



*Creating Markets, Creating Opportunities*

# Social Bond Impact Report

**Financial Year 2019**





# About IFC

IFC – a sister organization of the World Bank and member of the World Bank Group – is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities where they are needed most. In fiscal year 2019, we delivered more than \$19 billion in long-term financing for developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit [www.ifc.org](http://www.ifc.org).

# Social Bond Impact Report

## **Financial Year 2019**





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## FY19 Highlights

### IFC's Social Bond Program

**\$537.5 million**  
raised through  
**12 social bonds**  
in  
**7 currencies<sup>1</sup>**

**31**  
new projects  
committed across  
**6 sectors**

Over the next 6 years, IFC's social bond eligible projects committed in FY19 are expected to:

#### 1 Agribusiness



Reach **377,200** farmers

#### 2 Health



Treat **1,600,000** malnourished children



Expand access to medicine via **17,948** points of sale

#### 3 Foods



Provide **832,000** hectoliters of water, equivalent to providing drinking water for 113,973 adults for a year.<sup>2</sup>



Reach **15,111** micro, small and medium enterprises by integrating them into company value chains

#### 4 Information & Communications



Reach **280,000** people with telecoms, media, and technology services

#### 5 Microfinance



Provide **8,232,900** microfinance loans

#### 6 Gender Finance



Distribute **107,595** loans to women

FY19 projects align with the following SDGs:

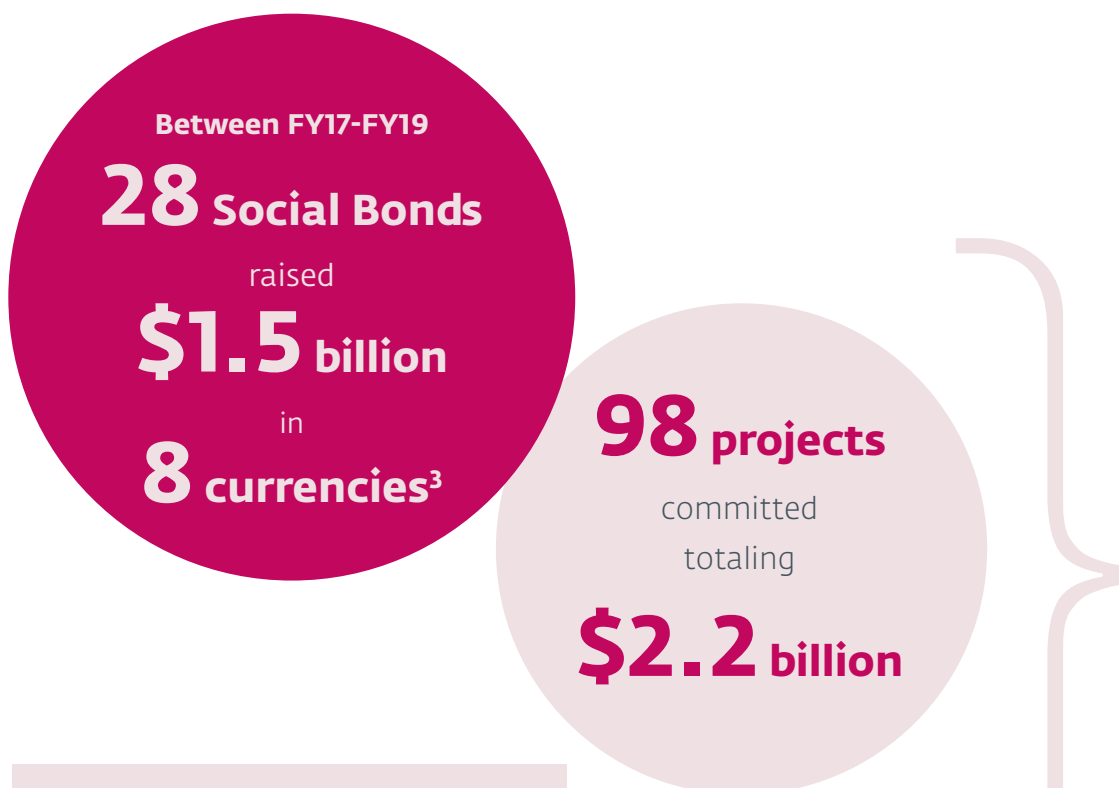


<sup>1</sup> Currencies: Australian Dollar, US Dollar, Mexican Peso, Brazilian Real, Russian Ruble, Japanese Yen and Turkish Lira  
<sup>2</sup> [https://www.who.int/water\\_sanitation\\_health/dwaq/nutrientsindw.pdf](https://www.who.int/water_sanitation_health/dwaq/nutrientsindw.pdf)



## IFC's Social Bonds

### Cumulative Program Highlights



#### Proceeds committed and disbursed (USD millions)

	FY17	FY18	FY19	TOTAL
Commitments	619	717	823	2,159
Disbursements	369	614	844	1,827












IFC's Social Bond Program was launched in 2017 after merging the Banking on Women and Inclusive Business Bond Programs.

<sup>3</sup> These numbers specifically refer to bond issuances in the period FY17-FY19 and exclude \$296 million issued in Inclusive Business bonds in FY15-FY16 and \$268 million issued in Banking on Women bonds in FY14-FY16.

<sup>4</sup> <http://data.un.org/>

#### 3-year Impact Summary

Projects committed in FY17-FY19 are expected to:

-  Reach **1,933,981** farmers
-  Provide **37,391** residential housing loans
-  Reach **43,060,000** people with telecoms, media, and technology services
-  Treat **1,600,000** malnourished children
-  Reach **15,111** micro, small and medium enterprises by integrating them into company value chains
-  Provide **17,220,511** microfinance loans
-  Enroll **137,441** students
-  Supply power to **5.4** million people for a year, equivalent to the population of the Republic of Congo<sup>4</sup>
-  Distribute **6,286,907** loans to women
-  Expand access to medicine through **17,948** outlets
-  Provide **832,000** hectoliters of water, equivalent to providing drinking water for 113,973 adults for a year.



# Welcome Message



**Philippe Le Houérou**  
*IFC Chief Executive Officer*

**Sustainable development is at the core of IFC's mission to end extreme poverty and boost shared prosperity. The funding gap that we must bridge if the world is to meet the Sustainable Development Goals by 2030 is estimated to be at least US\$2.5 trillion annually. That means that we must turn the billions currently being invested in sustainable, green and socially responsible finance into trillions in just ten years.**

At IFC, we work every day towards closing this gap. We delivered more than US\$19 billion in long-term financing to developing countries in fiscal year 2019, leveraging the power of the private sector. We recognize that our work alone is not enough and believe the funding shortfall will be closed only if we are able to pool a much wider reach of public and private capital.

