



# Investing in Progress

with Experience, Innovation, and Partnership

The International Finance Corporation is at the forefront of private sector development: we are redefining how poverty can be reduced and lives improved through a stronger private sector in emerging markets.

Accomplishing this goal means reaching people, regions, and sectors that have not yet shared in the overall growth of emerging markets. It means innovation—forging new partnerships with governments and other multilateral institutions, identifying new roles for the private sector, creating products that develop financial markets, and making it easier for disadvantaged people to launch a business or own a home. It means building on significant strengths in many countries and industries—helping established enterprises become more competitive and sustainable as they expand their operations or extend their reach into new markets. It also means bringing to developing economies proven products and techniques, both from industrialized countries and, increasingly, from other developing countries. Above all, it means tailoring our global expertise to local needs. We recognize that there is no “business as usual” to our task of helping the private sector make a larger, more positive difference for the people living in developing countries. The examples that follow show how IFC is addressing, and working to solve, the challenges that face the countries we serve.

# Strategic Objectives

## Expanding Access to Finance

1

IFC works with financial institutions to broaden access to finance; the emphasis includes smaller businesses, housing finance, and leasing. Our advice and innovative products are also developing and strengthening financial markets.



## Increasing Private Participation in Key Sectors

2

In infrastructure, health, and education, IFC is developing new approaches that increase private sector participation in delivering services.



## Helping Successful Enterprises Grow

3

Many of IFC's clients are poised to grow into competitive, global players in their markets, but they still benefit from our long-term financing and global experience as they raise standards and improve performance.



## Focusing Where Needs Are Greatest

4

In countries that are low income or high risk, IFC is helping governments improve the investment climate. We also use our capital and technical assistance to demonstrate the viability of private enterprises in these markets.



## Ensuring Sustainability

5

Alongside financial expertise, IFC's experience in corporate governance and environmental and social development is crucial to helping our clients sustain the long-term success of their businesses. Our standards are also widely influential in the project finance community.





TANG CHHIN SOTHY

# Expanding Access to Finance

*IFC helps establish microfinance institutions, leasing companies, and credit bureaus in emerging markets.*

*Our innovative transactions and advice to regulators are helping build securities markets in many client countries.*

IFC is helping strengthen developing countries' financial markets—with an emphasis on expanding access to finance for poor people and the businesses they create—as a key to sustainable economic growth. Through investments and technical assistance, IFC is developing financial intermediaries and building the financial infrastructure. We are also working with the World Bank and governments to ensure that laws and regulations in emerging markets support a robust financial sector.

Financial intermediaries include the bank and nonbank institutions through whose lending IFC reaches smaller businesses, as well as larger firms that have a positive impact on development. IFC invests in financial institutions and provides technical assistance to increase their activity in such key areas as financing for smaller businesses, microfinance, housing finance, leasing, and insurance. Through innovative investments and technologies, we are also helping them build their capacity to provide finance for a wider range of environmental and social products and services, especially in sectors, such as renewable energy and energy efficiency, with much untapped potential in the global market.

As part of its efforts to develop financial infrastructure, another critical component of sustainable growth in emerging markets, IFC emphasizes establishing credit bureaus and securities markets. Credit bureaus play an indispensable role in expanding credit and enabling economic growth, and IFC is involved in developing such bureaus in 34 countries around the globe. A functioning securities market also expands the availability and affordability of financing, and IFC is helping establish such markets both through engagement with governments and through pioneering transactions that break new ground. (For details of transactions, see the sections on investment operations and individual regions.)

## Financial Markets Technical Assistance

In FY05, 127 technical assistance projects for financial markets were active in over 60 countries, representing more than \$89 million in donor commitments. Projects in this sector represent a significant share of IFC's technical assistance work. Most were in high-risk or low-income countries (65 percent), particularly in Africa and the Middle East. More than 70 percent of the projects focused on strengthening access to finance, mainly through lending to micro, small, and medium enterprises and through leasing. Many of these activities accompany IFC's financial sector investments; specific projects are highlighted in the regional sections of this report.



