- Joint results measurement frameworks for CPFs;
- A WBG results measurement approach for the GPGs and the CCSAs, harmonized with relevant aspects of IFC’s results measurement framework; and
- Revisions to the framework for the challenges and constraints of results measurement in FCS.

**Program:**
- Lift the unit of analysis wherever possible from project level to client or program level, including client engagement plans, and transformational engagements with multiple components/projects; and
- A more systematic and programmatic evaluation work plan, integrating approaches that can be used to assist program mid-course corrections, feedback loops, and knowledge gaps, but primarily focused on assessing impact achieved.

**Transaction Level:**
- Ex ante tool: simple framework to articulate the project development impact around expected contributions to WBG goals;
- Significantly streamline the monitoring system – i.e. Development Outcome Tracking System (DOTS) indicators and process – with focus on relevance to operational teams and to clients, taking full advantage of IT systems to streamline the process (see section Adjustments to IFC’s monitoring system below);
- Invest in business analytics, and explore efficient ways to feed this data back into operations (some of which holds good value for clients when re-packaged);
- Adapt the framework and the monitoring process for integrated IS/AS interventions;
- Streamline Expanded Project Supervision Reports (XPSRs) to facilitate learning and increased operational relevance, taking full advantage of IT systems to streamline the process; and
- Together with IEG, review Project Completion Report (PCR) guidelines for AS.

3.25. IFC’s approach is to build on the best of what the current results system has to offer and maintain a position of leadership among IFIs in this field. IFC will continue to focus on tracking and articulating IFC’s additionality.

3.26. **Aligning with the WBG Corporate Scorecard.** The WBG Corporate Scorecard\textsuperscript{30} will serve as a starting point for a cascading framework for measuring contributions to our goals, across the WBG. The proposed scorecard is part of an effort to align priorities across the WBG, and ongoing efforts, in which IFC is actively engaged, are focused on intermediate outcomes that link activities to our goals. In addition to the WBG Corporate Scorecard, IFC will continue to retain its own scorecard (see Annex IV), and will revise it for FY15 in the context of the new WBG Corporate Scorecard.

3.27. Experience gained in testing IFC Development Goals (IDGs) has informed the selection of indicators for the WBG Corporate Scorecard (as both the IDGs and the results section of the proposed WBG Corporate

\textsuperscript{30} The WBG Corporate Scorecard comprises a tier structure consisting of: (i) WBG goals and development context, (ii) results, and (iii) performance.
Scorecard focus on project intermediate outcomes). IDGs are already well aligned with the results indicators currently proposed for the WBG Corporate Scorecard, and methodology refinements may be needed as both tools are being implemented. During testing, IDG targets were repeatedly revised upwards to reflect the evolution of methodologies to include a larger range of projects. At the same time, three-year targets were introduced for FY14-16 (see Table 1 below) to address the issue that individual projects with large contributions have led to over-achievement of IDG targets in the first years of testing. Going forward, IFC will monitor progress against three-year targets with a possibility to revise targets upwards for IDGs that consistently and systematically overachieve their targets.

3.28. IFC will continue testing and rolling out the IDGs. Three IDGs, “Agribusiness”, “Health & Education”, and “Financial Services”, have been implemented and are included in IFC’s performance management system. Two additional IDGs – “Infrastructure”, and “Climate Change” – continue to be tested in FY14. The “Economic Growth” and “Trade and Regulatory Services” IDGs, which were once explored, are now integrated into the work to develop joint WBG metrics.

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3.29. Adjustments to IFC’s monitoring system. Since its inception in 2005, the Development Outcome Tracking System (DOTS) has served IFC well, helping to meet the reporting and accounting obligations for which it was primarily designed. However, to adapt to evolving business needs – in particular increasing integration of IS and AS, and the emphasis on client engagement models and on more ambitious interventions, as well as to enhance relevance to operational teams and clients, IFC will make enhancements to the system.

3.30. A proposal for improvement will aim to make indicators more focused on monitoring outcomes and progress towards achieving impact on jobs and economic growth, and more useful to project teams for operations and clients (for business analytics). To enhance the focus on clients and impact, IFC operations and results measurement staff are working to find ways to streamline existing indicators and monitoring processes where appropriate, and to identify and address knowledge gaps related to impact. Results measurement staff are particularly looking at adjustments to ensure compatibility with FCS circumstances, and to meet the needs of more transformational engagements. In addition, IFC is working on the implementation of the indicator harmonization agreement with 24 IFIs that was signed at the last Annual Meetings.

3.31. Strengthening IFC’s self-evaluations. Evaluation is an effective tool for articulating impact and addressing operational and strategic questions for IFC, as well as its clients and partners. IFC’s evaluation

31 IDG5 and IDG7 respectively.
strategy is focused on learning about operational and development effectiveness to identify what works, what does not, and why, and to deliver business intelligence critical to client operations. IFC currently has about 55 evaluations and related studies ongoing across IS and AS and other related activities. The strategy also calls for learning lessons from success and failure, and leveraging faster, leaner evaluative approaches to improve delivery. Examples include the Simple Poverty Scorecard and feedback tools – such as narratives and consumer research – which have been used by selected clients to articulate the effects their operations have on consumers and suppliers. IFC will continue to test the potential of these tools, mainly in South Asia and Latin America and the Caribbean, in a few strategic sectors: agribusiness\textsuperscript{32}, education and infrastructure.

3.32. For FY15-17, the evaluation work will systematically focus on estimating impacts on jobs and inclusive economic growth in order to better understand and articulate how IFC can better contribute towards achievement of the goals. Importantly, IFC’s self-evaluations will distinguish more clearly between: (i) ex-post understanding of impact; and (ii) providing information or evidence that will allow for mid-course corrections during implementation.

3.33. Incentives. IFC is adjusting its internal incentives and metrics to better balance the efficient delivery of the core work program with delivery of transformational engagements, aiming for greater development impact, client focus and financial sustainability. IFC introduced a new approach to scorecards in FY14 and will learn from this with a view to making further adjustments in FY15, including strengthening the link with the WBG Corporate Scorecard which will inform IFC’s scorecards in FY15 and beyond. A Cascading Objectives Framework for objective setting translates WBG strategy into WBG and IFC Corporate Scorecards to define deliverables, which then cascade as appropriate to Directors, managers and staff.

3.34. Objectives of the new approach:
- To give flexibility to operations to focus on transformational and other challenging engagements, and in particular allowing for achievement of objectives over several years versus meeting all targets annually;
- To incentivize staff to work across IFC and the WBG to support achievement of corporate objectives versus limiting incentives to achievement of unit or department targets; and
- To increase focus on development impact, client responsiveness and financial sustainability.

3.35. What has changed:
- More flexible investment targets to allow for work on transformational and other challenging engagements, e.g. in FCS, combined with agreed milestones in these areas;
- The introduction of a link between department and corporate performance in incentive programs to encourage staff to collectively deliver on corporate results and support one another across organizational boundaries; and
- Increased flexibility for Directors to use judgment in developing their business mix by providing a broader range for program targets.

3.36. In addition, IFC’s experience on incentives is also being leveraged by a cross-institutional working group that is currently reviewing the incentives for GPGs and CCSAs to ensure these incentives are designed to motivate and reward collaboration, not only across the GPGs and CCSAs, but also across all institutions of the WBG.

**Taking Smart Risks**

3.37. If IFC is to take full advantage of its unique footprint, expertise and product range in order to be truly transformational while remaining financially sustainable, smart risk-taking is essential.

\textsuperscript{32} The WBG/G20 Global Agriculture and Food Security Program (GAFSP) private-sector window has approved the use of the simple poverty scorecards by its investee companies.
3.38. IFC’s approach to risk management is to ensure that it takes the risks necessary to achieve the objectives of development impact and financial sustainability, while maintaining a triple-A rating. This implies a need for a holistic risk management lens – integrating financial and non-financial risks – at the transaction level from project entry to supervision, and at the corporate level, ensuring best practice throughout IFC’s portfolio. To this end, as part of IFC’s proposed new organizational structure (see section above on A Re-focused IFC), IFC is creating a Corporate Risk & Sustainability Vice Presidency which would cover risk management related to transactions as well as corporate risk. The new structure will enable IFC to view all of its projects from an integrated risk perspective, bringing together in one group all functions dealing with risk at the project level – including credit; integrity due diligence; environmental, social and governance; insurance; legal – to ensure a high level of management attention, consistent standards, continuous feedback and learning, and greater efficiencies throughout the life of the project.

3.39. There is an extensive set of exposure limits, liquidity and leverage ratios and other measures in place to define tolerances for quantifiable risks. Actual exposures are actively monitored against these limits and reported periodically to the Corporate Risk Committee and the Board. The economic capital framework ensures that IFC can compare its investments across the spectrum. The risk adjusted return on capital (RAROC) measure allows IFC to ensure that it is being properly compensated for the risks taken across IFC’s different asset classes. This approach enables IFC to allocate scarce capital in a strategic manner.

Related to corporate risk management, IFC’s Corporate Risk Committee recently approved a new ERM Framework (see Box 10 below) that will help ensure that IFC maintains a consistent approach to measuring and managing the risks inherent in our business. The ERM Framework has been developed along the lines of industry best practice and represents the major areas of risk that IFC bears. These include credit, market, operational, liquidity, governance, integrity, environmental & social and conflict of interest. In its annual review of IFC, the rating agency S&P complimented IFC for its strong risk culture, which the new ERM Framework will serve to reinforce.

BOX 10: IFC’S ENTERPRISE RISK MANAGEMENT FRAMEWORK

| IFC is enhancing its ERM framework to provide the foundation for formally defining IFC’s overall risk appetite calibrated to the maintenance of the triple-A rating, and to provide the broader context within which risk limits (or tolerances) can be periodically reviewed and revised on a consistent basis. Risk appetite statements will provide the overarching reference points for the types of risks IFC wants to take, which risks IFC will not accept, and how much additional risk IFC can afford. The statements will be an expression of IFC’s risk management approach, influencing the organization’s culture and operating style, and will, in turn, provide a guidepost for strategy setting and resource allocation. Management’s ability to monitor and assess IFC’s risk exposures and make strategic decisions based on changes in its risk profile is supported by further work on improving ongoing risk analysis and reporting. Having a formalized ERM framework with well-defined risk appetites and tolerances, that is supported by robust Corporate-wide stress testing, will facilitate increased focus for this analysis and reporting, with a more forward-looking perspective. An ERM Report is under development that will summarize key messages from core risk management reports, identify and explain market developments with potential implications for IFC’s risk profile, and summarize IFC’s current risk profile. Key risk metrics will be identified, aligned with the risk appetite statements, and pre-defined tolerances and actions to be taken in the event of a breach. |

3.40. Smart risk-taking also involves increased focus on systematic early vetting of transactions across IFC in a consistent manner, to identify the compelling developmental and financial rationale specific to the individual deal, along with the pertinent risk factors to be weighed in the decision on whether to proceed. Once identified upfront, key risk factors associated with initiatives that are transformational in nature, or

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33 In addition to risk, at every decision point in IFC’s project cycle, strategic fit, development impact, additionality, and financial sustainability considerations are discussed and decided upon: (i) at Concept Review, before further engagement with the client; (ii) at Investment Review (project stage involving assessment of project rational and key risks, identification of investment terms and Management’s clearance to proceed to Approval); (iii) at Board Approval Stage; (iv) at Commitment to ensure that necessary related action plans and reporting are covenanted in legal agreements; and (v) during Supervision to support the achievement of expected development impacts, additionality and financial results.
enjoy enhanced potential returns, require deeper analysis to ensure they are thoroughly understood, and implementable mitigation measures are determined. To ingrain smart risk-taking into the organizational culture, IFC will consider introducing enhanced incentives for a small number of staff whose risk-taking results in greater impact in line with strategic goals.

