On the EDGE of Tomorrow: Implementing IFC’s New Green Building Program

We’re not a certifying body—we’re a bank. So, we had to rethink that. We went for synergies, people we trust. Particularly, I found that if you know somebody’s strengths, and you think that fits, that’s good enough.

– Prashant Kapoor, Team Leader of IFC’s EDGE Program, on one of the challenges of managing internal stakeholders to pioneer EDGE

In late October 2014, Prashant Kapoor, a Principal Industry Specialist for the IFC, stepped out of his hotel in Hong Kong and into the taxi that would take him to the airport. He had only been in the city for a few days, yet Kapoor felt he had reached a huge milestone. The day prior, he had met with Marcene Broadwater, the new Global Head of Climate Strategy and Business Development for IFC and his new director, to make his pitch for the EDGE Program after years of indifference from his previous director. To Kapoor’s amazement, Broadwater was not only supportive, but enthusiastic about the program, stating that he would actively enforce annual green building targets upon his team of regional investment officers to further scale up EDGE. As he sat in contemplation while watching the bustling streets ahead, Kapoor smiled in satisfaction, but he knew he and his small team had a lot more work to do if they wanted to see EDGE reach its goal of entering 20% of the market by 2020.¹

Indeed, there were a number of challenges Kapoor and his team have encountered during the stages of implementation. EDGE requires the cooperation of multiple functional divisions and regional teams, which is difficult given IFC’s bureaucratic and decentralized structure. EDGE is also unlike anything the IFC has done before, as IFC is a bank and not green certifying body. Kapoor grimaced at the thought of the upcoming meeting he had to facilitate with his peers in the other divisions upon his return, thinking of the usual skepticism he would encounter from those who still did not understand EDGE or its potential impact. There is also the issue of finding the

¹ EDGE’s goal is to have 20% of newly constructed buildings in each of their target market countries be EDGE certified by 2020.
right talent—those who have an understanding of green building standards and can work with regional governments and financial institutions.

**International Finance Corporation and Going Green**

The International Finance Corporation (IFC) was established in 1956 to further the World Bank Group’s (WBG) mission to end extreme poverty and promote shared prosperity.² IFC works particularly with private enterprises in developing countries through Innovation, Influence, Demonstration, and Impact.³ As of 2014, the organization has made about $22 billion total in investments, with nearly $8.5 billion of financing reserved for private sector development.⁴ It proudly boasts a membership of over 180 countries spanning across all regions, and is managed by a diverse group of executives with experiences from various industries.⁵

The IFC views supporting sustainable businesses as encouraging positive development outcomes. Using such frameworks as Sustainability Framework and Corporate Governance Framework, IFC’s overarching goal is to help various entities find opportunities for growth and innovation, as well as boosting transparency and accountability in developing countries.⁶

**Addressing Climate Change**

One of the current key goals of IFC is to address climate change, reserving 20% of its long-term financing to climate-related projects by 2015. Since beginning its Climate Business operations in 2005, IFC had committed over $13 billion to such projects.⁷ They have laid out four priorities, in particular:

1. Carbon Pricing
2. Fossil Fuel Subsidies
3. Climate-Smart Agriculture
4. Sustainable Cities

There are many definitions for green buildings and sustainable construction methods. The US Environmental Protection Agency labels buildings as green when they are constructed “using processes that are environmentally responsible and resource-efficient throughout a building’s life-cycle from siting to design, construction, operation, maintenance, renovation and deconstruction.”⁸

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² Extreme poverty is defined by the WBG as those living with less than $1.25 per day. WBG aims to increase income growth of the bottom 40% in every region by 2030.
³ See Exhibit 1a for IFC’s brand value proposition.
⁴ See Exhibit 1c for highlights of IFC’s operations.
⁵ See Exhibit 1b for information on IFC’s executive management.
⁶ [http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/home](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/home)
⁷ See Exhibit 2 for information on IFC’s investments related to climate change
⁸ [http://www.epa.gov/greenbuilding/pubs/about.htm](http://www.epa.gov/greenbuilding/pubs/about.htm)
Creating sustainable cities with “green buildings” is listed high in priority for IFC, as buildings consume about one-third of the world’s energy. Among the highest of producers of greenhouse gases are rapidly developing nations such as China and India, fueling energy demand which is expected to rise 50% by 2050.\(^9\) The EDGE Program was developed to combat this by providing developing nations a means to construct new commercial and residential buildings with a careful eye for the environment.

