IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in developing countries.

Established in 1956, IFC is owned by 185 member countries, a group that collectively determines our policies.

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

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

Cover: In today's technology-driven global economy, IFC ignites the energy of the private sector to find solutions to some of the greatest challenges in development — investing for impact.

IFC BOARD

Fiscal 2019 saw a change in leadership and notable achievements for the World Bank Group. The Board unanimously selected David Malpass as President for a five-year term, which began on April 9, 2019. We actively engaged with management, and with the President upon his joining, in strategic areas, including implementing the *Forward Look* vision for the Bank Group and capital package, strengthening the accountability framework of the Compliance Advisor Ombudsman, making operational adjustments under the IDA18 program, and scaling up transformational projects.

We discussed policy measures and internal reforms to help carry out key deliverables in the *Forward Look* vision for the Bank Group and the capital package commitments, such as private sector mobilization and organizational and workforce realignments.

We endorsed the Bank Group's *Action Plan on Climate Change Adaptation and Resilience*. We also welcomed progress on gender and development, and the Bank Group's approach to closing the gaps between men and women and between boys and girls. We recognized advances in diversity and inclusion among staff and management and urged continued work internally and with client countries.

We discussed the Bank Group's leadership role on issues such as debt sustainability, disruptive and transformative technology, human capital development, the future of work, regional integration and trade promotion, and gender equality. We stressed the importance of collaboration in mobilizing finance for development across the Bank Group. We also encouraged advancing partnerships with the private sector, financial institutions, governments, and others on reforms to improve productivity and invest in human capital and infrastructure, which are key to delivering on our twin goals and the Sustainable Development Goals by 2030.

We continued engaging with management on a number of sectoral priorities related to manufacturing, fintech, education, and capital markets. We also discussed the approach to equity investing,

the IDA18 Private Sector Window, and the first IFC report on operations. We initiated discussions on impact investing to help contribute to measurable positive social and environmental impact, alongside a financial return.

We noted IFC's ambitious approach to develop new and stronger markets for private sector solutions, particularly in IDA countries and fragile and conflict-affected situations. Under the implementation of the IFC 3.0 strategy, we welcomed the renewed focus on upstream engagement and deeper collaboration within the Bank Group and elsewhere, with the ultimate intention to deliver strong developmental results. An important contribution to the focus on development impact is IFC's use of a project rating system, the Anticipated Impact Measurement and Monitoring (AIMM) system, which has enhanced the Board's capacity to assess investment projects for their potential to generate positive development results.

STANDING
(Left to Right)

Erik Bethel
United States (Alternate)

Masanori Yoshida
Japan

Werner Gruber
Switzerland

Adrián Fernández
Uruguay

Nathalie Francken
Belgium (Alternate)

Kunil Hwang
Korea

Jean-Claude Tchatchouang
Cameroon

Richard Hugh Montgomery
United Kingdom

Jorge Alejandro Chávez Presa
Mexico

Koen Davidse
The Netherlands

Susan Ulbaek
Denmark

Guenther Schoenleitner
Austria

Yingming Yang
China

Roman Marshavin
Russian Federation

Armando Manuel
Angola (Alternate)

SEATED
(Left to Right)

Juergen Karl Zattler
Germany

Shahid Ashraf Tarar
Pakistan

Aparna Subramani
India

Hesham Alogeel
Saudi Arabia

Anne Kabagambe
Uganda

Merza Hussain Hasan
Kuwait (Dean)

Kulaya Tantitemit
Thailand

Patrizio Pagano
Italy

Christine Hogan
Canada

Hervé de Villeroché
France (Co-Dean)

Fabio Kanczuk
Brazil

WORLD BANK GROUP

DAVID MALPASS

LETTER FROM DAVID MALPASS

World Bank Group President

Our development mission is clear: to advance shared prosperity and end extreme poverty. The challenges remain urgent. For many countries, poverty reduction has slowed or even reversed, while investment and growth will not be enough to raise living standards. Poorer countries face many challenges in achieving basic development gains, including severe deficits in clean water, electricity, health, education, jobs and private sector competitiveness; barriers to the full inclusion of women in economies and societies, alongside policies that too often favor elites rather than creating work opportunities and support for those most in need; the urgency of environmental and climate challenges; and the surge in debt that is not bringing true benefits.

