



IFC Board of Directors

DEBORAH CAMPOS

Letter to the Board of Governors

The Board of Directors of the International Finance Corporation has had this annual report prepared in accordance with the Corporation's by-laws. Paul D. Wolfowitz, president of IFC and chairman of the Board of Directors, has submitted this report with the accompanying audited financial statements to the Board of Governors.

The Directors are pleased to report that for the fiscal year ended June 30, 2005, IFC expanded its sustainable development impact through private sector project financing operations and advisory activities.

Board of Directors: Perspective and Oversight for IFC

This year the Board of Directors approved a number of investments and maintained close oversight of the development and implementation of IFC's strategy. During FY05 the Board continued to encourage the Corporation to coordinate its work closely with other World Bank Group institutions, especially in providing technical assistance to improve the investment climate and promote private sector development. Directors noted IFC's proposal to expand collaboration with IBRD in middle-income countries and with IDA in low-income countries. The Board reviewed country-specific operations and discussed 14 joint World Bank-IFC-MIGA country assistance strategies and related products.

Directors noted the challenges in both maintaining profitability and increasing development impact. They reaffirmed their support for IFC's five strategic priorities and endorsed a scaling up of activities to expand IFC's development impact. Directors were pleased to note the Corporation's plan to increase substantially its support to private sector development in high-risk and low-income countries and to expand its investments in infrastructure, health, and education through public-private partnerships.

Specific issues Directors discussed with IFC management include the Corporation's updates of its disclosure policy and its social and environmental safeguards policy, as well as a review of its accounting principles. They also discussed IFC's program for anti-money laundering and combating the financing of terrorism, as well as the integration of gender issues into its work.

In keeping with its oversight responsibility, the Board discussed the annual review on operations evaluation and the IFC management response. The Board appreciated the continued positive dialogue between IFC management and the Operations Evaluation Group.

With respect to the Corporation's performance, the Board welcomed IFC's achievements in FY05, as reflected in its strong financial results and the expansion and improvement in the quality of its portfolio.

*PICTURED OPPOSITE
FROM LEFT TO RIGHT:*

(Standing) Robert B. Holland III,
Herwidayatmo, Pietro Veglio, Eckhard Deutscher,
Mathias Sinamenye, John Austin, Tom Scholar,
Chander Mohan Vasudev, Thorsteinn Ingolfsson,
Sid Ahmed Dib, Yahya Abdullah M. Alyahya,
Nuno Mota Pinto,* Otaviano Canuto, Pierre
Duquesne, Paulo F. Gomes, Gino Alzetta,
Gobind Ganga,* Alexey Kvasov, Luis Marti.*

*(Seated) Mahdy Ismail Aljazzaf, Zou Jiayi,
Jaime Quijandria, Yoshio Okubo, Ad Melkert.*

** Alternate director*

Directors and Alternates as of June 30, 2005

DIRECTORS

Mahdy Ismail Aljazzaf
Yahya Abdullah M. Alyahya
Gino Alzetta
John Austin
Biagio Bossone
Otaviano Canuto
Eckhard Deutscher
Sid Ahmed Dib
Pierre Duquesne
Paulo F. Gomes
Herwidayatmo
Thorsteinn Ingolfsson
Alexey Kvasov
Luis Marti
Marcel Masse
Ad Melkert
Yoshio Okubo
Jaime Quijandria
Tom Scholar
Mathias Sinamenye
Chander Mohan Vasudev
Pietro Veglio
Zou Jiayi
(vacant)

ALTERNATES

Mohamed Kamel Amr
Abdulrahman M. Almofadhi
Melih Nemli
Terry O'Brien
Nuno Mota Pinto
Jeremias N. Paul, Jr.
Walter Hermann
Shuja Shah
Anthony Requin
Louis Philippe Ong Seng
Nursiah Arshad
Svein Aass
Eugene Miagkov
Jorge Familiar
Gobind Ganga
Tamara Solyanyk
Toshio Oya
Alieto Guadagni
Caroline Sergeant
Mulu Ketsela
Akbar Ali Khan
Jakub Karnowski
Yang Jinlin
Robert B. Holland, III

See Volume 2 for full listing of Board of Governors and for voting power of the Board of Directors.

IFC Governance

The International Finance Corporation's member countries, through a Board of Governors and a Board of Directors, guide IFC's programs and activities. Each country appoints one governor and one alternate. IFC corporate powers are vested in the Board of Governors, which delegates most powers to a board of 24 directors. Voting power on issues brought before them is weighted according to the share capital each director represents. The directors meet regularly at World Bank Group headquarters in Washington, D.C., where they review and decide on investment projects and provide overall strategic guidance to IFC management.

Directors also serve on one or more standing committees, which help the Board discharge its oversight responsibilities by examining policies and procedures in depth. The Audit Committee advises on financial and risk management, corporate governance, and oversight issues. The Budget Committee considers business processes, administrative policies, standards, and budget issues that have a significant impact on the cost-effectiveness of Bank Group operations. The Committee on Development Effectiveness focuses on operations and policy evaluation and development effectiveness with a view to monitoring progress on poverty reduction. The Personnel Committee advises on compensation and other significant personnel policies. Directors also serve on the Committee on Governance and Executive Directors' Administrative Matters.

Paul D. Wolfowitz is president of IFC and the other World Bank Group institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). Mr. Wolfowitz also serves as chairman of the boards. Assaad J. Jabre is acting executive vice president of IFC, overseeing its day-to-day operations.

See also related sections on the Operations Evaluation Group (p. 68) and the Office of the Compliance Advisor/Ombudsman (p. 70), both of which function independently of IFC management.