**Prashant Kapoor and the Development of the EDGE Tool**

Prashant Kapoor entered IFC on February 2010 as an Industry Specialist for its Climate Business Division. A green architect by formal trade, he had focused on sustainable building design and spent years post-Masters working as a consultant, advising architects in sustainable building projects. When he received a call from a headhunter regarding a position with the IFC, he was a bit surprised as he did not know what IFC was or the sort of work they did. Even so, the opportunity intrigued him. Kapoor explained:

I decided that this may be the place where I can scale up things. When I got this chance, the idea was not so much scale in the literal sense (of doing large projects), but it was about scale in terms of having a bigger impact and outreach to different people.

Adjusting to IFC was a bit of an initial challenge. Kapoor did not understand what their vision was and the sort of role they wanted him to play. Yet, he was placed in advisory work on housing investments and was quickly sent to various parts of the world. He soon learned of a green building project in Indonesia headed by Russell Muir, a World Bank advisor. Muir, who was working on policy regulations, needed some help with the architectural aspects of the project. He found Kapoor the ideal partner, as he explained:

When I was working on the Indonesia project, I was just making things up along the way. But when we heard that we hired this green specialist guy, I knew I needed to get him involved somehow.

Kapoor detailed his first encounter with Muir:

I barely got my feet under the table here, and suddenly, a hotels specialists suggested that I go meet Russell Muir. He had some interesting project working with codes, and I had done some work with codes before. I first met with him at the World Bank, and we hit it off straight away. Russell had asked if I had any issues working with him. So he came and met my manager at the time, and it sort of took off from there. I had a great boss who was willing not to let me be siloed into any particular department. That was an interesting experience because we did not have any support structure; we were just two people being cowboys trying to do this work from scratch.

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\(^9\) See Exhibit 5 for IFC's business case for Green Buildings.
The Jakarta Project, as it was informally known, went on until 2012 to great success. Building upon the framework of that program, IFC decided to expand green building codes in other developing countries including the Philippines, Vietnam and Cambodia. All this work became the basis for the EDGE Program.

**EDGE Program’s Inception**

The EDGE Program\(^{11}\) was Kapoor’s brainchild prior to his work with IFC. Muir explained the idea behind the green certifying body in IFC:

> EDGE is a slightly unusual program for IFC. Our development objective here is to try to help and reduce greenhouse emissions. LEED certification markets itself for big, glossy corporations;\(^{12}\) what we’re trying to do is to work with other markets. We want to figure out how to develop a system for the mass market to help countries like India, for example.

With the help of external consultants to IFC, Kapoor developed a design tool to help with green certifications for new buildings in developing nations. This web-based tool was made to be affordable, accessible, quick, and easy.\(^{13}\) It was intended for large volume voluntary green certifications for new buildings in developing countries.

EDGE utilizes a four-pronged approach to promoting green buildings, centered on its design tool:\(^{14}\)

1. Advising governments on green building codes
2. Creating an affordable certification system to define and label green buildings
3. Building on existing IFC investment experience and supporting developers with finance and advisory support for pilot projects
4. Supporting financial institutions to launch green mortgages and provide construction finance

Kapoor and his other colleagues then wrote a strategy paper outlining the main components of the EDGE Program for the senior management of IFC. It was approved in 2012 with Kapoor appointed as the head of the project. He then brought in a number of people, including Muir as a consultant to work on more of the policy side.

**Building the EDGE Team**

Kapoor recruited a team to help develop the software composed of a number external consultants including Ommid Saberi, an architect and engineer who had extensive experience

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\(^{10}\) See Exhibit 6 for a timeline of the implementation of EDGE’s certification system in Indonesia.

\(^{11}\) EDGE is an acronym for Excellence in Design for Greater Efficiencies.

\(^{12}\) See Exhibit 8 for a white paper on LEED.

\(^{13}\) See Exhibit 3 for screenshots of the web-based EDGE tool.

\(^{14}\) See Exhibit 4a for a diagram of EDGE’s approach.
working in the Middle East and UK on green projects. He would later be brought on full-time to be a part of the core team in Washington DC. As well as this, Rebecca Ann Menes, a World Bank staffer, began working with Kapoor to produce the technical documents that would describe the workings of the EDGE voluntary scheme. She was also brought on later to be a full-time member of the core team.15

As of today, EDGE has delegated the daily operations to the ground staff in various regions around the world and work with Local Partners. The EDGE tool itself is more or less complete but will continue to have revisions made to ensure its accuracy over time. In addition, a training package is currently being prepared to help developers who wish to use the EDGE platform. The next big step in the project is marketing and communicating EDGE with both the private and public sector internationally.

