

V. REGIONAL STRATEGIES

CENTRAL AND EASTERN EUROPE

5.1 Economies across the Central and Eastern Europe (CEU) region continued to grow at an average of 8% in 2007, with significantly higher growth recorded in the IDA countries of Armenia and Georgia. Despite record capital inflows to certain sectors (banking, construction) and countries (Russia and Ukraine), financing needs in the region remain acute. Low levels of capital investment from the late Soviet period until very recently have resulted in low global competitiveness and infrastructure incapable of supporting continued growth. Recent global market turmoil has had an impact on financial markets, with Russia's banking sector hit hardest among CEU countries. While Armenia, Belarus, and Georgia remain relatively unaffected by the global liquidity crisis due to the small size and relative isolation of their financial sectors and Ukraine has been largely protected from liquidity shortages due to the presence of regional banks with global networks, a prolonged downturn in Russian and EU markets would slow growth in the rest of the region. Inflationary pressures are also building in the region due to high capital inflows, rising food and energy prices and increased government spending. The pace of reforms is expected to slow across the region in the face of elections in several countries (Armenia, Georgia, Russia) and in Ukraine due to the governing coalition's slim parliamentary majority. Economic strain in Belarus caused by price hikes for Russian energy prompted calls for more privatization and lower subsidies, but the current regime's appetite for extensive reform appears limited.

IFC's Achievements and Priorities

5.2 Regional focus is on areas where IFC can particularly be additional – for example in IDA countries and frontier regions in non-IDA countries (Russia and Ukraine) and in Belarus; focusing on climate change-related investments, particularly in Russia and Ukraine; increasing IFC's equity participation, primarily with local companies; and further integrating investment and advisory services to achieve the objectives. IFC will continue to support financial institutions in the region particularly in housing finance, securitization, SME finance, and sustainability financing. Promotion of private sector investment in infrastructure and public-private partnerships will be a new priority.

5.3 Financial performance and development impact of IFC's portfolio have been high: IEG reports projects in the region have had higher success rates than IFC's average since 1994. DOTS' success rate of CEU's projects approved between 1999 and 2004 is 90%, above IFC's average of 71%, and 96% of projects in Russia were rated successful. IFC is increasing its impact in IDA countries: while the share of the region's GDP in IDA countries (Armenia and Georgia) is small at 1.2%, the number of IFC projects in these countries has increased and now constitutes 4% of CEU committed portfolio. In Belarus, where the private sector is small (25% of the economy), IFC has increased its program to 3% of the CEU portfolio. Key sectors behind the growth of IFC's business are financial markets with about half of the portfolio followed by manufacturing and services and infrastructure.

5.4 **Advisory Services.** IFC has an active advisory program through the Private Enterprise Partnership (PEP), which was established in FY01. PEP has generated significant development impact¹, through the following business lines:

5.5 *Access to Finance* (housing finance, energy efficiency finance and leasing): programs enabled \$339 million in investment by local and foreign companies, including \$145 million by IFC, and a \$391 million growth in the availability of lease financing; reduced CO2 emissions by 490,000 tons.

¹ Note that these results include all countries where PEP works, including those in the Southern Europe and Central Asia Region.

5.6 *Value Added to Firms* (corporate governance and agribusiness supply chain development): programs enabled \$2.7 billion investments, including \$122 million from IFC, and nearly 1,500 clients reported improvements in their operations.

5.7 *Business Enabling Environment*: businesses saved an estimated \$93 million as a result of reforms related to permits (Ukraine); company registration procedures (Belarus); and reducing the burden of government regulation (Uzbekistan). Regulatory changes implemented in Belarus and Uzbekistan with support from IFC's advisory program resulted in these countries' improved Doing Business ratings by 13 and 8 places respectively. PEP has contributed to changing more than 80 laws and regulations impacting the business enabling environment across the region.

5.8 **Geographical Priorities.** Going forward IFC expects to have additionality in frontier markets and intends to scale up its activities in Armenia, Belarus, Georgia and the regions outside the capital cities of Russia (Moscow and St. Petersburg) and Ukraine (Kyiv). 80% of IFC's annual investment program in the region is expected to be in frontier markets.

5.9 *Armenia, Belarus and Georgia.* With additional funding, IFC plans to make catalytic investments in the small markets of Armenia, Belarus, and Georgia. Opportunities have been identified in financial markets, agribusiness, infrastructure, and manufacturing and service sectors. Advisory services will focus on improving the business enabling environment and corporate governance to support SME development. New programs and products will be developed to support the financial sector, in particular in the housing finance, energy efficiency, and microfinance sectors.

5.10 *Ukraine.* IFC plans to increase business development efforts in the Ukrainian financial markets, agribusiness, and manufacturing and services sectors. Investments in infrastructure and subnational financing will have strong development impact, although opportunities in these areas are currently limited by regulatory constraints. IFC's Advisory Services in Ukraine will focus on housing finance, BEE, agricultural insurance and agribusiness linkages. Future advisory programs will build on areas where IFC can have additionality – for example work on energy efficiency, food safety, infrastructure, and strengthening companies' internal controls.