3.41. The organizational adjustments and IFC’s ERM Framework will allow it to: (i) evaluate all financial and non-financial risks at once, across the portfolio, thereby enabling it to determine the level of risk IFC is willing to take with new engagements; and (ii) for each project or service, to evaluate inherent risks and determine possible mitigants, as well as the level of unmitigated risk, if any, that IFC would be willing to accept. By being transparent throughout the process, IFC can take informed risk for each new engagement, thereby ensuring acceptable overall levels of risk on a portfolio basis.

3.42. Environment, Social and Corporate Governance. ESG standards are core to IFC’s business, a key aspect of its value proposition (see also Box 2), and critical elements in achieving transformation and impact. Protecting its license to operate by maintaining and promoting the highest environmental, social and corporate governance standards, and monitoring and managing environmental, social and corporate governance risks are embedded in IFC’s operations and project cycle, and form part of the overall risk management framework. Good corporate governance is a prerequisite for most companies to take seriously stakeholder issues like environmental and social development.

3.43. Every new IFC investment includes an analysis of the corporate governance of the potential investment client. For larger and riskier transactions, a corporate governance specialist is assigned to do an in-depth review of the client’s corporate governance. All other investments require the investment team to review corporate governance from a risk perspective. As IFC’s equity portfolio grows, so does the opportunity to add real value through corporate governance improvements.

3.44. In view of recent projects with E&S issues that had come to the attention of IFC’s Compliance Advisor Ombudsman (CAO) and the Board, IFC highlights the following:

- IFC is committed to ESG aspects as being at the core of IFC’s value to clients. These issues are central to corporate decisions.
- IFC operates in difficult environments – including increasingly in FCS and more complex country contexts – and with clients of varying capacity. Experience and learning are helping IFC to better identify E&S risks and help clients mitigate them to achieve better development outcomes. These are especially important as IFC shifts greater focus to complex, transformational engagements. Among channels of engagement and learning are: (i) dialogue with WB colleagues on the ground, project stakeholders, clients, the Board, and civil society; (ii) the CAO, Internal Auditing Department (IAD) and Independent Evaluation Group (IEG) audits, reviews and evaluations; and (iii) strategic partnerships including the Equator Banks, and industry Round Tables.
- IFC has a robust Sustainability Framework and management system for identifying, managing and addressing E&S risks, and is always aiming to improve its systems. This Framework which was updated in 2012, including through the adoption of almost all of the CAO’s recommendations on a number of issues reflects current international good practice, addresses gaps and provides more clarity and guidance around the requirements for clients. IFC recognizes that the capacity of clients is fundamental to implementation of IFC’s Performance Standards, and puts greater emphasis on client support in addressing sustainability challenges, particularly in riskier projects.
- Aside from capacity of clients, IFC’s internal capacity is also key. More complex investments in operating environments with significant environmental and/or social risks require a heightened approach to project, country, contextual as well as inherent sector risks: increasing attention to contextual factors and potential impacts at appraisal; going beyond the previous narrow focus on use of IFC financing or direct project impacts only; and looking at legacy issues and understanding
stakeholders’ interests. Areas IFC has learned that require particular attention include stakeholder engagement, conflicts and tensions around land and water, labor standards, supply chains, and financial intermediaries. Providing the appropriate guidance and oversight in these areas entails strengthening internal processes for flagging high risk projects at appraisal and during implementation and portfolio supervision.

- SCDs and CPFs, undertaken in partnership with the WB, play an important role in understanding more fully country and sector contexts, considering Group-wide interventions, and making informed decisions on trade-offs and how to proceed.
- Periodic communication and consultation – internally, with the Board, and externally – are recognized as providing great utility. IFC has proposed to engage with the Board more regularly on E&S issues and emerging problem projects.

3.45. External factors and resource constraints will continue to pose challenges for implementation, and IFC will continue to learn and adapt its approach to risk management. Broader contextual risks often cannot be addressed through a single IFC transaction, and enhanced collaboration across the WBG will be essential to address risks more comprehensively. This is fundamentally about strengthening an adaptive and robust management system that can anticipate risks to the extent possible, and manage unforeseen risks as they emerge. However, IFC cannot guarantee outcomes on the ground. There will always be elements of uncertainty in this, and residual risks that cannot easily be mitigated.

3.46. Integrity and Due Diligence. In FY14, building upon the lessons learned about the management of integrity issues in the past, IFC has rolled out an enhanced integrity due diligence process that provides clearer instructions to advisory and investment operational staff on identification of integrity risks. The process requires mandatory referral of projects with integrity issues to a dedicated risk management team independent of the operations. In addition, it includes a review of all operations by “a second pair of eyes” to ensure that all projects comply with the new integrity due diligence procedures. As a result of this revised process, projects with material integrity issues are escalated for approval. The integrity due diligence process applies to projects from inception through implementation and continues until full repayment.

3.47. Since the introduction of the new process, over 80% of the operational staff in IFC has been trained and two of senior staff members of the dedicated risk management team have been relocated to the field offices.

IV. WORK IN PARTNERSHIP WITH CLIENTS & PARTNERS FOR GREATER IMPACT

4.1. Delivering the goals demands deepening partnerships that bring together resources, expertise and ideas to achieve greatest impact. For IFC, this means enhancing its approach to client relationship management, continuing to catalyze third-party investments including through new structures such as the Managed Co-Lending Portfolio Program (MCPP), and leveraging traditional and new partners in a way that aligns complementary capabilities toward achieving the WBG goals. Furthermore, a re-focused IFC is expected to have a positive impact on our clients and partners (see above section on A Re-Focused IFC).

ENHANCED CLIENT ENGAGEMENT MODEL

4.2. Enhancing client focus is a key element of IFC’s new implementation approach. By managing client relationships more actively and adapting processes and its business model where relevant, IFC aims to achieve more impact with, for and through IFC’s clients. IFC also aims to improve client service and grow its client base, including through making better strategic use of IFC’s client network, brand and relationships, and having experienced staff spend more time with clients. A more structured client-coverage model is intended to introduce a more holistic approach to clients, for example to enable early engagement with clients on their strategic and financing initiatives, to seek IFC involvement in a broader range of
opportunities with a given client, to enable better visibility on where relevant WBG resources can be applied, and to help strengthen the bridge between the investment and portfolio functions.

4.3. With these objectives in mind, IFC is introducing a new formal client-coverage function. Under the leadership of the IFC Client Committee, the Client Leadership Group has been established, comprising an initial group of senior staff with a breadth of expertise in various areas, with a view to generating business and establishing a “trusted advisor” relationship with the key decision-makers of those clients under their coverage. This new corporate-level function will enable the client-coverage staff to focus their efforts on developing strategic partnerships and identifying opportunities for engagement across the lifetime of the client relationship. They will each manage around 15-20 clients full-time, across a “major” coverage area, which is a sector, region, or client type to which a majority of covered clients belong, and a “minor” coverage area. Externally, they will focus their efforts at clients’ senior management level; internally, they will serve as mentors and best practice champions on client relationships for other IFC staff while continuing to work day-to-day with relevant operations teams on transactions related to the clients under their coverage. It is intended that this approach will subsequently be rolled out to operational departments, with select staff within industry and regional teams being designated for client-coverage based on their relevant skills and expertise. Relevant metrics and incentive mechanisms will be introduced or refined to appropriately evaluate and manage performance across IFC, and to encourage a sharing of best practice.

4.4. In addition to the new client-coverage roles, IFC will enhance other elements of functional specialization to support improved client service as well as efficiency, including through strengthening specialist skills, and addressing any overlapping roles throughout the project cycle. Other elements of IFC’s enhanced client orientation include developing a stronger global view on select clients, remediying skills gaps in investment and advisory services, facilitating staff movement across geographies, and strategically aligning IS and AS staff in teams that provide integrated product offerings.

4.5. IFC also aims to enhance its value proposition for clients. Client-coverage staff will broaden their discussions with clients across the full range of WBG products and services, such as own-account loan and equity investments, mobilization, knowledge, asset management, and treasury and balance sheet management solutions.

Mobilization

4.6. Catalyzing third party capital to meet clients’ needs – as outlined in IFC’s Articles of Agreement – is fundamental to IFC’s business model. Partnering with diverse co-financiers through a variety of financing products increases IFC’s impact. It also promotes innovation as IFC seeks out new approaches to better serve clients and achieve the WBG goals while meeting the objectives of the co-financiers, such as the MCPP and new funds under the AMC. Mobilization is also particularly important in transformational engagements. As described in last year’s Road Map, four key platforms currently account for core mobilization activities: the Syndicated Loan Program, Initiatives, PPP mobilization, and AMC.

4.7. The Syndicated Loan Program will remain a key component of IFC’s overall core mobilization efforts. Through FY17, IFC will aim to increase the number and volume of loan syndications activities, particularly in priority sectors and regions. IFC will also seek to expand its co-investor base to include increased participation by emerging market banks and IFIs, for example by working on new mandates collaboratively among Master Cooperation Agreement signatories, potentially sharing respective project opportunities. Furthermore, IFC will seek to increase the number of institutional investors in syndicated loans by refining existing, and developing new, products to better match borrowers’ and investors’ needs, including portfolio participation products, B-Bonds and local currency products.

4.8. IFC will aim to increase the number of co-investors that participate in the MCPP, which was launched in FY14 with a $3 billion pledge from its first investor – People’s Bank of China (PBoC) / State
Administration of Foreign Exchange (SAFE). Investors could participate in the MCPP either by following IFC’s investment portfolio across all regions and sectors, or by specifying criteria for investment by region or sector.

4.9. IFC will seek to fully utilize the full range of WBG risk mitigation products to increase commercial co-financiers’ participation in IFC Syndications, thereby enabling greater mobilization in IDA/FCS countries. IFC also expects to scale up the use of existing loan exposure management products that support IFC’s efforts to manage its balance sheet more actively, helping to preserve IFC’s own capital.

4.10. Building on the success of Initiatives such as IFC’s Global Trade Liquidity Program (GTLP) and CCFP program in mobilizing third party capital, IFC will continue to innovate, seeking to apply similar mobilization structures to unaddressed or new market challenges.

4.11. Given that governments worldwide continue to face increased demands from their citizens for expansion or improvement in infrastructure and public services, and also face access and finance gaps due to budget constraints, PPP mobilization remains a critical platform. Volumes from PPP mobilization are not linear and as such it is expected that there will be continuing volatility in high and low amounts for PPP mobilization depending on the size and scale of the relevant PPP project activity.

4.12. AMC continues to be an important mechanism for increasing IFC’s development impact by mobilizing third-party capital to expand the supply of long-term finance in developing countries, while at the same time allowing investors to access IFC’s global investment pipeline, network of relationships, and standards. AMC’s value proposition can be viewed from the perspective of four stakeholders: developing countries, investee companies, investors, and IFC:

- For developing countries – by helping to channel investors’ money to developing countries, AMC helps to fund private sector development and growth in these markets. It also strengthens the demonstration effect of IFC’s projects to other capital providers, increases the number and size of projects that IFC finances, and supports attainment of the WBG goals.
- For investee companies – AMC enables investee companies to access larger investments from IFC, through AMC-managed funds as well as direct co-investment by the fund investors. In addition, it allows these companies to diversify their shareholder bases with a new set of reputable investors.
- For investors – AMC provides investors with a unique platform to invest in emerging and frontier markets. Investors benefit from IFC’s established investment expertise, market access and organizational infrastructure in these markets, built up over more than 55 years of first-hand investment experience.
- For IFC – AMC improves IFC’s financial sustainability by preserving IFC’s own capital and increasing IFC’s net income (both absolutely and on a risk-adjusted basis), thereby adding to its equity base and its ability to invest more in the future. AMC also supports IFC’s own-account equity business by enabling more transactions, with greater resulting risk diversification for IFC’s equity portfolio, and an increased focus on equity business development.

