

# THE LEADER IN PRIVATE SECTOR DEVELOPMENT

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A vibrant private sector is indispensable to tackling the world's most urgent development challenges. It takes a special kind of leadership, however, to ensure that the benefits of private sector growth reach people who need it most—the poor. As the world's foremost private sector development institution, we strive to provide that leadership.

IFC aims to create opportunity for people to escape poverty and improve their lives. We do so by leveraging our global presence and expertise to provide investment and advice that help developing countries achieve long-term, sustainable growth. We bring a distinctive set of capabilities to bear: We innovate to strengthen the private sector, we exercise influence to raise standards and shape policy, we demonstrate the benefits of venturing into challenging markets, and we achieve development impact that can be measured.



*IFC's share of all development  
financing to the private sector by  
international finance institutions*



# IFC AND THE POWER OF THE PRIVATE SECTOR

Jobs. Innovation. Opportunity. The private sector drives them all.

In developing countries, it fuels the economic growth and entrepreneurship that improve living standards and give people a shot at a better life. It is a vital source of tax revenues, providing governments with essential funding for health, education, and infrastructure. And it is especially important in uncertain times, when the world increasingly looks to emerging markets to power more economic growth.

IFC is uniquely positioned to catalyze the power of the private sector to create growth that benefits the poor. We account for almost a third of all development financing provided to the private sector by international finance institutions, and we provide leading-edge advisory services to improve the investment climate and make businesses more sustainable. We work with clients and policymakers to promote environmental, social, and governance standards and risk-management practices that make markets stronger, more transparent, and more attractive to investors.

As a central element in the World Bank Group's drive to leverage the private sector for robust and sustained growth, we have identified a number of areas where we can make a difference, areas where the needs are too great to be satisfied by public resources alone.

To bolster telecommunications, ports, power generation, land transport, and water and sanitation, we support public-private partnerships in infrastructure. Without the private sector, vital



**\$1.1 TRILLION**  
NEEDED ANNUALLY FOR  
INFRASTRUCTURE IN  
DEVELOPING COUNTRIES

infrastructure projects would go unfunded—developing countries need an estimated \$1.1 trillion in annual expenditures to satisfy demand for infrastructure services. Much of it will come from private sector sources.

We're also working to create a better investment climate in developing countries, because businesses can't thrive and create jobs when red tape and unnecessary regulations thwart entrepreneurs. Our work with other members of the World Bank Group helps governments implement a legal, regulatory, and institutional environment conducive to job creation and growth.

In financial markets, our projects are aimed at giving small and medium enterprises better access to financial services, and strengthening local-currency bond markets. Our work also enhances access to trade, which is responsible for half of global economic output and a crucial bulwark against economic crises. IFC's trade and supply-chain finance programs help companies in emerging markets access much-needed financing, assuring growth and employment.

Leading global policymaking institutions seek us out for our broad experience in private sector development. We're working with the Group of 20 major economies to foster innovative inclusive-business models. The *G-20 Challenge on Inclusive Business Innovation*, which IFC managed in FY12, recognized 15 companies that have found creative ways to improve the lives of millions of people at the base of the economic pyramid.

*Left*  
IFC's work on green buildings could mean "a better future" for Indonesia, says Anton Suparlan, who heads a Jakarta construction company.

# OUR COMPREHENSIVE APPROACH TO JOB CREATION

For the poor, a job is the surest route to a better life. Without work, it's hard—often impossible—for people to care for themselves or their families. Social and economic unrest follow. The cycle repeats. Poverty intensifies.

That's why unemployment is the most pressing challenge of our time. Nowhere is the situation more urgent than in developing countries, home to three-quarters of the world's jobless—around 150 million people.

Hundreds of millions of jobs are needed simply to keep up with population growth and make a dent in the global unemployment rate. It won't be possible without the private sector, which already accounts for 90 percent of the jobs in developing countries. We're working with our clients and partners to ensure that the private sector doesn't just create lots of jobs, but creates good jobs—jobs with safe working conditions, good benefits, and plenty of opportunity for workers to move up to better jobs.

The situation is acute in the Middle East and North Africa region, where young people in particular haven't received training or education relevant to the needs of today's labor market. IFC is addressing that mismatch by mobilizing donor partners, working with our extensive client network, and investing in high-quality education under our e4e Initiative for Arab Youth.

We're also financing crucial job-producing projects. Our \$250 million investment in Egypt's Orascom Construction Industries is expected to provide more than 2,500 jobs and help boost agricultural production.

In Latin America and the Caribbean, our \$130 million investment in Belcorp, a Peruvian cosmetics company, is expected to generate nearly 9,000 jobs, three-quarters of them for women.

We know that the benefits of our investment and advisory work aren't always so direct. They can be indirect, and tricky to measure. Our work to promote access to finance and strengthen the investment climate, for example, translates into jobs that wouldn't otherwise exist, but these effects aren't easy to capture.

To better understand our indirect impact on jobs, we conducted an open-source study on IFC's contributions to job creation, a first-of-its-kind undertaking designed to deepen our understanding of the private sector and employment, and shape the way we make decisions. Early findings have provided key insights into the links between economic growth, productivity, and job creation.

That information, and the lessons we learn from our clients, won't be applied just to IFC's work. It will help policymakers, other development finance institutions, and private companies fuel entrepreneurship, competitiveness, and, ultimately, job creation.



# 150

MILLION  
PEOPLE JOBLESS IN  
DEVELOPING COUNTRIES

We work to ensure the private sector creates good jobs—with safe working conditions, good benefits, and opportunities for advancement.

# 90%

*of the jobs in developing countries come from the private sector*







400  
*million businesses  
lack the financing needed  
for growth*

# OUR GLOBAL ROLE IN EXPANDING ACCESS TO FINANCE

Access to finance is critical to prosperity. But one out of two people in developing countries—more than 2.5 billion in all—has no bank account. Nearly 400 million businesses lack the financing they need to grow. Estimates of the credit gap for these businesses top \$2 trillion.

The Group of 20 advanced and developing countries recognized that deficiency as a fundamental obstacle to development. And it turned to IFC to help carry out the work of its new *Global Partnership for Financial Inclusion*, which is designed to improve access to finance for businesses and individuals that most need it.

Our role has been crucial. It takes skill and broad partnerships—involving governments, development institutions, and the private sector—to address a challenge of such magnitude. That's an area of strength for us. We have decades of experience in helping expand access to finance in developing countries, working through a client network of more than 800 financial institutions.