5.11 *Russia.* Given the large portfolio in Russia, IFC expects annual investment volumes to level off and future investments to focus on areas of high additionality and strong development impact. First, the majority of IFC's program (in volume and project numbers) is expected to be outside of Moscow and St. Petersburg. Projects in Moscow and St. Petersburg will be targeted interventions to support development of new sectors and products with high demonstration effect. Depending on the availability of resources, IFC has the potential to expand further its activities and presence in Russia's frontier regions by opening small offices in Rostov-on-Don and Khabarovsk and expanding staff presence in Yekaterinburg. The focus of financial markets will be on introduction of new products and institutional development in less developed regions of the Federation. An additional area where IFC and the World Bank can have an impact is on municipal infrastructure and subnational finance, which are central to the implementation of the Country Partnership Strategy for Russia. Investments in transport infrastructure and high-tech sectors are needed to support Russia's economic development and diversification. Advisory services will remain an important part of IFC's engagement in Russia in particular on climate change (cleaner production) and financial markets (development of the insurance market).

5.12 *New EU Member Countries.* In new EU member countries IFC will respond to opportunities only where the Corporation has a comparative advantage; in projects such as complex privatizations, environmental improvements, and in inter-regional investments.

Table V-1: Central and Eastern Europe

	FY06 Actual	FY07 Actual	FY08 Plan
Commitments (\$m)	1,092	668	1,000 - 1,150
Advisory Services Expenditures Managed (\$m) ¹	16	19	24
Development Impact Score (%) ²	70%	75%	79%

¹Expenditures shown in the above table represent funds and expenditures managed by IFC (both IFC own funds and donor funds).

²Expanded Project Supervision Report (XPSR) – percentage of XPSRs which scored “mostly successful and above” on the development outcome measure based on a 3-year rolling average. The FY08 score is an estimate.

EAST ASIA AND THE PACIFIC

5.13 Growth in East Asia and the Pacific (EAP) region exceeded 8% in 2007 but is expected to moderate in 2008, with a slowdown in US demand for East Asia imports partially offset by continued increases in domestic demand particularly in China. Buoyant consumption and investment spending raised growth in most of the other large economies of the region. This dynamism is underpinned by some of the highest levels of savings, investments, and trade-to-GDP ratios in the world. Chinese companies are becoming important investors in countries within and outside the region. IFC sees an increasing role in helping regional companies expand outside their borders. Countries in EAP are very diverse in terms of size, level of development and the challenges the private sector is facing. Despite these positive developments, the benefits of rapid growth have not been universally shared, and over half a billion people in the region live on less than \$2 per day. Frontier countries in the region, some of which have emerged from conflict, require a sustained commitment to building infrastructure, financial sector, and institutions in order to enjoy the high rates of investment and growth that characterize the region. A large number of small, isolated and conflict affected countries, especially in the Pacific, have barely grown above population growth over the last decade. Particularly in the 12 IDA countries, the financial systems of economies rely heavily on fragile banking systems and weak legal institutions. Corruption is a barrier to investment in some countries.

5.14 EAP includes the second and third largest contributors to greenhouse gas emissions in the world, China and Indonesia. Without a substantial shift toward energy efficiency and cleaner production, it is likely that China will overtake the United States as the world’s top emitter by 2010. Adapting to the impact of climate change is also a challenge for the region, which is prone to severe weather-related events, soil erosion and vulnerability to rising sea levels. Economic dynamism and massive urbanization are putting pressures on physical and social infrastructure and the investment needs in this area are enormous.

IFC’s Achievements and Priorities

5.15 Development impact ratings in East Asia for IFC has been lower than IFC average historically, in part due to the impact of the East Asian Crisis on results, lower share of infrastructure and financial markets program which typically have higher development impact ratings compared to general manufacturing and services, a key sector in the region. IFC’s commitments in the region somewhat decreased in FY07 from \$982 million in FY06 to \$944 million in FY07. By December 2007, business was on track to increase by 24% in volume terms. In the frontier economies of the region, IFC’s activities have concentrated on assisting the growth of SMEs through IFC and donor-funded project development facilities.

5.16 IFC expects its development impact to improve in three key areas. First, IFC will focus more resources on IDA countries where IFC’s role and additionality are strong. Also, by putting more staff resources on the ground in these IDA countries, IFC aims to ensure that the projects selected have higher potential for financial success, contributing to more sustainable impact. Secondly, by redeploying more resources and shifting the project mix to sectors which have traditionally

produced stronger development results for IFC – financial markets and infrastructure – IFC expects to produce better results for client countries. Finally, IFC is working to better align DOTS measurement to the strategy, including through a revised climate change impact measure.

5.17 IFC’s strategic priorities in the region are centered on areas where: (i) it can have an impact in IDA countries and in frontier regions; and (ii) it has comparative advantage leading efforts to address climate change. The strategy is to be implemented in partnership with IDA/the World Bank.

5.18 Increasing Development Impact in IDA countries. IFC will focus on Cambodia, Lao, Mongolia, the Pacific, and Vietnam. The strategy for increasing development impact in IDA countries is to: (i) leverage the significant advisory presence that IFC has in IDA countries; (ii) redeploy resources currently heavily focused on China and Hong Kong to these countries. The region is currently in the process of redeploying investment staff to IDA countries. Starting with Cambodia, Mongolia, and the Pacific, investment officers will work alongside advisory staff to leverage the existing relationships and knowledge. IFC is focusing on high impact opportunities including infrastructure, financial markets, and agribusiness. IFC will selectively engage in the extractive industries where it can help catalyze adoption of high social, environment and transparency standards.

