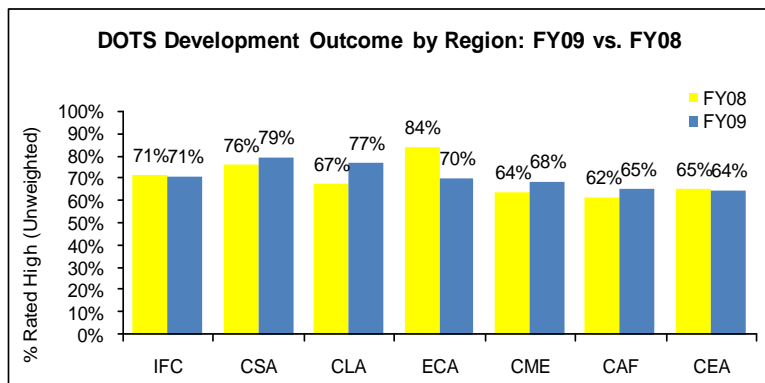


Despite the impact of the financial crisis that started in developed countries and engulfed much of the developing world during FY09, IFC client companies achieved impressive results in promoting economic development. This was demonstrated by our DOTS results, which had 71% of the companies with approvals during calendar years 2000-2005 producing high development outcomes in FY09.

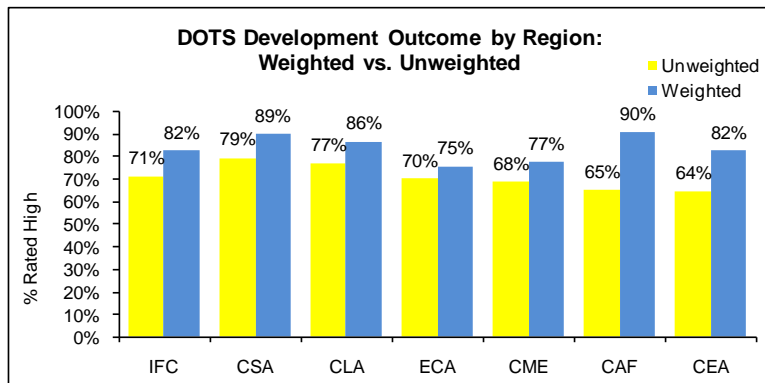
The percentage of companies rated high on development outcomes was the same as in the previous fiscal year. This, on one hand, reflects IFC’s ability to select and invest in financially strong, economically sound, and socially and environmentally sustainable companies that contribute positively to the development of private sector in our client countries. On the other hand, it also reflects the tremendous crisis initiatives that IFC put in place to help our client companies to mitigate the impact of the crisis.

Although overall IFC development results remained stable, different regions experienced ups and downs as they were affected in different ways to various degrees as well. Europe and Central Asia, which had the highest development results at 84% rated high in FY08, saw a steep drop of 14% to just 70%. This reflects the profound impact the crisis had on countries in the region and also their vulnerabilities. In contrast, Latin America & The Caribbean region saw its development results increase by 10 percentage points from 67% in FY08 to 77% in FY09 due to shifts in projects included in the reporting cohorts.



DOTS Data:
FY09: DOTS data as of June 30, 2009 for projects approved in calendar years 2000-2005
FY08: DOTS data as of June 30, 2008 for projects approved in calendar years 1999-2004.

Legend:
CSA – South Asia
CLA – Latin America & Caribbean
ECA – Europe and Central Asia
CME – Middle East and North Africa
CAF – Sub-Saharan Africa
CEA – East Asia and the Pacific



DOTS Data:
FY09: DOTS data as of June 30, 2009 for projects approved in calendar years 2000-2005
Unweighted: by number of projects
Weighted: by IFC investments