In FY12, as part of our work related to the G-20, we launched the *Global SME Finance Forum*, a knowledge-sharing initiative to

strengthen the role of small and medium enterprises in growth, employment, and poverty reduction. We also published several research reports on best practices for promoting SME finance—including the *SME Finance Policy Guide*, a reference book for governments and regulators.

Our work can have significant catalytic effects, as one of our advisory projects in China demonstrated. For many small Chinese firms, obtaining finance is a major challenge because they lack the type of collateral accepted by local lending institutions.

In 2005, Chinese authorities embarked on reforms to encourage financing against a broader array of collateral—specifically, valuable movable assets such as inventory and receivables. We were an active partner. Our China Secured Transactions Project helped promote the development of small and medium enterprises, an important national priority.

An external evaluation of the project showed that Chinese businesses received more than \$3 trillion in credit through more than 385,000 loans as of June 2011. Many of the beneficiaries were small businesses—whose assets are mostly in the form of inventory and receivables.

A loan from Bancamia, an IFC-supported microfinance company, boosted Millar Landy Mateus Quiroga's small lumber business in Colombia.

## MORE THAN 800

FINANCIAL INSTITUTIONS  
WORK WITH IFC AROUND  
THE WORLD



We helped Ethiopian coffee farmers raise their incomes by increasing the quality and quantity of coffee they produce.



Developing countries have halved the poverty rate in the past 20 years. Yet 1.3 billion people still scrape by on less than \$1.25 a day. In the decades ahead, these countries are likely to face significant new threats to prosperity—including a shift of populations from villages to cities that strains infrastructure, endangers food security, and harms the environment.

Addressing those dangers is a priority for IFC. Our work with the private sector is helping modernize infrastructure in places that need it most—especially Africa—and broaden people's access to good education and health care. It is expanding and diversifying the food supply wherever it is scarce. It is helping establish strong and resilient local financial markets. And it is empowering businesses in developing countries to do more to mitigate and adapt to the effects of climate change.



# OUR PRIORITY SECTORS

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ADDRESSING CLIMATE  
CHANGE, AN URGENT  
PRIORITY

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PROMOTING A  
VIRTUOUS CYCLE BY  
MODERNIZING AFRICA'S  
INFRASTRUCTURE

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STRENGTHENING  
FOOD SECURITY  
IN DEVELOPING  
COUNTRIES

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HELPING THE POOR  
OBTAIN BETTER  
EDUCATION AND  
HEALTH CARE

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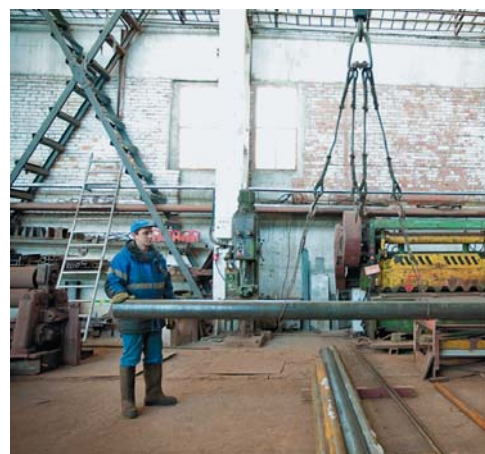
PIONEERING  
LOCAL-CURRENCY  
FINANCE

# 80%

*of funds needed to address  
climate change will come from  
the private sector*



**\$1.6** BILLION  
COMMITTED TO CLIMATE-  
RELATED INVESTMENTS





# ADDRESSING CLIMATE CHANGE, AN URGENT PRIORITY

In developing nations, basic resources such as food, water, and land are increasingly pressed by urbanization and population growth. Climate change intensifies those strains, especially for the poorest of the poor.

The private sector is essential in addressing the challenges—it will need to provide an estimated 80 percent of the investment required to stabilize climate change. Investment of that magnitude requires partnerships between governments, civil society, and international financial institutions. Private sector innovation, moreover, can lower the cost of mitigation and adaptation.

IFC is incorporating climate change into virtually every aspect of our business. We spur innovation by providing investment, including venture capital and blended finance, and advisory services—including standard setting and primary research into the business risks posed by climate change. Over the last few years, we have also established a strong record of projects involving climate-related public-private partnerships.

In FY12, IFC invested \$1.6 billion in climate-related investments—more than 10 percent of our overall commitments for the year. Our target for FY15 is 20 percent of our long-term finance commitments. About 70 percent of our investments in the power sector involved energy efficiency and renewable energy—including Karadzhalovo, a landmark 60-megawatt solar farm in Bulgaria. We also implemented a \$35 million global portfolio of advisory programs to support climate-related

investment by the private sector. About 30 percent of our new mandates for public-private partnerships were climate-related.

Making offices, homes, and other buildings more energy efficient can have a big impact. Building-related greenhouse emissions could double by 2030, with most of the increase in developing countries. IFC is helping builders all over the world put a new emphasis on sustainability and energy efficiency—by ramping up investments and by developing building codes that lower operating costs, cut carbon emissions, and reduce vulnerability to severe weather events.

In Colombia, we are working with the central government and the National Chamber of Construction to develop the first national Green Building Code. The new code will be implemented in the construction of up to 700,000 low-income houses, which represent 72 percent of new construction by 2020. Similar work is underway in Bangladesh, Indonesia, Mexico, the Philippines, and Vietnam.

Local financial institutions also have a pivotal role in climate finance. By providing guidance and resources to Chinese policymakers and banks, we're supporting a transformation of the Chinese financial sector. The ground-breaking Green Credit Policy encourages Chinese banks to invest more in energy-efficient and sustainable companies. This project is vital in a country that emits more greenhouse gases than any other—it will set a powerful example for the rest of the world.

Our support has enabled EnergoSroy to repair and modernize steam-power plants in Russia.





\$1.6 billion

*invested  
in African  
infrastructure*





# PROMOTING A VIRTUOUS CYCLE BY MODERNIZING AFRICA'S INFRASTRUCTURE

Even as crews put the finishing touches on newly built roads, ports, and power stations across Africa, the continent's people and its growing economies are demanding more.

Africa's recent economic growth is highlighting—even deepening—long-standing structural problems, with infrastructure growth failing to keep pace. Congested roads, a lack of clean water, and frequent power outages are the reality in many African cities. Most of Africa's population has no access to electricity at all.