5.19 Reaching the underserved in frontier regions. A large share of poverty in the region resides in less developed regions within non-IDA countries. China, and soon Indonesia as it graduates from IDA, contain over 80% of the region’s poor people. IFC will use advisory services to strengthen the business enabling environment and unlock opportunities at the subnational level in ex-Java Indonesia, Western China and conflict-affected regions of the Philippines. IFC will also support investments in sectors of comparative advantage, including resource sectors. IFC’s global products, including trade and microfinance, are particularly well suited for small and IDA countries in order to help small firms and individuals integrate with the growing areas of their countries.

5.20 Leading efforts to address Climate Change. IFC intends to support the reduction of carbon emissions through existing mainstream investment operations, by focusing business development efforts and product innovation work on energy efficiency, pollution abatement, carbon finance, renewables, clean technology and sustainable forest management. Particular emphasis is to be placed on wholesaling, structured finance products, combined advisory and investment operations, mobilization, and collaboration with the World Bank. The country focus of climate change work will be in China and Indonesia.

Table V-2: East Asia and the Pacific

	FY06 Actual	FY07 Actual	FY08 Plan
Commitments (\$m)	982	944	1,300 - 1,500
Advisory Services Expenditures Managed (\$m) ¹	18	24	25
Development Impact Score (%) ²	59%	47%	42%

¹Expenditures shown in the above table represent funds and expenditures managed by IFC (both IFC own funds and donor funds).

²Expanded Project Supervision Report (XPSR) – percentage of XPSRs which scored “mostly successful and above” on the development outcome measure based on a 3-year rolling average. The FY08 score is an estimate.

LATIN AMERICA AND THE CARIBBEAN

5.21 Latin America and the Caribbean (LAC) region is enjoying growth and low inflation for the fifth consecutive year. In 2007 real GDP growth is expected to be in excess of 5%, and is projected to slow slightly in 2008. In many countries, domestic demand is an engine for growth, as real incomes are boosted by lower inflation and both investment and private credit benefit from the expansion of bank credit. This combination of global and local factors has created a positive environment for the region’s economies. LAC is likely to stay on its positive growth path in 2008 as most countries are better prepared and diversified to weather a US slowdown than in the past.

Despite the macroeconomic stability, poverty and inequality still persist. LAC's progress on poverty reduction (from 28% to 22% of the population) compares unfavorably with East Asia's where poverty is down from 85% of the population in 1981 to 37% in 2006. LAC's competitiveness is lagging other emerging markets' as reflected in low educational standards, infrastructure bottlenecks and slow productivity growth.

IFC's Achievements and Priorities

5.22 Commitments in FY07 reached \$1.78 billion, including \$290 million in equity investments. IFC has made a concerted effort to target underserved segments - as a result, the proportion of investments made in second tier companies has increased to 66% of projects in FY07 (up from 42% in FY06). Commitments to MSMEs amounted to \$323 million in FY07 (up from \$158 million in FY06). Similarly, housing finance for middle and lower income segments amounted to \$349 million in FY07 (up from \$226 million in FY06). IFC has also developed new products to meet demands for longer tenor local currency loans. As a result, commitments in local currency amounted to \$530 million in FY07 (up from \$436 million in FY06).

5.23 IFC is increasing its development impact by increasing its focus on IDA countries and frontier regions: by building up dedicated teams on the ground. IFC expects to continue growth in smaller and IDA countries in the coming years, including in Central America and the Caribbean. IFC's Advisory Services has increased its efforts in the region, particularly in IDA countries: it has completed municipal simplification projects in 18 municipalities (up from one in FY05) of which 16 were in IDA countries (Bolivia, Honduras and Nicaragua). IFC is advising local governments on revenue management derived from extractive industry investments, leading to better targeted local public investments aimed at reducing inequality. For example, in FY07, IFC created a unit to advise governments on the structuring of infrastructure projects in order to increase their interest in public private partnerships.

5.24 IFC will focus on areas where it has comparative advantage and where it can have a development impact and these are: (i) improving the business environment; (ii) broadening and deepening access to finance for medium and small entrepreneurs; and (iii) encouraging the sustainable development of physical and social infrastructure. IFC is increasing its focus on IDA countries and underserved segments in middle income countries. Going forward, IFC intends to focus on addressing key product needs, such as equity and local currency financing, and by continuing to innovate in sustainability and advisory services.

5.25 **Reducing Poverty.** In the poorest countries, IFC is expanding its advisory services to address regulatory challenges, particularly at the municipal level, and to develop viable private sector-led infrastructure solutions. It is also strengthening financial institutions, through investment and advisory support to improve their abilities to address the needs of the private sector. In order to improve the development impact and reach of investments, IFC is utilizing advisory services to encourage clients to move down-market in financial markets, agribusiness, and extractive industry projects. One noteworthy example is how IFC is reaching underserved segments through its Micro, Small and Medium Enterprise (MSME) Downscaling Program, where IFC will provide investments and advisory services to between 50 to 60 financial institutions across the region and reaching over half a million MSMEs.

5.26 **Investing for Growth.** IFC supports growing companies in areas where the region has comparative advantages, for example, agribusiness, manufacturing and tourism. IFC provides a combination of equity and debt to support these companies and helps them to raise their environmental, social and corporate governance standards – an area of comparative advantage for IFC. IFC has assisted many of its investee companies expand into other countries in the region and into emerging markets in other regions.