4.13. With a proven business model, strong investor base and robust platform, AMC will build on its success to develop other fund ideas and bring them forward for the Board’s consideration. AMC is currently marketing the Financial Institutions Growth Fund, for which it received Board approval in June, 2013, and is finalizing marketing documents for the $1 billion Asia Fund, for which it received Board approval in February 2014. AMC will restart the marketing of the MENA Fund in FY14. AMC is developing other fund ideas including, a Global Fund-of-Funds and a follow-on fund to the ALAC Fund. The precise fund mix and size of each new fund will be dependent on IFC’s future growth plans, strategic focus and investor appetite. AMC is also in discussions with various large institutional investors, who are seeking to increase emerging markets allocations and want to work with a credible and experienced manager, to offer them tailored solutions that fit their investment needs and simultaneously enhance IFC’s development impact.
4.14. As the existing funds continue to invest and new funds are brought on stream, the AMC is projecting assets under management will continue to grow above the current level and annual investments will approach $1 billion in the next several years.

**BOX 11: CURRENT FUNDS MANAGED BY THE AMC**

The AMC’s assets under management reached $6.3 billion at the end of the first half of FY14, across six funds. AMC Funds have committed $3.3 billion in 47 emerging markets companies, of which $2.2 billion was mobilization. The current funds managed by the AMC are:

- **IFC Capitalization Fund** (comprised of an Equity Fund and a Subordinated Debt Fund, collectively called the Cap Fund) is a $3 billion fund focused on making equity or equity-related investments in, and subordinated loans to, major private banks or state-owned banks on a clear path to privatization in emerging markets. Since inception, the Cap Fund has made investments of $2.3 billion to 21 banking institutions.

- **Africa Capitalization Fund** (AfCap Fund) is a $182 million fund which makes equity and equity-related investments in banking institutions in continental Africa. Since inception, AfCap Fund has made investments of $102 million in six banking institutions.

- **IFC African, Latin American and Caribbean Fund** (ALAC Fund) is a $1 billion fund which focuses on making equity and equity-related investments in Sub-Saharan Africa, Latin America and the Caribbean. Since inception, the ALAC Fund has made investments of $657 million to 20 companies.

- **IFC Russian Bank Capitalization Fund** (RBCF) is a $550 million fund which makes equity and equity-related investments in commercial banks in Russia. To date, RBCF has made investments of $82 million to two banking institutions in Russia.

- **IFC Catalyst Fund** (Catalyst Fund) is a $500 million target size fund of funds which will invest in private equity funds focused on providing capital for companies that enable resource efficiency and develop low-carbon products and services in emerging markets. To date, the Catalyst Fund has raised $396.5 million, and has made commitments amounting to $40 million to two private equity funds.

- **IFC Global Infrastructure Fund** (GIF) is a $1.2 billion fund which focuses on making equity and equity-related investments in the infrastructure sectors in emerging market countries. The funds raised for GIF exceeded the target size of the fund and it is one of the largest funds of its kind. To date, GIF has made three investments amounting to $96 million in three companies.

4.15. **Blended Finance** allows IFC and its donor partners to achieve transformational impact in the areas of climate change, agribusiness and SME financing by catalyzing high-impact investments that would not otherwise happen due to unfavorable market conditions and market failures. More importantly, blended finance is helping demonstrate the viability of new and untested business models and paving the way for long-term commercial financing. This work continues to remain a small proportion (by dollar volume) of IFC’s overall program.

4.16. **IFC-MIGA.** Formalized in 2010, the IFC-MIGA Business Development Partnership is a first of a kind example of WBG collaboration with the aim to develop innovative approaches in business development with high impact. Over the past four years, this IFC-MIGA Partnership has achieved strong results. It has led to synergies and greater impact in both IFC and MIGA’s strategic priority areas while providing innovative packaged solutions to WBG clients. It has been a powerful tool in: (i) supporting MIGA’s global operations (representing 7%, 8% and 21% of total MIGA’s guarantee issuance respectively in FY11, FY12 and FY13); and (ii) focusing on IDA countries and FCS.

4.17. At the institutional level, IFC and MIGA have: (i) signed a Memorandum of Understanding (MoU) on War and Civil Disturbance (WCD) allowing IFC’s B-Loan participants to purchase MIGA guarantees for WCD; and (ii) developed a joint Non-Disclosure Agreement.

4.18. The IFC-MIGA Partnership continues to contribute to the implementation of the WBG strategy. It has successfully implemented and streamlined an approach that provides clients joint IFC and MIGA solutions while placing a greater emphasis on being transformational and increasing efficiency. As a result of

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34 IFC’s blended finance approach, which was endorsed by IFC’s Board in March, 2012, employs a set of principles which ensure that such deployment is selective and disciplined, including minimizing the embedded subsidy element in order to promote long-term financial sustainability.
a more effective cooperation, client focus, and knowledge sharing, the IFC-MIGA Partnership recorded a strong performance in FY13 and is continuing to grow. Since its inception, the IFC-MIGA Partnership has mobilized a total of $1.27 billion in MIGA’s guarantees and has targeted infrastructure, financial markets, and agribusiness sectors with a focus on South-South investments in IDA/FCS such as Star Hydro Power Ltd. (Pakistan) and Azito (Côte d’Ivoire). This collaboration has expanded to also include the WB where possible, such as in the case of the Thika Power project in Kenya. It has also enhanced WBG efficiency and reduced the burden on clients through a more streamlined joint development and implementation of transactions. By working closely together, IFC and MIGA have brought one focal point and innovation to joint clients. The program continues to focus on IDA countries where both IFC and MIGA have high relevance to stimulate private sector development. In the first half of FY14, three out of seven projects (nearly 70% of the program’s volume) are in IDA countries.

4.19. In the next three years, the IFC-MIGA program will focus on scaling up its delivery for clients, focusing on where it can have high development impact and strong results. This will be achieved through enhanced IFC-MIGA cooperation and streamlined joint implementation, while focusing on client needs in the most relevant areas, such as IDA countries, FCS and South-South investments, particularly in the financial markets, infrastructure and agriculture sectors. Moving forward, the IFC-MIGA Partnership has established the foundation for stronger cooperation, including in joint transformational engagements, and involves a strong pipeline of high-impact projects, through programmatic approaches. Through its Global Network of IFC-MIGA Champions, the Partnership will continue to focus on such aspects as product innovation, client focus, and knowledge sharing.

**LEVERAGING PARTNERSHIPS FOR IMPACT**

4.20. By working with partners such as IFIs, the G20, donors, industry organizations, NGOs and private sector clients, IFC can catalyze additional investment to leverage WBG finance, knowledge (including advice) and convening services. By crowding in private financing, IFC can have development impact well beyond the resources directly provided through the WBG. Some of IFC’s key partnerships include the following:

- IFC’s enhanced client engagement model (see above section on Enhanced Client Engagement Model) and programs such as the Partners in Development program will enable IFC to engage with strategic private sector clients as active partners in the development agenda.
- IFC also works with the G20 and other IFIs to share knowledge and develop global programs addressing issues such as jobs, SME finance, local currency finance and bond markets, finance for women, agriculture and food security, infrastructure, climate change, and inclusive business. Additionally, work with IFIs includes participation in, and sometimes management of, investment vehicles that mobilize funds from many parties, for example SMEs in MENA, and collaboration of regional and global IFI treasuries on a range of issues of common interest with respect to local currency financing and domestic capital markets development. IFC will continue to spearhead the sharing of experiences and lessons learned related to private sector development, and where relevant promote coordinated approaches among IFIs, including indicator harmonization for results measurement, concessional finance, corporate governance and integrity issues.
- **Public-Private Partnerships** in infrastructure, health and education, agribusiness and the food supply chain are increasingly being used to bring in private capital and private entrepreneurship to address basic service needs, as discussed earlier.
- IFC will build on the strategic partnerships which it has launched in cooperation with the global donor community, which blended flexible financing, thought leadership, and knowledge sharing to

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35 IFC’s reported number of joint IFC-MIGA projects in FY14 differs from that of MIGA due to timing of booking.
maximize development impact. It will also continue to build and strengthen partnerships with foundations to share best practice, convene key stakeholders, and develop programs to address such issues as financial inclusion, health, agriculture, climate change, and gender. In addition, a number of partners have deepened their collaboration with IFC by investing alongside IFC in various initiatives.

- Engagement with industry organizations and NGOs, such as in agriculture, health, and manufacturing, is an important way to enhance the demonstration effects of IFC projects through convening and knowledge sharing. IFC’s demonstration effects study has identified engagement of industry groups as an important way to enhance demonstration effects.

4.21. **South-South.** Through active client relationship management, IFC is a well-positioned partner to help clients build strong pipelines and promote South-South investments, e.g. accelerate engagements with China on cross-border investments in Africa and Latin American and Caribbean (LAC), and continuing to implement the South-South Action Plan. In addition, the enhanced client engagement model should enable IFC to support clients even better on South-South transactions with a range of possible thematic focus areas at sector and country level.

V. **STRENGTHEN THE FOUNDATIONS**

5.1. Although global growth is expected to accelerate in 2014, driven by developed countries, in particular the United States of America, developing countries may face significant challenges, such as potentially tighter global financial conditions, deteriorating macro-conditions, and anemic prices for some commodities (see Annex II). Within this environment, markets are likely to become more selective among developing countries, differentiating between those with growing external and domestic imbalances and those with solid fundamentals that are committed to reform. Reliance on high commodity prices and large capital inflows will no longer be enough to drive fast growth in developing countries. Demand for financing, especially in the more difficult markets, will continue to exceed supply. Private sector financing activities, including financing from IFIs will continue to play a critical role, and demand for IFC remains strong.

5.2. **FY15-17 Investment Program.** IFC will continue to pursue the strategy and planned growth within its available capital and budget resources, directing these resources to where contribution to our goals is greatest. Highlights of the proposed program include the following:

- Increased impact, including through a greater focus on transformational engagements, which are likely to require multi-year efforts due to their complexity; and
- Modest overall growth. From FY14-17, total LTF investment volume is expected to grow by 3-4% per year, with mobilization volume expected to grow by 6-7% per year. The average annual outstanding STF portfolio is expected to grow by about 3-4% per year.

IFC envisages that this program can be achieved with a flat budget in real terms for FY15, with program and impact growth enabled by improvements in efficiency and productivity and some internal resource reallocations to priority areas. Should additional resources be needed, especially to deliver transformational engagements, IFC will revert to the Board at the time of the FY15 Budget paper.

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36 To engage more strategically and proactively on South-South IS and AS opportunities, systematize South-South activities across IFC, and significantly scale up South-South investments, IFC is continuing to implement the South-South Action Plan. The Plan includes topics related to systems, incentives, staff learning, outreach and knowledge sharing.

37 This is following a record FY13 program delivery.

38 Core mobilization (the syndicated loan program, initiatives, PPP mobilization, and AMC) excludes MIGA and other non-core mobilization, which could mobilize up to an additional $600m (approximately) each year for FY15-17.

39 GTFP of less than one year and GTSF.
FIGURE 2: LTF INVESTMENT PROJECTIONS FY15-17

TABLE 2: LTF INVESTMENT PROJECTIONS FY15-17

<table>
<thead>
<tr>
<th>Commitment Volume ($ Billions)</th>
<th>FY11A</th>
<th>FY12A</th>
<th>FY13A</th>
<th>FY14P</th>
<th>FY15P</th>
<th>FY16P</th>
<th>FY17P</th>
<th>CAGR FY14P-17P</th>
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<tr>
<td>Long-Term Finance (LTF)</td>
<td>7.5</td>
<td>9.2</td>
<td>11.0</td>
<td>10.6-11.6</td>
<td>10.3-11.3</td>
<td>11.0-12.0</td>
<td>11.8-12.8</td>
<td>3-4%</td>
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<td>Mobilization</td>
<td>6.5</td>
<td>4.9</td>
<td>6.5</td>
<td>5.2-6.2</td>
<td>5.6-6.6</td>
<td>6.1-7.1</td>
<td>6.4-7.4</td>
<td>6-7%</td>
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<tr>
<td>Total (LTF + Mobilization)</td>
<td>14.0</td>
<td>14.1</td>
<td>17.5</td>
<td>15.8-17.8</td>
<td>15.9-17.9</td>
<td>17.1-19.1</td>
<td>18.2-20.2</td>
<td>4-5%</td>
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</tbody>
</table>
### BOX 12: IFC’S LEVEL OF AMBITION

Reflecting IFC’s commitment to overcome a volume-driven culture with a stronger focus on impact, IFC’s ambition for greater development impact is key, and should not be measured in volume terms. IFC seeks to shift greater emphasis toward the quality of what it does in terms of impact, rather than on the quantity of what it does as reflected in volume terms.