Managing Incentives

EDGE, as a newly developed program, has to overcome a number of barriers that come with working within such a large and decentralized organization as the IFC. The EDGE team had to work around motivating employee performance internally, as well as engaging with other governments and the private sector externally.

What are Incentives?

Incentive is defined as “something that encourages a person to do something or to work harder” (Merriam-Webster Dictionary). Incentives serve as positive reinforcement for two basic purposes: one, to reward favorable behavior in the past, and two, to motivate favorable behavior in the future.

Incentives frequently appear in two distinct forms through intrinsic and extrinsic rewards. Extrinsic rewards are provided by others to motivate certain behavior, whereas intrinsic rewards are rewards you provide yourself through personal goals (Pearce, 2012). The ideal incentive structure takes both intrinsic and extrinsic rewards into account. In order to develop a successful incentive program, organizations need to determine what motivates people.

How to Motivate Others

Motivation is “a force or influence that causes someone to do something” (Merriam-Webster Dictionary). Motivation is what propels a person to reach a particular goal. The Harvard Business Review, in an article entitled “Employee Motivation: A Powerful New Model,” identifies four drives underlying motivation: the drive to acquire, the drive to bond, the drive to comprehend, and the drive to defend (Nohria, 2008).

15 See Exhibit 4b for profiles of EDGE’s core team.
According to the Harvard Business Review article, the drive to acquire is evident through compensation packages in that people often compare themselves to others and are rarely satisfied with their current salary. The second motivator for employees is the drive to bond. This drive is rooted in people’s inherent desire to bond emotionally and feel a sense of belonging in the organization. Furthermore, the drive to comprehend is demonstrable through an individual’s desire to make a meaningful contribution, while simultaneously growing and learning in his or her position. Lastly, the drive to defend is the desire to protect ourselves and others and fulfilling this drive leads to “feelings of security and confidence” (Nohria, 2008).

Individuals are fundamentally motivated by their drives to acquire, bond, comprehend, and defend. Organizations should capitalize on these motivations and design an all-encompassing incentive structure. Effective managers recognize these drives, use incentives as a tool to motivate, and ultimately assist others in satisfying their needs and desires in the workplace.

**Typical Methods to Incentivize**

One common method to incentivize certain behavior is through pay for performance. Linking actions to money is a relatively simple method to enable people to satisfy their basal physiological needs. Money as an incentive can come in the form of a salary raise or bonus for an employee or a discount for external individuals, like customers. To sufficiently motivate, however, pay should be attached to some form of performance with expectations clearly delineated in advance. Within an organization, including the desired result in performance evaluations is one way to notify employees how to improve their performance. Outside the organization, leadership can publicize information on how customers can save money with the organization’s service or product through discounts or a rewards program. While money is a crucial incentive, it does not address an individual’s higher level needs.

Recognition is another common method to incentivize performance. Recognition is often provided to employees within an organization through formal processes like employee of the month or promotions. Outside of an organization, recognition can be used as an incentive by creating an external community with an inherent hierarchical system in which customers are compared. This system is evident in rewards programs in which reward levels carry significance and certain benefits. Recognition enables individuals to meet a mid-level need through affiliation and belonging.

The third and final method to incentive behavior is greater autonomy in the workplace. The first step to establishing autonomy as an incentive is to align the employee’s purpose with the organization’s overall purpose. Fundamentally, the employee must live and breathe the underlying purpose behind the organization. To maximize autonomy as an incentive, the employee should be able to exercise creativity, engage in the decision-making process, and continue to grow as an individual within the organization. Autonomy enables an individual to satisfy higher level needs through self-actualization.

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16 See Exhibit 7 for a model of Employee Motivation.
The Problem with Incentivizing Structures

Aligning the needs of specific people with the incentive structure can be a challenging task for management. The problem lies in the fact that organizations are looking for a universally applicable solution to motivate people. When establishing incentives, management must take each individual into account and whether his or her drives to acquire, bond, comprehend, and defend are fully satisfied. Not only is this cost inefficient, but it’s also severely time inefficient to constantly evaluate each employee, customer, or participant as an individual to determine how the organization should incentivize accordingly. Organizations need to find a balance between a personalized, detailed incentive structure and a universally applicable, general incentive structure.