5.27 Fostering Sustainability. IFC has seen significant interest from its clients in corporate governance, environmental and social standards. Latin American banks were among the first from emerging markets to sign up for the Equator Principles and IFC pioneered many of its corporate governance initiatives in the region (including the Companies Circle, the Corporate Governance Roundtable and the launching of Brazil's Novo Mercado and Sustainability Index). IFC can play a critical role in helping set environmental and social benchmarks in sensitive sectors, such as agribusiness and extractive industries, which are essential for LAC economies and where IFC can have additionality. IFC is raising awareness of sustainability-related issues by satisfying some of the increased demand for Sustainability Credit Lines. In FY07, IFC provided \$200 million-equivalent credit line to Banco ABN AMRO Real S.A. of Brazil which will be used to support sustainability-oriented business activities.

5.28 Climate Change. IFC is going beyond setting standards; it is providing client companies with expert advice on reducing, managing, and mitigating the climate change impacts of their businesses. IFC invests in a range of clean energy projects in the region, from wind and hydropower to biomass. A recent example is IFC's support to a start-up hydropower generation project in Chile, which will help reduce Chile's NO₂ and CO₂ emissions by displacing thermal power generation. As discussed in the Road Map, IFC is developing an Amazon Initiative, implementation of which is subject to available resources.

Table V-3: Latin America and the Caribbean

	FY06 Actual	FY07 Actual	FY08 Plan
Commitments (\$m)	1,747	1,781	2,000 - 2,300
Advisory Services Expenditures Managed (\$m) ¹	5	11	19
Development Impact Score (%) ²	58%	56%	76%

¹Expenditures shown in the above table represent funds and expenditures managed by IFC (both IFC own funds and donor funds).

²Expanded Project Supervision Report (XPSR) – percentage of XPSRs which scored “mostly successful and above” on the development outcome measure based on a 3-year rolling average. The FY08 score is an estimate.

MIDDLE EAST AND NORTH AFRICA

5.29 Middle East and North Africa (MENA) region has shown strong economic growth over the last three years, averaging about 6.2% per annum. While many countries in the region benefit from high oil revenues, oil-importing countries have experienced significant GDP growth in the past four years of 5% to 7% per annum. The governments of Egypt and Pakistan are undertaking privatizations and are diversifying their economies, creating more opportunities for the private sector. High oil prices have led to growing inter and intra regional FDI flows. Private companies throughout MENA are investing increasingly in other countries, in banking, oil, gas and petrochemicals, and telecoms. There is a growing recognition that the private sector has an important role to play in job creation. Challenges facing the private sector include weak business environments, inadequate infrastructure, under-developed capital markets, low contribution of SMEs in most economies and poor corporate governance practices.

IFC's Achievements and Priorities

5.30 IFC's additionality in the region is centered on providing long-term finance to the private sector and the underserved. Such long-term financing for the private sector, in particular small firms, has historically not been available in many countries because of the dominance of the public sector financial system, which favored financing large companies and public sector projects. In addition, clients are interested in IFC's global knowledge which can be adapted to local situations.

5.31 IFC's priorities in MENA are targeted towards areas with high development impact and additionality and these are: (i) access to finance for the underserved such as SMEs; (ii) investments in infrastructure; and (iii) opportunities in frontier markets, including conflict-affected countries.

Combining investment and advisory services and facilitating South-South investments will allow IFC to achieve these objectives.

5.32 Access to Finance programs will focus on two areas: SMEs and housing finance. In FY07 and FY08 IFC plans to invest over \$900 million in about 40 financial institutions across the region to address constraints facing MSMEs and housing needs. A sizable financial markets program of about \$1.6 billion is projected for FY09-11 for Access to Finance programs and to develop the financial sector in the region. Advisory activities will complement investment activities - nearly 60% of PEP-MENA's work will address Access to Finance and obstacles facing MSMEs and housing needs as well as Business Enabling Environment programs.

5.33 Participation of the private sector in the infrastructure sector in MENA is limited. Increasingly, countries are opening up and shifting from exclusive public sector provision of infrastructure to public/private models for infrastructure. IFC has an active advisory program in MENA implementing PPP mandates. In FY07 and FY08 IFC expects to invest around \$400 million across the region in infrastructure. Projections for FY09-11 are for over \$1 billion in about 25 projects across the region.

5.34 **Investments and Advisory Services.** IFC's portfolio of investments in the region totals about \$2.6 billion. Over the past three years, annual commitments have increased from \$315 million (FY05), \$668 million (FY06), to \$1.2 billion (FY07). Investments are held in 16 of the total 19 countries/territories in the MENA region and span all sectors, with the financial sector representing the largest portion of about 30% of total IFC commitments in the region. IFC expects to commit up to 30% of its investments in IDA countries and frontier regions in FY08. The PEP-MENA advisory services facility is currently engaged in about 100 active advisory services projects across 17 countries working on SME development, PPP/privatization, improving the business enabling environment and access to finance. The first phase of PEP-MENA is coming to an end in June 2009. IFC is in discussions with current and potential donors about their support for PEP-MENA II to leverage IFC's contributions.

5.35 **South-South Investments.** In FY07 56% of MENA's investments supported South-South investments within the region. IFC is working in GCC countries selectively to deepen their financial markets and to explore the use of Islamic products with a view to replicating the products in non-GCC countries. Corporate governance is another important area for advisory programs in the GCC.

Table V-4: Middle East and North Africa

	FY06 Actual	FY07 Actual	FY08 Plan
Commitments (\$m)	668	1,217	1,250 - 1,500
Advisory Services Expenditures Managed (\$m) ¹	15	18	22
Development Impact Score (%) ²	44%	50%	38%

¹Expenditures shown in the above table represent funds and expenditures managed by IFC (both IFC own funds and donor funds).