IFC is defining its ambition by: (i) the nature of its engagements, and (ii) how effectively it is deploying resources. As regards the nature of its engagements, IFC is seeking clearer alignment with our goals, greater potential for transformation, increased collaboration with the other entities within the WBG, and clearer demonstration of IFC’s leadership in issues related to ESG. The Nepal Hydro project (see Box 3) is an illustration of the type of engagement IFC would increasingly aim to undertake as it pursues this ambition. As regards deploying resources, IFC’s level of ambition is reflected in its decision to develop transformational engagements that potentially take longer and more effort, and in the effective use of deployable capital over the next three years.

The ongoing revision of IFC’s results measurement framework will provide more clarity and greater direction in refining IFC’s ambition going forward. In the meantime, a volume indication continues to be necessary for financial planning purposes in view of its implications on parameters such as budget and capital utilization. IFC therefore will continue to use volume projections for planning and capital projections purposes, even as it phases out its use for performance measurement, as it is not a sufficient indicator of the ambition of the program. IFC’s projected FY15-17 investment program therefore aims to maximize its contribution to the WBG goals within its strategic priorities and previously agreed objectives. These ambitious objectives have been carefully balanced with IFC’s budget and capital adequacy constraints.

The projected investment program is the outcome of a robust process – bottom-up projections by regions and industries within the context of the WBG goals and strategy and corporate direction, and based on current expectations of country conditions, sectoral/thematic trends and expected client demand, which have been then reviewed by Management for alignment to corporate priorities as well as budget and capital parameters. Going forward, the new WBG approach to country engagement will strengthen this process. In addition to its selectivity in regional focus, IFC is increasing selectivity especially as it relates to the quality of our engagement, putting increased attention on complex transactions with potential for transformation and interventions that address key country constraints. For example, IFC aims to grow the share of its LTF program in infrastructure by FY17, while reducing the share of its credit lines in financial markets, maintaining, however, strong support for capital market development. Throughout, IFC will pay close attention to the balance and risk profile of its whole portfolio.

#### 5.3. With input from the IEG, IFC has decided that, starting in FY15, it will shift from its current practice of reporting the cumulative commitment volume of its STF business over the course of that fiscal year, and then aggregating that with its LTF commitment volumes. Instead, it will report the average annual outstanding portfolio balance of its STF business in a given fiscal year, and reflect that separately from its LTF business, thereby aligning with commercial bank practice and more appropriately indicating the relative size of its STF business and its characteristics and capital use.

#### 5.4. Since program results are reported on a commitment basis in the Management’s Discussion and Analysis (MD&A) which accompanies the audited financial statements IFC would report FY14 program results and the comparative for FY13 under the existing basis. To provide a clear and transparent bridge to the new basis, IFC would also disclose in the FY14 MD&A the change in basis that is to be effective beginning FY15 and what the FY14 and FY13 program results would have been had IFC applied the new methodology to those results.

#### 5.5. Starting FY15, IFC will concurrently publish total trade supported to reflect the extent of its contribution to cross-border trade. As described in the above section on trade and supply chain, IFC also makes a significant additional contribution to current and future trade through the development and direct support of emerging market trade finance banking networks.

### TABLE 3: STF AVERAGE OUTSTANDINGS PROJECTIONS FY15-17

<table>
<thead>
<tr>
<th>STF ($ Billions)</th>
<th>FY11A</th>
<th>FY12A</th>
<th>FY13A</th>
<th>FY14P</th>
<th>FY15P</th>
<th>FY16P</th>
<th>FY17P</th>
<th>CAGR FY14P-17P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Outstandings</td>
<td>1.9</td>
<td>2.5</td>
<td>2.7</td>
<td>2.5 - 2.7</td>
<td>2.6 - 2.8</td>
<td>2.7 - 2.9</td>
<td>2.8 - 3.0</td>
<td>3 - 4%</td>
</tr>
<tr>
<td>Commitment Volume</td>
<td>4.7</td>
<td>6.2</td>
<td>7.3</td>
<td>6.3 - 7.3</td>
<td>6.6 - 7.6</td>
<td>6.9 - 7.9</td>
<td>7.1 - 8.1</td>
<td>3 - 4%</td>
</tr>
</tbody>
</table>
BOX 13: WIDE RANGE OF ENGAGEMENTS

IFC invests in a wide range of engagements, varying by type and size of projects, and by country size, ranging from quite small to large. IFC needs to take account of many factors in deciding whether to invest in smaller-sized projects, including the impact it can have, the balance of risk and return, and the cost – to both IFC and the client – of processing and supervising a project relative to the impact and returns. In smaller and more challenging markets, IFC has introduced special mechanisms to facilitate smaller investments, such as the recently introduced new program for small FCS investments ($10 million or less for IFC’s own account). To specifically target smaller companies, IFC works through financial intermediaries, as they allow IFC to reach a much larger number of micro and SME companies, for example, Equity Bank (EBL in Kenya), and with companies across their supply chains, e.g. Ecom, in three regions (Africa, East Asia and Latin America & the Caribbean).

5.6. Advisory Services. Following strong growth in recent years, total AS spend is planned to slow in FY15-16 to help consolidate reforms and facilitate transition to the new organizational structure. Program spend is expected to continue to grow, however, as a result of new efficiencies from working more closely with GPGs and with industry departments. Expected trends in total AS spend and total AS program spend are presented in Table 4 below.

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY13</th>
<th>FY14 (E)</th>
<th>FY15 (P)</th>
<th>FY16 (P)</th>
<th>FY17 (P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Spend</td>
<td>$365</td>
<td>$392</td>
<td>$400</td>
<td>$390</td>
<td>$390</td>
<td>$400</td>
</tr>
<tr>
<td>Total Program</td>
<td>$197</td>
<td>$232</td>
<td>$238</td>
<td>$242</td>
<td>$250</td>
<td>$259</td>
</tr>
</tbody>
</table>

5.7. AS has had a strong emphasis on IDA, FCS and Climate Change for several years. This emphasis is expected to continue under the new organizational arrangements, although specific targets will need to be confirmed with relevant GPGs and industry departments as part of new integrated strategies and business plans. Expected trends in the share of program in each area are presented in Table 5 below.

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY13</th>
<th>FY14 (E)</th>
<th>FY15 (P)</th>
<th>FY16 (P)</th>
<th>FY17 (P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Spend</td>
<td>$197</td>
<td>$232</td>
<td>$238</td>
<td>$242</td>
<td>$250</td>
<td>$259</td>
</tr>
<tr>
<td>IDA Share</td>
<td>65%</td>
<td>65%</td>
<td>64%</td>
<td>&gt;60%</td>
<td>&gt;60%</td>
<td>&gt;60%</td>
</tr>
<tr>
<td>FCS Share</td>
<td>18%</td>
<td>18%</td>
<td>19%</td>
<td>19%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Climate Change Share</td>
<td>16%</td>
<td>24%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
</tbody>
</table>

ENSURE FINANCIAL SUSTAINABILITY

5.8. In order to ensure successful implementation of its strategy, and its future ability to deploy capital where it is most needed, IFC needs to remain financially strong by generating sufficient returns on its investments and by managing its financial resources, including capital, in an effective manner. To that end, IFC includes profitability and effective capital utilization in its strategic discussions and emphasizes portfolio management and performance, closely monitoring underlying profitability and financial capacity drivers and their impact on financial sustainability. In addition, IFC will put particular emphasis on efficiency and productivity efforts in operations, including through functional specialization and process and system improvements.

5.9. Capital Outlook. As discussed in more detail in last year’s IFC Road Map, capital adequacy is a critical element of IFC’s financial sustainability: the Corporation must hold sufficient capital to protect against unexpected losses while maintaining its triple-A rating. IFC’s approach to capital measurement and management is broadly aligned with the regulatory framework (the Basel Accord) and with the

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40 Program comprises direct spend on client-facing projects, and excludes spend on non-client facing projects (e.g., knowledge management) as well as Program Management & Support and General & Administrative (G&A).
41 Projected share of AS program in FCS based on list of countries included in WB FCS list at January 2014.
42 Box 4 on page 42 of last year’s Road Map contains details of the components of capital adequacy.
5.10. The main measure of capital adequacy at IFC is Deployable Strategic Capital (DSC). IFC projects DSC over a three-year period, in line with the Road Map, to ensure that there is enough capital to implement the strategy. IFC is highly attentive to the importance of capital management and of maintaining the triple-A rating.

5.11. Enhancing Profitability and Financial Capacity. Decisions surrounding future investments, especially for products with higher capital consumption such as equity, are taken within the context of IFC’s DSC. To increase profitability, IFC is enhancing the active management of its equity portfolio and leveraging resources from AMC and others, where appropriate, to ensure that IFC uses its capital efficiently, while continuing the Board-endorsed strategy for strengthening its advisory funding model (see funding model for advisory services below), and actively contributing to the WBG-wide expenditure review initiative (see Box 14 below).

5.12. In addition to the active management of its equity portfolio, IFC will continue to seek returns commensurate with the risk profile of each investment. Equity risk capital is the lifeblood of growth in emerging markets and IFC continues to see good investment opportunities in a number of sectors such as infrastructure; banking; agribusiness; extractive industries; telecom, media and technology (TMT); healthcare; and education. To ensure IFC maintains a consistent approach, it will continue to review approval procedures to help staff with relevant experience make sound investment decisions.

5.13. Greater selectivity in project selection, supported by a more flexible approach to investment targets (see above section on Incentives) and enhanced metrics for development impact and financial sustainability, will contribute to more effective capital management.

5.14. To improve the profitability of its portfolio, IFC will continue to improve pricing discipline on loans; focus on additional revenue generation through service fees; mobilize more debt and equity with appropriate fees and carry; and streamline investment processes to control costs.

5.15. IFC’s Treasury will more significantly contribute to profitability going forward by:

- Delivering additional revenue through existing and new initiatives, including capturing new markets and new asset classes; better aligning the funding and investment strategies; and enhancing IFC’s analytical platform and asset-liability management capabilities;
- Using IFC’s funding program to increase its proactive outreach to investors to market IFC as an investment platform in liquid assets, loans and equities;
- Continuing to ensure that it supports key development objectives, including the development of domestic capital markets through: local currency bond issuance and efficient management / investment of proceeds; growing the IFC global discount note program to include additional countries such as Mexico, Turkey and Indonesia, providing short-term investment opportunities and finance to clients; and growing the IFC social responsibility investment funding program, including green bonds, Banking on Women bonds, and others; and
- Supporting WBG efforts to position Finance as a business line – i.e. leveraging the broad range of finance skills and functions from across the WBG to provide innovative and comprehensive solutions to clients and help support the sound development of the overall finance offering – by identifying, coordinating and where appropriate leading significant WBG initiatives that need inputs and expertise from Finance.

5.16. IFC will continue the Board-endorsed strategy for strengthening its funding model for advisory services: strengthening donor and client contributions, while better leveraging, and partly mainstreaming,
IFC’s contributions; and further improving financial management systems and processes. In addition, improved efficiency is expected from increased synergies through plans to better align AS with industry departments and relevant GPGs.