COURTESY OF CPEL ENERGIA



LUDWINA JOSEPH

## Mexico: Innovative Structure Helps Finance Housing

In a landmark transaction, IFC committed a total of 1.265 billion Mexican pesos (about \$113 million) to GMAC Financiera, a wholly owned subsidiary of GMAC Residential Funding Corporation, to finance the origination or acquisition of eligible mortgage loans for low- to middle-income families and to support the company's mortgage-backed securities business in Mexico. The financing consists of an IFC loan of up to \$65 million equivalent and a credit enhancement facility of up to \$50 million equivalent. Through this transaction, IFC is providing its first-ever structured, collateralized mortgage loan; it will be backed by a pool of mortgages in a trust that will be rated AAA on a local scale.

The project is expected to have a major developmental impact. It will enable GMAC Financiera to continue extending mortgage financing to *sofoles*, specialized financial institutions that in turn will provide housing finance to a large number of lower- and middle-income people. With its innovative structure, this transaction will also contribute to development of Mexico's capital markets.



# Increasing Private Participation in Infrastructure

ALEJANDRO PEREZ

*In FY05, IFC's investments in developing countries included \$883 million in infrastructure sectors (utilities and transportation).*

*We also invested \$200 million in information and communications technology.*

IFC prioritizes infrastructure because it is the basis for all economic growth and development—and because it offers so much scope for the private sector to play an innovative role.

The Corporation is an active investor and advisor in sectors ranging from power, transportation, and water and sanitation to information and communications technologies. We invest for our own account, mobilize private sector funding, advise governments on the privatization of services, and provide technical assistance that helps companies and agencies improve the competitiveness and sustainability of their operations.

Cornerstones of IFC's efforts include the promotion of public-private partnerships to deliver infrastructure services, the expansion of our investment and technical assistance efforts to subnational levels of government, and—as in all our activities—unwavering attention to the environmental and social impacts of the development activities we support. In all these efforts, IFC operates in partnership with the institutions of the World Bank Group.

## **IFC Advisory Services**

IFC provides advice to governments on the structuring and implementation of private sector participation in infrastructure, health, and other public services. IFC's efforts focus on sustainably expanding access to public services, where we can help strike the balance between the objectives of governments and the requirements of private investors.

In FY05, IFC worked on 25 transactions in mining, power, water and sanitation, health, solid waste, irrigation, and several sectors of transportation: airlines, airports, ports, railways, and urban transit. We completed four transactions: Moatize Coal in Mozambique, the concession for operating Madagascar's principal port, and public-private partnerships in Morocco and Romania. The Moroccan transaction is the developing world's first for irrigation services. New projects are underway in Brazil, India, the Philippines, and Saudi Arabia, as well as in Sub-Saharan Africa and the Pacific islands. An advisory hub has been created in IFC's Johannesburg office.

## Subnational Financing: The Municipal Fund

A joint pilot program of IFC and the World Bank, the Municipal Fund continues to explore ways of investing in municipalities, municipal entities, and other tiers of local government without taking sovereign guarantees. Staff have studied over 20 countries and identified opportunities in markets as varied as Brazil, China, Colombia, India, Peru, the Philippines, Russia, and Thailand. The team has built partnerships and alliances with advisors, commercial and development banks, and bilateral and multilateral donors.

This initiative has established that subsovereign finance contributes strongly to IFC's mission, as the potential impact on development—expanding its benefits to less developed areas and to poorer people—is substantial. Engaging with municipalities supports a number of IFC's priorities, including small businesses, housing finance, public-private partnerships in infrastructure, and carbon finance. It also complements our efforts to help governments simplify municipal business regulations, as demonstrated by IFC's work this year in Bolivia (see box, p. 55). Technical assistance is also critical to enhancing the capacity and creditworthiness of subsovereign borrowers and to ensuring successful implementation of projects.



COURTESY OF NEWMONT



COURTESY OF CEPALCO



COURTESY OF CEPALCO

## The Philippines: Long-term Financing Supports Renewable Energy

IFC has provided its first loan in Philippine pesos for up to \$15 million equivalent to Cagayan Electric Power and Light Company. Known as CEPALCO, the company serves nearly 87,000 customers in northern Mindanao, a less developed region of the country. Our 12-year financing in pesos through the local swap market supports critical infrastructure needs while furthering development of the country's long-term hedging markets. Up to now, CEPALCO has funded its network expansion and assets through financings of five years or less because of limited access to debt or capital market financing. IFC's long-term financing will help the company make critical investments in its distribution network. It is our second investment with CEPALCO; we also helped the company establish the first full-scale demonstration of the environmental and economic benefits of combining hydroelectric and photovoltaic power. The company now operates the largest grid-connected photovoltaic installation in the developing world.