²Expanded Project Supervision Report (XPSR) – percentage of XPSRs which scored “mostly successful and above” on the development outcome measure based on a 3-year rolling average. The FY08 score is an estimate.

SOUTH ASIA

5.36 The South Asia region is home to more poor people than any other region: an estimated 1.02 billion people in the region live on less than \$2 a day; 194 million people lack access to an improved water source; 280 million are undernourished; and 828 million lack access to basic sanitation facilities. Sustained strong private sector-led growth in recent years, over 7% per annum, provides a strong foundation for IFC to play an enhanced role and increase its impact on poverty. Despite strong growth, inequality has been rising. This provides a clear role and strategic direction for the IFC in the region.

5.37 Under-investment in infrastructure has resulted in a high-cost investment climate. As a result, South Asia receives the lowest amount of FDI as a proportion of GDP of any region in the world; growth is largely generated by domestic investment, fuelled by rising savings rates. In contrast, record inflows of portfolio capital and private equity have entered India in recent years, attracted by India's strong growth and relatively well developed capital markets. These high portfolio inflows have led to an appreciating currency and the Government in turn has responded with enhanced controls on External Commercial Borrowing.

IFC's Achievements and Priorities

5.38 IFC's three key priorities for development impact in the region are promoting economic inclusion (through greater access to infrastructure and financial services, and greater growth opportunities in rural areas and lagging regions), mitigating and adapting to climate change and promoting regional economic integration. These follow closely the pillars of the World Bank South Asia Regional Strategy. IFC additionality comes from: directly providing long-term patient investment capital, especially in sectors and regions which have not benefited from the strong economic growth and capital flows of the region so far; mobilizing finance from other financial institutions especially for large infrastructure transactions and the provision of value added services alongside investments to, for example, strengthen corporate governance, improve environmental and social management systems and share global expertise.

5.39 **Infrastructure.** Lack of access to or poor quality of infrastructure services is the main constraint to sustaining rapid economic growth and inclusion in South Asia. Regional governments are increasingly seeking private participation in infrastructure financing. IFC aims to scale up its support for private investment in infrastructure in close collaboration with the World Bank. This would be achieved through a mix of investments of long-term debt and equity in specific projects; corporate investments in local infrastructure development companies; wholesale funding through local financial institutions and investment funds; pioneering subnational finance transactions; and advisory work to structure concessions, privatizations and PPPs. Target sectors are power, transportation, water, waste water and sanitation. For example, in FY07 IFC finance led to an estimated additional 13.3 million households receiving reliable power supply. In FY08 IFC launched the South Asia Infrastructure Advisory Facility (SAIF), an IFC and donor-funded facility for advisory work for private infrastructure.

5.40 **Rural Areas.** IFC intends to increase the impact of the private sector on rural growth through investments and advisory services in agribusiness, rural finance (especially microfinance) and rural infrastructure. In addition, IFC helps investee companies expand their operations to rural areas. Agribusiness offers significant opportunities for climate change mitigation (e.g. cogeneration from biomass/bagasse, waste to energy in poultry) and will require adaptation investments. This year, IFC invested in a micro irrigation company helping to increase farm yields across India, and is pursuing opportunities to invest in a private equity fund focused on rural and agribusiness development.

5.41 **Financial Sector.** IFC's priority is to use investments and provide advisory services to build capacity in financial institutions in order to expand services to underserved segments, such as SMEs and micro-enterprises. In India, IFC will continue providing additionality by providing long-term financing to financial institutions, and helping develop new products and services (such as SME finance, housing finance and micro-finance).

5.42 **Industrial Growth.** South Asia is currently experiencing rapid industrial growth, as a result of improved international competitiveness. IFC's strategy remains to invest equity and long-term debt in labor-intensive, knowledge-based, export-oriented, globally competitive second-tier companies to support continued industrial growth. In FY07 for example IFC investments created 19,000 new jobs directly, financed companies which purchased \$558 million of domestic inputs

annually and provide \$54 million of revenue for national and state governments. IFC has supported Indian companies investing abroad, particularly in other developing countries, as well as working with investees on clean and low energy production techniques.

5.43 Fragile and Conflict Areas and Lagging States. IFC will seek opportunities to improve the investment climate and promote private investment in areas in conflict or at risk of conflict, including Nepal and Sri Lanka. Six states have been recognized by Government of India as 'lagging', with slower growth and lower development outcomes (Bihar, West Bengal, Uttar Pradesh, Chattisgarh, Jharkand and Orissa): these states, along with Rajasthan and North-East India, need extra attention to improve the investment climate and mobilize private investment to accelerate growth. So too does Bangladesh, where robust economic growth is vulnerable to climate change and political developments. In these parts of the region, IFC will pursue opportunities to partner with investors on investments and address the investment climate through advisory programs. Working in these challenging environments would require greater business development and portfolio supervision efforts and resources.

5.44 Climate Change. The South Asia region is both a contributor to climate change through GHG emissions (India is the 6th largest CO₂ emitter in the world) and is being impacted by the effects of climate change, most notably the coast of Bangladesh where over 20 million people are at risk from rising sea levels. IFC will pursue investments and advisory services which support climate change mitigation, with a particular focus on distributed power generation, carbon finance, cleaner technologies/energy efficiency and renewable energy investments. The region expects to increase the number of projects with energy efficiency or renewable energy components and to substantially increase sustainable energy commitments by FY11. Furthermore, in FY09 and beyond, the region will expand its work to include climate change adaptation. The region will be a part of an IFC adaptation pilot aimed at identifying the physical and financial risks of climate change, and exploring the feasibility of measures to help companies and communities to adapt to the impact of changing temperatures and precipitation, rising sea levels, and increasing weather extremes and natural disasters. IFC will work closely with the World Bank to develop a joint climate change strategy for the region.