Investors, meanwhile, are beginning to look for impact beyond yield. The growing ranks of millennials – my children and yours – are keenly interested in socially conscious investing. We must come up with offerings that speak to them.

This is where IFC's Social Bonds come in. Since 2017, our Social Bond program has supported close to 100 projects with over US\$2.2 billion in committed financing. One of these projects is the Caribbean Bottling Company (CBC), which employs 400 Haitians and provides jobs to hundreds of micro-retailers. IFC's US\$5 million loan is helping CBC to double its production capacity, widen its distribution network, and increase availability of affordable, clean water in clinics, hospitals, and schools – benefitting thousands of Haitians. The investment includes US\$2.5 million from the World Bank Group's International Development Association Private Sector Window, a global facility supporting high-impact private sector investments in lower-income countries.

Our Social Bond program supports IFC's work around sustainability, with a focus on those women-owned small businesses lacking access to finance, low-income families in need of quality health care and smallholder farmers lacking access to markets for their crops. Amongst others, the program attracts investors who want to make a difference. Together, we have the collective power to move the needle on bridging the funding gap to achieve the Sustainable Development Goals.

## A Note from the Treasurer



**John Gandolfo**  
*IFC Vice President and Treasurer*

**We are witnessing a disruption in global capital markets with over \$15 trillion in bonds generating zero or negative yields. At the same time, investors are seeking impact beyond financial yield.**

IFC's Social Bond program offers investors an avenue to earn competitive yields while creating real impact. At IFC, we work with more than 2,000 businesses worldwide, providing debt and equity investments and innovative financial products and tools to create markets and opportunities in the toughest areas of the world. The projects financed through our Social Bond Program comprise a subset of our project portfolio that meet the eligibility criteria as laid out in the Social Bond Principles.

As at fiscal year-end of 2019, our social bond program had raised \$1.5 billion through issuing twenty-eight bonds in eight currencies. In August 2019, we extended the reach of the Program by establishing IFC's Social Impact Notes Program in a bid to offer US based retail bond investors the chance to invest as little as \$1,000 in the program. These investments fund a pool of eligible social projects and provide a financial return to investors while taking the credit risk of IFC as a triple-A rated issuer.

Recognizing the importance of transparency in this market, IFC was the first social bond issuer to produce comprehensive impact reports, tailor-made for investors to readily access information on funded projects. This reporting is a significant leap forward for the nascent Social Bond market. For each proposed investment – and in accordance with IFC's disclosure policy – we disclose relevant information pertaining to the project, including the project's environmental and social implications, as well as its expected development impact. These efforts were recognized by investors who voted IFC's 2018 Social Bond Impact Report as 'Best Impact Report of the Year' as awarded by Environmental Finance.

Ultimately, social bonds are a natural habitat for IFC, but we have tasked ourselves to do more by crowding in mainstream investors through regular issuance and engagement, leading the dialogue on standards through our position as chair of the Social Bond Principles Working Group, and supporting our clients to become social bond issuers. Through these efforts, we aim to provide investment options while also bringing about competitive financial and social returns. So... as we say, you can do good and do well.



# What is Eligible for IFC Social Bond Funding?

**IFC's Social Bond Program aligns with the Social Bond Principles, a framework for bond financing to support projects that aim to achieve positive social outcomes especially but not exclusively for a target population.** Social project categories as indicated within the [Social Bond Principles](#) include, but are not limited to, providing and/or promoting:

- A Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)
- B Access to essential services (e.g. education and vocational training, healthcare, financing and financial services)
- C Affordable housing
- D Employment generation including through the potential effect of SME financing and microfinance
- E Food security
- F Socioeconomic advancement and empowerment

**Projects financed by IFC's Social Bond Program are a subset of IFC's project portfolio that meet the criteria as stated above and include:**

IFC's [Banking on Women](#): Projects that lend to financial intermediaries with the requirement that IFC loan proceeds be on-lent to women-owned micro, small, and medium enterprises.

IFC's [Inclusive Business](#): Projects with companies that integrate underserved people at the base of the pyramid into a company's value chain. For example, projects that:

- Provide health or education services
- Develop affordable housing
- Expand access to telecommunications, such as broadband or mobile phones
- Provide electricity or water services
- Source from small farmers
- Offer access to finance for microentrepreneurs
- Sell through small mom-and-pop retailers



# IFC Social Bond Program Overview for FY19

In financial year 2019, IFC's Social Bond Program reached a milestone when it surpassed \$1 billion in issuance. The Program debuted two new currencies and raised over 30 percent more in volume than the previous year. During the financial year from July 1, 2018 to June 30, 2019, IFC issued **12 social bonds totaling \$538 million through seven currencies**. This brings IFC's cumulative social bond issuance to \$1.5 billion across 28 bonds in eight currencies since the Program's inception in 2017.

The Japanese retail market offered exceptionally strong demand resulting in nine social bonds issued in Uridashi format, totaling over \$215 million equivalent in a variety of currencies – US Dollar, Turkish Lira, Mexican Peso and, for the first time ever, Russian Ruble.

Following its debut Kangaroo five-year social bond in March 2018, IFC reopened the bond in January 2019 to meet investor appetite. Investor orders led to increasing the outstanding volume by AU\$400 million to AU\$700 million. The bond pays a semi-annual coupon of 2.70 percent and was predominantly placed with central banks and official institutions (73 percent), banks (18 percent) and asset managers (9 percent) in Asia and Australia.

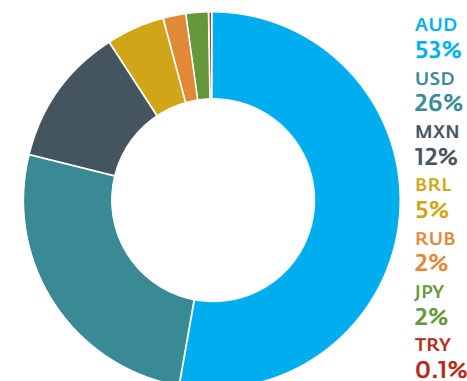
IFC extended its Social Bond Program into the private placement market, when we issued our first social bond in Japanese yen. The approximately \$9 million bond was placed with a Japanese religious institution.