5.17. Reforms to strengthen the sustainability of the AS funding model have included the partial mainstreaming of IFC’s contribution to AS from IFC net income (FMTAAS) to IFC’s administrative budget; the strengthening of donor partnerships; and the upgrading of financial management systems. Contributions from clients have also increased as part of a broader strategy for ensuring subsidies are justified, and to strengthen client ownership and commitment – this has had the additional benefit of further strengthening the AS funding model. Expected trends in the composition of AS funding sources are presented in Table 6 below.

<table>
<thead>
<tr>
<th>TABLE 6: ADVISORY SERVICES – FUNDING SOURCES, FY12-15 ($M &amp; %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Total AS Spend</td>
</tr>
<tr>
<td>IFC share (all sources)</td>
</tr>
<tr>
<td>Donor/client share</td>
</tr>
</tbody>
</table>

5.18. During FY15, the AS funding model will be reviewed to take account of factors such as the following:

- AS with individual firms undertaken with IFC industry departments are expected to be provided on an increasingly commercial basis over time.
- AS on broader market development and enabling environment issues undertaken with WBG GPGs should have new opportunities to leverage IBRD/IDA lending instruments. There will also be opportunities to harmonize pricing policies for advisory work for the WBG as a whole, and to achieve greater efficiencies and coordination through various joint arrangements, including the new WBG Partnership Department.

Further information will be provided in IFC’s FY15 Budget paper.

BOX 14: WBG EXPENDITURE REVIEW

The WBG is setting out to implement its strategy at a time when resource constraints are felt globally. Within this context it is demonstrating a commitment to increased efficiencies and long-term sustainability with a $400 million savings target, to be achieved over three years.

IFC is actively contributing to the WBG-wide initiative to strategically reduce costs while retaining or expanding the quantitative and qualitative capacity to deliver value to clients. Beginning with the immediate measures as outlined by WBG SMT in January, 2014, IFC will contribute its share of the target of $125 million through adherence to effective policy changes on travel, HR and other areas, as well as through augmenting internal resource management practices which enable cost savings without disrupting its business.

In addition to its participation in WBG Expenditure Review activities, IFC continues to proactively challenge and change its operational delivery model to maintain strong delivery and development impact with increased efficiency.

5.19. Improving Efficiency and Productivity. To ensure financial sustainability, efficiency gains will be important enablers of the delivery of the FY15-17 program. By delivering the core program more efficiently, IFC will free up time and resources to deepen client relationships and work on transformational engagements. Over the last five years, IFC has progressively implemented a number of changes to operations, supported by new metrics, with the aim of improving productivity and efficiency. In FY14, IFC has continued these efforts through measures such as creating an Operations Group to improve IFC’s organizational efficiency, establishing the Chief Administrative Officer position to sharpen focus on productivity and resource re-allocation, and streamlining investment processes through the introduction of shorter documents and greater manager delegation, requiring fewer clearances.
5.20. Productivity and efficiency initiatives planned to-date are greater functional specialization, allowing increased focus on clients, and improved processes and systems to speed up delivery while maintaining quality. As discussed in more detail under the Enhanced Client Engagement Model section above, functional specialization includes the creation of a senior client-coverage cadre to drive client focus and create new business opportunities. It also involves dedicated teams and creating a middle office for functions including transaction processing, quality control/compliance, and portfolio management, clustering such staff in fully functional hubs in cost-effective, strategic locations. To successfully implement functional specialization, IFC Management will play a critical role in the identification, development and transition of staff into more focused client roles.

5.21. Additionally, process and system improvements such as expanded manager delegation, document streamlining and introduction of processes specific to repeat clients, will allow for targeted and swifter decision-making. Technological capabilities will support the new client-centric delivery model, including support for the middle office. To successfully implement process and system changes, IFC will take a holistic view of the entire service delivery model and also consider related governance, sourcing, talent, and organizational aspects. More details on IFC’s plans to improve productivity will be discussed in the FY15 Budget paper.

KNOWLEDGE MANAGEMENT, IT AND TALENT MANAGEMENT

5.22. Knowledge Management (KM). Global knowledge is a key competitive advantage of the WBG. IFC strives to deliver best-in-class knowledge to clients, and has institutionalized mechanisms, tools and programs to capture knowledge and facilitate knowledge flows in individual departments, and across the institution. IFC’s KM strategy incorporates specific programs organized around three elements:

- Leveraging a global IFC in order to capture, harness and transfer global experiences for the benefit of its investment and advisory clients, as well as its partners, worldwide;
- Sharing knowledge and mobilizing information to develop a knowledge-driven culture whose value is tangible for clients, partners, staff and management; and
- Providing knowledge and collaboration services through a knowledge management function that is structured, professionalized, and aligned with best practices standards to support IFC staff, management and clients.

5.23. With the importance of embedding knowledge as part of the work program of the GPGs, the implementation of this action plan has been revised to systematically incorporate initiatives relevant across the WBG.

5.24. Information Technology. Improvements are needed in IFC’s technology platforms to provide foundational value-added systems and data management to support the corporate objectives of greater development impact, client focus, and productivity. The adoption of up-to-date technologies is critical to meeting the needs of a more global, mobile staff with high expectations that technology they use should enable them to be more productive. Mobile, cloud, data management, and social technologies help them stay connected with co-workers and clients; find the information they need to be effective; and transform how business is being done.

5.25. The IT strategy for the WBG defines a transformative digital platform, with cross-institutional and integrated knowledge platforms and systems to support the emerging GPGs and the “Solutions WBG”. It includes systems that will give partners the means to participate in development solutions and that serve as a stronger foundation for the development work of the WBG, reducing the friction of internal processes and increasing speed and agility. To support the new WBG organizational structure and the One WBG approach, IT solutions need to facilitate sharing of information and work products across the institutions, improve
alignment of business processes across operations, and enable teams to quickly assemble the best expertise through collaboration platforms and skill finders.

5.26. The WBG’s Information and Technology Solutions (ITS) will also provide enabling solutions that specifically support IFC’s strategy. These will include: (i) client relationship management tools to leverage quality partner data, make information more accessible and improve client service; (ii) flexible systems to allow for quick introduction of new products to grow IFC’s business and to allow differentiated approaches by clients, products and industries; and (iii) alignment of development, financial, investment and advisory data, along with new credit tools and consolidated risk reporting for improved decision-making and risk management. Efficiencies will be improved through: (i) modernization of fragmented operational data and streamlined processing for investment operations; (ii) mobile solutions including online approvals and cloud-based file sharing; and (iii) higher quality infrastructure and country office bandwidth with improved system response.

5.27. IFC’s Talent Management strategy is being scaled to meet the needs of the restructured WBG operating model. Key elements of this talent management strategy include: building a culture of performance and accountability; developing inspiring leaders; shaping a diverse and inclusive workforce; and creating career opportunities for staff. Key talent management initiatives are being launched across the WBG to build on several successful talent platforms already established at IFC. These include:

- The Cascading Objectives Framework (see above section on Incentives); and
- The One WBG Talent and Performance Management strategy and system which will deliver a single performance rating scale across WBG entities. The new Group-wide platform for capturing annual performance reviews will also ensure an aligned talent review process for managers, to build global consistency in the review and development of the managerial cadre.

5.28. Talent reviews and leadership training are being adapted to develop pipelines of talent needed to deliver on the enhanced client engagement strategy. These include supporting the new roles of client service leads and functional specialists in processing, execution and portfolio supervision, providing coordinated opportunities in multi-disciplinary teams. Enhancing these foundational elements of performance and talent is pivotal to the greater alignment of IFC’s incentives programs to the client engagement model. This enhanced incentives strategy and program will also form the blueprint for future WBG incentives schemes once the GPG structure is in place.

**CONCLUSION**

The private sector is a key means of societal progress, and has a central role in achieving our WBG goals as a critical driver of broad-based economic growth and provider of the most effective path out of poverty through access to more and better jobs. IFC will contribute to our goals through greater selectivity and an improved delivery model to increase development impact, and will enhance financial sustainability and profitability. IFC will help clients tackle the most important challenges by emphasizing those critical development opportunities and constraints where IFC has most additionality. As an integral part of the “Solutions WBG” and by working in partnership to leverage finance, knowledge and convening services, IFC can broaden its impact even further in the years ahead.
ANNEX I. REGIONAL STRATEGIES
East Asia and Pacific – Playing a Key Role in Meeting the Global Poverty Challenge

- The region remains the world’s growth engine despite a challenging external environment.
- Substantial development impact in East Asia Pacific (EAP), however, high and rising income inequality remains.
- Challenges: significant poverty, with around 600m people living on $2 per day, high and rising inequality, vulnerability to climate change.

WBG Goals - IFC EAP Strategy

- Continued focus on three areas:
  (i) **Inclusive Growth**: access to food, health, services and jobs; and sustainable infrastructure. Building resilience in the poorest IDA and FCS in the Pacific and the Mekong: SMEs, infrastructure, access to finance (A2F) and jobs; addressing gender inequalities in the Pacific
  (ii) **Climate Change**: Sustainable infrastructure, renewables and clean growth;
  (iii) **Global Integration**: Global role of EAP; inter-regional linkages;
- **Transformational** delivery and deep collaboration across the WBG.
  - Shift in the “How”: putting client first and focus on being transformational at the impact level.
  - Innovative private sector solutions as a key engine for growth, poverty reduction and shared prosperity.

**Working as One WBG**

- The region remains a role model of WBG collaboration across countries and sectors.
  - New ways of working in an integrated way across investment and advisory with the GPGs/CSSAs.
  - Further strengthen joint work on transformational engagements; new CPFs, joint implementation plans.

Implementation – Delivering on WBG Goals

**Impact:**

- Continued strong contribution to IFC reach, continued robust development impact of EAP portfolio.
- Continued focus on jobs: EAP portfolio clients are the biggest contributor to IFC’s portfolio employment and farmers reach in CY12.
- Over FY15-17, expected to: (i) reach around 1m farmers; (ii) provide access to finance to around 10m MSMEs; (iii) improve infrastructure services for around 10m customers; (iv) deliver $1.5b in climate business; (v) deliver $1.7b in equity and equity-like instruments, including AMC mobilization.

**Delivery:**

- Focus on core business and delivery: investment program for FY15-17 will continue steady growth to exceed $5b by FY17 and will incorporate transformational projects and initiatives at sector or country levels for bigger impact; AS program to continue focusing on key focus areas with highest impact.
- New mobilization through the IFC’s MCPP with PBOC/SAFE; deepening of relationships with Asian banks such as Korea Development Bank, Bank of China, Sumitomo Mitsui banking Corporation, and DBS Bank.
- Realignment and reallocation of existing resources (regional, global, corporate), and enhanced client engagement models will be key.
- Financial sustainability with focus on strong profitability and equity ramp-up.
- Leveraging the AMC through the GIF and Asia Fund.
- Focus on results, and improve efficiency and productivity.
Partnership with Clients:
- Develop an enhanced client engagement model with 50 key clients in the region.
- Delivering “Enhanced Client Solutions” across the WBG with an initial focus on infrastructure solutions in Myanmar, Laos and Indonesia.
- Improved client service and focus on relationship between client management and business development.

Transformational Engagements in:
- Myanmar Power: reduce electricity shortages by bringing 500MW or more of privately invested new gas-fired power generation.
- Mongolia Mining Oyu Tolgoi: Expected contribution of 35% to GDP, transformational to Mongolian economy.
- China Financial Inclusion (Alibaba MCC): Potentially $2b investment by IFC, $15b to be mobilized globally to reach 5m MSMEs.

Sectors:
- Agribusinesses and services sector (Food and Health): Develop supply chain and value addition capability and improve ESG performance. Increase access to affordable quality healthcare – contribute to IFC’s global IDG2 target of 2.5m patients reached.
- Power: Increase access to electricity with off grid private sector solutions that complement public sector funded grid roll out, targeting 40% access by 2020 and universal access by 2030 (from currently 27%).
- Financial markets and access: Strengthen financial markets, increase access to telecom services (currently 10%), link rural communities to markets with mobile payments and services.
Europe and Central Asia – Building the Foundations for Sustainable Growth in the Region

- Europe and Central Asia (ECA) growth remains weak and not recovering to the pre-crisis level. Compared to other developing and emerging markets, ECA countries continue to experience the lowest rates of economic growth.
- Challenges: low competitiveness, inadequate access to finance, underdeveloped and dilapidated infrastructure. Many ECA countries are among the most energy-intensive globally.