IFC responded on a historic scale in 2012. For the first time, we invested and mobilized nearly \$1.6 billion in investments in all types of private infrastructure in Africa. This was more than double the amount in 2011.

Our focus is on the building blocks of any modern economy: ports, railways, telecoms, and power, including renewable energy.

Recent successful projects highlight the various ways IFC is helping Africa build its infrastructure. In Senegal, we supported private sector involvement in the Dakar Toll Road, which will greatly improve transport and trade in and around the capital. In Togo, our investment and advisory support is helping Togolese power company ContourGlobal Togo S.A. develop, build, and operate a 100-megawatt thermal power plant in the capital, Lome.

*Far left* Supported by an IFC partnership, Liberia's main electrical utility has installed 33,600 new connections in Monrovia.

*Left* Zorlu Energy Group tapped Pakistan's wind-energy potential to help alleviate the country's chronic power shortages.

# 500,000

PEOPLE TO GAIN  
ACCESS TO  
IMPROVED SERVICES

These and many other projects underscore the strides Africa is making. But it will take time and sustained investment for the continent to build a solid infrastructure foundation.

IFC is also leading the way in strengthening Africa's know-how on developing and guiding infrastructure projects in ways that achieve the right balance between private and public interests and manage environmental and social risks.

We have successfully advised African governments, including local municipalities, on how to engage the private sector in essential public services, and on how to restructure state-owned enterprises. Our support for public-private partnerships between fiscal years 2008 and 2012 is expected to facilitate more than \$175 million in private financing for infrastructure and health, and to provide improved services to 500,000 people.

Political risks, corruption, and regulatory interference remain formidable obstacles, but economists and analysts are pointing to the outlines of a virtuous cycle: as Africa grows, it is attracting increased investment and expertise to fund and drive future expansion.



## STRENGTHENING FOOD SECURITY IN DEVELOPING COUNTRIES

The world produces plenty of food—more than enough to feed every man, woman, and child. Yet nearly a billion people go hungry every day, most of them in developing countries.

That paradox reflects an unpleasant fact: poverty and hunger are inextricably linked. Poor people spend most of their scant income on food, making them acutely vulnerable to food-price increases. Even short-term increases can have long-term consequences, depriving children of the nutrition necessary for a healthy and productive life.

Food prices have soared over the last few years, posing an urgent development challenge. IFC has responded strongly. We have made food security a strategic priority, launching a variety of innovative initiatives to help make food available where it's needed most, and at affordable prices.

Our approach is comprehensive. It emphasizes increased access to finance for farmers and agribusinesses, a more favorable investment climate, knowledge and technology transfer, environmental and social sustainability, public-private partnerships, and more efficient use of land, water, and energy.


In FY12, we launched the Critical Commodities Finance Program to expand agricultural-commodity trade finance in all developing countries while addressing energy needs in the poorest countries. The program is expected to support up to \$18 billion in trade over the next three years.

We helped farmers earn a steady income through our new Global Warehouse Finance Program. The program allows farmers to get cash quickly when they deliver their crops to warehouses. Ordinarily, farmers must wait until their goods are shipped from the warehouse—which can take weeks. Our program enables farmers to borrow instantly against receipts they obtain for commodity deliveries.

In addition, we expanded our Agricultural Price Risk Management program to Africa and the Middle East, enabling access to funding and risk management for importers and exporters in these two critical regions.

IFC also manages the private sector window of the World Bank Group's Global Agribusiness and Food Security Program, which is designed to expand funding for food-security programs in developing countries. The private sector window provides loans, credit guarantees, and equity investment to support private sector activities to strengthen food security.

We know that food security is a challenge we cannot address on our own. As the global population grows in the next four decades, food production will need to increase by 70 percent. Developing countries will need an average annual net investment of \$83 billion. Getting there will require innovation and collaboration on a global scale. IFC is ideally positioned to play a critical role.



IFC has responded strongly to rising food prices, helping to make food available where it's needed most, at affordable prices.

30

*countries benefited  
from IFC health and  
education projects*



## HELPING THE POOR OBTAIN BETTER EDUCATION AND HEALTH CARE

Uneducated workers are at a severe disadvantage in today's fast-changing global economy. Without specialized training, it's nearly impossible to find meaningful employment—jobs that offer economic stability and social mobility.

That's too often the reality for low- and middle-income people in developing countries. And when generation after generation goes untrained, poverty becomes entrenched.

By investing in education, IFC is working to reverse the trend. Our projects boost access to quality education, providing skills that fit the needs of the global marketplace. We invest directly in education companies, support lending to students, inform government policy, and share knowledge we've learned working in the industry.

Over the past decade, IFC has invested more than \$2.2 billion in health and education companies in emerging markets, with projects in more than 30 countries. Our work in technical and vocational education, an area where we are increasingly active, can have a significant impact. These programs are targeted at underserved people who are often the first members of their families to receive post-secondary education.

We lent \$24 million to TCG Holdings of the Philippines, a company that runs a chain of schools focused on the hospitality industry. Our investment will help expand two existing campuses of the Asian School of Hospitality Arts

**\$2.2 BILLION**  
INVESTED IN HEALTH  
AND EDUCATION COMPANIES  
IN EMERGING MARKETS

*Above, center*  
Our support for specialized vocational training in the Philippines helped Jovelyn Manamat improve her job prospects in the country's hospitality industry.

and establish four new ones, adding capacity for 5,000 new students.

The result: low- and middle-income students in the Philippines—many of them disadvantaged women—will have better access to specialized training, and more hope for a good job.

Education and health are top priorities for IFC—we invest more than any other multilateral institution in private sector health and education in emerging markets. And we collaborate closely with the World Bank to design strategies for countries that do not have the resources to provide high-quality health care or education services for all their people.

IFC is expanding access to quality health care by investing in innovative business models. Over the past decade, we have invested \$1.6 billion in health care.

Our work with Archimedes Global offered a new way to bring vital health services to underserved populations. In our first direct investment in the health-insurance sector, we invested \$3 million in equity in Archimedes Health Developments, a firm that provides health insurance and health services in Georgia and Kazakhstan. The investment will help Archimedes open 24 clinics and provide insurance to 670,000 people by 2018.





*currencies in which we  
provided financing*



# PIONEERING LOCAL-CURRENCY FINANCE

In most developing countries, small entrepreneurs aiming to expand their businesses confront an immediate obstacle: limited access to local-currency financing.