Kapoor, as the manager of the EDGE team, had been frustrated with mobilizing his core team in DC, upper management, and employees on the ground. He wonders what the best way is to incentivize employees and have them engage with the program, investing their time and resources into helping it succeed. As Kapoor stated, “The problem to some extent is... How do you drive these people?”

Managing EDGE’s Internal Stakeholders

Currently, EDGE’s DC team relies heavily on uncoordinated actions of IFC’s regional employees (i.e. those working to implement the program on the ground). They are in the process of working on a strategy of communicating the idea behind EDGE as well as a solid timeline and performance structure, but there are a number of structural and communication issues that Kapoor and his team have expressed were matters of concern.

Problem 1: What are Green Buildings?

One of the problems that Kapoor is facing is that many of his colleagues have different understanding of what green building is. One of the goals of EDGE is to create a clear definition of green buildings. However it seems like people who work in DC and people on the ground might have different understanding on what green buildings are. When people who work on the project do not have a common understanding of what the project is about.

It is challenging to work on a goal, set a goal, measure results when all of the internal stakeholders have different vision. Furthermore, there is little incentive to work on something when one has an unclear understanding. Additionally, there are certain transaction and time costs associated with this problem. Thomas Moullier explained EDGE’s challenge:

When you talking about green buildings it can very easily be a disconnect because it is not something that can be advised by a standardized well broadly accepted definition. If we invite people in this room you and I don’t know and talk about green buildings they will all understand something different because it is all already quite complex. And I think from the very beginning, from the regional perspective, I would have had a very different
understanding of what our leader Kapoor wanted to push across. That’s one of our most serious challenges—to understand the concept in a consistent way, a way that would help you communicate more effectively.

Kapoor does a lot of work to educate EDGE team about the green building market. He often flies to IFC ground offices to check how the workflow is going there. He also organizes different kind of workshops where EDGE ground employees learn about industry’s best practices and tendencies.

Problem 2: What is EDGE?

There can be a confusion on what EDGE exactly is as it has multiple components. EDGE is first and foremost a certification program. EDGE is also a green building design tool. In addition, EDGE is made to advise governments on regulatory frameworks and building codes, support commercial developers who construct green buildings, and provide advisory and investment services for banks to specifically tailor housing and construction finance or green mortgages to support green growth. EDGE does this through its implementation of a green building rating system, similar to LEED.

Both employees in IFC’s headquarters and those working in one of IFC’s many regional offices who are not in direct contact with the EDGE team, have been confused about what the main purpose for EDGE is. Kapoor explained:

People have approached me saying “Edge? Yeah, you’ve been talking about it for 2 years. It’s launched, right? But where is it?” And there’s a lot of pedaling under the water, but we have our own inertia, our own speed. The minute you try to rush, it has an effect on you. It just doesn’t seem to work.

In order to elaborate more on the scale of the project, Kapoor has devoted a great deal of his time meeting with senior management from IFC’s various divisions to map out the structure of the project. So far Kapoor has expressed success in utilizing his personal connections for promoting EDGE within IFC’s regional offices. Moreover, the new Climate Change Head of Department Marcene Broadwater shares Kapoor’s vision of the importance of green buildings for reducing energy consumption in developing markets.

Problem 3: Finding the Right People & Motivating Them

The major motivation for the ground employees at the moment is the traction EDGE has been making globally. Those who tend to get involved with the project have an “individual connection” with either Kapoor or one of his key team members. The EDGE team seems to have an easier time if they share a strong connection with IFC management on the ground, and if they both share the same views on the importance of EDGE. Moullier explained:
Kapoor has this major constraint because he does not have a standalone and cohesive team around him of all the skills he needs to run this program. As we are complex organization, he has to pull resources from right and left. And he has to work to find a formula to meet an individual’s commitment for a project. He does not have an army of people, he has only 3-4 people, and then he relies on contribution of others, and he needs to motivate.