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# Increasing Private Participation in Health and Education

As with infrastructure, the social sectors of health and education are a priority for IFC, both because they are key to raising living standards and because more involvement from the private sector can improve the quality and reach of services.

IFC invests in private companies that deliver health care or that provide health-related services and technologies. Concern with health also underlies much of our emphasis on environmental and social development, as we help client companies upgrade their operations to international standards or, in a growing number of places, address the unprecedented threat to their operations that is posed by the spread of HIV/AIDS.

IFC also invests in private schools and universities, which are often an essential complement to state-run institutions as developing countries struggle to meet a burgeoning demand for education. Through an innovative program, we are also helping the business schools of industrialized nations share expertise with their counterparts in developing countries. Reflecting the knowledge-sharing role of the World Bank Group, IFC develops and disseminates best practices in many sectors, sets up forums for policymakers and businesspeople to share ideas, and helps client companies upgrade their operations and the skills of their staff.

## Contributing to the Millennium Development Goals

The international community has set specific targets for a global partnership to reduce poverty, hunger, and child mortality; expand primary education and gender equality; combat infectious diseases and improve maternal health; and ensure environmental sustainability. The *Global Monitoring Report 2005*, produced by the World Bank Group and International Monetary Fund to assess progress in reaching these goals by 2015, has outlined an agenda for accelerating progress, especially in Sub-Saharan Africa. The agenda emphasizes the need to improve the environment for stronger economic growth led by the private sector—the area in which IFC, as the private sector arm of the Bank Group, is uniquely positioned to make a difference. Our approach has never been more relevant to fighting poverty and improving lives. As demonstrated by the efforts highlighted in this report, we are addressing regulatory and institutional constraints to business and trade, innovating to strengthen basic infrastructure, improving access to finance for smaller enterprises, and working to make private sector activity more environmentally and socially sustainable. Our global reach also gives us a role in transferring innovations with broad impact on living standards among developing countries and regions. For more information on the Millennium Development Goals and progress toward meeting them, see [www.developmentgoals.org](http://www.developmentgoals.org).



RONKE-AMONI OGUNSULIRE

## Ghana: A New Approach to Funding Private Schools

IFC is providing local currency financing and technical assistance to private primary and secondary schools in Ghana, our first investment in the country's education sector. The project includes a partial guarantee of up to 9.5 billion cedi (equivalent to \$1.1 million) to Ghana's Trust Bank on loans extended to eligible private schools in the Accra region. The loans will fund construction, purchase of educational materials, and other capital expenditures. Comprehensive technical assistance is being designed to strengthen the schools' financial, management, and educational capacities; to improve the business environment for private education; and to foster the development of an independent provider of educational services to private schools.

Few local banks lend to Ghana's private K-12 schools, and those that do generally lend for less than two years, a tenor too short to support expansion or modernization projects. Hence projects proceed in piecemeal fashion, while schools lose revenue and cannot keep pace with the growth in demand for private schooling. IFC's guarantee will help Trust Bank lengthen loan maturities to three to five years, tenors better suited to capital investments. IFC hopes to establish a model that it can expand across Ghana and adapt and replicate throughout Sub-Saharan Africa.



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## Global Business School Network

IFC has established a partnership with business schools around the world that is strengthening the skills of business managers in developing countries. To date we have enlisted faculty from 18 business schools in industrialized countries to help build the institutional capacity of their African counterparts. Pilot programs with business schools in Sub-Saharan Africa are improving future leaders' access to high-quality management education, improving the transferability of best practices in education and training, and strengthening ties between institutions and their surrounding communities. The efforts aim to maximize the impact of private sector knowledge and skills at the local level.

This year one pilot brought together over 60 African faculty from 20 business schools across the region for an intensive course on practice-based and case teaching methods. The workshop was jointly organized by South Africa's Gordon Institute of Business Science and Nigeria's Lagos Business School, with the involvement of the Columbia, Harvard, and IESE business schools. Also this year, IFC convened a conference of deans and directors of Africa's business schools, at which participants launched a regional association of African business schools. For more on IFC's work with business schools, see [www.ifc.org/gbsn](http://www.ifc.org/gbsn).