## IFC FY19 Social Bond Issuances

Volume:  
**\$537.5 million**

Number of social bond issues:  
**12**

## IFC FY19 Social Bond Issuance by Currency (percent)

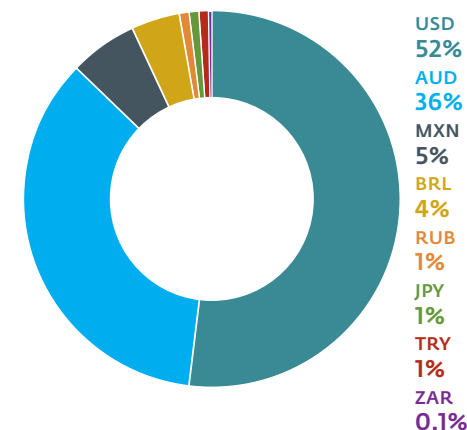


## IFC Cumulative Social Bond Issuances

Volume:  
**\$1.5 billion**

Number of social bond issues:  
**28**

## IFC Cumulative Social Bond Issuance by Currency (percent)





# Social Bond Projects Commitments and Disbursements by Region

(USD millions)

As of June 30, 2019, 98 projects are eligible to be supported by IFC social bond proceeds. The total committed amount for these projects is \$2.2 billion.

## Latin America and the Caribbean

	FY17	FY18	FY19
Commitments	42	108	205
Disbursements	8	86	237

## Europe and Central Asia

	FY17	FY18	FY19
Commitments	109	177	20
Disbursements	107	154	41

## Middle East and North Africa

	FY17	FY18	FY19
Commitments	12	106	7
Disbursements	11	5	108

## South Asia

	FY17	FY18	FY19
Commitments	165	151	320
Disbursements	100	122	383

## Sub-Saharan Africa

	FY17	FY18	FY19
Commitments	155	104	130
Disbursements	109	79	22

## East Asia and the Pacific

	FY17	FY18	FY19
Commitments	137	71	141
Disbursements	33	168	53

Disbursements for FY17 and FY18 are corrected from the FY17 and FY18 reports to include the disbursements made from projects committed in FY14-FY16 under the Banking on Women and Inclusive Business Bond Programs.

# Social Bond Projects Commitments and Disbursements by Sector

(USD millions)



## Agribusiness

	FY17	FY18	FY19
Commitments	<b>119</b>	<b>56</b>	<b>75</b>
Disbursements	<b>104</b>	<b>41</b>	<b>3</b>



## ICT

	FY17	FY18	FY19
Commitments	-	<b>137</b>	<b>15</b>
Disbursements	-	<b>31</b>	<b>105</b>



## Infrastructure

	FY17	FY18	FY19
Commitments	<b>20</b>	-	-
Disbursements	<b>13</b>	-	-



## Education

	FY17	FY18	FY19
Commitments	-	<b>5</b>	-
Disbursements	-	<b>1</b>	<b>1</b>



## Gender Finance

	FY17	FY18	FY19
Commitments	-	<b>241</b>	<b>253</b>
Disbursements	<b>44</b>	<b>189</b>	<b>215</b>



## Other Finance

	FY17	FY18	FY19
Commitments	<b>3</b>	<b>4</b>	-
Disbursements	-	<b>1</b>	<b>1</b>



## Food & Beverages

	FY17	FY18	FY19
Commitments	<b>29</b>	<b>37</b>	<b>18</b>
Disbursements	<b>3</b>	<b>15</b>	<b>29</b>



## Housing Finance

	FY17	FY18	FY19
Commitments	-	<b>20</b>	-
Disbursements	-	<b>20</b>	-



## Health

	FY17	FY18	FY19
Commitments	-	<b>68</b>	<b>37</b>
Disbursements	-	-	<b>85</b>



## Microfinance

	FY17	FY18	FY19
Commitments	<b>449</b>	<b>150</b>	<b>424</b>
Disbursements	<b>205</b>	<b>316</b>	<b>405</b>



## Featured Project

# Mali Shi

Building agricultural productivity is critical for Mali, which ranked 182nd out of 188 countries on the 2018 United Nations Human Development Index. Ninety percent of poor people in Mali live in rural areas, and drought, instability and conflict have increased the incidence of poverty.

Mali is the world's second-largest producer of the shea nut and accounts for approximately 20 percent of the global supply of shea. Shea butter is used as an alternative to cocoa butter in the cosmetics and food industries. A lack of technology and modern industry means that Mali produces virtually no industrial shea butter. Most of Mali's shea nuts are sold raw or processed locally into low-quality artisanal shea butter, keeping the country on the fringes of the lucrative and fast-growing industrial shea butter market. For a conflict-affected country like Mali, where over 42 percent of the population lives in poverty, this is an opportunity lost – especially for the approximately one million mostly poor, rural women who work in Mali's shea value chain.

IFC and the Private Sector Window of the Global Agriculture and Food Security Program provided a loan of €2.5 million to Mali Shi – a shea nut processing company based on the outskirts of Mali's capital, Bamako. Together, the financing will enable Mali Shi to build the country's first active modern shea butter processing plant, increasing incomes for the 120,000 shea producers who supply nuts to the company. Over 95 percent of these producers are women, for whom the secure livelihood is critical. The income provides families with critical funds for school fees for children and household expenses.

As part of IFC's work towards strengthening Mali's ability to produce industrial shea butter locally, IFC will offer training in business skills, finance, and management to members of 100 women-led cooperatives that work with Mali Shi. IFC will also help the company improve energy efficiency, environmental and social management, traceability of its products and international food safety standards.







# Gender Matters at IFC

## 7 Things You Should Know

1

**IFC focuses on expanding access to financial services for women and women-led businesses.**

We also work on strengthening the role of women on the boards of our investee companies. Our clients also increasingly realize they can gain greater competitive advantage and improve profits by targeting women as employees, entrepreneurs, consumers and business leaders. We are here to encourage and support them through our investments and advisory work.

2

**Companies can boost their bottom line and at the same time increase employment opportunities for women and improve their corporate reputation.**

Ample research underscores the advantages of closing gender gaps for private enterprises. For example, IFC's 2017 *Investing in Women* report demonstrates how IFC's clients and partners have achieved results by integrating women and men more equally as employees, entrepreneurs, customers and community stakeholders. According to the Financial Alliance for Women, the total non-performing loan rate for their banks' women customers is only 2.9 percent, an important 45 percent lower than the rate for men.