Kapoor elaborated further:

They just happened to be in a certain department doing something, and then when the instructions come through, they’re the ones holding it in Vietnam. But, they may not be the right people to lead a program like EDGE in Vietnam. They just happen to be people who work with governments—doesn’t mean they understand certification systems. Because, you know, the IFC is not set up for certification systems, so we have a skillset problem. They may be great at project management when it comes to government diplomacy, but they may not be so good in terms of mobilizing and understanding the real sector—the architecture world as well as dealing with the NGOs like the green building councils. That is still that gap.

The people who have been assigned to EDGE on a temporary basis, however, may not motivated to work on the project, have very limited time to work on the project, and may not have the right technical background to fulfill EDGE’s needs.

As EDGE is growing fast, the project itself suggests lots of opportunities for professional development. EDGE team is willing to invest in educating motivated people who have the right skill set to work on their project. There was also a suggestion to include the job on the ground into the performance metrics for the employees. Kapoor needs to push that further with the senior management. If the employees on the ground will know that their appraisal also depends on their performance in EDGE, they will treat the project more seriously.

Kapoor occasionally meets people who volunteer to help EDGE. For example, Rebecca Ann Menes—now EDGE’s main marketing and communications person—got so interested in EDGE after talking to Kapoor, that she volunteered to work for his project on her free time. She has been doing EDGE marketing and product development for the past 2 years. She explained:

What Prashant was asking me to do was something completely different. It was really to help with the product, to fully understand [EDGE] and bring it to life. This is what I had in my head, and it’s just sort of not very well designed excel file and very complex line, with all these calculation going on behind it. All I thought about was, “What an amazing challenge!”

**Problem 4: Communication & Organizational Structure**

One of the possible problems of communication with the ground employees is the decentralization of the project. The EDGE team has established a framework, which the regional
employees could work with. This form of organization gives a lot of flexibility and freedom to the regional offices. However, this approach has also resulted in misaligned objectives and lost opportunities in both strategy and execution.

Kapoor shared a story with one of the failed deals in Peru due to this issue:

The team member has been chasing the counterpart to get a local partner to launch Edge. He’s been talking to the biggest mortgage provider—it’s like the Fannie Mae of Peru (SMV)—that provides about 80% of mortgages. And they’ve been wanting to do green mortgages for a long time. Even though they kept the relationship, our Peru team member didn’t sense the urgency. We just heard a month or so ago that SMV has teamed up with the competition—IDB, the Inter-American Development Bank—to do green mortgages, and they’re not using Edge; they’re using a completely different criteria! Which is such a shame because we’re looking to develop the platform in that market.

In response, Kapoor has organized regular conference calls and Skype conversations with the regional offices of their target markets. However, time differences and an ever growing workload have prevented the team from getting relevant information on time.

**Problem 5: Incentivizing IFC Internally**

Although the EDGE team has been dealing with increasing awareness of the EDGE program within the IFC, it seems like this problem is manageable. There is a drawback, however, on building cross-functional teams. This requires the collaboration of different units, for example advisory, investment and operations. All of these departments see different objectives in the EDGE program. Moullier explained:

We are operating in different worlds. People in the investment side are willing to do extra work and see how it will be rewarding for the in the end of the day. On the advisory side there traditionally been a very strong culture for the development impact: like bringing jobs, reducing harmful activities, economic growth, etc. In advisory you have people coming from a very strong development orientation. The investment side, in our view, is less incentivized to achieve these development goals. What you would hear probably from Russell is that they are motivated by volume. They don’t have a formal incentive mechanism that also rewards investment that will pay-off into reaching society goals. So you have this disconnect from the start. How do you pull these guys? If the incentives are not so much about [social] development but more about volume, we need to find opportunities for them to reach more volume.

Kapoor explained further:

I don’t think IFC is that uniquely challenged with these things. People who have been here for too long think that the outside world is easy. But actually, it’s even worse there. The problem to some extent is, “How do you drive these people?” And you know, nobody is sitting there thinking, “I need a job.” They’re doing something else and it takes time for
them to slowly wean away from what they were doing. Or, if you’re lucky, they just finished a project and they’re looking for a new one.

While there are some countries that offer big opportunities for investors, they are not willing to risk working on EDGE with smaller countries. Kapoor recognizes that investors are more motivated by volume, while the advisory unit is more motivated by development goals. Connecting and aligning goals of advisory and investment units still remains an issue.