5.45 Regional Integration. South Asia is the least integrated region in the world in terms of intra-regional trade: for example, India accounts for just 1% of Bangladesh exports. IFC aims to support the World Bank effort on regional economic integration by: (i) taking South Asian companies to other markets in South Asia; (ii) providing investment and advisory services for cross-border infrastructure such as power, ports, and roads; (iii) leveraging advisory services for enhanced trade facilitation; and (iv) offering trade finance.

5.46 Investments. IFC will continue to provide additionality through longer-tenor/subordinated debt and equity to infrastructure projects and to second tier companies, while adding value from mobilization, sustainability and IFC's "seal of approval". As of end FY07, the committed portfolio was \$2.6 billion. Equity represented \$271 million of IFC's portfolio in South Asia at end FY07, with a market value of \$800 million, representing 16.7% of the disbursed portfolio (net of specific reserves) at cost, and 41% at market value. IFC plans to increase the proportion of equity in its portfolio to 25% by FY10, with a focus on smaller investments and investments in family-owned companies which find it difficult to attract public or private equity.

5.47 Advisory Services. The SEDF SME development program in Bangladesh, Bhutan, Maldives, Nepal, Sri Lanka, and the North-East states of India is supporting the growth of SMEs by: (i) improving access to finance in partnership with local banks; (ii) improving the business enabling environment; and (iii) supporting the growth of SMEs in key sectors. SEDF works closely with the World Bank in Investment Climate Assessments and joint programs. IFC launched a \$24 million multi donor advisory program (Bangladesh Investment Climate Fund) to support implementation of

investment climate reforms, building on work begun through SEDF. The second phase of SEDF is expected to start at the beginning of the calendar year 2009 and will focus on access to finance and sector development. IFC has managed to leverage donor funding for its advisory services work in countries outside India, and in the north east India states. The extremely large scope and depth of Indian poverty, combined with India's very poor investment climate requires IFC to further scale up advisory services in India, despite lack of donor interest. This will require greater reliance on FMTAAS funding and client contributions.

Table V-5: South Asia

	FY06 Actual	FY07 Actual	FY08 Plan
Commitments (\$m)	507	1,073	1,100 - 1,250
Advisory Services Expenditures Managed (\$m) ¹	9	10	20
Development Impact Score (%) ²	46%	43%	57%

¹Expenditures shown in the above table represent funds and expenditures managed by IFC (both IFC own funds and donor funds).

²Expanded Project Supervision Report (XPSR) – percentage of XPSRs which scored “mostly successful and above” on the development outcome measure based on a 3-year rolling average. The FY08 score is an estimate.

SOUTHERN EUROPE AND CENTRAL ASIA

5.48 Fast pace of reform continued in Southeastern Europe (SEE). Bulgaria and Romania joined the EU in 2007 while Croatia and FYR Macedonia remain candidate countries. Significant political risks and uncertainties remain in Bosnia and Herzegovina and Serbia. Addressing bottlenecks in infrastructure is a development priority for SEE countries. The countries rank very low in Logistics Performance Index (e.g. Bosnia and Herzegovina 88, Serbia 115, Albania 139, and Moldova 106). As the gap between demand and supply for electricity is re-emerging strongly in SEE countries, the power generation sector investments are becoming a priority. Countries are increasingly interested in attracting more private sector participation in the infrastructure sector. There is great need for rehabilitation of the physical infrastructure in the cities and tourism areas of post-conflict countries. Growth in real estate is driving growth in related sectors such as construction, cement and metals. The traditional retailing of agricultural products is increasingly giving way to supermarket and local players in retail and agribusiness with South-South investment plans are emerging. Access to housing finance is limited.

5.49 During the past five years, Turkey's vibrant private sector rebounded, and economic growth exceeded 7% on average. However, regional difference in welfare and poverty do persist. Given its high current account deficit at 7-8%, Turkey's continued strong growth and stability depend on strong capital inflows and, in longer term, its competitiveness through improved firm's technological progress and increased use of quality standards. Turkish companies are present in Central Asia, Southeastern Europe, and Middle East countries. They are looking for opportunities to further expand their investments in the region and to become global players. Although infrastructure is improving, it falls short compared to OECD and EU standards. Access and cost of credit are also impeding the growth of the private sector in Turkey.

5.50 The pace of reform has been slower in the resource-rich countries of Central Asia. In Kyrgyzstan, the Parliament cleared the way for the privatization of the electricity generation and distribution companies. Uzbekistan showed progress in improving business-enabling environment, which is reflected in the Doing Business ranking, but it remains very low. Kazakhstan experienced the sharpest rise in corruption according to Transparency International's Corruption Perception Index (CPI) for 2007 survey (Kazakhstan, Kyrgyzstan and Tajikistan all tied for 150th place). The need to improve infrastructure and logistics remains great. Financial intermediation is low (domestic credit to GDP of 6-35 per cent).