Local-currency bond markets tend to be small and unsophisticated. Banks are often more comfortable lending to larger, more established companies. This means that long-term local-currency finance is not readily available for small and medium enterprises, forcing them to borrow in foreign currencies in order to grow.

Recognizing the risk this presents, finance ministers and central bank governors from the Group of 20 leading advanced and developing countries called for a concerted effort to support local-currency bond markets in developing countries. Such markets, they said last year, can provide a “spare tire” in a financial crisis, tapping local investors as a powerful alternative source of finance.

That’s an area we know well. This year, we obtained approval from Ghana and eight members of the West African Monetary Union to establish local-currency bond programs that will strengthen domestic capital markets and support private sector development in countries that need it most. Our flagship Pan-African Domestic Medium-Term-Note Programme will allow us to issue more than \$1 billion in Ghanaian cedis and CFA francs over the next decade.

For more than a decade, we have played a leading role in expanding the availability of local-currency finance in developing countries.

We were the first to issue partial credit guarantees for domestic bond issuances in Algeria, India, Mexico, Russia, Saudi Arabia, and Thailand. We have provided financing in more than 50 currencies—more than any other multilateral development institution.

To further advance local-currency lending and bond issuance in Africa, IFC signed a master agreement with the African Development Bank to enter into cross-currency swap transactions. This allows us to benefit from each other’s local-currency bond issues, enhancing our capacity to support clients’ development projects. It is the first such swap agreement either institution has signed with another multilateral financial institution.

We also became the first multilateral institution to sign a local swap agreement with Chinese banks to provide local-currency lending. Our agreements with China Development Bank and the Export-Import Bank of China will enable us to extend long-term renminbi loans for private sector development projects.

Expanding long-term local-currency finance is a cornerstone of IFC’s strategy to strengthen capital markets in developing countries. By working with regulators and local institutions, we can promote effective capital-market regulations. It also allows us to help our clients mitigate currency risks in ways that can create jobs and expand their businesses.

## 10+ YEARS

IFC HAS BEEN A LEADER  
IN LOCAL-CURRENCY FINANCE



# FRONTIER MARKETS

*52*

SPARKING GROWTH  
AND OPPORTUNITY  
IN THE POOREST  
COUNTRIES

*54*


IMPROVING LIVES  
IN FRONTIER REGIONS  
OF MIDDLE-INCOME  
COUNTRIES

*56*

EXPANDING  
ECONOMIC  
OPPORTUNITIES FOR  
WOMEN

*57*

HELPING COUNTRIES  
RECOVER FROM  
CONFLICT AND  
INSTABILITY



To fight poverty, it is essential to know where the poor live. Two decades ago, the answer was straightforward—90 percent of the poor lived in poor countries. Today, only a quarter of the 1.3 billion people living on less than \$1.25 a day are in low-income countries. The rest live in middle-income countries.

Those numbers underscore the need for a calibrated approach to combating poverty. Poverty tends to be entrenched in the poorest countries. Even with strong economic growth, poverty rates tend to fall slowly in places like Africa. It also is harder to roll back in countries debilitated by conflict or political instability. Such countries are a priority for IFC. But so are the poorest areas of middle-income countries, where large numbers of people await our help.



## SPARKING GROWTH AND OPPORTUNITY IN THE POOREST COUNTRIES

Jobs were scarce in Ouanaminthe, a small city in northeast Haiti. Rolande Pericles, and thousands like her, struggled to find work and feed her family.

That changed with the development of Codevi, an industrial park owned by Grupo M of the Dominican Republic. IFC's support has allowed Grupo M to expand the park. As a result, 6,500 people now have jobs at Codevi making high-quality brand-name clothing for export. These workers now also have health and education benefits, and an active union, a rarity for Haiti.

"After being a sewing-machine operator, I became a supervisor, and now I'm a coordinator," Pericles said. "The salary helps me take care of my home and my family."

Haiti and the world's other poorest countries struggle to eradicate preventable diseases, overcome conflict, and reduce poverty. Creating opportunity and sustainable growth in these countries—which are eligible to borrow from the International Development Association, the World Bank's fund for the poorest—is a priority for IFC. We do it by providing integrated investment and advisory support.

Since 2005, our investments in IDA countries have grown sixfold, reaching nearly \$6 billion in FY12. IDA countries account for nearly half of our investment projects, and 65 percent of our advisory program expenditures. Our record in those countries has been impressive: for every \$1 in equity that IFC invested, we received a return of \$2.45.

Our financial performance has allowed us to contribute a significant sum to IDA replenishments—\$2.2 billion so far. That's nearly as much as our paid-in capital of \$2.4 billion.

*Right* IFC helped Grupo M expand Haiti's Codevi garment factory, helping thousands of workers like Rolande Pericles improve their livelihoods.

*Below* Mamikon Yepremyan launched his dairy business in 2011 with a loan from IFC client ACBA-Credit Agricole Bank.





*investments in  
IDA countries  
have grown sixfold  
since 2005*

In our work in IDA countries, we have focused on projects that allow us to create opportunity and improve lives quickly and sustainably. In FY12, for example, we provided a \$5.5 million financing package to develop a 138-room Hilton hotel in Burundi—a country emerging from years of civil unrest that virtually devastated the economy.

Burundi has been working with IDA to regain stability and strengthen and modernize its economy. The country has already seen significant improvement. In the World Bank's *Doing Business 2012* report, it was ranked the seventh-most-improved economy in the world.

The new hotel will improve Burundi's appeal to businesses and international travelers, offering international-standard accommodation and high-quality conference facilities. It is expected to create 155 permanent jobs, a third of which will be filled by women.

**\$6 BILLION**  
INVESTED IN  
IDA COUNTRIES





**\$7 BILLION**  
INVESTED IN INCLUSIVE-  
BUSINESS MODELS





## IMPROVING LIVES IN FRONTIER REGIONS OF MIDDLE-INCOME COUNTRIES



Mobile phones can transform lives—unless you are one of the 1.6 billion people living in the remote areas where they don't work.

Most mobile-phone companies inevitably reach a spot in a country's geography where it is simply not commercially viable to operate. For them, the distances are too great, the populations too small to justify the costs of installing the necessary equipment. People are cut off from the communications revolution as a result.

Some entrepreneurs, however, see opportunity in bringing phone services to people in remote areas. IFC specializes in backing these emerging leaders whose innovative inclusive-business models bring affordable, life-improving solutions to people who constitute the base of the economic pyramid. Our work also helps improve lives for people in frontier regions of middle-income countries.