Conclusions and Lingering Questions

Back in IFC’s headquarters in DC, Kapoor sat in his desk and took in a deep sigh. Staring at his coffee mug, he thought of the latest developments EDGE was able to achieve, but at the back of his mind was a nagging feeling. In particular, he wondered how he was going to implement EDGE in their target countries in Latin America, where the program has not yet been as well received. He wondered of expanding his team to accommodate more of the work volume and providing the technical support for the EDGE design tool. He even fretted about his own capabilities as manager, to be able to extensively network and communicate his vision for EDGE beyond DC.

Despite all the challenges that lie ahead, he was still confident that they would all work out somehow. Now with a solid team of dedicated individuals behind him, and a growing group of people who have been reaching out to express their interest in supporting the program, he could focus on the real issues at hand.
Sources:


Exhibit 1a: IFC’s Brand Value Proposition

- **Innovation:** For more than half a century, IFC has innovated to strengthen private sector development wherever it’s needed most.
- **Influence:** As the world’s largest global development institution focused on the private sector, IFC plays a significant role in influencing the course of private sector development.
- **Demonstration:** We have a long history of setting a good example—of demonstrating the rewards of investing in challenging markets.
- **Impact:** We go wherever we are needed the most, and deploy our resources wherever they will achieve the greatest impact.

Exhibit 1b: IFC’s Executive Management

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<tr>
<th>Name</th>
<th>Position</th>
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<tr>
<td>Dr. Jim Yong Kim</td>
<td>World Bank &amp; IFC President</td>
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<td>Jin-Young Cai</td>
<td>IFC Executive Vice President and CEO</td>
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<td>Karin Finkelston</td>
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<td>Dimitris Tsitsiragos</td>
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<td>Gavin Wilson</td>
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**Exhibit 1c: 2014 Highlights of IFC’s Operations**

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<td>$12,258</td>
<td>$13,633</td>
<td>$11,166</td>
<td>$12,387</td>
<td>$9,302</td>
</tr>
<tr>
<td><strong>Advisory Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advisory Services program expenditures</td>
<td>$284</td>
<td>$232</td>
<td>$197.0</td>
<td>$181.7</td>
<td>$166.4</td>
</tr>
<tr>
<td>Share of program in IDA countries</td>
<td>66%</td>
<td>66%</td>
<td>65%</td>
<td>64%</td>
<td>62%</td>
</tr>
</tbody>
</table>

*Financing from entities other than IFC that becomes available to client due to IFC’s direct involvement in raising resources.
1. Includes B-Loans, Parallel Loans, MCPPP Loans, and A-Loan Participation Sales (ALPS).
2. Third-party financing made available for public-private partnership projects due to IFC’s mandated lead advisor role to national, local, or other government entity.
3. Includes B-Loans, Agented Parallel Loans & MCPPP Loans.
4. Includes B-Loans, A-Loan Participation Sales (ALPS), Agented Parallel Loans, Unfunded Risk Participations (URPs) & MCPPP Loans.
5. All references in this report to percentages of advisory program expenditures in IDA countries and fragile and conflict-affected areas include global projects.

### Exhibit 2: IFC’s Climate-related Investments

<table>
<thead>
<tr>
<th>How does IFC measure its climate change impact?</th>
<th>Green buildings: As part of its focus on cities, IFC’s EDGE Market Transformation Program supports green building codes and standards, finances the construction of green homes, hospitals, and schools, and helps banks increase their mortgage and other lending for green buildings.</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFC has tracked its climate-related financing since 2005 and has measured the greenhouse gas (GHG) emissions of its investment portfolio since 2009. To count as climate-related at IFC, projects must either: (a) reduce emissions of GHG into the atmosphere; (b) remove greenhouse gases from the atmosphere; or (c) improve resilience against climate risks. Sometimes, an entire project can be classified as climate-related. But the climate component is often part of a broader investment, such as an energy-efficient engine in an industrial project. IFC isolates climate components as a pro-rata share of its financing to identify the funding going beyond “business as usual” to directly address and respond to climate change. IFC has set a goal for 20 percent of its long-term financing to be climate-related by fiscal 2015. In FY14, IFC’s commitments reduced 5.5 million metric tons of greenhouse gas emissions – equivalent to taking more than 1 million cars off the road.</td>
<td>Clean technology: IFC provides seed financing and equity for companies supplying clean technology solutions, such as metal-air batteries that can replace diesel generators.</td>
</tr>
<tr>
<td>What sectors does IFC invest in?</td>
<td>How is IFC leveraging new climate financing?</td>
</tr>
<tr>
<td>Renewable power: IFC has financed some 2,500 megawatts of wind power and 650 megawatts of solar power in emerging markets, often as first-mover investors helping develop viable new markets. Resource efficiency: IFC invests in process improvements and other technology to reduce energy, water and other resource use in sectors such as cement, metals, pulp and paper, chemicals, construction and power generation.</td>
<td>Financial intermediaries: IFC is helping commercial banks in China, Lebanon, Armenia and elsewhere to increase their lending for clean and efficient energy, and is working to support trade finance for climate-related goods and services.</td>
</tr>
<tr>
<td>Green bonds: IFC’s Treasury has issued more than $3.7 billion in green bonds, and is working with investment banks and other issuers to grow the market for this new asset class.</td>
<td>Catalyst Fund: IFC’s Asset Management Company has raised nearly $420 million from six investors, including sovereign wealth and pension funds, for this private equity fund of funds supporting renewable energy and energy efficiency.</td>
</tr>
<tr>
<td>Blended finance: In rare circumstances, IFC uses funds from donor governments to invest in high-impact climate projects on concessional terms to help overcome market barriers or perceived risk that would otherwise make projects impossible.</td>
<td>International engagement: IFC, as part of the World Bank group, works with the G20, United Nations and other partners to support climate-smart policies and international accords.</td>
</tr>
</tbody>
</table>