*Sabrina Borlini, Director of IFC Syndications, IFC and partner institutions rang the opening bell to raise awareness of gender equality at the New York Stock Exchange on Women's Day, March 5, 2019*

3

**Compared to men, women spend three times as much time on work as care-takers in their families for which they are not compensated.**

Globally but especially in emerging market countries, good-quality jobs and access to assets are still out of reach for millions of women. A whopping one in three women experience gender-based violence and harassment in their lives. Lack of safe and affordable transport, violence and disproportionate care responsibilities restrict access to jobs and hinder prosperity.

Women face another hurdle in the unequal distribution of assets. Women lack insurance protection and access to digital technologies, and they own the least amount of land in a society. These factors tend to entrench gender disparity. We believe that sex-aggregated data would help identify gaps in a company's operations and allow for corrective measures.

4

**IFC works with companies and partners to help narrow the gender gap on corporate boards and in business leadership.**

IFC was the first development finance institution to require corporate governance analysis for every investment as part of our due diligence process. We analyze the corporate governance structure of each company to evaluate the benefits and risks to our investment and we provide suggestions how to strengthen diversity and inclusion. The push toward greater diversity – and especially, gender diversity at the top – is driven by a growing number of qualified women, male champions, investors and shareholders, legislation and governance codes, and an overall awareness that companies must better reflect the markets they serve. IFC is contributing to this push by building capacity, raising awareness, and adding to the knowledge base on the value of gender-diverse boards and business leadership in emerging and frontier markets; part of its environment, social and governance work.

5

**For women entrepreneurs, access to finance is key to their success. IFC works to improve women's access to finance, technology and markets.**

IFC's Banking on Women program works with financial institutions to extend finance for women entrepreneurs. Other IFC partnerships to improve women's access to finance and markets include the **Women Entrepreneurs Finance Initiative** (We-Fi), which offers advice to women to overcome policy and legal barriers, and the **Women and Insurance program**, which boosts women's access to insurance products and services so they can better protect their assets and get loans to expand their businesses.

6

**In 2018, IFC clients collectively employed more than 751 thousand women in emerging economies.**

A top priority for IFC is to improve women's access to more and better jobs. IFC has launched several initiatives to stimulate entry of women into the job market. For example, in 2009, we partnered with the International Labour Organization to launch the Better Work program to improve labor conditions and employment opportunities in the garment industry. That effort has helped boost pay and reduce abusive workplace practices. In another example IFC trained companies in the Pakistan Business Council to better recruit, retain and promote women, and educated the companies on how to improve opportunities for female employees.

7

**IFC provides investment and advice, conducts research to highlight the business rationale for reducing gender inequality, and develops global and country-specific partnerships.**

Over the past three years, as part of the World Bank Group Gender Strategy, we moved to increase opportunities for women to find good jobs and ease their access to financial and digital assets and markets. For the next stage in our strategy, we will emphasize regional priorities for gender and further improve gender-focused measurement and reporting.

For more information, visit [www.ifc.org/gender](http://www.ifc.org/gender)

## Featured Project

# Caribbean Bottling Company

In Haitian Creole, “Piti piti zwazo fè nich li” roughly means “Little by little, the bird makes its nest.” Little by little, progress is made.

In recent decades, Haiti and its people have suffered, weathering economic uncertainty, high unemployment and poverty and the terrible earthquake of 2010. Today, only 31 percent of Haitians have access to quality drinking water. The country's businesses face stagnated growth, with weak and unreliable power and transport infrastructure.

The Caribbean Bottling Company is one company overcoming these challenges. Established in the 1970s and known for its bottled water, fruit-flavored juices and iced tea, the Caribbean Bottling Company employs 400 Haitians directly and provides jobs to hundreds of micro-retailers in its distribution network.

IFC's investment of \$2.5 million, in addition to \$2.5 million from the International Development Association Private Sector Window's blended finance facility, will help finance Caribbean Bottling Company's planned \$14.9 million production line and warehouse expansion, a major vote of confidence in Haiti's future.

The expansion is expected to create up to 150 new direct jobs and hundreds more indirectly through Caribbean Bottling Company's transportation and distribution networks. Increased production also means better availability of affordable, treated water for consumers as well as clinics, hospitals and schools. The company also plans to expand its distribution network into rural areas and is looking at recycling initiatives to remove post-consumer waste from the environment.

Resilient companies, such as Caribbean Bottling Company, can make a difference in fragile environments, providing much-needed jobs and improving access to basic services.

Piti piti zwazo fè nich li.





# Market Engagement: Boots on the Ground

*IFC works extensively to promote social bonds and sustainable finance through proactive engagement in the capital markets.*

## Awards

### IFC's FY18 Social Bond Impact Report wins 2019 Impact Report of the Year

IFC won the Impact Report of the Year category in the 2019 Environmental Finance Bond Awards, which was decided by a panel of 30 judges made up of some of the world's largest green, social and sustainability bond investors.



**Flora Chao**

*IFC Global Head of Funding*

***"IFC has been at the forefront of advocating for transparency in social bond reporting because impact should be demonstrated to financial investors and potential issuers, particularly in emerging markets."***

### IFC's Sophie Peeters wins 2019 SRI "30 Under 30" Award

In November 2019, the SRI Conference & Community selected Sophie Peeters, an Investor Relations Analyst in IFC's Funding team, as one of the "30 under 30" emerging generation of leaders in sustainable and responsible investing. The award recognizes millennial individuals who will play a key role in the advancement of sustainable, responsible, and impact investing over the next decades.



### Impact reporting efforts recognized by Global Capital

IFC was pleased with the recognition of the work of the Social Bond Working Group which it chairs. The Social Bond Principles' guidance on Working Towards a Harmonised Framework for Impact Reporting for Social Bonds received the Most Valuable Innovation for the Social and Sustainability Finance Market by Global Capital in September 2019.



**Marcin Bill and Zauresh Kezheneva**

*IFC Funding Officers*





## IFC Social Impact Notes Launch Reception

#IFCSocialNotes

org

rest

### IFC Social Impact Notes Launch, Miami

In the summer of 2019, IFC launched Social Impact Notes, a novel product offering for U.S. retail investors to invest in AAA-rated notes that go towards supporting projects that target positive social impact. Read more about IFC's Social Impact Notes Program [here](#).