LAURA BURES



COURTESY OF RIO BRAVO

# Helping Successful Enterprises Grow

*In addition to investing capital, IFC helps firms become more competitive by improving corporate governance and upgrading environmental and social performance.*

*Increasingly, we are helping long-term clients expand their business into other sectors or countries.*

Though the challenges of development remain immense, a number of emerging markets and many individual private enterprises are making impressive progress. Increasingly, IFC is building long-term relationships with successful clients.

Companies and financial institutions that we supported in the early stages of their growth now seek our expertise to upgrade their operations. We help these firms finance capital improvements, attract strategic investors, and mobilize additional funding from commercial banks. We assist them in bringing their business practices and environmental compliance more into line with international standards, improving their competitiveness as they prepare to expand or develop new business lines. We are also helping spur a rapid increase in private investment among developing countries. These interregional or “south-to-south” investments have the potential to extend development to less developed areas and to many people who have not yet benefited from growth—and they make business sense for many of our clients.

## Corporate Governance

IFC emphasizes corporate governance in its investments and internal operations; the Corporation also provides technical assistance to companies and financial institutions seeking to improve their practices. A joint department with the World Bank serves as a clearinghouse for knowledge and resources, including the Bank’s country-level assessments and policy recommendations to governments. It also houses the Global Corporate Governance Forum, a donor-funded center of best practice.

IFC has developed a methodology that allows us to reduce risks related to corporate governance while contributing to the development of best practices. IFC also organizes and participates in conferences and policy dialogue to build global understanding of the business benefits that derive from upgrading corporate governance practices. As highlighted in the regional sections of this report, our efforts have helped many clients become leaders in their markets, improve their access to long-term capital, and play a larger role in economic growth.

## Global Trade Finance Program

Launched in FY05, IFC's Global Trade Finance Program will support trade with emerging markets worldwide. It extends and complements the capacity of banks to deliver trade financing by providing risk coverage in difficult markets. Targeting banks in Africa, Asia, Latin America, and the Middle East, the \$500 million program is open to all regional and international confirming banks. The resulting network allows participants to finance their trade conveniently through any of the bank counterparties in the program.

IFC will provide partial or full guarantees on the payment risk of banks in over 70 developing and transition countries, with the objective of increasing developing countries' share of global trade and promoting the "south-to-south" flow of goods and services. The guarantees will be used primarily to support short-term trade but will also accommodate longer tenors, of up to three years, for capital goods imports. In addition, IFC will make pre-export cash advances and provide technical assistance and training for local banks, helping them achieve best industry standards in trade.

IFC is spearheading this new approach because trade finance plays a critical role in economic growth. This initiative strengthens local financial institutions and assists smaller companies that need trade finance in order to grow.



NEERAJ JAIN



NILUFAR NAURHAMMAKULOVA

## Kazakhstan: Helping Launch the Leasing Industry

IFC has brought together Bank Turan Alem, one of Kazakhstan's largest banks, with ORIX Corporation of Japan and ORIX Leasing Pakistan in a joint venture, called BTA-ORIX Leasing, to support Kazakhstan's leasing industry. The investment will enhance the firm's institutional capacity and increase its capital base, helping it expand operations to serve the needs of the country's private sector. By bringing in technical expertise from its counterpart in Pakistan, the joint venture will also strengthen BTA-ORIX Leasing's risk management and corporate governance.

IFC has invested \$1.2 million for a 10 percent equity stake and is providing a senior loan of up to \$5 million. The project represents IFC's first investment in Kazakhstan's leasing industry after working, through our Private Enterprise Partnership, to establish an appropriate regulatory and legal framework for a leasing industry in the country.

This project demonstrates IFC's commitment to supporting leasing throughout Central Asia, as it offers an effective term financing alternative for smaller businesses that seek to upgrade long-term assets and improve their competitiveness. The project will also help BTA-ORIX Leasing secure independent access to sustainable private sector funding once it establishes a good borrowing record. IFC's involvement helps set high operational and governance standards for the financial services industry in Kazakhstan.



# Focusing Where Needs Are Greatest

NEERAJ JAIN

The private sector can help raise living standards for poor people in developing countries, but only if the economic climate is conducive to investment, job creation, and higher productivity. IFC collaborates with the World Bank and MIGA to identify ways of fostering a climate for growth. Some countries need help with the basics of attracting foreign investment. Others need our expertise to ensure that business development is equitable, reaching, for example, less urbanized areas, more women, and groups that have been excluded from full economic participation.