IFC's Achievements and Priorities

5.51 Continuing focus on IDA and post-conflict countries and frontier regions. IFC aims to increase the number of projects in IDA and post-conflict countries from 50% to about 65% of total (by FY11) in the region. IFC is considering developing its high development impact programs such as energy efficiency, housing, microfinance, business enabling environment, risk sharing products, partnerships with IDA for PPPs in infrastructure, wholesaling, and real sector direct SME investment. IFC will continue to focus on Central Asia. If given additional resources, IFC will implement special initiatives in SMEs, agribusiness, microfinance as well as in infrastructure and oil and gas. In SECA region, IFC aims to reach 17 million customers through its energy investments and support 100,000 people through housing investments. Reaching poor people through microfinance institutions remains a core part of IFC's priority. Over the next three years, through its MSME program, IFC expects to reach 200,000 micro entrepreneurs in IDA and post-conflict countries. Over 90% of IFC's advisory services will be allocated to activities in IDA and post-conflict countries.

5.52 Evolving IFC's role in developed markets. In more mature markets, IFC will continue to support new credit worthy second tier clients, move to secondary cities, offer new products to its larger/first tier clients, do South-South investments and tap into their supply chain for greater development impact. In Turkey, IFC will continue to widen its client base by investing in second tier companies and to support local banks to broaden their reach and market penetration. In addition, IFC intends to work with financial institutions in improving their financial products delivery particularly to SMEs, microfinance enterprises and low income household, while addressing regional inequalities. IFC will continue to support Turkish companies to invest in other countries in the region. In Bulgaria and Romania, IFC envisages a phased reduction of involvement over a period of 3-4 years, supporting selective sectors and activities where IFC will have additionality, such as the power sector, infrastructure privatizations and regional projects. In addition, IFC will continue to support South-South investors from Romania and Bulgaria.

5.53 Addressing Climate Change. Priority sectors will be in infrastructure, general manufacturing and financial markets with a focus in four products: energy efficiency, renewable energy, cleaner production, and recycling. Through its advisory services, IFC will develop activities on energy efficiency and waste management in the Balkans and Turkey and develop a better understanding on opportunities for renewable energy in the region. In the next three years, IFC aims to increase climate change commitments in SECA from 2% to 10% of total commitments.

5.54 Increasing the World Bank Group Cooperation. IFC and the World Bank have been working together to implement regulatory reforms in Central Asia and to prepare joint Country Partnership Strategies for a number of countries in Southeastern Europe and Central Asia. IFC's work in assisting the Government of Albania with establishing a concessions clearing law, structuring Private Sector Participation (PSP) in energy and ports, and advising in the restructuring and privatization of the power distribution company, is a result of productive collaboration with the exploring further IFC/World Bank synergies in: (i) promoting PPPs in infrastructure in the Balkans through its advisory services; (ii) implementing a joint program with FIAS in the Western Balkans; (iii) in Central Asia, collaborating with IDA to offer suitable products and co-locating a/sharing of support services and; (iv) in Turkey, working with the World Bank on PSP projects in infrastructure sectors.

5.55 IFC has achieved good development results in SECA region through its investments and advisory services. FY07 results include: grew outstanding portfolio from \$2.3 billion in January 2006 to \$3.2 billion in December 2007; steadily increased the number of projects in IDA and post-conflict countries from 40% in FY04 to 50% in FY07; increased the number of projects with new clients (from 23% in FY06 to 55% in FY07); increased the number of projects with local companies

(2/3 of clients are local); increased SME loan portfolio by 25% and microfinance by 30%; originated \$124 million in South-South projects; mobilized close to \$800 million from other financing sources. About 90% of advisory services programs are in IDA and post-conflict countries. IFC's ongoing advisory services projects have produced significant results since inception including: reached 11,000 street collectors through a recycling program, most of them Roma; grew the leasing market by some \$160 million in Central Asia and Azerbaijan and enabled about \$70 million in SME loans; over 22 legislative acts were passed and \$175 million in costs removed from the economy; over \$500 million investments are being enabled, impacting three million people, all as a result of infrastructure advisory services.

Table V-6: Southern Europe and Central Asia

	FY06 Actual	FY07 Actual	FY08 Plan
Commitments (\$m)	991	1,118	1,110 - 1,250
Advisory Services Expenditures Managed (\$m) ¹	5	8	11
Development Impact Score (%) ²	63%	69%	79%

¹Expenditures shown in the above table represent funds and expenditures managed by IFC (both IFC own funds and donor funds).

²Expanded Project Supervision Report (XPSR) – percentage of XPSRs which scored “mostly successful and above” on the development outcome measure based on a 3-year rolling average. The FY08 score is an estimate.

SUB-SAHARAN AFRICA

5.56 The economic outlook in Sub-Saharan Africa continues to be strong. For the third consecutive year, average real GDP growth in 2006 exceeded 5% (weighted by GDP it is almost 6%). General and macroeconomic and fiscal management has improved, and African countries continue to work on improving investment climates improved economic performance has translated into increased investor interest in Africa with new sources of investments, from US fund managers to Chinese and Indian companies. Private equity investments in 2007 are reported at \$2.7 billion, not including South Africa, nearly seven times the 2005 figure.

5.57 Africa still faces daunting challenges. Insufficient power is a major problem for Africa - less than 25% of Africans have access to electricity, compared to over 40% for South Asia, and over 85% in other developing regions. Africa has yet to fully benefit from globalization. The key obstacle has been the relatively small size of most African firms which makes it difficult to compete with larger firms, weak business environment and poor infrastructure. Africa will be challenged by climate change: threats of increasing desertification, severe drought/flood cycles, and water shortages.