"Remote communities are not lost causes," says Mike Fitzgerald, CEO of Altobridge, an Irish technology firm. "On the contrary, there is now substantial evidence and proven case studies throughout Africa, Asia, and the Middle East dispelling the myth that remote communities cannot deliver highly attractive returns on investment."

Over the past eight years, inclusive-business models have accounted for about 7 to 10 percent of IFC's annual commitments, amounting to more than \$7 billion in all. Our work—with more than 300 inclusive-business clients in more than

80 countries—has helped us reach more than 250 million people at the base of the pyramid.

We also work to strengthen the private sector in frontier regions of middle-income countries, helping introduce innovative solutions to urgent development challenges. In Croatia, for example, we are financing a wind farm near the town of Sibenik that will provide a steady supply of power to homes and factories while helping combat climate change.

In Indonesia, Altobridge's core product is the "lite site" base station that it sells to mobile carriers in developing countries for \$50,000—a fifth of the cost of prohibitively expensive conventional systems in ultra-rural areas. Run with proprietary software and low-cost solar panels, Altobridge systems let clients reach communities of 3,000 efficiently.

Last year, IFC made an early-stage \$5 million equity investment in Altobridge. Indosat, one of Indonesia's largest carriers, used Altobridge's system to find new subscribers in Mambi, a remote village on Sulawesi, 15 hours by car from the nearest airport.

Until recently, Mambi's residents had almost no communications options, having to travel three hours to make a call—or five hours to the nearest hospital. Now the hospital can text them health updates. Small entrepreneurs can make calls on their Indosat phones, which helps improve the efficiency of their businesses.

Our investment in Altobridge's low-cost technology has enabled mobile-phone carriers to serve customers in remote villages in Indonesia.





## EXPANDING ECONOMIC OPPORTUNITIES FOR WOMEN

Jobs in the chemical industry generally pay well. In India, however, women have historically been locked out of the market—on the assumption that they can't work safely in such a setting.

Working with our client Meghmani Organics, IFC set out to prove that wrong. In 2008, we helped Meghmani set up its first chemical plant with women employees. With our assistance, the company established policies that better met the needs of women employees at its new FineChem factory—including flexible work hours and special health and safety requirements. It also created separate locker rooms and shower facilities for women.

The results have been noteworthy, setting an example for other chemical companies in India. About 45 women now work at FineChem, many of them from villages near the port city of Dahej, Gujarat. The company found that women were just as capable at their jobs as men—and also more productive and attentive to safety rules. The women, for their part, enjoyed stable jobs, higher incomes, and empowerment in their homes and villages.

Women are a powerful source of economic growth and opportunity. In developing countries, they account for about a third of small and medium enterprises—the engine of job creation. They make up 40 percent of the global workforce. By expanding opportunity for women in their roles as entrepreneurs, employees, consumers, and stakeholders, we can transform local and global markets.

We increase access to finance for women entrepreneurs. We dismantle barriers to women in business. We work with our clients to improve working conditions for women. We work with local chambers of commerce and other partners to provide business and management skills training to women entrepreneurs.

In Egypt, for example, we worked with Cairo Investment and Real Estate Development to conduct a corporate governance review, encouraging the company that runs the country's largest private network of schools to add women to its board of directors. Based on our recommendation, the company diversified its board of directors. The result was a significant improvement in board effectiveness, the company reported.

Since we launched our *Banking on Women* program in late 2010, IFC has invested more than \$78 million in support of women-owned small enterprises in Eastern Europe and East Asia, building on our experience in Sub-Saharan Africa. Overall, our clients provided about 760,000 jobs to women in 2011. We invested \$200 million in the new Global SME Finance Facility, which over its 10-year lifetime is expected to provide financing for 600,000 small businesses—a quarter of which will be women-owned.

A microfinance loan from an IFC client helped Mastura Asoeva expand her basket-making business in Tajikistan.



## HELPING COUNTRIES RECOVER FROM CONFLICT AND INSTABILITY

**\$537** MILLION  
INVESTED IN CONFLICT-  
AFFECTED AREAS



For the 1.5 billion people living in areas affected by conflict and instability, starting over isn't easy. War and civil unrest reduce security, damage infrastructure and trade, destroy the regulatory framework, and deny potential entrepreneurs access to credit.

IFC provides immediate and long-term support to help such regions recover. We help them rebuild their private sectors and foster entrepreneurship, and help get their populations back to work.

In Rwanda, a country that lost as much as one-fifth of its population to genocide less than two decades ago, economic growth and private sector investment are key to alleviating poverty. Yet the country's entrepreneurs have long had to contend with tedious legal and administrative roadblocks—red tape that makes it difficult to register a company, settle a commercial dispute, or engage in cross-border trade.

Through the Rwanda Investment Climate Reform program, IFC helped the Rwandan government update complicated regulations. The result was more than 16,000 new jobs and 8,000 new enterprises. Rwanda is now one of the world's leading investment-climate reformers, according to the World Bank Group's *Doing Business* report. The improved investment climate makes entrepreneurs more likely to start a business, create jobs, and invest in the country.

In the Middle East and North Africa—where the Arab Spring has deepened development challenges—IFC has invested more than \$2 billion since the unrest began in 2011. We have launched initiatives designed to expand access to finance for small and medium enterprises, address youth unemployment, improve job skills, and increase funding for critical infrastructure initiatives.

Advisory services are typically IFC's first step in post-conflict regions—they attract investment and, on the individual level, can be transformative for entrepreneurs seeking a fresh start.

In mineral-rich Côte d'Ivoire, for example, political and military turmoil for the past 10 years has nearly crippled the mining industry. IFC invested about \$1.2 million through the West African Sama Resources to support a nickel and copper exploration project. The project will create jobs and promote growth. It will also establish good environmental and social standards for future investment in the country.

In FY12, IFC invested \$537 million in 45 projects in fragile and conflict-affected areas, and delivered a \$31 million advisory services program. In February, the World Bank opened a new Global Center on Conflict, Security, and Development in Nairobi, Kenya. Through much-needed financial support and expertise, the Center will help poor, war-torn communities rebuild their economies.

**45**

projects financed in  
conflict-affected areas

Global economic uncertainty has prompted a significant decline in the flow of capital to developing countries. Private flows have shrunk by nearly 25 percent over the past two years. Aid to developing countries has declined, too.