#### John Gandolfo

IFC Vice President & Treasurer

**"It is well known that bonds focused on social impact have captured the interest of many investors. And now, with IFC's Social Impact Notes, a new triple A-rated product offering under IFC's Impact Notes Program, retail investors can support projects that target positive social impacts, including for development in Haiti."**

### IFC ESG Investor Forum, Paris

On the occasion of the UN PRI In Person Conference, IFC hosted its premier ESG bonds investor event in Paris in September 2019 bringing together investors to discuss topical issues in the sustainability bonds market.



#### Esohe Denise Odaro

IFC Head of Investor Relations



#### Tom Ceusters

IFC Director of Treasury Market Operations

**"Green and social bonds are innovative funding sources for climate-related and social projects. Moving private capital to sustainable investments needs to shift the traditional system."**

#### René Karsenti

President, International Capital Market Association



ESG investors acknowledged the extensive work that goes into impact reporting but highlighted the importance of transparency on use of proceeds for their clients.



#### What Investors Want

Impact reporting panel with Christoph Klein (ESG Portfolio Management GmbH), Francesca Suarez (Mirova), Felipe Gordillo (BNP Paribas Asset Management), Nathalie Rhodes (La Banque Postale) and Michael Kashani (Goldman Sachs Asset Management)



## IFC Sustainable Bonds Forum, Washington, D.C.

During the 2019 World Bank Group-IMF Annual Meetings in Washington, D.C., IFC welcomed over 150 asset managers, multilateral banks, central banks, commercial banks, ministries and media to its flagship event hosted in conjunction with Bloomberg and the International Capital Market Association dedicated to sustainable bonds and ESG integration. IFC's Sustainable Bonds Forum featured keynote speeches and panel discussions on how to reach the tipping point in growing sustainable capital markets globally. At the event, it was announced that [\\$1 trillion in sustainable debt](#) had been surpassed that week.



### Stephanie von Friedeburg

IFC Chief Operating Officer

***"One element that hinders growth of the market is the lack of transparent ESG data. Improved ESG disclosure and transparency will help not only spur the financing needed for development, but also create more sustainable companies."***



### Fireside Chat

with Mary Schapiro (Bloomberg), Martin Scheck (International Capital Market Association) and IFC's John Gandolfo

Disclosure and transparency are elements of sustainable finance that are here to stay. The Green Bond Principles and Social Bond Principles, hosted under the International Capital Market Association, have been instrumental in setting standards in the green bond and social bond markets. They provide a voluntary framework for issuance and encourage market players to embed transparency. The Financial Stability Board's [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) is an important initiative to bring transparency to the market. It provides a framework for companies to disclose their climate-related risk voluntarily and consistently. A private sector initiative, it has now become more easily accepted and embraced by national governments and could evolve into mandatory regulation.



### Practitioner panel: What lies ahead

Practitioner Panel with Tanguy Claquin (Crédit Agricole CIB), Alessandro Canta (ENEL), Chrissa Pagitsas (Fannie Mae), Ashley Schulten (BlackRock) and Esohe Denise Odaro (IFC)

Changing funding models for sustainable projects can change the way capital is allocated in our economy, encouraging a transition to sustainability at corporate levels.



### Executive panel: Unlocking opportunity

with Audrey Choi (Morgan Stanley), Richard Lacaille (State Street Global Advisors), Sheila Patel (Goldman Sachs Asset Management), Marius Post (Belgian Debt Agency) and Candida Perotti Wolff (Citi)

Increased understanding of environmental and social issues is at the core of understanding risk and return. Mainstreaming of asset management needs to shift and has started to shift more decisively. Are we at the tipping point? The oversubscription, demand-supply constraint and increased attention from a public policy perspective proves that there is strong acceleration in the market. However, there is more potential for growth and more clarification is needed when it comes to standards and reporting.

### IFC Global Debt Mobilization Conference, Madrid

In September 2019, IFC hosted its biennial Global Debt Mobilization Conference in Madrid, with over 300 leaders from international banks and investment firms, policymakers, and regulators gathered to explore sustainable finance opportunities in emerging markets.

#### Sustainable Bonds Panel

with Rahul Ghoush (Moody's), Giulia Pellegrini (BlackRock), Philip Brown (Citi), Francesca Suarez (Mirova) and Esohe Denise Odaro (IFC)



Impact reporting is critical to ensuring and promoting transparency on use of proceeds. This is even more important in emerging markets where data availability is an issue.

### IFC 2019 Japan Investor Summit, Tokyo

Japanese institutional and retail investors have played a major role in the development of the ESG bond market in Japan and globally. In November 2019, IFC's annual Japan Investor Summit drew attendance from the most active capital market participants in Japan to discuss sustainable funding opportunities.

#### Hiro Mizuno

Chief Investment Officer of Japan's Government Pension Investment Fund

**"ESG bonds encourage bondholder/issuer engagement as an opportunity to understand corporate sustainability practices."**



#### Kentaro Kiso

President, Barclays Japan

**"There is no insurance that covers our planet. Sustainability is the only option."**









# Corporate Governance: The Building Blocks

**A chat with Martine Valcin**, IFC's Manager, Global Corporate Governance and a member of the Environment, Social and Governance (ESG) Solutions Department leadership team.



## Martine, tell us about your background and current role?

I joined IFC in August 2019, responsible for Global Corporate Governance, ensuring that companies in which we invest have sound corporate governance practices. I am also managing, on an interim basis, the Global Environmental, Social and Governance Advisory, Knowledge and Learning group. Previously, I worked at Toronto Stock Exchange for fifteen years where I headed the department responsible for company listings as well as with a Canadian pension fund, where I inaugurated and led ESG integration activities for public markets.

## From your experience, how has corporate governance practices evolved over the last decade?

In the last ten years, IFC estimates that \$4.5 trillion in project finance across emerging markets has adhered to IFC's Performance Standards and Corporate Governance Methodology or principles inspired by this guidance. The voluntary adoption and application of these standards is testimony to what is now broadly accepted. Environmental, social and governance considerations are central to business and economic success.

In the same period, corporate governance practices for companies and investors have changed significantly. The financial crisis of 2008 led to increased attention on executive compensation, internal audit/controls, risk management and compliance functions. Similarly, increased attention on company stakeholders in recent years has changed the breadth of corporate governance. To this end, in 2019, IFC revised its Corporate Governance Methodology to consider the governance of environmental and social factors.