## Strengthening the Investment Climate

IFC and the World Bank work together on surveying and assessing the investment climate of developing countries. A database of the surveys has been set up, which makes data from 30,000 firms accessible to governments considering reforms. In addition, IFC and the Bank publish the annual *Doing Business* report, which provides objective, quantifiable indicators of business regulations in 145 countries; reform efforts in more than 30 countries have been spurred by the data and recommendations in the first two editions. Investment climate is also the focus of the Bank's 2005 *World Development Report*.

## Foreign Investment Advisory Service

A joint operation of IFC and the World Bank, the Foreign Investment Advisory Service advises developing country governments on how to attract and retain foreign direct investment and maximize its impact on poverty reduction. Since 1985, FIAS has advised more than 130 countries in more than 600 projects. FIAS conducts diagnostic studies, helps design solutions, and assists in implementation of its recommendations.

FIAS completed 74 projects in FY05. These included 16 knowledge management activities, notably four regional learning events on investment climate issues, which were held in Bangkok, Cape Town, Istanbul, and Washington.

FIAS coordinates its activities with other parts of the World Bank Group and bilateral donors; it increasingly works with IFC's regional facilities. Examples include collaboration with the Private Enterprise Partnership in Magadan in Russia's Far East, with PEP-MENA in Egypt, and with SEDF in Bangladesh.



COURTESY OF NOVOBANCO



MICHAEL WILD



ALEX BANO



MICHAEL WILD

## New Initiatives Broaden Our Reach

This year IFC and the World Bank launched the Strengthening Grassroots Business Initiative, which helps poor, marginalized people expand revenue-generating activities that bring them into the market economy. The initiative provides technical assistance and invests “patient capital” to strengthen organizations’ access to markets, management capacity, and capital structure. Recipients can be for-profit or not-for-profit. Pilot projects are underway in Africa, South Asia, and Latin America, and the initiative is working to develop a wholesale approach to supporting grassroots businesses.

IFC has also launched Gender Entrepreneurship Markets, a program addressing the gender inequalities—including in the investment climate, access to finance, and business management skills—that prevent women from realizing their economic potential in emerging markets. To expand opportunities for female entrepreneurs and reduce restrictions to women’s participation in the formal economy, the program is integrating gender issues into IFC’s work. Its initial focus is Sub-Saharan Africa, where women run some 40 percent of businesses but have little access to finance.

## Small and Medium Enterprises

In many developing countries, small and medium enterprises—companies with 10 to 300 employees and annual sales of \$100,000 to \$15 million—are a key source of employment and critical to economic growth and poverty reduction. Strengthening these firms as well as microenterprises—businesses with fewer than 10 employees and less than \$100,000 in turnover—is a priority for IFC.

In FY05, commitments to institutions focused on smaller enterprises, such as microfinance institutions, banks, or leasing companies, reached \$1.1 billion, up from \$718 million in FY04. We also strengthen smaller enterprises through our technical assistance programs, which help establish a more favorable policy environment for local businesses, build capacity at financial institutions that finance smaller enterprises, and expand the range of business services available to these enterprises.

IFC assists smaller businesses through a network of regional facilities, which tailor services to meet local demand, as well as the IFC-IDA program for micro, small, and medium enterprise development in Sub-Saharan Africa; linkage programs, which extend the benefits of large IFC investments to local firms and communities; the Strengthening Grassroots Business Initiative (see box); and other donor-funded operations.



KENJI YUHAKU

# Ensuring Sustainability

## The Equator Principles: Raising Industry Standards for Project Finance

Through the Equator Principles, IFC is collaborating with the wider financial sector to meet the demand for greater social responsibility among providers of capital. Launched in June 2003, the principles are a voluntary set of environmental and social guidelines for project finance lending based on IFC's standards and procedures. It is estimated that they are now used by about 80 percent of the project finance market worldwide. To date, 32 financial institutions have adopted the principles; the group increasingly includes institutions from emerging markets, with four Brazilian banks among new adopters during FY05. IFC has helped train Equator bank professionals in implementing the principles; the institutions in turn have participated as stakeholders in IFC's policy review.

Private sector development supports IFC's mission only if it is sustainable—if it makes a positive, long-term contribution to the economy and in doing so reduces poverty and improves lives.