Legend:
CSA – South Asia
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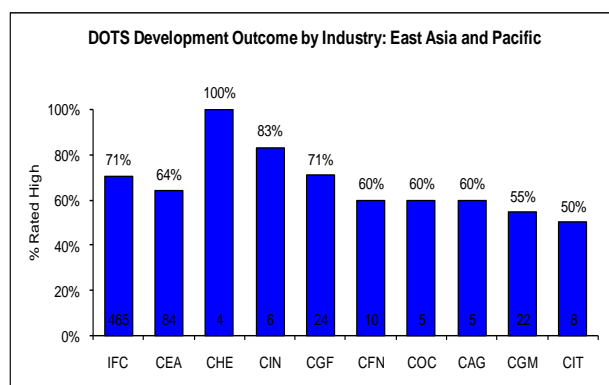
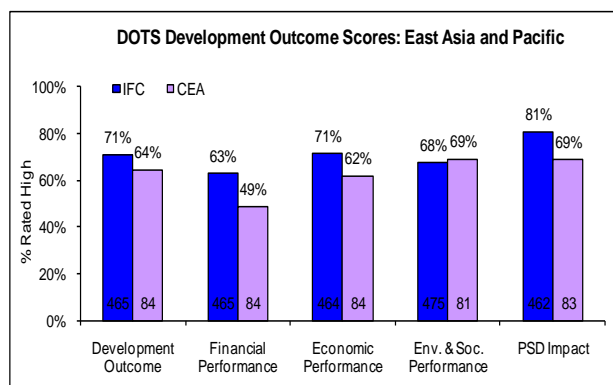
Development results weighted by IFC investment are better for all regions. This is a pattern that has held consistently over time – larger investments have better development results thanks to the fact that they usually have better corporate governance and greater capability to overcome difficulties in investment climate. Compared to unweighted results, weighted results were particularly better for Sub-Saharan Africa and East Asia and Pacific, 25 percentage points and 18 percentage points higher respectively.

By industry, CGF and COC performed well at 80% rated high on development results, and CGM was the lowest performing industry with only two out of the 10 investments rated high. Although CGM projects as a whole have lower development results than other industries, its 20% high ratings in Sub-Saharan Africa was the lowest in all regions. Nine out of the 10 projects were smaller than \$5 million.

The 54 projects included in the analysis were located in 22 countries. 6 in South Africa, which saw its development outcome increase by 29% from 55% in FY08 to 83% in FY09. 63% of the 54 projects were in IDA countries. Investments in non-IDA countries achieved moderately better results than those located in IDA countries, 70% vs. 62%.

In CY08, IFC portfolio companies provided over 133,000 jobs in Sub-Saharan Africa, served 112,000 patients and 388,000 students, generated power for 19 million customers, and made \$3.3 billion of payments to governments.

East Asia and the Pacific



To the surprise of many, the global crisis impacted the East Asia and the Pacific region heavily despite their relatively less exposure to U.S. securitized assets, improved macroeconomic fundamentals, and relatively sound bank and corporate balance sheets, mainly due to collapse in demand for consumer durable goods and capital goods. IFC helped our clients through financial and operational responses, while maintaining its strategic focus on the long-term challenges of poverty and environmental sustainability.

The EAP region has historically trailed IFC average on development results by about ten percentage points according to IEG XPSR results. In FY09, the region registered the lowest development outcome score among all regions, mainly due to low financial performance. Less than half (49%) of the companies in the reporting cohort had high financial performance, compared to an IFC average of 63%. Only one out of the 8 CIT projects in the region had high financial performance.

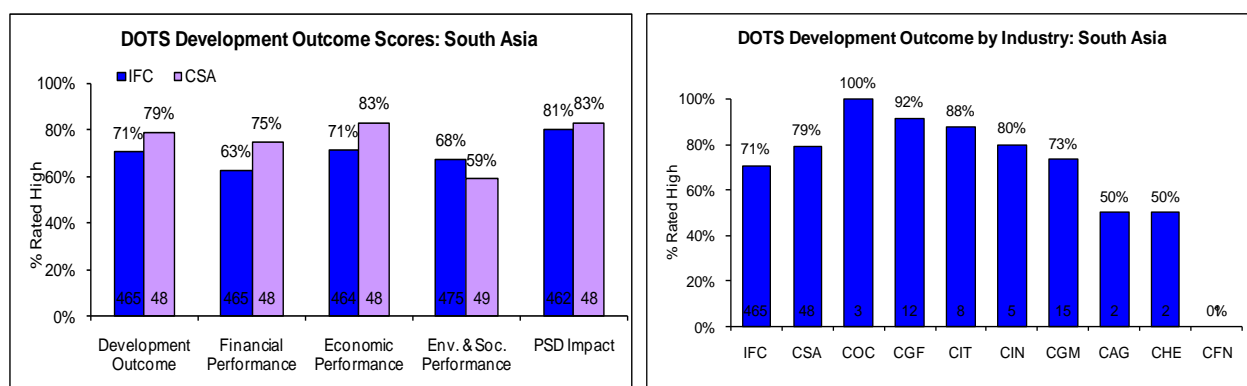
The 84 investments included in the analysis were located in 11 countries, with 40 in China, 13 in the Philippines, 8 in Vietnam, and 8 in Indonesia. IFC had more favorable development results in Indonesia and Vietnam with 88% and 75% high ratings respectively, and less favorable results in the Philippines at 54%. Six of the 13 investments in the Philippines were smaller than \$5 million and only one of them had high development results. The other 7 were investments larger than \$20 million and 6 of them had high development results.