## How is corporate governance applied in IFC's project portfolio management?

A recent study of IFC portfolio companies found that companies with greater improvement of corporate governance practices during the investment period went on to generate a higher return on equity, better credit and ESG risk ratings<sup>5</sup>. We believe that weak corporate governance practices increase investment and reputational risks, so we work closely with our clients to improve their practices. For example, IFC provided over \$26 million in debt for a new 161-bed hospital in Iraq, to provide quality healthcare services and help address the gaps in the country's health infrastructure. In addition to the financing, IFC contributed technical and sector expertise, shared environmental and social best practices and provided corporate governance advisory services. Through this engagement, the team helped minimizing risks by implementing a more competent Board, effective structures and a sound control environment.

## How is IFC involved in ESG integration in emerging capital markets?

In many emerging countries, capital markets remain underdeveloped and investors are demanding a wide range of information from publicly reporting companies. However, without adequate standards, there are substantial problems with the nature, timing and extent of these voluntary disclosures.

To promote high standards in disclosure and transparency across emerging capital markets, IFC developed a [Disclosure and Transparency Toolkit](#) designed to guide companies in the preparation of best-in-class annual reports adaptable to their size, operations and organizational complexity.

## Do you see a role for social bonds to enhance ESG risk management?

Social, green and other thematic bonds are increasing investor awareness and appetite for improved transparency standards and greater disclosure on sustainability-related issues. Recognizing that ESG issues can influence the risk-return profile of investments, investors are using ESG risk assessment methodologies and portfolio monitoring frameworks to enhance investment decisions.

To learn more about IFC's revised Corporate Governance Methodology, please visit [www.ifc.org/corporategovernance](http://www.ifc.org/corporategovernance).

5 Namely, ROE was 20% higher than the average ROE (13.05% v 10.96%); CRR was 15% lower, or 1.7 points; and the ESRR was 10% lower (2.19% versus 2.01%), compared to those which did not improve corporate governance during the same period.

## Social Bond Eligible Project Commitments for FY19

The Impact Assessment table lists expected outcomes from projects eligible for funding from IFC Social Bond proceeds in FY19. Organized by sector, the projects eligible for IFC's Social Bond aim to improve access to finance and other essential services for target populations such as those who are underserved. Eligible categories include those stated within the Social Bond Principles. Projects committed in FY19 align with the following SDGs:



*Reporting is based on ex-ante estimates at the time of project appraisal. Because the Impact Assessment table includes the estimated results of projects still in the construction or implementation phase, there is no guarantee these results will materialize. Thus, the reporting is not intended to provide actual results achieved in a specific year or reporting period.*

## Real Sector










Spanning a range of sub-sectors, eligible projects in the real sector include a focus on increasing access to goods, services and markets for people who are low-income and/or underserved.

Target populations in FY19 include:











- Smallholder farmers who often lack access to key inputs and financial resources, typically very poor with limited access to market for their products
- Small mom-and-pop shops and other lower-income retailer and distributors
- Patients who lack sufficient access to quality, affordable health products and/or services, including those who are low-income
- People who lack sufficient access to broadband and other information and communication technology services, often residing in rural areas
- Customers who face limited access to clean water
- Vulnerable individuals suffering from malnutrition

### Impact Highlights

Indicators	Baseline	Target
Farmers reached	226,890	377,200
People reached with telecoms, media, and technology services	122,000	280,000
Malnourished children treated	1,000,000	1,600,000
Five-gallon water sales (hectoliters)	685,000	832,000
Number of micro, small and medium enterprises reached	14,924	15,111

Sector	Institution Name	Project ID	Country or Region	Description	Eligible Loan Commitment (USD millions)	Sustainable Development Goals
Agribusiness	Amru Rice	<a href="#">41831</a>	Cambodia	AMRU is a leading rice processor and exporter in Cambodia. The project, which is also supported with IFC advisory services to AMRU, will increase the off-take of rice from smallholder farmers, improve farmer incomes, strengthen farmer resilience to market volatility, and disseminate best sustainability practices.	5.00	 
Agribusiness	Chenguang Biotech Group Co, Ltd.	<a href="#">40616</a>	China	Chenguang is a leading producer of natural, plant-based food extracts and additives. The project will provide capital to the company to increase its source of raw materials from small holder farmers.	37.61	 
Agribusiness	Mali Shi SA	<a href="#">41588</a>	Mali	Mali Shi is a nut processing company in Mali that produces shea butter. The project is expected to increase the incomes of the individual women nut collectors that will supply the company.	1.39	   
Agribusiness	Kenya Tea Development Agency Holdings Ltd	<a href="#">41498</a>	Kenya	The Kenya Tea Development Agency (KTDA) is the largest tea business in East Africa, servicing over 610,000 smallholder tea farmers, who are suppliers as well as shareholders of KTDA. The project will develop an affordable cargo freight logistics infrastructure in Nairobi which will diversify the income sources of the smallholder farmers of KTDA.	10.00	



Sector	Institution Name	Project ID	Country or Region	Description	Eligible Loan Commitment (USD millions)	Sustainable Development Goals
Agribusiness	Netafim Ltd	<a href="#">42910</a>	Africa Region	Netafim is a global leader in technology-advanced smart irrigation solutions and the largest provider of micro irrigation systems. The project is expected to generate better yields for local farmers and strengthen their resilience to climate shocks.	21.33	 
Health	Ariel Foods FZE Ltd	<a href="#">42888</a>	Western Africa Region	The Ariel Foods project will support construction of a plant in Nigeria that will produce ready to use therapeutic food and ready to use supplementary food for individuals suffering from acute malnutrition in conflict-affected areas and other emergency zones.	6.00	 
Health	Farmoquimica	<a href="#">39739</a>	Brazil	Farmoquimica is one of the most diversified pharmaceutical groups in Brazil, focused on branded prescription drugs, over-the-counter (OTC) medicines and dermatology products, treating some endemic diseases in Brazil. The project supports the business combination between FQM and Divcom – a manufacturer and distributor of OTC products in Brazil. The combined firms will help expand access to high quality and affordable pharmaceutical products as well as to attract investment in frontier regions of Brazil.	31.00	
Food & Beverages	Caribbean Bottling Company	<a href="#">40610</a>	Haiti	The Caribbean Bottling Company (CBC) is a bottling company headquartered in Haiti and one of the country's leading manufacturers and distributors of water and related products, juice beverages, and iced tea. The project will expand the CBC's bottling and warehousing capacity enabling it to increase access to safe drinking water in rural areas.	2.50	
Food & Beverages	Gaselia Industries Group	<a href="#">40016</a>	Western Africa Region	Gaselia is a beverage and packaging company in West Africa. The project will expand the Group's production capacities in Côte d'Ivoire and Mali and create a new unit in Guinea, enabling it to build downstream linkages with base of the pyramid retailers.	15.75	
ICT	Telco SA	<a href="#">37209</a>	Comoros	Telco SA is a mobile operator in Comoros. The project will expand the company's network in order to increase availability and uptake of mobile broadband communication services in a country where mobile penetration is amongst the lowest in the region.	14.89	  