Exhibit 3: The EDGE Tool Platform
Website: http://www.edgebuildings.com/

Key Points:
- EDGE loads location-specific information (250+ large cities in emerging nations)
- Input building and area details of the construction project (e.g. hotel, office, hospital, etc.)
- Input energy, water, and materials efficiency measures to instantly gain feedback of your total energy & cost savings
Exhibit 4a: EDGE’s Approach to Promoting Green Buildings

4-Pronged approach Around EDGE Design Tool

1. Advice to governments on green building codes

2. An affordable certification system to define and label green buildings

3. Builds on existing IFC investment experience and supports developers with advisory support for pilot projects

4. Supports financial institutions’ launch of green mortgages and construction finance
Exhibit 4b: EDGE’s Core Team (DC headquarters)

PRASHANT KAPOOR
Principal Industry Specialist
Acting Head of EDGE

RUSSELL MUIR
Advisor to the World Bank

THOMAS MOULLIER
Senior Operations Officer

OMMID SABERI
Senior Industry Specialist

REBECCA ANN MENES
Marketing Specialist
Exhibit 5: Business opportunities for IFC in Green Buildings

<table>
<thead>
<tr>
<th>Year</th>
<th>MAS (US$ millions)</th>
<th>FM (US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY09</td>
<td>$2</td>
<td>$2</td>
</tr>
<tr>
<td>FY10</td>
<td>$14</td>
<td>$14</td>
</tr>
<tr>
<td>FY11</td>
<td>$51</td>
<td>$51</td>
</tr>
<tr>
<td>FY12</td>
<td>$104</td>
<td>$104</td>
</tr>
<tr>
<td>FY13</td>
<td>$326</td>
<td>$86</td>
</tr>
</tbody>
</table>

Key Points:
- MAS = IFC’s Manufacturing & Services account
- FM = IFC’s Financial Markets account
- Green Buildings made up about 16% of Climate Business investments in 201
## IMPLEMENTATION PROSES OF THE EDGE- GREEN BUILDING CERTIFICATION DI INDONESIA

### COLLECTION OF DATA & ANALYSIS
- Collection of Data (ABM) (Historical market data) | GBCI | 4 weeks
- Cities Location: Greater Jakarta (Jabodetabek), Bandung, Yogyakarta, Surabaya, Makassar, Solo, Bali, dan Medan |

### MARKET POTENTIAL
- Type of Buildings: Hotel, Commercial Buildings, Apartment, House clusters/townhouse, Hospitals, Shopping Malls
- Market growth rate in each cities for different types of buildings
- Pricing
- Relevant Payment

### BUSINESS PLAN PREPARATION
- Analysis of Manufacturing and Sensitivity -- high, moderate or low market conditions

### MARKET POTENTIAL & INVESTMENT FEASIBILITY
- Preparation and Discussion of the Business Plan |

### EDGE LOCATION ADAPTATION FOR INDONESIA
- Collection of local data (weather data, energy/water consumption etc.) |
- EDGE Application system |
- EDGE Validation and Finalization |