Economic growth has been the key engine of poverty reduction around the world. However, in many countries, especially resource-based economies, the benefits of growth weren't allowed to spread—growth helped increase average incomes, yet it did not increase median incomes or lift the poorest 40 percent of the population. With global growth slowing, median income growth is sluggish in much of the world and declining in many poorer countries. In middle-income countries slower growth erodes the living standards of the middle class, with many joining the ranks of the poor. This adds to the challenges facing the 2030 Sustainable Development Goals, and the key poverty reduction goal is at risk of not being met.

World Bank Group commitments to help countries achieve better development outcomes were nearly $60 billion in the fiscal year that ended on June 30, 2019. With weak investment prospects in many developing countries and recession risk in Europe, it has become even more urgent for the Bank Group—IBRD, IDA, IFC, and MIGA—to step up our effectiveness and impact.

Working together, these institutions have the tools to help address the challenges emerging around the world. The IBRD-IFC capital package, approved by the Board of Governors in October 2018, will provide additional lending capacity along with institutional and financial reforms designed to ensure IBRD's long-term financial sustainability. IBRD has further strengthened its financial management by introducing a Financial Sustainability Framework, including a sustainable annual lending limit. A strong IDA19 replenishment in December 2019 will extend our ability to support good development outcomes and better lives for the poorest people around the world.

We are sharpening our focus on selective and impactful country programs to improve growth and development outcomes. IBRD commitments exceeded $23 billion this year. Commitments by IDA, which provides grants and low-interest loans to the world's 75 poorest countries, were $22 billion, of which nearly $8 billion were grants. Together, these Bank programs helped more countries come closer to achieving their development priorities.

Demand for human capital investments continued to grow over the fiscal year—reflecting the significant role this financing can play in promoting long-term inclusive growth and alleviating poverty. Over 60 percent of Bank operations helped address gender gaps and encouraged full incorporation of women in economies and societies. Several once-closed societies are allowing welcome improvements in the legal, economic, and social conditions for girls and women. Much more progress is absolutely necessary.

The need for the rule of law and greater transparency is an increasingly accepted development priority. In development finance, transparency in sovereign debt and debt-like contracts is vital to improve the quality and profitable allocation of capital and new investment.

For fiscal 2019, 31 percent of IBRD/IDA commitments contained climate co-benefits, exceeding the Bank's target of 28 percent by 2020. In December 2018, the Bank announced a $200 billion five-year mobilization target to help countries address climate challenges and put adaptation finance on a par with mitigation.

Our goal is for countries to achieve economic success and broad improvements in living conditions. As they advance, our relationship with them should evolve so that a growing share of our IBRD lending is available to countries in lower-income thresholds. For example, China achieved major increases in GDP, median income, and prosperity, so our interactions are becoming more technical as lending declines. China's policies are changing rapidly to improve global public goods, address environmental and climate change problems, and reduce plastic and micro-plastic in its rivers. China has evolved from a large-scale borrower to an important voice in the development dialogue and a key contributor to IDA.

We are working in fragile areas, such as the Sahel and the Horn of Africa, to help countries build stronger foundations so that young people are more able to stay rather than seeking to migrate. IDA commitments to countries affected by fragility, conflict, and violence reached $8 billion in fiscal 2019.

Many countries will need a much bolder agenda for boosting private sector growth to generate more and better jobs. This entails major changes in the business climate so that the private sector can compete with the state on a level playing field—critical for generating jobs, profit, and innovation.

The World Bank Group is increasing financing for economic and institutional reforms to enhance private investment and job creation in developing countries. As the largest global development institution focused on the private sector, IFC creates markets and opportunities for sustainable private investment where they are needed most. IFC is shifting its focus to working upstream to create a pipeline of bankable projects that will increase private investment in the world's poorest countries. MIGA is the largest multilateral political risk insurance provider, with a mandate of creating development impact by helping attract foreign direct investment to developing countries. Nearly 30 percent of MIGA's guarantee program over the fiscal year supported projects in IDA countries and fragile settings, and almost two-thirds contributed to climate change adaptation or mitigation.