## Financial Sector










Social bond eligible projects in the financial sector focus on improving low-cost access and availability of financial products and services. Sub-sectors include gender finance and microfinance, reaching underserved groups. Target populations in FY19 include:

- Women-owned micro, small, and medium enterprises (MSME)
- Micro-loan borrowers who lack access to affordable financial services from traditional banks or lending institutions, often low-income or living in remote areas
















### Impact Highlights

Indicators	Baseline	Target
Number of Women-Owned SME Loans Outstanding (Gender Finance/Banking on Women)	72,101	107,595
Micro Loans Outstanding (Microfinance)	1,027,609	1,633,891

Sector	Institution Name	Project ID	Country or Region	Description	Eligible Loan Commitment (USD millions)	Sustainable Development Goals
Microfinance	Al Amana	<a href="#">37152</a>	Morocco	Al Amana is a microfinance institution established to enhance the provision of micro credit in Morocco. The project addresses the need to serve the segments of the population facing the biggest barriers, including microentrepreneurs.	2.13	 
Microfinance	Amret	<a href="#">41294</a>	Cambodia	Amret is a microfinance institution in Cambodia serving micro, small and medium enterprises and low-to-middle-income populations with a focus on agriculture, rural areas, district and provincial cities. The project will expand financial access to micro, small and medium entrepreneurs in Cambodia.	10.00	 
Microfinance	Arohan Financial Services Private Ltd	<a href="#">41105</a>	India	Arohan is a microfinance institution operating in nine states in India. The project will increase its provision of microfinance especially to low-income borrowers who have little or no access to formal sources of financing.	14.45	 
Microfinance	Baobab	<a href="#">42988</a>	Burkina Faso	Baobab is one of the leading microfinance networks globally. The project is a multi-country facility that will bridge the finance gap for micro, small and medium enterprises, including those that are women-owned as well as agribusinesses in rural areas.	2.00	 
Microfinance	Baobab	<a href="#">42986</a>	Cote d'Ivoire	See 42988	5.00	 
Microfinance	Baobab	<a href="#">42987</a>	Nigeria	See 42988	1.80	 

Sector	Institution Name	Project ID	Country or Region	Description	Eligible Loan Commitment (USD millions)	Sustainable Development Goals
Microfinance	Baobab	<a href="#">42984</a>	Senegal	See 42984	7.00	 
Microfinance	Baobab	<a href="#">42989</a>	Democratic Republic of Congo	See 42984	0.65	 
Microfinance	L&T Finance Ltd (L&TF)	<a href="#">42279</a>	India	L&TF provides finance in rural areas of India. The project will increase access to farm equipment finance for rural farmers and very small enterprises in low-income states.	125.00	 
Microfinance	Manupurram Finance Ltd	<a href="#">41994</a>	India	Manupurram Finance Ltd will provide finance to low-income borrowers, including those in Kerala that were impacted by the recent floods and those located in the poorest states in India	34.46	 
Microfinance	Banco Familiar S.A.E.C.A.	<a href="#">42281</a>	Paraguay	Familiar is a niche bank traditionally focused on providing consumer loans to individuals at the base of the pyramid. The project will help close the finance gap for MSMEs in Paraguay.	8.00	 
Microfinance	HDB Financial Services Ltd	<a href="#">40789</a>	India	HDB Financial Services provides financing to micro, small, and medium enterprises across India. The project will expand access to finance to micro and small enterprises that have little or no access to formal sources of financing.	142.16	 
Microfinance	Financiamiento Progresemos	<a href="#">41306</a>	Mexico	Financiamiento Progresemos is a microfinance company specializing in granting of solidarity loans for working capital to low-income women entrepreneurs. The project will increase access to finance for SME clients. Progresemos has presence in 1,592 municipalities in the 32 Mexican states, with 92% of its clients in rural areas.	12.44	 
Microfinance	Chongqing Xiaomi Microfinance Co., Ltd	<a href="#">40334</a>	China	This project will support the company's big-data based micro lending efforts to efficiently serve underserved micro-enterprises in lower tier segments.	59.39	 
Gender Finance/ Banking on Women	Nations Trust Bank PLC	<a href="#">42255</a>	Sri Lanka	Nations Trust Bank PLC is a mid-sized private commercial bank in Sri Lanka. The funds will be utilized to fund its expansion in the SME lending space, with the possibility of a potential carve out for lending to women-owned SMEs.	4.00	  
Gender Finance/ Banking on Women	Alternatif Bank	<a href="#">40903</a>	Turkey	Through its network consisting of 51 branches, Alternatif Bank has geographical coverage throughout Turkey. The funding will be used to support the Bank's lending program to SMEs, including women-owned SMEs.	25.00	  