Countries in EAP are very diverse in terms of population, size, level of development, and economic challenges. Of the 22 countries in the EAP, although 13 are IDA countries, they together account for less than 10% of the

total GDP in the region. Out of the 84 investments, 20% were located in IDA countries, and they achieved the same development results ratings as those in non-IDA countries. In FY09, IFC increased its share of operations in the poorest countries and regions, such as Cambodia and Mongolia, which were also severely affected by the crisis.

In CY08, IFC portfolio companies provided 602,000 jobs in East Asia and the Pacific, served 1 million patients, generated power for 21 million customers, distributed power, gas, and water to 20 million customers, and made \$9 billion local purchase of goods and services. As of end of CY08, IFC client companies provided 1.4 million MSME loans, worth \$20 billion.

South Asia



South Asia is home to more poor people than any other region in the world, with 1 billion people living on less than \$2 a day. There are serious economic imbalances in the region, and the global downturn hit the poorest areas the hardest. Moreover, some countries in the region are fragile because of political uncertainties or conflicts (Bangladesh, Nepal, and Sri Lanka), or are dealing with major climate change issues.

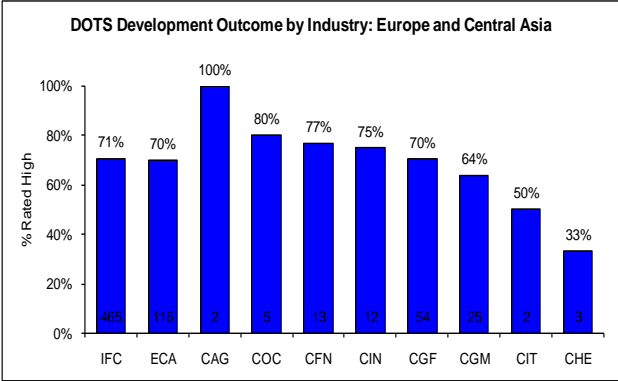
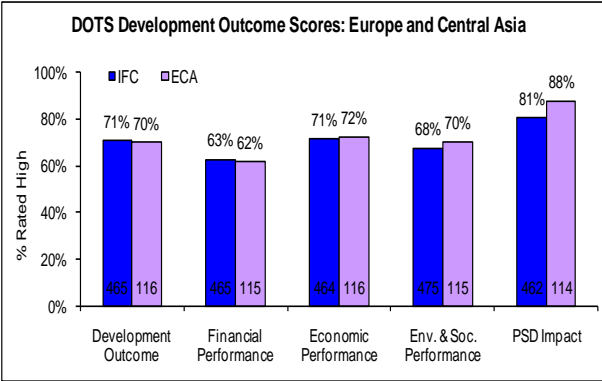
Even during these challenging times, 79% of IFC investments in the region achieved high development outcome scores, the highest among all regions. With 92% high ratings, CGF projects did extremely well and significantly better than IFC CGF investments overall. CGM, although still lower than the regional average, achieved impressively good results in South Asia at 73%, the best in all regions, and almost 20% higher than the overall CGM average. CIT investments also did very well, achieving 88% high ratings on development outcomes.

Although investments in the South Asia region did well across sizes, it was the small-sized projects that really set it apart. Thirty percent of the South Asia projects were equal to or smaller than \$5 million, and they performed much better than the small projects for IFC as a whole: 64% rated high vs. 50% for IFC. Medium-sized investments also achieved development outcome scores by about 10 percentage points higher than the IFC average of 73% for that size group.

By performance areas, investments in the region did very well on both financial and economic performances, more than ten percentage points higher than IFC average on both accounts. But environment and social performance lags behind at just 59% high ratings, compared to 68% for IFC. Thirty-six percent of the 48 projects included in the analysis were located in India, and the rest in Bangladesh, Maldives, Bhutan, and Sri Lanka, all IDA countries.