Across IBRD/IDA, IFC, and MIGA, we are working to increase our commitments to lower-income countries as they improve their development outlook and to shift resources toward countries suffering from fragility, conflict, and violence. We will be improving our effectiveness and budget discipline throughout the year to make more resources available to meet client needs and challenges.

I am deeply optimistic that courageous, enlightened leadership and strong policies can work to improve living conditions for those most in need. I saw first-hand the scope and urgency of the development challenges during my trip to Sub-Saharan Africa in April. I am hopeful there is a path forward, having seen Prime Minister Abiy and his team launching ambitious reforms in Ethiopia, the potential of the world's largest solar energy plant in Egypt, the resilience of the people of Mozambique after the devastation of twin cyclones, and the inspiration for the people of Madagascar after its first peaceful leadership transition.

The people in developing countries are facing immense challenges. The World Bank Group and all our personnel and resources are committed to working with our partners around the world toward policies and solutions that improve their lives.

David Malpass
World Bank Group President

LETTER FROM

Philippe Le Houérou

IFC Chief Executive Officer

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

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

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

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

DELIVERING RESULTS IN VOLATILE MARKETS

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

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

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

IMPROVING COUNTRY-LEVEL ENGAGEMENT

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

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

UNEARTHING GREEN SHOOTS

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

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

IFC also continued to replicate the success of the World Bank Group's Scaling Solar program in FY19, moving beyond four African countries to Uzbekistan. Scaling Solar is a "one-stop shop" program for governments to rapidly mobilize private sector funded, grid-connected solar projects at competitive tariffs. Uzbekistan, which is heavily dependent on natural gas for its electricity generation, is looking to develop up to 5 gigawatts of solar power by 2030 and is using the Scaling Solar approach to tender at least an initial 100 megawatts.