Integrating environmental, social, and corporate governance issues with financial and economic factors helps ensure that our efforts have long-term benefits for the people, regions, and sectors most in need. It also allows us to engage more comprehensively with our clients, reduces the risk of private investing for everyone involved, and strengthens the ties between companies and the communities in which they operate. IFC has become a leader in making private sector development more sustainable—for all of these reasons—and because there is a business case for doing so. Our expertise in sustainability, in turn, is a main reason that clients who have other options for funding choose to work with IFC.

The Corporation incorporates environmental, social, and corporate governance due diligence into its investment operations. Sustainability is also the focus of much of our technical assistance and advisory work with clients, as detailed throughout this report. In addition, we ensure that key staff at IFC receive thorough training in these issues; to date some 555 staff have participated in the Sustainability Learning Program. It has been delivered in our regional hubs as well as in Washington, and with clients, partners, and other stakeholders attending. IFC also collaborates with the international community on many key initiatives, including on the Millennium Development Goals (see p. 16).

During FY05, IFC increased its resources for measuring both its development impact and the environmental and social footprint of its own operations. These issues are covered in detail in IFC's annual *Sustainability Report*. (See also related section on the Operations Evaluation Group, p. 68.)

## Updating IFC's Policies and Guidelines

IFC's environmental and social standards have a broad impact on the private sector, both through our work with clients and through the widespread adoption of the Equator Principles by major commercial banks (see box). To ensure that these standards remain relevant to a rapidly evolving marketplace, this year the Corporation pushed ahead with an integrated review of our existing Safeguard Policies; Policy on Disclosure of Information; and Environmental, Health, and Safety Guidelines.

The review involved a broad consultation process with stakeholders around the world, including governments, our clients and partners, and representatives of civil society. The resulting comprehensive update of our policies and guidelines was presented to IFC's management in July 2005, with Board discussion to follow. The new Policy on Social and Environmental Sustainability and Performance Standards is expected to take effect during 2006. For more information, see [www.ifc.org/policyreview](http://www.ifc.org/policyreview).

## IFC Against AIDS

IFC Against AIDS helps client companies step up their involvement in fighting HIV/AIDS. Through this program, IFC works with clients to analyze the business risks the disease presents and provides guidance on design and implementation of education, prevention, and care programs that target the workforce and surrounding communities.

During FY05, we began providing strategic technical assistance in South Asia, where Indian companies are matching the funds they receive through IFC's Corporate Citizenship Facility. The first two companies, Ambuja Cement Foundation and Apollo Tyres, are already scaling up their HIV/AIDS awareness and prevention programs in the workplace and the community, as well as enhancing their clinics' capacity for treating sexually transmitted diseases and for preventing and detecting HIV among long-distance truckers. Partnership with African companies, including training for smaller businesses, also remains a key focus of the program (see box, p. 32). For more information, see [www.ifc.org/ifcagainstaids](http://www.ifc.org/ifcagainstaids).



VLASSIS TIGKARAKIS

## Making a Difference in the Extractive Industries

In association with the World Bank and MIGA, IFC has begun implementing a set of proposals to improve the governance, revenue management, and community involvement of the extractive industries—oil, gas, and mining—in which we invest. This reflects the recent Extractive Industries Review, which consisted of independent evaluations of World Bank Group involvement in this sector; during FY05, the Board endorsed a response from the management of IFC, the World Bank, and MIGA. The Bank Group is setting up an Extractive Industries Advisory Group, which will draw on the experience of outstanding representatives from a range of stakeholder groups to provide advice and a forum for discussing key issues in these industries. As part of an overall commitment to sustainability, the Bank Group will also increase its investments in natural gas and renewable energies, as well as in projects that improve energy efficiency.

## Carbon Finance: Building for the Future

IFC is helping developing countries participate in the fast-growing market for carbon credits. We are leveraging our experience and knowledge in evaluating and financing private sector projects in developing countries to help mitigate the risk associated with the delivery of emission reductions under the flexible trading mechanisms set up by the Kyoto Protocol. For example, our equity investment this year in AgCert International will help over 500 livestock farms in Latin America capture and dispose of methane from animal waste, generating revenue through carbon credits. We have also begun collaborating with private sector partners to design, launch, and manage related financial products, with the goal of taking risk in such transactions for IFC's own account. In addition, IFC operates two facilities to purchase emission reductions on behalf of the Netherlands. In FY05, these facilities concluded emissions reduction purchase agreements with two clients: Brascan Energetica in Brazil, which is building and operating run-of-river hydropower facilities to displace generation from fossil fuels; and Balrampur Chini Mills Limited, one of India's largest sugar producers, which has developed, with IFC support, two cogeneration projects that use bagasse, reducing reliance on fossil fuels. These agreements represent a combined 4.5 million carbon credits and an expected contract value of more than \$25 million.