In a time of scarce resources, IFC has continued to provide significant capital to developing countries. We have increasingly brought in other investors to supplement our own growing investments. In FY12, for example, such investors accounted for nearly \$5 billion—roughly a quarter of our overall investment commitments.

Unlocking new sources of capital is central to our approach. We do so by encouraging businesses in developing countries to invest in other developing countries, by tapping the resources of private equity funds, and by finding a variety of creative ways to free up capital wherever it's needed most.



# MOBILIZING FOR MAXIMUM IMPACT

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FREEING UP CAPITAL  
FOR DEVELOPMENT IN  
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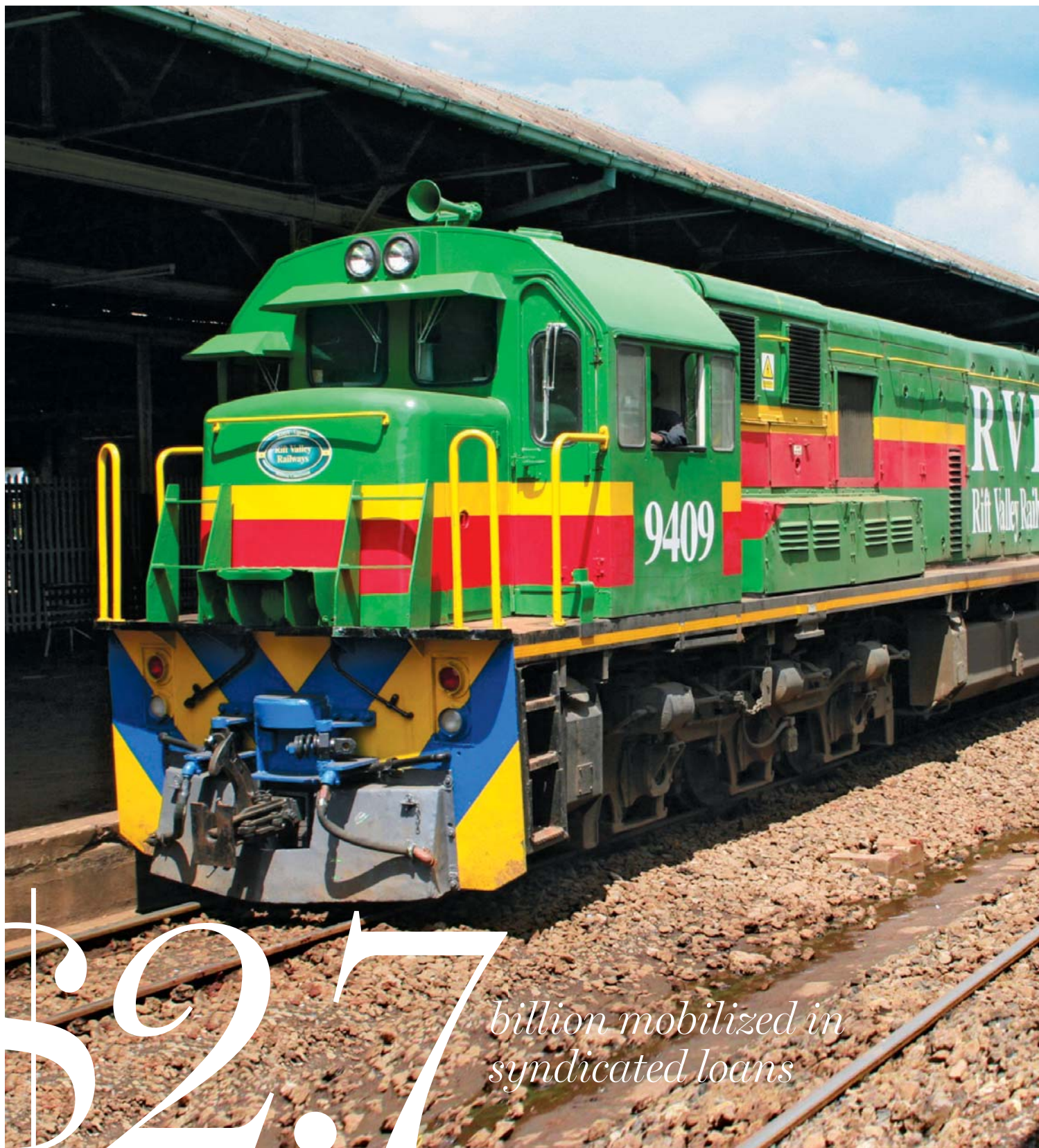
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WHY TRADE FINANCE  
MATTERS FOR  
DEVELOPMENT







1,460 MILES  
LENGTH OF THE VITAL  
KENYA-UGANDA RAILWAY

## THE POWER OF MOBILIZATION

From Mombasa on the Indian Ocean to the shores of Lake Victoria, the Kenya-Uganda railway crosses about 1,500 miles of arid scrublands, highlands, and valleys. It is a vital transport and trade link for East Africa.

Only a few years ago, the rail network was deteriorating after decades of scarce funding and inadequate management. Accidents were frequent. Turnaround times for railcars were unpredictable.

Private investment was essential to bringing this historic line back on track. In 2011, we teamed up with several financial institutions, drawing in about \$274 million in financing for the new railway owner, Africa Railways Ltd. The owner invested in new equipment and brought in technical experts to build a faster, safer railroad.

Mobilizing funds from other investors—who invest alongside us—is a central aspect of our strategy. It allows us to achieve more than we could on our own. It allows us to pool not only funding but also knowledge and expertise.

Our record of strong and consistent profitability enables us to mobilize capital effectively. In FY12, we worked with banks, international financial institutions, sovereign funds, foundations, and other partners to mobilize nearly \$5 billion

for development—about \$1.1 billion more than we mobilized in FY07 (see Operational Highlights on page 25).

IFC typically mobilizes third-party resources through our syndicated lending program, the oldest and largest among multilateral development banks. By providing a variety of syndicated loan products, we let other investors join us in investments in challenging markets. In FY12, we mobilized \$2.7 billion in syndicated loans.

IFC Asset Management Company is a fast-growing component of our mobilization efforts. A wholly owned subsidiary of IFC, it lets investors benefit from our expertise while delivering strong equity returns and development impact. In FY12, IFC Asset Management Company accounted for \$437 million of the funds we mobilized and committed.

Joining us in the railway project were three European development-finance institutions—FMO of the Netherlands, DEG of Germany, and Proparco of France—and a fund managed by IFC Asset Management Company. The Egypt-based private equity firm Citadel Capital SAE also played a key role.