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

ASSESSING OUR IMPACT

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

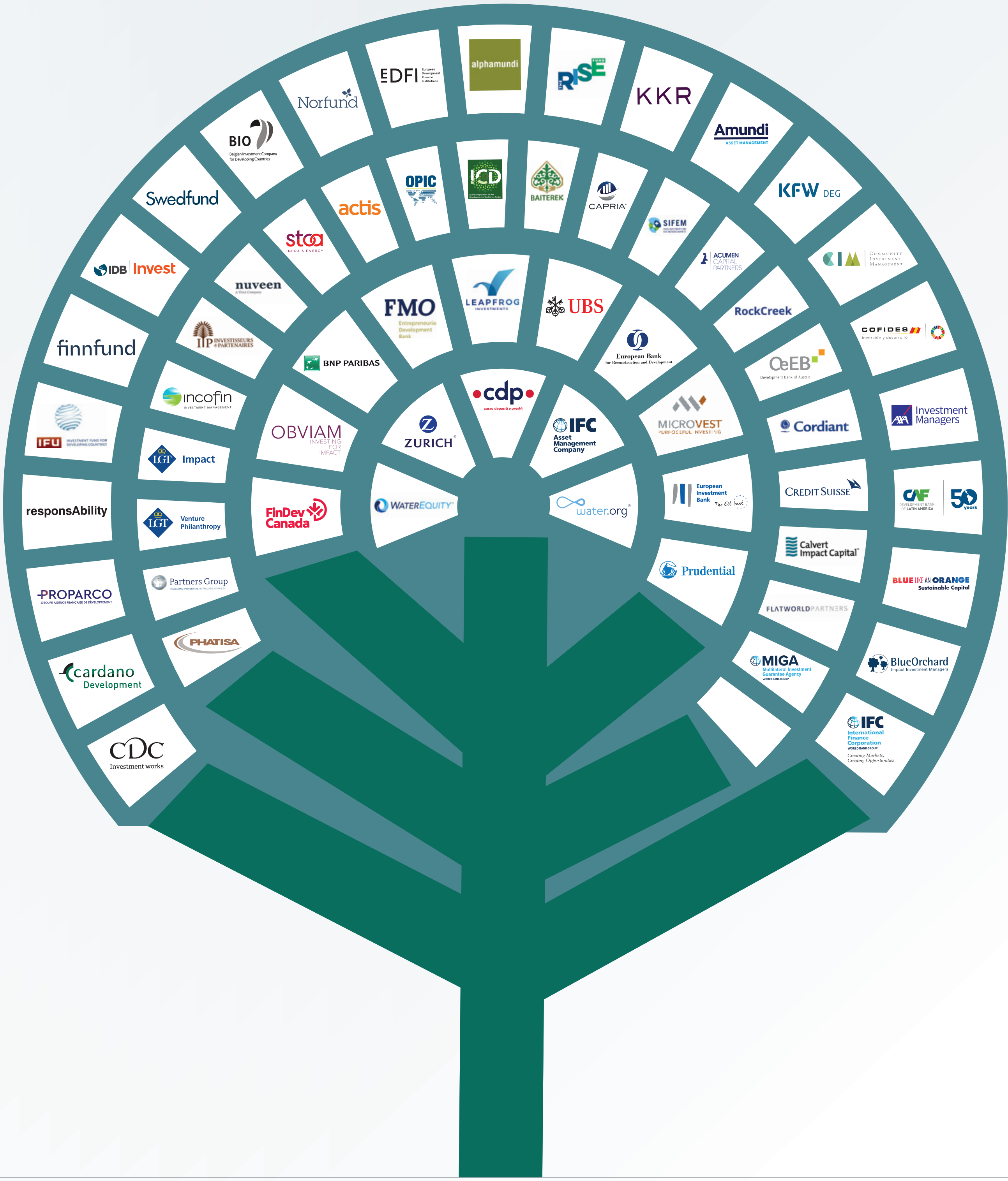
Launching a Movement

Impact Principles

The Operating Principles for Impact Management were launched at our Spring Meetings in April 2019. Sixty institutions committed to follow the principles. The founding institutions endorsed a groundbreaking new set of standards that bring much-needed discipline, transparency, and credibility to impact investing. More have adopted the principles since, and the list is expected to grow in the coming year.

Initial Adopters

1 IFC
2 Actis
3 Acumen Capital Partners
4 AlphaMundi Group
5 Amundi
6 AXA Investment Managers
7 Baiterek National Managing Holding
8 Belgian Investment Company for Developing Countries (BIO)
9 Blue like an Orange Sustainable Capital
10 BlueOrchard Finance
11 BNP Paribas Asset Management
12 Calvert Impact Capital
13 Capria Ventures



14 Cardano Development (ILX Fund and TCX)
15 CDC Group
16 CDP—Cassa Depositi e Prestiti
17 COFIDES
18 Community Investment Management (CIM)
19 Cordiant Capital
20 Credit Suisse
21 DEG—Deutsche Investitions- und Entwicklungsgesellschaft mbH
22 Development Bank of Latin America (CAF)
23 European Bank for Reconstruction and Development (EBRD)
24 European Development Finance Institutions (EDFI)
25 European Investment Bank (EIB)
26 FinDev Canada
27 Finnfund
28 Flat World Partners
29 FMO—the Netherlands Development Finance Company
30 IDB Invest, a member of the Inter-American Development Bank Group
31 IFC Asset Management Company (AMC)
32 IFU—Investment Fund for Developing Countries
33 Incofin Investment Management
34 Investisseurs & Partenaires—I&P
35 Islamic Corporation for the Development of the Private Sector (ICD, a member of IsDB Group)
36 Kohlberg Kravis Roberts & Co.
37 LeapFrog Investments
38 LGT Impact
39 LGT Venture Philanthropy
40 MicroVest Capital Management
41 Multilateral Investment Guarantee Agency (MIGA)
42 Norfund
43 Nuveen
43 Obviam
45 Oesterreichische Entwicklungsbank AG (OeEB)
46 Overseas Private Investment Corporation (OPIC)
47 Partners Group
48 Phatisa
49 Proparco
50 Prudential Financial
51 responsAbility
52 STOA Infra & Energy
53 Swedfund
54 Swiss Investment Fund for Emerging Markets (SIFEM)
55 The Rise Fund
56 The Rock Creek Group
57 UBS
58 Water.org
59 WaterEquity
60 Zurich Insurance Group

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

SETTING STANDARDS

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

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

BEING ACCOUNTABLE AND TRANSPARENT

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

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

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

LOOKING FORWARD

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

Philippe Le Houérou
IFC Chief Executive Officer