**WBG Goals - IFC ECA Strategy**

The strategy is grounded on three areas:

- Supporting **Sustainable Growth** through improved competitiveness and more/better jobs. Continued focus on: investment climate, resource efficiency, cleaner production, renewables, and agribusiness solutions;
- Supporting **Inclusion** through better access to infrastructure, services, and finance. Focus on: improved health care, increased access to power, increased access to finance for MSMEs, sub-national finance in MICS, improved financial market infrastructure in IDAs & smaller MICs; and risk management for micro finance institutions; and
- **Resilience** through crisis response and climate change programs. Increase local currency lending, continue trade finance program, work on NPL/DA resolution. Exceptional support in Cyprus for a limited period of time.

**Working as One WBG**

- Working closely with GPGs in important areas such as infrastructure/PPPs, local capital market development, investment climate reforms.
- AS to help develop and deliver the private sector agenda and program in ECA. IFC’s AS is going through a change which will bring it closer to IBRD/IDA’s sector practices.
- Strengthen the joint work on CPFs and joint implementation plans.

**Implementation – Delivering on WBG Goals**

**Impact:**

- Significant contribution across reach indicators: MSMEs, health, and infrastructure.
- Maintain strong focus on jobs and A2F for MSMEs: expected reach of about 1m SMEs and 2.5m micro enterprises over FY14-16.
- Deliver the second largest volume of climate business at IFC: $1.9b in FY15-17.
- Increase proportion of new business in frontier regions of MICS.
- Deliver on high impact projects: CASA – 1000, Kosovo Power, and Georgia Power.
- Continued engagement in countries most affected by the Eurozone crisis to help restore markets and investor confidence.

**Delivery:**

- Increase contribution of MIGA mobilization and PPP mobilization.
- Pursue a number of high impact and game-changing engagements.
- Improve client relationship management.
- Promote local capital markets development by issuing local currency bonds, paving the way for other issuers.
- Offer more competitive products with higher margins by: (i) better combining investment with advisory services and, (ii) maintaining quality relationships with our clients.
Partnership with Clients:
Serve clients better by revamping how we work internally. Provide better services to clients/partners by:

- Reducing processing time;
- Increasing time for client interaction;
- Freeing up senior staff time for the client; and
- Empowering selected senior staff to act as Senior Relationship Managers.

Transformational Engagements in:

- Georgia Energy Program: Making Georgia a large electricity exporter and deepening economic integration with Turkey.
- Kosovo Energy Program: To benefit 1.8m people, with business also having improved access to power; increase efficiencies; reduce pollution. Supports the privatization of the power distribution sector, which is key for reaching a sustainable power sector.
- Central Asia: Project CASA-1000 - the construction of high-voltage transmission lines and supporting infrastructure to carry summertime hydropower surplus generated in Kyrgyzstan and Tajikistan to consumption centers in Afghanistan and Pakistan.
- Turkey Health PPPs Program: Turkey is going through significant changes in the health sector. IFC play a major role by being engaged in a few first PPPs in the sector. Through its investment, IFC will reach about 7m patients.

Sectors:

- Infrastructure: Support private sector participation in building and maintaining energy and transport infrastructure, district heating, waste management.
- Financial Sector: Greater involvement in South East Europe banking sector. Facilitate local capital market development throughout ECA.
- Agribusiness: Develop new agribusiness initiatives/solutions in Ukraine and the Western Balkans.
- Climate Change: Address the challenges of climate change through financing energy efficiency and renewable energy projects.
Latin America and the Caribbean –
Tackling Inequality and Raising Productivity - Bringing IDA and MIC Countries to the Next Level

• Despite achievements in poverty reduction, Latin America and the Caribbean (LAC) remains the world’s most unequal region.
• Increased productivity and competitiveness are key for private sector growth and creation of higher-value jobs.
• Rapid urbanization and limited fiscal space require private sector solutions in infrastructure and service delivery.

WBG Goals - IFC LAC Strategy

• Continue leading IFC on financial sustainability while ensuring financial capacity and efficiency.
• Shared prosperity goal most relevant to LAC’s development challenges, as LAC is the region with highest inequality, particularly in MIC countries.
• Strategy remains firmly grounded on 4 pillars: Inclusion, Innovation, Integration and Climate Change.
• IS and AS programs fully aligned with key focus areas: IDA, FCS, agribusiness, jobs, SMEs and infrastructure; transformational projects to support urban engagement.

Working as One WBG

• WBG collaboration critical, as technical assistance and advisory are key aspects of LAC’s work absorbed by GPGs/CCSAs.
• Ready to work closely with GPGs/CCSAs in key areas of infrastructure, health, education, financial markets, regulatory environments, and sustainable business advisory.
• Further strengthen joint work on all country strategies; strong endorsement by Board of heavy involvement in large MICs (e.g., Mexico CPS).

Implementation – Delivering on WBG Goals

Impact:
• Region to continue contributing to greater share across reach indicators (students, MSMEs, power, water) relative to portfolio share.
• Increased focus on jobs; reach 830,000 new SME clients in FY14-16 projects.
• LAC to contribute highest climate change volume at IFC: $2b in FY15-17 period.
• Continue having highest percentage of projects rated successful at IFC (DOTS).
• Continue bringing in most of IFC’s controllable cash income, while retaining high efficiency and development impact.

Delivery:
• Seeking larger, more impactful projects; e.g., Mexico energy, Liquid Natural Gas in Central America and Caribbean, and the Colombia Infrastructure.
• Continue focus on integration, job creation and financial markets in IDA and Caribbean and small states with special focus on FCS (Haiti).
• Continue diversifying sources of mobilization, especially AMC and non-traditional lenders.
• Continued focus on equity ramp-up.
Partnership with Clients:

- Pilot a strategic client relationship approach in LAC as part of the corporate client relationship initiative.
- Programmatic approach with mining sector clients on revenue management and community engagement strategies.
- Offer expertise in agribusiness logistics and efficiency to clients in this sector, as LAC largest exporter of animal protein.

Transformational Engagements in:

Countries:

- Mexico: recent reforms in the energy, telecom and infrastructure sectors could present significant opportunities for transformative growth.
- Caribbean: establish modern, web-based collateral registries to overcome lending constraints and increase credit availability.
- Colombia: support the creation of specialized financial market institution for infrastructure financing.

Sectors:

- Cities Initiative: design of transformational projects to improve efficiency, livability and sustainability of LAC cities with IFC support.
- Agribusiness: focus on logistics and efficiency in markets such as Brazil to enhance competitiveness, and address food security and rural poverty.
- Mining: focus on accelerating regional and local public investment, promoting social inclusion and ESG performance of companies.
Middle East and North Africa – Delivering Impact Amidst Uncertainties

- IFC, leading private sector IFI, playing a counter-cyclical role in the Middle East and North Africa (MENA) region amidst continued volatility.
- Challenges: absolute poverty levels low, but high levels of unemployment and low levels of inclusion; investment climate weak and hence private sector participation in economy not at potential.

WBG Goals - IFC MENA Strategy

- Private sector is the key driver of sustained job creation and shared prosperity in MENA.
- Boosting confidence of domestic and foreign investors to restore investment flows to the region is a pivotal part of IFC’s strategy in the region.
- Fundamental development challenges remain. Integrated jobs strategy addresses issues of inclusive growth and shared prosperity through 4 pillars: (i) access to finance, especially for MSMEs; (ii) access and quality of infrastructure services; (iii) skills and training; and (iv) investment climate reforms.
- Cross-cutting areas: (i) climate change-related interventions, especially in renewable energy and energy efficiency; and (ii) regional integration through mobilization of South-South investments and trade.
- Ramping up in key FCS countries in strong collaboration with the WB; Continue to build on IS/AS program growth in Iraq and Palestinian Territories.

Working as One WBG

- Investment climate reforms, including in the energy sector (e.g. Jordan, Tunisia, Egypt).
- PPP support, especially in infrastructure across Levant and Pakistan.
- Increased participation of private sector in post-secondary education, for example through E4E Initiative for Arab Youth (E4E), vocational training.

Implementation – Delivering on WBG Goals

Impact:
IFC’s program will help MENA economies to achieve:

- Increased investment flows and private sector participation in the economy; projected mobilization of close to $1.5b during FY15-17.
- Increased focus on job creation; expect to target 230,000 new SME clients between FY14-16 through IFC’s support of financial intermediaries.
- Increased focus on climate change (esp. renewables) by attracting private investments; targeting to avoid 1.23m tCO2 eq/yr (IDG) over FY14-16.
- Increased South-South investments and regional integration with projected $500m in annual inter- and intra- regional flows.
- Improved inclusion through a focus on gender and youth inclusion in engagements.

Delivery:

- Sharpened focus on client relationship and leveraging Regional Champions.
- Programmatic approach to scaling up in FCS (Libya, Yemen, Afghanistan in particular).
- Leverage GCC partners in ramping up climate change efforts.
- Take greater risks – e.g. invest in entrepreneurship and innovation.
- Greater selectivity in country and sector interventions.
Partnership with Clients:

- Continue strong partnership with “Regional Champions” across sectors; offer them solutions/services which encompass the entire WBG.
- Implement the enhanced client engagement model, across all industries; strengthen client engagement through dedicated resources and streamlining of internal processes.
- Develop short-term/multiple year engagement strategies for key clients to allow for greater value addition and impact, and help create a base for future business in the long-term.

Transformational Engagement in:

- Pakistan: In order to help Pakistan on a steady path of sustainable growth, the country needs to increase power generation capacity by over 10,000 MW in the next 5 years while reducing reliance on imported fuel oil/diesel based thermal generation. The WBG (along with other development partners) aim to mobilize up to $10b in private investments to support new generation in a mix of public and private projects that address current energy supply gaps and future needs. The increased engagement of the WBG in the energy sector in Pakistan will be reflected in the new joint CPS which is currently under preparation. Building on its experience in the power sector and PPPs, IFC has started to work with international investors to mobilize substantial private investment for the energy sector while the WB continues to support the Government of Pakistan implement necessary policy reforms with a series of Development Policy Lending operations.

Sectors:

- Power (inc. renewables); freight transport/logistics.
- Health & education (inc. E4E); food/beverage processing.
- A2F to MSMEs (including sustainable energy finance, Islamic finance, women in banking).

For all tables, some data from previous years may have been revised.
South Asia – Critical in Achieving WBG 2030 Global Poverty Target

• Strides on several development fronts, a resilient private sector. Going forward, inclusive growth will be essential.
• Challenges: Extreme poverty, climate change vulnerability, and complex investment climate.

WBG Goals – IFC South Asia Strategy
• Over a third of world’s extreme poor live in South Asia – WBG goals particularly relevant in the region.
• Emphasis on: (i) access to services and sustainable infrastructure to underpin inclusive growth; (ii) climate change; and (iii) regional and global integration.
• Focus on frontier e.g. Nepal/Bangladesh/Sri Lanka/India-Low-Income States (LIS).
• Leverage private sector development to benefit the base of the economic pyramid by pursuing sustainable opportunities to lift the vulnerable – farmers, MSMEs, women and low-income households.

Working as One WBG
• WBG initiatives under implementation – Nepal Hydropower, Private Partnership for Health in India (PPHI), and Access to Finance for SMEs in Sri Lanka.
• Other collaboration areas include:
  Investment Climate – Bangladesh (tax reform), Bhutan (corp. governance), Nepal (trade/competitiveness), Sri Lanka (FDI/exports); Financial Markets – Bangladesh (banking), India (housing finance/capital markets);
  Infrastructure – Bangladesh (energy), Bhutan (hydropower);
  PPPs – Bhutan (infrastructure and education), Maldives (solid waste), Sri Lanka (infrastructure);
  Climate Change – Maldives, Nepal, Sri Lanka.