Sector	Institution Name	Project ID	Country or Region	Description	Eligible Loan Commitment (USD millions)	Sustainable Development Goals
Gender Finance/ Banking on Women	Stanbic Bank Zambia	<a href="#">38700</a>	Zambia	The loan will expand Stanbic Bank's lending operations to SMEs, including women-owned SMEs.	3.93	  
Gender Finance/ Banking on Women	Santander Brasil	<a href="#">41746</a>	Brazil	The loan will allow Banco Santander to originate loans for women-owned SMEs and allow IFC to continue supporting Santander, a strategic client, with a clear focus on SMEs and a wide branch network, as the country goes into a period of slow but steady economic growth.	150.00	  
Gender Finance/ Banking on Women	OCB	<a href="#">41259</a>	Vietnam	OCB provides a wide range of commercial banking products and services to both retail and commercial clients through its network of 121 branches and sub-branches across 24 cities and provinces in Vietnam. The investment aims to support the Bank's lending program to SMEs and women-owned SMEs.	14.29	  
Gender Finance/ Banking on Women	Banco Internacional	<a href="#">41844</a>	Ecuador	Banco Internacional is a universal bank in Ecuador with a focus on SMEs and commercial clients. The project will provide long-term funding to address two important constraints in the country: (i) lack of access to finance by SMEs; and (ii) gender disparity in access to financial accounts.	1.00	  
Gender Finance/ Banking on Women	Business Partners Limited	<a href="#">40920</a>	South Africa	Business Partners Limited (BPL) is a nonbank financial institution focusing on the SME sector in South Africa. BPL operates largely in a niche that is mostly not covered by banks: tailored capital solutions and technical assistance services that are suitable for smaller SMEs. The loan forms part of the SME Push Program and will strengthen BPL's long-term funding position and support the expansion of its lending operations to underserved SMEs in South Africa.	45.75	  



## Appendix A

# IFC Social Bond Program Process

***The IFC Social Bond Program follows best market practices and is compliant with the Social Bond Principles.***

### Component 1: Use of Proceeds

Net proceeds from IFC Social Bonds are allocated to a sub-portfolio linked to lending operations for social bond eligible projects. Only the loan portions of projects are eligible for funding via Social Bond proceeds. Equity investments and guarantees are ineligible.

Eligible projects are funded, in whole or in part, by IFC and meet the requirements of either IFC's Banking on Women or Inclusive Business programs.

### Component 2: Evaluation and Selection

In addition to meeting social bond eligibility criteria, all projects financed undergo a rigorous due diligence process. Eligible Projects comply with IFC Performance Standards on Environmental and Social Sustainability and the IFC Corporate Governance Framework. Projects are subject to ongoing monitoring and supervision.

### Component 3: Management of Proceeds

All proceeds from IFC Social Bonds are allocated to a designated Social Cash Account and are invested in accordance with IFC's conservative liquidity policy until disbursement to Eligible Projects.

The Social Bond Cash Account tracks the difference between the balance of outstanding social bonds and outstanding Eligible Project loans. The Social Cash Account balance decreases as disbursements are made towards Eligible Projects or the social bonds mature and increases as new social

bonds are issued or Eligible Projects are repaid. Disbursement requests for Eligible Projects take place in accordance with IFC's established policies and procedures and are often made over a period of time depending on project milestones.

In some cases, the social-related component of a project supported by social bonds forms part of a larger investment. In such instances, the social bond portfolio only finances the eligible portion of the project. Monitoring and supervision of Eligible Projects comprises regular reports by the investee company on project activities and performance throughout the lifetime of investment.

IFC is rated triple-A by Standard & Poor's and Moody's. The payment of interest and principal of the Social Bonds is strictly based on the credit quality of IFC and is not directly affected by the result of the underlying investments that IFC makes.

### Component 4: Reporting

IFC's Social Bond Impact Report follows best practices and the Social Bond Principles' guidance for reporting, ***Working Towards a Harmonized Framework for Impact Reporting for Social Bonds***, which aims to ensure integrity of the market through increased transparency.

The report provides a list of projects eligible for funding from social bond proceeds and, subject to confidentiality considerations, provides a brief description of each project, the eligible loan amount and the expected social impact. The report only covers projects eligible for social bond financing.



## Selecting Impact Metrics

For the past decade, IFC and other multilateral and bilateral development institutions have worked to identify common development indicators for investment projects. These efforts led to the [Harmonized Indicators for Private Sector Operations \(HIPSO\)](#), agreed upon by 26 international finance institutions. The indicator list is primarily comprised of sector-level outcome indicators.

To report on the impact of our Social Bond Program, IFC uses many of the sector-specific indicators<sup>6</sup> agreed upon in the HIPSO partnership, incorporating additional indicators as needed. Indicators include:

### Real Sector

- Farmers Reached
- Number of mobile subscriptions (people reached)
- Patients Served
- Power Distribution (people reached)
- Students Reached

### Financial Sector

- Number of outstanding loans to women-owned SMEs<sup>7</sup>
- Number of outstanding microfinance loans
- Number of outstanding housing loans



## Identifying Target Populations

IFC's Social Bond Program targets underserved people who lack access to the basic goods and services that are important aspects of well-being, from women-owned small business owners who lack access to finance to low-income households that lack access to quality health care and smallholder farmers with no market for their crops. Investments in financial intermediaries ensure that financial services are available to people IFC cannot reach directly, such as micro, small, and medium-sized enterprises.

As recommended by the Social Bond Principles in the guidance document, ***Working Towards a Harmonized Framework for Impact Reporting for Social Bonds***<sup>8</sup>, the Eligible Project section of this report provides a description of the target population by sector.

## Interpreting Indicators

Wherever possible, IFC strives to quantify impact per sector. Impact may be described qualitatively when indicators are unavailable or cannot be disclosed for confidentiality reasons.

Impact indicators are tracked on a client-level basis and based on company-reported data. Indicators have not been prorated for the portion of IFC's contribution.

Social Bond Program reporting allows for quantification of a core indicator per sector, but it is important to appreciate the limitations of data reported. The main considerations to interpret results are:

- **Scope of results:** Reporting is based on ex-ante estimates at the time of project approval and mostly for direct project effects.
- **Uncertainty:** An important consideration in estimating impact indicators is that they are often based on a number of assumptions. Actual impact of projects may diverge from initial projections.
- **Comparability:** Caution should be taken in comparing projects, sectors or portfolios because baselines (and base years) may vary. In addition, sector and country context should also be taken into consideration.
- **Omissions:** Projects may have impact across a much wider range of indicators than captured in the reporting and may have other important development impacts. Furthermore, the core indicator is not applicable for some projects, or the data are not available.

## IFC Access to Information Policy

The Access to Information Policy is the cornerstone of the IFC Sustainability Framework and articulates our commitment to transparency.

We seek to provide accurate and timely information regarding our investment and advisory activities to clients, partners and stakeholders, and we disclose relevant information pertaining to project, environmental and social implications, as well as expected development impact prior to consideration by our Board of Directors.

This commitment applies to projects funded by the Social Bond Program.

For more information on IFC's Social Bond Program, visit [www.ifc.org/socialbonds](https://www.ifc.org/socialbonds).

<sup>8</sup> See: <https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/>

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