### THIRD PARTY (AUDITOR EDGE)
- Training Materials & Training of Trainers (TDT)
- Preparation and translation to Indonesian language
- Training materials for Auditors
- TDT Training for Tim GBCI

### AUDITOR TRAINING
- Training Batch 1
- Training Batch 2
- Training Batch 3

### EDGE MARKETING PREPARATION AND PROMOTION
- Hiring Marketing Person(s) for EDGE
- EDGE Marketing Staff Training
- EDGE Marketing, Promotion and Roadshow Execution
- Invitation event for relevant private sector members
- Event invitation for Academicians & Media
- Promotion via TV, Radio, Magazines and Newspapers

### EDGE LAUNCHING & IMPLEMENTATION
- Soft Launching EDGE
- Pilot projects (for demonstration)
- Pilot projects evaluation dan adjustment (if needed)
- Grand Launching EDGE
- Grand Launching Event
- Annual, Monthly and Semester report for the management
- Evaluation of periodic implementation
- Further Adjustments (if needed)
**Exhibit 7:** Nohria’s model for employee motivation

<table>
<thead>
<tr>
<th>DRIVE</th>
<th>PRIMARY LEVER</th>
<th>ACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquire</td>
<td>Reward System</td>
<td>- Sharply differentiate good performers from average and poor performers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Tie rewards clearly to performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Pay as well as your competitors</td>
</tr>
<tr>
<td>Bond</td>
<td>Culture</td>
<td>- Foster mutual reliance and friendship among coworkers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Value collaboration and teamwork</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Encourage sharing of best practices</td>
</tr>
<tr>
<td>Comprehend</td>
<td>Job Design</td>
<td>- Design jobs that have distinct and important roles in the organization</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Design jobs that are meaningful and foster a sense of contribution to the organization</td>
</tr>
<tr>
<td>Defend</td>
<td>Performance-Management and Resource-Allocation Processes</td>
<td>- Increase the transparency of all processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Emphasize their fairness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Build trust by being just and transparent in granting rewards, assignments, and other forms of recognition</td>
</tr>
</tbody>
</table>

Source: Nohria 2008
Exhibit 8: Benchmarking Sustainability with LEED

LEED, representing Leadership in Energy and Environmental Design, is a comparable global green building certification system run by the United States Green Building Council (“USGBC”). LEED is the most widely used sustainable building program with a presence in 135 countries and 193,000 certified professionals around the world (USGBC, 2014b). LEED aims to reduce water use by 40% and energy use by 50% in a typical commercial, office environment (USGBC, 2014b).

USGBC instituted and unveiled LEED in March 2000 (USGBC, 2014f). Since then, the USGBC has worked to develop a global vision plan through Global and Regional Alternative Compliance Paths. These programs address the needs of different geographic and climactic regions (USGBC, 2014a).

Under LEED, projects receive a certain number of points based on the rating system and type of construction:

- Building Design and Construction
- Interior Design and Construction
- Building Operations and Maintenance
- Neighborhood Development
- Homes

Once the builder determines the rating system, he must apply for LEED certification and submit both preliminary design plans and preliminary construction plans to allow the USGBC an opportunity to review and approve the green construction (USGBC, 2014c). Once the project is completed, it is assigned a certain number of points based on the degree of sustainability.

LEED has four varying levels of certification: Certified, Silver, Gold, and Platinum (USGBC, 2014e). Certified requires 40-49 points, Silver carries a value of 50-59 points, Gold entails 60-79 points, and Platinum requires builders to achieve 80 points and above (USGBC, 2014e). Builders are required to meet certain minimums without assigned point values, including outdoor water use reduction and storage and collection of recyclables. Points are then accumulated based on a specified scorecard designed for the particular rating system (USGBC, 2014d). For example, in Building Design and Construction, water metering receives one point, carbon offsets can receive up to two points, and daylight receives up to three points (Please refer to Exhibit A for the entire scorecard).

To engage in the certification process, non-members must pay a flat registration fee of $1,200 with additional certification costs beginning at $2,750, depending on the rating system and size of the project (USGBC, 2014e). Exhibit B provides a more detailed evaluation of various certification expenditures.

LEED serves as a suitable benchmark for the EDGE program because of the programs inherent similarities in the certification process and global implementation. Compared to LEED, EDGE serves as a more cost-effective method to achieve sustainable building in developing regions around the world.