Implementation – Delivering on WBG Goals

Impact:
• Facilitate sustainable access to various basic services, such as: finance, food, healthcare, education, jobs, and infrastructure.
• Promote green growth by supporting sustainable infrastructure: renewable energy, green buildings, and water saving technology.
• In FY14, over 12m South Asians are expected to benefit from MSME access to finance, farming opportunities and infrastructure services.

Delivery – NOT Business as usual:
• Create capacity for strategic, impactful projects ➔ Align skills and resources.
• Put clients first. Streamline processes ➔ Improved solutions/response time and greater client satisfaction.
• Greater risk appetite for greater impact. Ensure risk-based pricing to improve financial sustainability.
• Further strengthen WBG collaboration, in particular on transformational projects.
• Mobilization - targeting over $2.3b in aggregate over FY15-17, close to 30% of the total financing.
• $2.5 to 3b annual total financing planned FY15-17, robust increases in the frontier markets, especially Bangladesh, Nepal (FCS), Sri Lanka, and LIS.
South Asia Development Results

<table>
<thead>
<tr>
<th>Program</th>
<th>FY12 Actual</th>
<th>FY13 Actual</th>
<th>FY13 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Commitments ($M)</td>
<td>1,583</td>
<td>2,462</td>
<td>2,070</td>
</tr>
<tr>
<td>IFC own account ($M)</td>
<td>1,312</td>
<td>1,697</td>
<td>1,600</td>
</tr>
<tr>
<td>Mobilization ($M)</td>
<td>251</td>
<td>764</td>
<td>580</td>
</tr>
<tr>
<td>IFC Project Count</td>
<td>73</td>
<td>71</td>
<td>65</td>
</tr>
<tr>
<td>AS - Client Facing Project Expenditure ($M)</td>
<td>27.6</td>
<td>33.6</td>
<td>34.3</td>
</tr>
<tr>
<td>IDA</td>
<td>1,312</td>
<td>1,697</td>
<td>n/a</td>
</tr>
<tr>
<td>IS Project Count</td>
<td>73</td>
<td>71</td>
<td>58</td>
</tr>
<tr>
<td>AS Client Facing Project Expenditure ($M)</td>
<td>27.6</td>
<td>33.6</td>
<td>34.3</td>
</tr>
<tr>
<td>PCS</td>
<td>7</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Climate Change</td>
<td>235</td>
<td>406</td>
<td>334</td>
</tr>
</tbody>
</table>

For all tables, some data from previous years may have been revised.

**Partnership with Clients:**
- More direct senior management engagement with clients.
- Enhance staff accountability for results.
- Mobilize specialists across the WBG, including through GPGs, for delivery and business development.
- Senior-level staff to be assigned to strategic partners and develop “trusted advisor” relationship.

**Transformational Engagements** – Access for 50+m South Asians:
- **India - Capital Markets and Health:**
  - Deepening domestic capital markets through a $1b rupee-linked offshore bond program in 2013, a prospective onshore bond issue and technical assistance for capital markets development. This will also enable IFC to offer local currency products to clients, leading to client diversification, and lower foreign exchange risk for clients.
  - PPHI: WBG collaboration project to expand access to affordable, quality health services for 30m poor by leveraging the private sector. Started in Uttar Pradesh with a focus on service delivery, such as diagnostics, hospital care, primary care and medical technology. To also improve health financing for 3.5m people as well as the policy and regulatory frameworks.

- **Nepal: Hydropower collaboration** project to unlock country’s vast hydropower potential. Development of up to 3,000MW of installed capacity will improve access to electricity for equivalent of 60% of population and will facilitate economic activity and growth.

- **Bangladesh - apparel**: to strengthen competitiveness and sustainability of the ready-made garment industry, which contributes to over 70% of country’s exports, 15% of country’s GDP and over 4.2m direct jobs, of which 80% are held by low-income women. Environmental, social, occupational health and safety and labor standards to be enhanced in partnership with other stakeholders, such as ILO and global buyers.
Sub-Saharan Africa –
Reduce Extreme Poverty and Promote Shared Prosperity Through Growth and Job Creation

- World’s 2nd fastest growing region with strong FDI inflows and rising consumer demand, despite vulnerable balance of payments.
- Large infrastructure gap, soaring food demand, low access to finance and ongoing fragility drive FY15-17 Strategy

**WBG Goals - IFC Sub-Saharan Africa (SSA) Strategy**

- Three areas of focus: (i) bridging the infrastructure gap; (ii) building a productive real sector; and (iii) leading inclusive business approaches. Cross cutting focus on: investment climate, FCS and IDA countries, climate, partnerships and gender.
- Impact on poverty and shared prosperity through focus on job creation, infrastructure, MSMEs and farmers.
- Maximize investment and advisory services in FCS (CASA program).
- Target 20% share of annual investment volume and advisory spend for climate-related interventions.

**Working as One WBG**

- Leverage IDA/MIGA competencies to relieve constraints in selected countries that are vital to Africa’s energy supply (Nigeria, Mozambique), food supply (Burkina Faso, Nigeria), and political and economic (Côte d’Ivoire, Burundi).
- Significantly enhanced collaboration on IC. Work ongoing for Health in Africa initiative, and new work encouraging private sector investment in power and in agribusiness sectors.
- Planning intensive collaboration on agreed transformational engagements in energy (utilities) and agriculture.

**Implementation – Delivering on WBG Goals**

**Impact:**

- On track to reach 325,000 farmers (60% of FY14 target achieved). The goal is to reach 1m by 2018.
- Increase access to financial services for 9.5m micro/individual clients a year and 245,000 SME clients a year by FY16.
- Increase and improve access to utilities infrastructure for 6.6m people a year by FY16.

**Delivery:**

- Delivering private sector development, job creation and food security in Great Lakes Region, the Sahel and Horn of Africa by transforming key sectors (particularly infrastructure and agribusiness), encouraging entrepreneurship development, and improving investment climate.
- Scale up AS engagement with African governments to open new markets and expand IFC’s development footprint (PPP engagements).
- Increase and diversify sources of mobilization (AMC and non-traditional) by leveraging private equity funds and institutional investment.
- Develop local currency finance program to further expand partnership with IFC’s Treasury to grow local currency finance offerings for clients.
Partnership with Clients:
- Realize the potential of partnerships with external financiers and sponsors in order to multiply IFC’s impact.
- Cultivate partnerships with strategic clients in order to exercise a more programmatic approach to financial intermediation across Africa.
- Strengthen South-South partnerships targeting industrial champions from China, India, Brazil, and Southeast Asia who are moving to Africa.

Transformational Engagements in:

**Countries:**
- Guinea: Simandou project (iron ore extraction and related infrastructure).
- FCS: “Turning on the lights” to stabilize countries through power sector initiatives. High impact engagements include Inga III in DRC, Ruzizi III in Burundi & West Africa Power Pool.

**Sectors:**
- East Africa Oil and Gas: Accelerating development by leveraging the potential of oil and gas resources and early engagement in large/complex projects (Uganda, Kenya, Mozambique and Tanzania).
- Agribusiness: Focus on value chain investments ($2b reaching 1m farmers by 2018), targeting countries with significant potential and supportive government (Burkina Faso, Nigeria, Senegal, Côte D’Ivoire, Ghana, Liberia, Tanzania, Mozambique, Zambia).
- Mining: Continued intensive support for Simandou plus engagement on 1-2 more large debt projects.
- Manufacturing: production at scale for key manufacturers into regional and international markets, skills development.

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For all tables, some data from previous years may have been revised.
ANNEX II. GLOBAL ECONOMIC OUTLOOK

Global growth is expected to accelerate from 2.4% in 2013 to 3.2% in 2014 and around 3.5% in 2015-16, according to the latest WB Global Economic Prospects. The acceleration in global growth is expected to be driven by developed countries, in particular the US. This improvement in the outlook for developed countries may help some developing countries’ exports, but at the same time, may bring tighter global financial conditions which may impact already vulnerable developing nations.

Developing countries may face significant challenges given deteriorating macro conditions (structural bottlenecks, reduced investment, declining productivity, and somewhat higher inflation), anemic prices for some commodities, slower private credit growth, diminished reform impetus and the adverse impact of tapering by the US Federal Reserve. Continuing to attract significant amounts of capital to sustain domestic growth may become a major challenge for nations that relied on the benefits of low interest rates and relatively solid fundamentals. As the global environment changes, overreliance on strong capital flows may bring significant challenges for some countries, as observed in mid-2013 when tapering talks began.

Most affected by these challenges among developing countries will be those running large current account deficits and/or those facing large financing requirements. A number of large middle income countries face significant current account deficits, may have to deal with the legacy of high credit growth, have a large share of short term foreign debt, and are in need of crucial structural reforms. As 2014 is an electoral year in many of these countries, it may be difficult to pass the reforms needed to unleash higher growth through improved productivity and higher capital investment. Their currencies would be under pressure and economic growth may suffer if the normalization in interest rates is not gradual. In contrast, countries with current account surplus and embarking on deeper structural reforms appear better positioned to withstand the changes in the global environment.

The outlook for commodity prices also looks less supportive than over recent years, due to the slowdown in China and excess supply in many commodities. Many commodity exporters may see their growth prospects abate, but some commodity importers, such as India, Pakistan or Turkey, may benefit from lower prices that would help alleviate their large current account deficits and financing needs.

Within this environment, markets are likely to become more selective among developing countries, differentiating between those with growing external and domestic imbalances and those with solid fundamentals that are committed to reform. Reliance on high commodity prices and large capital inflows will no longer be enough to drive fast growth in developing countries.

In light of the market outlook described above, demand for financing, especially in the more difficult markets, will continue to exceed supply, and private sector financing activities of IFIs will continue to play a critical role in supporting private sector development. The private sector financing activities of the IFIs have continued to grow in recent years, although at a slower rate than the very rapid growth through 2007. Total IFI own-account private sector financing was stable at $44 billion in 2012. While overall IFI volumes remained constant, there were wide variations among IFIs, with strong growth in the share of IFC among multilaterals, and Overseas Private Investment Corporation (OPIC) among bilaterals.
### ANNEX III. IFC PROGRAM IN FRONTIER MARKETS

<table>
<thead>
<tr>
<th></th>
<th>FY11 (Actual)</th>
<th>FY12 (Actual)</th>
<th>FY13 (Actual)</th>
<th>FY14 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFC own account Commitments ($M)</td>
<td>12,186</td>
<td>15,462</td>
<td>18,349</td>
<td>16,900 - 18,900</td>
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<tr>
<td>IFC own account Commitments (# of projects)</td>
<td>518</td>
<td>576</td>
<td>612</td>
<td>600 - 630</td>
</tr>
</tbody>
</table>

#### Frontier Markets - FCS

<table>
<thead>
<tr>
<th>Commitments for Own Account ($M)</th>
<th>FY11 (Actual)</th>
<th>FY12 (Actual)</th>
<th>FY13 (Actual)</th>
<th>FY14 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fragile and Conflict Situations</td>
<td>515</td>
<td>537</td>
<td>577</td>
<td>650 - 700</td>
</tr>
<tr>
<td>As a % of IFC own account Commitment</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
<td>4% - 4%</td>
</tr>
<tr>
<td>Commitments (# of projects)</td>
<td>43</td>
<td>45</td>
<td>44</td>
<td>45 - 60</td>
</tr>
<tr>
<td>As a % of IFC</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
<td>8% - 10%</td>
</tr>
<tr>
<td>Fragile and Conflict Situations - Share of AS Program, %</td>
<td>17%</td>
<td>18%</td>
<td>18%</td>
<td>15% - 20%</td>
</tr>
</tbody>
</table>