Improvements in the railway already are evident. Cargo volumes have increased by 8 percent. The frequency of passenger trains has doubled. The accident rate has been cut nearly in half. We could not have done that alone.

### Left

Once prone to delays and accidents, the now privately owned Kenya-Uganda railway has undergone a significant turnaround, with IFC's help.

### Right

IFC helped Colombia raise funds for the \$2.7 billion Ruta del Sol highway, one of the country's key transport arteries.





*million invested  
in earthquake-  
devastated Haiti*

## FREEING UP CAPITAL FOR DEVELOPMENT IN EMERGING MARKETS

For small businesses in developing countries, obtaining a loan is difficult. It could soon become much more so.

In the wake of the global economic crisis, regulators are eager to find ways to keep taxpayers from having to pay for bank bailouts. Under new global rules, banks will have to raise more than \$600 billion in capital to cover potential losses. Banks will face hard choices as the rules take effect in 2013.

One choice could be to reduce lending—particularly to small and medium enterprises in emerging markets, where capital requirements are relatively high.

We anticipated that challenge—and helped establish an innovative fund to enable banks to increase loans to emerging-market SMEs without running afoul of capital limits. This year, IFC invested \$100 million in the new Capital Release and Redeployment Fund, which is managed by the private-equity firm Christofferson, Robb & Company.

The fund allows banks to transfer some of the credit risks of SME loans to third parties, freeing up capital for further lending. It is expected to attract an additional \$300 million from other

investors, which would facilitate up to \$4 billion in lending to SMEs in emerging markets.

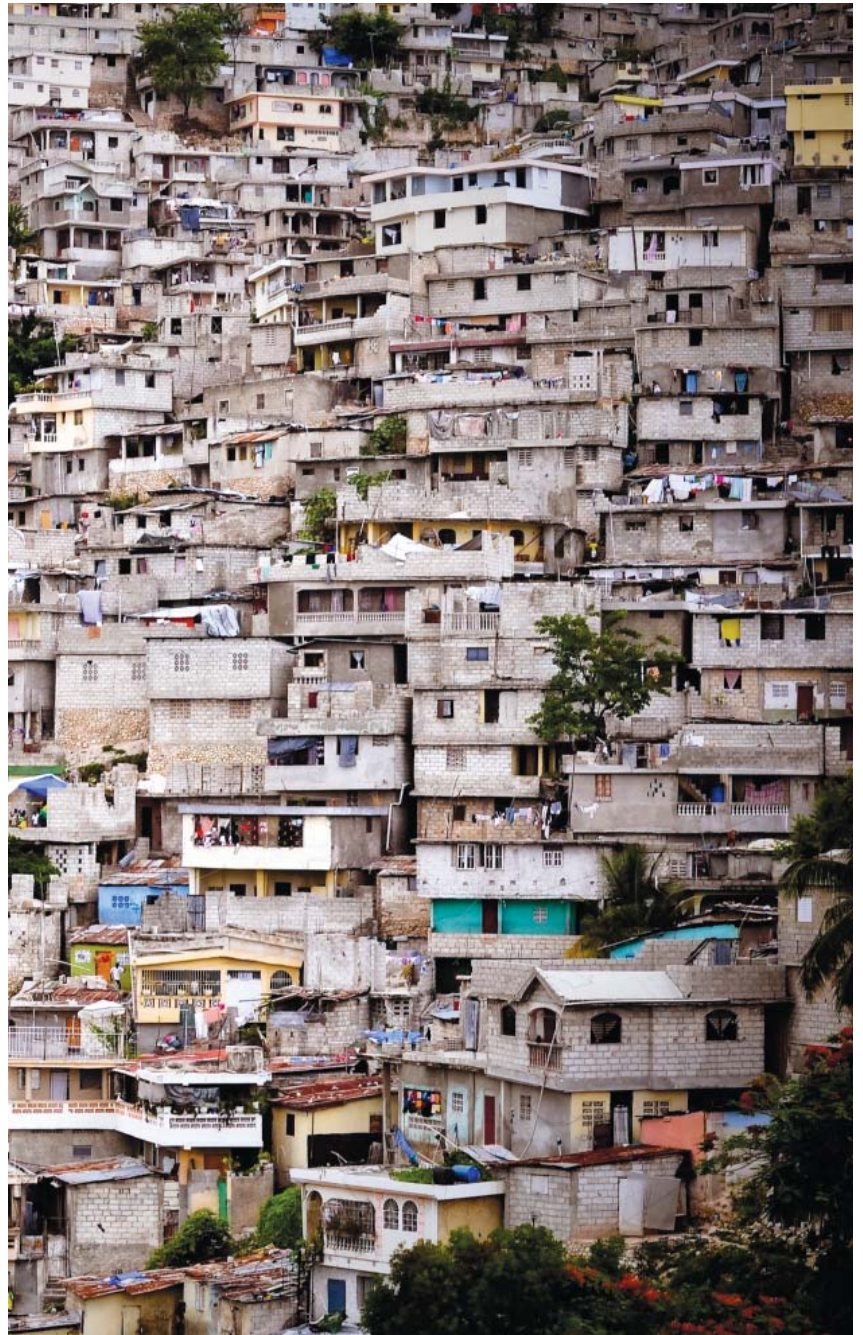
IFC has a long record of innovation in tapping new sources of capital to support development in emerging markets—especially in times of crisis and uncertainty. Private-equity investment can play a significant role here, as our experience shows.

We are a significant backer of private-equity funds in emerging markets, and have invested in them since the 1980s. Our private-equity portfolio of \$3 billion is invested in about 180 funds across the world. By investing in these funds, we bring our performance standards and policy requirements to them, which can help enhance the environmental and social performance of their projects.

We back private-equity funds because they provide capital and expertise to small and medium enterprises. In 2011, our private-equity investments helped support about 795,000 jobs—nearly a third of all jobs provided by our clients.

We are often the first private-equity investor in some of the poorest countries. This year, we made our first private-equity investment in earthquake-devastated Haiti. We expect our \$10 million investment in Leopard Capital's Haiti Fund to support affordable housing, renewable energy, and food production.





IN FY12, WE  
MADE OUR FIRST  
PRIVATE EQUITY  
INVESTMENT  
IN HAITI





## THE GROWING IMPORTANCE OF SOUTH-SOUTH INVESTMENT

IFC financing is helping Turkey's Zorlu Energy build a wind farm that will help alleviate Pakistan's severe power shortages.