In CY08, IFC portfolio companies provided over 199,000 jobs in South Asia, served 2 million patients and 1 million farmers, generated power for 20 million customers, and provided new phone connections to 36 million customers. As of end of CY08, IFC client companies provided 917,000 MSME loans, worth \$8 billion.

Europe and Central Asia



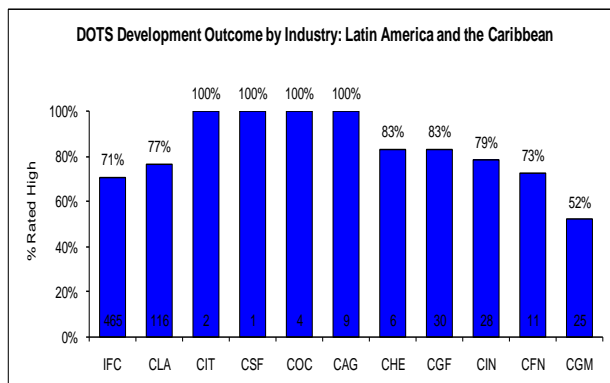
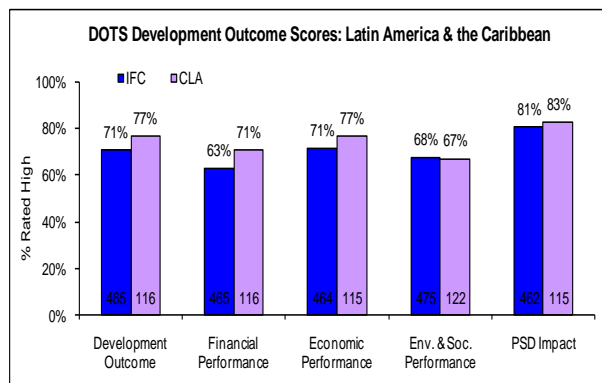
Eastern Europe and Central Asia (ECA) was the region hardest hit by the global economic crisis. The region is projected to experience a sharp economic contraction in 2009, compared to strong growth in the last few years. The decline in the real sector, induced by the global economic slump, has been magnified by a dearth of capital. The local financial sector has been affected by the failure of some regional banks and reduced activity by local branches of global financial institutions. Prior gains in poverty reduction are at risk of being reversed. IFC has taken several initiatives to stem the decline in ECA, making capital available to support existing clients in key sectors through short-term finance, guarantees, quasi-equity investments, trade finance, and advisory services.

Whereas in FY08 it had the highest DOTS score among all regions (84 percent), this year Eastern Europe and Central Asia has seen the biggest drop of any region, minus 14 percentage points. The 116 projects included in the analysis were located in 19 countries. Countries with the most projects were Russia (33), Turkey (14), Ukraine (8), and Romania (8). All of them experienced significant deterioration in development results, from 18 percentage points in Romania to 38 percentage points in Ukraine. Sixteen percent of the 116 projects were in IDA countries. Compared to the 73 percent high rating for projects in non-IDA countries, projects in IDA countries had only half of them with high development results.

By industry, almost half of the 116 investments included in the analysis in the region were financial markets projects and their development results were right at the average 70 percent for the region. Private equity and infrastructure, with 13 and 12 investments respectively, performed better than average. General manufacturing, with 25 investments and 64 percent of which rated high on development results, had better results than their counterparts in other regions.

In CY08, IFC portfolio companies provided over 322,000 jobs in Europe and Central Asia, served 683,000 patients, and made \$16 billion local purchase of goods and services. As of end of CY08, IFC client companies provided 1 million MSME loans, worth \$34 billion.