#### Frontier Markets - IDA

<table>
<thead>
<tr>
<th>Commitments for Own Account ($M)</th>
<th>FY11 (Actual)</th>
<th>FY12 (Actual)</th>
<th>FY13 (Actual)</th>
<th>FY14 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA</td>
<td>4,867</td>
<td>5,864</td>
<td>6,649</td>
<td>5,915 - 7,560</td>
</tr>
<tr>
<td>As a % of IFC own account Commitment</td>
<td>40%</td>
<td>38%</td>
<td>36%</td>
<td>35% - 40%</td>
</tr>
<tr>
<td>Commitments (# of projects)</td>
<td>251</td>
<td>283</td>
<td>288</td>
<td>270 - 315</td>
</tr>
<tr>
<td>As a % of IFC</td>
<td>48%</td>
<td>49%</td>
<td>47%</td>
<td>45% - 50%</td>
</tr>
<tr>
<td>IDA Advisory Services Program ($M)*</td>
<td>107</td>
<td>122</td>
<td>142</td>
<td>143 - 155</td>
</tr>
<tr>
<td>As a % of Total Advisory Services Program</td>
<td>64%</td>
<td>65%</td>
<td>65%</td>
<td>60% - 65%</td>
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<tr>
<td>Transfers to IDA Replenishment ($M)</td>
<td>600</td>
<td>330</td>
<td>340</td>
<td>n/a</td>
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#### Frontier Markets - Frontier Regions (Frontier Regions of non-IDA)

<table>
<thead>
<tr>
<th>Commitments for Own Account ($M)</th>
<th>FY11 (Actual)</th>
<th>FY12 (Actual)</th>
<th>FY13 (Actual)</th>
<th>FY14 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frontier Regions</td>
<td>1,123</td>
<td>832</td>
<td>1,565</td>
<td>1,400 - 1,800</td>
</tr>
<tr>
<td>As a % of IFC own account Commitment</td>
<td>9%</td>
<td>5%</td>
<td>9%</td>
<td>8% - 10%</td>
</tr>
<tr>
<td>Commitments (# of projects)</td>
<td>57</td>
<td>42</td>
<td>59</td>
<td>55 - 65</td>
</tr>
<tr>
<td>As a % of IFC</td>
<td>11%</td>
<td>7%</td>
<td>10%</td>
<td>9% - 10%</td>
</tr>
</tbody>
</table>

#### Frontier Markets - Total (IDA + Frontier Regions of non-IDA + non-IDA Fragile Situations**

<table>
<thead>
<tr>
<th>Commitments for Own Account ($M)</th>
<th>FY11 (Actual)</th>
<th>FY12 (Actual)</th>
<th>FY13 (Actual)</th>
<th>FY14 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frontier Markets</td>
<td>6,011</td>
<td>6,809</td>
<td>8,341</td>
<td>7,365 - 9,440</td>
</tr>
<tr>
<td>As a % of IFC own account Commitment</td>
<td>49%</td>
<td>44%</td>
<td>45%</td>
<td>44% - 50%</td>
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<tr>
<td>Commitments (# of projects)</td>
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<td>331</td>
<td>352</td>
<td>330 - 380</td>
</tr>
<tr>
<td>As a % of IFC</td>
<td>60%</td>
<td>57%</td>
<td>58%</td>
<td>55% - 60%</td>
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</tbody>
</table>

---

* Most Fragile and Conflict Situations are IDA countries, so only non-IDA Fragile and Conflict Situations are added to IDA and Frontier Regions for the Frontier Markets aggregate.

---

* For Advisory Services Program (client facing project expenditure) projects excluding World Region.
## ANNEX IV. IFC CORPORATE SCORECARD

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Metric</th>
<th>FY12 Actual</th>
<th>FY13 Actual</th>
<th>FY14 Estimate</th>
<th>Note</th>
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<tr>
<td><strong>Frontier Markets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>IDA: % of IS projects in IDA Countries (# of IS projects in IDA Countries in brackets)</td>
<td>49% (283)</td>
<td>47% (288)</td>
<td>45% - 50% (270 - 315)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>IDA: Share of AS Program in IDA Countries, %</td>
<td>65%</td>
<td>65%</td>
<td>60% - 65%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Frontier Regions: # of IS projects in frontier regions (% of projects in brackets)</td>
<td>42% (79)</td>
<td>59% (100)</td>
<td>55% (9% - 10%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FCS: Total IS commitment in Fragile and Conflict Situations ($m) (% increase of own-account volume over FY11 in brackets)</td>
<td>79%</td>
<td>1,185% (7%)</td>
<td>900 - 950 (20% - 30%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FCS: # of IS projects in Fragile and Conflict Situations</td>
<td>43</td>
<td>44</td>
<td>45 - 60</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FCS: Share of AS Program in Fragile and Conflict Situations, %</td>
<td>18%</td>
<td>18%</td>
<td>15% - 20%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSA: Total IS commitment in SSA ($m)</td>
<td>3,950</td>
<td>5,490</td>
<td>4,430 - 5,020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>South Asia: Total IS commitment in South Asia (including Afghanistan and Pakistan) ($m) (% of own-account volume in brackets)</td>
<td>2,122</td>
<td>2,822</td>
<td>2,580 - 3,100</td>
<td>(88%)</td>
</tr>
<tr>
<td></td>
<td>MENA: Total IS commitment in MENA ($m)</td>
<td>2,878</td>
<td>2,953</td>
<td>2,340 - 2,655</td>
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</tr>
<tr>
<td><strong>Climate Change, E&amp;S sustainability</strong></td>
<td>IS commitment in Climate Related ($m) (% of LTF / % of STF in brackets)</td>
<td>1,525</td>
<td>2,509</td>
<td>18%</td>
<td>2,000 - 2,390</td>
</tr>
<tr>
<td></td>
<td>Share of AS Program in Climate Related, %</td>
<td>16%</td>
<td>24%</td>
<td>20% - 25%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total IS commitment in infrastructure ($m)</td>
<td>3,794</td>
<td>4,978</td>
<td>4,600 - 5,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total IS commitment in SSA ($m)</td>
<td>780</td>
<td>1,515</td>
<td>1,200 - 1,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of AS PPP mandates signed in SSA</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total IS commitment in health and education ($m)</td>
<td>1,081</td>
<td>503</td>
<td>450 - 500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DSIG 2.1: % of people with improved health and education services (millions) (AS/SS)</td>
<td>9.3%</td>
<td>7.06</td>
<td>3.14</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total IS commitment in agribusiness and food supply chain ($m) (Agribusiness Strategic Action Plan)</td>
<td>4,123</td>
<td>4,456</td>
<td>4,000 - 4,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share of AS Program in agribusiness and food supply chain, %</td>
<td>13%</td>
<td>11%</td>
<td>10% - 13%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DSIG 1.1: % of improved sustainable farming opportunities, farmers (millions) (AS/SS)</td>
<td>1.03</td>
<td>0.76</td>
<td>1.23</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total IS commitment in financial markets ($m)</td>
<td>10,992</td>
<td>12,192</td>
<td>13,900 - 14,300</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DSIG 3a: Number of individuals and microenterprises with access to financial services, clients (millions) (AS/SS)</td>
<td>32.8</td>
<td>41.3</td>
<td>27.18</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DSIG 3b: Number of SMEs with access to financial services, clients (millions) (AS/SS)</td>
<td>1.50</td>
<td>1.04</td>
<td>1.42</td>
<td></td>
</tr>
<tr>
<td><strong>Long-Term Client Relationships, incl.5-5</strong></td>
<td>Number of South-South projects</td>
<td>41</td>
<td>47</td>
<td>50 - 70</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total IS commitment in South-South projects ($m)</td>
<td>2,149</td>
<td>2,814</td>
<td>2,600 - 3,100</td>
<td></td>
</tr>
<tr>
<td><strong>DOTS</strong></td>
<td>IS: DOTS Score - % Mostly Successful or better</td>
<td>68%</td>
<td>66%</td>
<td>60% - 65%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>AS: DOTS Score - % Mostly Successful or better</td>
<td>72%</td>
<td>76%</td>
<td>75% - 80%</td>
<td></td>
</tr>
<tr>
<td><strong>Investment Program</strong></td>
<td>IFC's own account commitment ($m)</td>
<td>15,462</td>
<td>18,349</td>
<td>16,900 - 18,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Volume (IFC own account + Core Mobilization + MIGA) ($m)</td>
<td>20,358</td>
<td>24,763</td>
<td>22,600 - 25,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Productivity: Cost per Number of Weighted Commitments ($Thousands)</td>
<td>587</td>
<td>604</td>
<td>780</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of projects committed</td>
<td>576</td>
<td>612</td>
<td>600 - 630</td>
<td></td>
</tr>
<tr>
<td><strong>Portfolio</strong></td>
<td>Total Portfolio Score (Compliance and Relationship Management combined), %</td>
<td>87.7%</td>
<td>96.1%</td>
<td>90%</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Sustainability</strong></td>
<td>Income before grants to IIDA ($m)</td>
<td>1,658</td>
<td>1,350</td>
<td>700 - 1300</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Return on Average Net Worth (annualized based on FYTD performance), %</td>
<td>9.9%</td>
<td>3.1%</td>
<td>4.2%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share of non-IFC contribution to total AS Spend, %</td>
<td>57%</td>
<td>59%</td>
<td>58% - 63%</td>
<td></td>
</tr>
<tr>
<td><strong>Capital Adequacy</strong></td>
<td>Total resources available (TRA) ($b)</td>
<td>19.2</td>
<td>20.5</td>
<td>21.7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total resources required (TRR) ($b)</td>
<td>15.6</td>
<td>16.7</td>
<td>18.3</td>
<td></td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td>Externally funded liquidity level (min. 65%)</td>
<td>327%</td>
<td>309%</td>
<td>328%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Overall liquidity level (min. 45%)</td>
<td>77%</td>
<td>77%</td>
<td>77%</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Risk</strong></td>
<td>Average Rating</td>
<td>4.7</td>
<td>4.7</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td><strong>Greater Client &amp; Stakeholder Satisfaction</strong></td>
<td>Client Survey</td>
<td>% of Women Managers</td>
<td>31.1%</td>
<td>32.0%</td>
<td>31.6% (FY14 O2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>% of Women Staff (GF+GG)</td>
<td>45.0%</td>
<td>47.0%</td>
<td>48.2% (FY14 O2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>% of Women external recruitment (GF+ HH Aqpt)</td>
<td>41.7%</td>
<td>49.3%</td>
<td>43.2% (FY14 O2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>% of SSA/Caribbean Net staff (GF+ HH Aqpt)</td>
<td>8.5%</td>
<td>9.0%</td>
<td>9.3% (FY14 O2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>% of Managers from Part 2 countries</td>
<td>37.9%</td>
<td>39.1%</td>
<td>41.5% (FY14 O2)</td>
</tr>
</tbody>
</table>

### Footnotes:
1. IS commitments = own account Commitments + Mobilization
2. Excludes IFC portion of AgW World projects.
4. Excludes private equity and investment funds.
5. IFC productivity methodology is under corporate review. More details will follow in the FY15 IFC Business Plan & Budget paper.
6. DOTS scores: percentage of client companies with high development outcome ratings as of June 30 of the respective year, based on projects approved over a rolling six-year period (FY12 and FY13 ratings are based on approvals from CY2003-2008 and CY2004-2009, respectively). The estimates for FY14 would apply to projects approved between CY2005 and 2010.
7. After wide consultations throughout IFC, the portfolio scorecard was refined to focus on (i) Compliance (timeliness, quality, record-keeping) and (ii) Relationship Management (prompt reply on amendments and waivers, follow-up on services promised to the IFC Board or Client, exemplary work). Compliance counts for 55%, and Relationship Management counts for 45%, with the overall benchmark/threshold being 80% (out of 100%).
8. Leverage (Debt/equity) ratio is defined as the number of times outstanding borrowings plus outstanding guarantees cover paid-in capital and accumulated earnings (net of retained earnings designations and certain unrealized gains/losses).