MAX YACOUB



COURTESY OF ACLEDA (3)

### ACLEDA Bank Receives IFC Client Leadership Award

IFC presents an annual Client Leadership Award to recognize a highly successful corporate client that, in line with IFC's mission, has made a significant contribution to sustainable development. This year's award goes to ACLEDA Bank Plc, a leading private bank serving micro and small enterprises in Cambodia.

With IFC's support, ACLEDA has transformed itself from a nongovernmental organization focusing on rural development into a first-tier commercial bank. Established in 1993, the Association of Cambodian Local Economic Development Agencies began its transition into a full-service bank in 1998, assisted by IFC's Mekong Private Sector Development Facility, the United Nations Development Program, and other international aid agencies. Through investments in 2000 and 2004, IFC established an equity stake in ACLEDA, mobilized other investors, and provided financing to expand the bank's lending to microenterprises. The transformation is a success: today ACLEDA is Cambodia's second-largest bank in terms of market share on loans outstanding. Its strong profitability has exceeded business targets and makes it a top performer among microfinance institutions worldwide.

With 136 branches and offices, ACLEDA has expanded coverage to more than 130,000 active borrowers and to areas not usually served by formal financial institutions. About 66 percent of its clients are women. As part of its efforts to raise living standards, it has introduced a loan product for small power generation facilities that serve remote districts and has invested in communications infrastructure to support money transfers between its rural branches. ACLEDA has aligned with industry best practices in training and compensation for staff, and it has drawn on IFC's expertise in implementing effective environmental management.

ACLEDA's success demonstrates how providing financial services to low-income entrepreneurs makes sound business sense in emerging markets. It serves as a role model for similar institutions around the world.





JOHN KELLS



SANIWA SEMANAYAKE



SANIWA SEMANAYAKE

## Helping the Private Sector Respond to the Indian Ocean Tsunami

The devastating tsunami in December 2004 affected several economies in East and South Asia. IFC immediately set up a matching grant program for selected partner companies in Indonesia, the Maldives, Sri Lanka, and Thailand. By matching the costs they incurred in their response to the tsunami, IFC helped these firms step up their participation in the relief effort. The program helped remove infrastructure and distribution bottlenecks for relief operations and provided health services, power, communications, and clean water. IFC committed \$1.4 million to support 11 projects covering water treatment plants and emergency school facilities in Indonesia; food, water, emergency supplies, and repair and reconstruction of housing in the Maldives; port and airport logistics, relief camps, and emergency telecommunications in Sri Lanka; and cleanup and reconstruction of buildings and boats in Thailand.

IFC also established a special loan facility to support the recovery of tourism in the Maldives, Sri Lanka, and Thailand. In addition, the Corporation has conducted seminars and consultations on insurance in the Maldives and Sri Lanka. IFC also provided \$150,000 from its corporate contingency funds to a program run by Sri Lanka's National Development Bank Group that repaired or replaced fishing boats and equipment damaged by the tsunami.

At its launch, the International Finance Corporation became the first multilateral organization to have as its main objective the promotion of private enterprise. Today, it remains one of the few multilaterals to assume full commercial risks alongside private investors in emerging markets. The idea of an institution to spur private sector investment in poor countries—complementing the World Bank's lending to governments—had been broached at the founding of the Bank and the International Monetary Fund in 1944. In the summer of 1956, IFC's first loans, for manufacturing projects in Brazil and Mexico, put the World Bank Group on course to making that vision a reality.

In half a century of growth, IFC has remained the largest multilateral source of loan and equity financing for private sector projects in developing countries, even coining the term "emerging markets" for the clients we serve. We have been a key investor in more than 3,300 companies, a catalyst for partnerships in commercial investment and technical assistance, and a champion of best practice with global expertise to help firms and the government entities that work with them. We have played a leading role in building recognition that developing and transition countries offer sound and sustainable business opportunities. The Corporation will celebrate its accomplishments during 2006 with a renewed commitment to providing the innovative products and services our clients need and to expanding our impact on development.

50  
years  
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