Latin America and the Caribbean



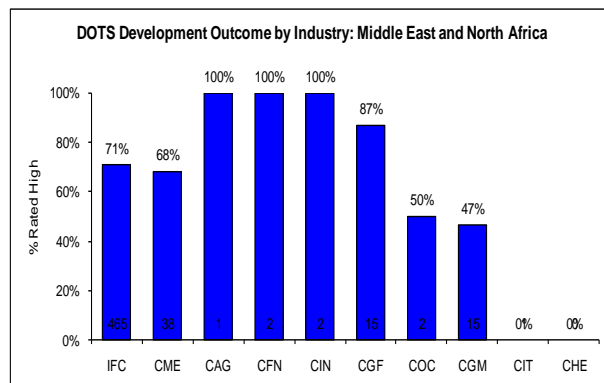
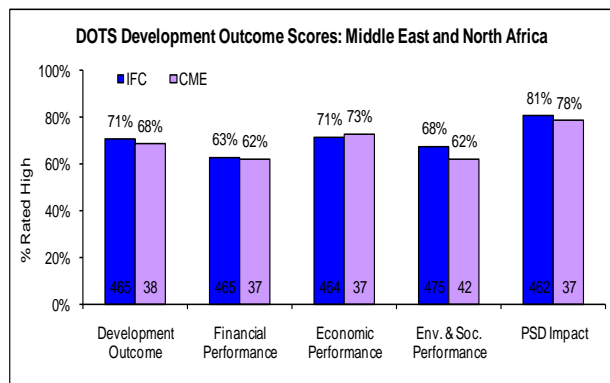
Latin America and the Caribbean region has been affected by global financial sector stress and deleveraging, decline in commodity prices, and slowdown in remittances. However, as in other regions except ECA, development results of our client companies have not been compromised by the crisis. In fact, LAC region has seen an increase in DOTS score from 67 percent in FY08 to 77% in FY09. The main reason is that quite a few projects that had been affected by the Argentina crisis dropped out of the reporting cohort, while projects in the newly added 2005 cohort performed extremely well.

In response to the crisis, IFC quickly adopted a countercyclical strategy in the region and concentrated its resources on supporting micro, small, and medium enterprises. Paraguay's Banco Continental became the first financial institution to receive financing from the new IFC Bank Capitalization Fund. The \$20 million equity investment will ensure continued support for Paraguay's small and medium enterprises. At a time when credit became scarce, IFC joined other international financial institutions to fill the financing gap for the expansion of the Panama Canal. With IFC's help, the \$5.3 billion project was able to go ahead on schedule fully financed, while an estimated \$67 billion of new and existing projects in developing countries face postponement or cancellation as financing has dried up.

By performance area, the region achieved higher financial performance than IFC average: 71% vs. 63%. IEG long-term trend has also shown that over a period of over 10 years, the region has performed better than IFC average. By industry, CAG was the star performer with all of the nine investments rated high on development results. In contrast, only a little of half of the 25 CGM projects were rated high. By country, the 116 projects included in the analysis were located in 18 countries, including 26 in Brazil, 12 in Mexico, 9 in Argentina, and 9 in Peru.

In CY08, IFC portfolio companies provided over 575,000 jobs in Latin America and the Caribbean, served over 1.2 million patients and 760,000 students, generated power for almost 60 million customers, and distributed power, gas and water to 27 million customers. As of end of CY08, IFC client companies provided 4.8 million MSME loans, worth \$25 billion.

Middle East and North Africa



Large falls in oil prices, deterioration in external financing condition, reversal of capital inflows, and dampened export growth took their tolls on the Middle East and North Africa region (which, for IFC, includes Pakistan and Afghanistan). The crisis also compounded the regional challenges of high unemployment, limited access to finance, inadequate physical and financial infrastructure, and weak regulatory frameworks.

In FY09, MENA region projects achieved similar development results as in FY08 and just below IFC average. All of the four performance areas also followed IFC average closely. CGF projects performed very well, achieving 87% high ratings, while CGM stood at only 47%.

The 38 projects included in the analysis were located in 14 countries. The two largest exposure countries – Egypt, with 10 investments, had an impressive 80% rated high, and Pakistan, with seven investments, saw its percentage rated high dropping from 71% FY08 to 43% in FY09. Although only 26% of the 38 projects included in the reporting cohort for this year were in IDA countries, about 55 percent of our projects were in IDA and conflict-affected countries in FY09.

To address the weak development results in some countries and sectors, IFC is increasing its partnerships with first-tier local, regional, and international companies. IFC also has been supporting the development of the agribusiness sector in conflict-affected countries. To help reverse the decline in trade flows, IFC committed \$500 million in trade finance in FY09 to support banks. Investments in Afghanistan and the West Bank and Gaza were also increased significantly.

In CY08, IFC portfolio companies provided over 71,000 jobs in the Middle East and North Africa region, served over 291,000 patients, and generated power for 20 million customers. As of end of CY08, IFC client companies provided 1.3 million MSME loans, worth \$9 billion.

For further information, please contact:

Roland Michelitsch, Development Effectiveness Unit Manager
Yanni Chen, main author

RMichelitsch@ifc.org
YChen@ifc.org

(202) 458-0768
(202) 473-6804