Emerging economies need private capital. But it all can't originate in developed countries, where economic uncertainty can squeeze banks' ability—and willingness—to lend.

The movement of capital from one developing or middle-income country to another—South-South investment—is an increasingly important way to deepen financial markets, generate growth, and put new sources of funds to use.

It's also a strategic priority for IFC. Over the past eight years, such investment has accounted for up to 20 percent of our projects and commitment volumes—increasingly in the poorest countries, in Africa, and in the Middle East. According to the Independent Evaluation Group, it has yielded strong development outcomes and helped raise environmental and social standards.

IFC is working with Chinese banks and companies to ensure that their growing investments in other parts of the world aren't just profitable, but also sustainable. By adhering to robust environmental and social standards, these projects will be more successful in the long haul, with direct benefits for the poor.

In FY12, IFC invested \$1.5 billion in 41 South-South projects. We arranged a \$115 million financing package for Ghana Vodafone, including \$72 million in parallel loans from China Development Bank and the Export-Import Bank of China. The deal, marking the first time Chinese banks have participated in

an IFC mobilization in Africa, uses the banking sector to anchor environmental and social standards, a new avenue for our work. The transaction will have an impact on the poor—by making telecommunications services more reliable and affordable, and by spurring competition.

South-South investment doesn't flow only out of China. We're also helping private sector funds move into the country's poor regions. IFC is working with XacBank, Mongolia's fourth-largest bank and the country's leading microfinance lender, and other investors to set up a microcredit company in Xinjiang, one of China's poorest and most remote provinces. The project will create jobs and promote entrepreneurship by expanding access to finance for small and medium enterprises.

IFC also encourages African countries to invest across their borders, a trend that can help economies emerge from years of conflict and create an environment conducive to entrepreneurship.

In FY12, we provided \$2.8 million to help Nigeria's Vitafoam expand in Sierra Leone. The investment, IFC's first manufacturing project in Sierra Leone since the country's civil war ended a decade ago, demonstrates the significance of investment between African countries and sends a signal that Sierra Leone is open for business. Most crucially, the project will produce jobs and government revenues, and reduce Sierra Leone's dependence on imports.

# 20%

of investment volume is in South-South projects

# 25%

*of trade-finance  
commitments  
support farmers  
and agribusiness*

## WHY TRADE FINANCE MATTERS FOR DEVELOPMENT

International trade powers economic development—and trade depends on the availability of finance. Yet, for businesses in developing countries, trade finance is one of the first things to become inaccessible in times of financial turbulence.

This year, the economic downturn in developed countries hurt businesses in Asia, Africa, and Latin America. Several European banks, traditionally big suppliers of trade finance, cut back in many developing countries. As the availability of trade finance dwindled, its cost rose significantly.

IFC has stepped in to bridge the gap, playing a leading role among multilateral development banks. Over the last few years, we have significantly increased our investments in trade finance, launching an array of innovative global initiatives to expand it in developing countries. This year, we also became the first international financial institution to begin measuring the development impact of our work in trade finance.

We think trade finance is a significant area of opportunity to expand our development impact. That's partly because the private sector can't fill the need on its own—the “market gap” in trade finance is at least \$25 billion, by some estimates. But it's also because we've found that trade finance allows us to make progress on all of our strategic priorities, helping improve the lives of people who need us most.

Our Global Trade Finance Program has issued more than 12,500 guarantees totaling \$19 billion since 2005, more than half of which went to the poorest countries. Our work has opened the door for us to engage in more than 15 fragile and conflict-affected areas. Of the trade-finance guarantees issued under the program, more than 80 percent has benefited small and medium enterprises. More than 25 percent of our commitments under the program has supported farmers and agribusinesses.

In addition, our Global Trade Liquidity Program has supported \$21 billion in trade since it was launched in 2009. In FY12, our commitments in the two programs totaled \$6.1 billion—a 23 percent increase over FY11.

# 80%

OF TRADE-FINANCE  
GUARANTEES BENEFIT  
SMALL AND MEDIUM  
BUSINESSES





## Stay Connected Web and Social-Media Resources

IFC's website, [www.ifc.org](http://www.ifc.org), provides comprehensive information on every aspect of our activities. It includes contact information for offices worldwide, news releases and feature stories, data on results measurement, disclosure documents for proposed investments, and key policies and guidelines affecting IFC and our client companies.

The online version of IFC's Annual Report 2012 provides downloadable PDFs of all materials in this volume and translations as they become available. It is available at [www.ifc.org/annualreport](http://www.ifc.org/annualreport). The website also provides more information on sustainability, including a Global Reporting Initiative index.

### Facebook

[www.facebook.com/IFCwbg](http://www.facebook.com/IFCwbg)

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#IFC and #IFCAR2012

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### IFC website

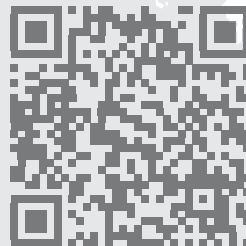
[www.ifc.org](http://www.ifc.org)

### Social Media Index

[www.ifc.org/SocialMediaIndex](http://www.ifc.org/SocialMediaIndex)

### Annual Report

[www.ifc.org/AnnualReport](http://www.ifc.org/AnnualReport)



[www.ifc.org/annualreport](http://www.ifc.org/annualreport)

For more information on several key topics, please visit the following Web resources:

*The IFC/World Bank Doing Business report*

[www.doingbusiness.org](http://www.doingbusiness.org)

*The joint IFC and World Bank Women, Business, and the Law project*  
<http://wbl.worldbank.org/>

*IFC/World Bank enterprise surveys*  
[www.enterprisesurveys.org](http://www.enterprisesurveys.org)

*IFC issue briefs*  
[www.ifc.org/issuebriefs](http://www.ifc.org/issuebriefs)

*IFC's project mapping tool*  
[www.ifc.org/projectmappingtool](http://www.ifc.org/projectmappingtool)

*Africa—the Power of the Private Sector*  
[www.ifc.org/TOSAfrica](http://www.ifc.org/TOSAfrica)

*Climate Change—Private Sector Solutions*  
[www.ifc.org/TOSClimatechange](http://www.ifc.org/TOSClimatechange)

*Infrastructure—How the Private Sector Helps*  
[www.ifc.org/TOSInfrastructure](http://www.ifc.org/TOSInfrastructure)



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