IFC's Achievements and Priorities

5.58 IFC is targeting development results in Africa with the focus on: (i) expanding IFC's activities into smaller, more challenging markets where IFC has not been very active; (ii) access to finance for MSMEs - number of persons/MSMEs receiving credit or financial services from IFC-supported projects, and the growth in the total outstanding portfolio of sub-loans to MSMEs; (iii) access to infrastructure - expansion of services to those who had none before, in power, telecom, water, and transport; and in power in particular expansion of generating capacity; (iv) number of students in new or improved school facilities; and number of patients receiving medical treatment from new or improved hospitals/clinics/other services; (v) number of jobs created in manufacturing, agribusiness, and extractive industries; number of jobs created in suppliers/outgrowers; and (vi) improvement in the Doing Business rankings of countries in which IFC has investment climate reform programs ongoing.

5.59 IFC's additionality in the region draws on: (i) sharing risk with, or providing advisory support and resources to, financial partners, which enables them to expand their financing of firms beyond what they would have done on their own; (ii) working with financial partners to introduce new

financial products, creating new segments of the financial sector, as in housing finance, microfinance, and securities markets; (iii) providing long-term financial resources in high risk markets, in particular post-conflict countries, where IFC is increasingly taking a leading position; and (iv) assuring compliance with environmental and social safeguards, and most importantly providing technical support in meeting those standards, on large mining and infrastructure projects.

5.60 IFC has significantly scaled up activities in Africa. Investment commitment volumes have doubled in each of the past two years, to reach almost \$1.4 billion last year. Going forward, IFC expects to maintain this level of investments, and to focus on reaching more frontier markets. The main strategic priorities, in line with IFC's Strategic Initiative for Africa (endorsed by the Board in 2006) will be:

5.61 **Pillar 1: Improving the Investment Climate.** Advisory programs based on: (i) maximizing the synergies from joint World Bank Group programs; (ii) concentrating efforts in post-conflict countries; and (iii) expanding into new advisory services product areas relevant for Africa. The priorities are aligned with those of the World Bank Africa Action Plan.

5.62 **Pillar 2: Enhanced Support to SMEs.** Concentrating efforts on two areas: (i) expanding the MSME finance portfolio; and (ii) leveraging Linkages programs for SMEs.

5.63 **Pillar 3: Proactive Project Development to Support Large Investments.** Priority areas are: (i) advisory services-led business development; (ii) leveraging IFC's corporate advisory mandates; and (iii) improving market reach. An additional priority area for IFC is regional integration. IFC is devoting additional resources to expanding more in smaller and more challenging countries. Implementation of the post-conflict initiative in four countries is proceeding well – results have been reported in Section II under the Progress made under Pillar 1, paragraph 3.25.

5.64 **Looking Ahead.** Implementation of the Global-Local decentralization initiative starting in FY09 will allow IFC to enhance further its development impact and client relationship management. In frontier and difficult markets, IFC's activities will center on using advisory services for business enabling environment and investments in financial markets, through targeted equity funds, and small direct investments in agribusiness and manufacturing. Implementation of the new InfraVentures fund initiative to support early stage project development in infrastructure, and the Africa Health strategy would allow IFC to increase its development impact in frontier markets. IFC will continue implementing the access to finance programs under the Africa MSME Finance program, the IDA-IFC MSME program, and the proposed IDA SME equity fund. The extensive investment climate advisory programs will be expanded to encompass most countries in the region. Climate change initiatives in Africa include support for renewable energy, in particular hydropower, support for energy efficiency initiatives in large-scale mining projects, and in South Africa an initiative targeting cleaner production.

Table V-7: Sub-Saharan Africa

	FY06 Actual	FY07 Actual	FY08 Plan
Commitments (\$m)	700	1,379	1,100 - 1,400
Advisory Services Expenditures Managed (\$m) ¹	11	24	34
Development Impact Score (%) ²	41%	48%	48%

¹Expenditures shown in the above table represent funds and expenditures managed by IFC (both IFC own funds and donor funds).

²Expanded Project Supervision Report (XPSR) – percentage of XPSRs which scored “mostly successful and above” on the development outcome measure based on a 3-year rolling average. The FY08 score is an estimate.

VI. FRONTIER REGIONS IN NON-IDA COUNTRIES

Argentina	Colombia	Panama	Russian Federation	Turkey
Catamarca	Norte Santander	Darien	Ivanovo oblast	Adiyaman
Chaco	Putumayo	Herrera	Jewish autonomous	Afyon
Corrientes	Sucre	Los Santos	Kaliningrad oblast	Ağrı
Entre Ríos	Vichada	Veraguas	Kaluga oblast	Aksaray
Formosa			Kemerovo oblast	Amasya
Jujuy	Croatia	Peru	Kirov oblast	Ardahan
La Rioja	Karlovac	Amazonas	Kostroma oblast	Bartın
Misiones	Sibenik-Khin	Apurímac	Krasnodar krai	Batman
Salta	Sisak-Moslavina	Ayacucho	Kurgan oblast	Bayburt
San Juan	Slavonski-Brod	Cajamarca	Kursk oblast	Bingöl
Sgo. del Estero	Vukovar-Sirmium	Cusco	Novgorod oblast	Bitlis
Tucumán		Huancavelica	Novosibirsk oblast	Çankırı
	Dominican Republic	Huánuco	Orenburg oblast	Diyarbakır
Brazil	Del Valle Region	Junín	Orlov oblast	Düzce
Acre	Enriquillo Region	Lambayeque	Penza oblast	Erzincan
Alagoas	Noroeste Region	Loreto	Primorsk krai	Erzurum
Amapá		Piura	Pskov oblast	Gaziantep
Amazonas	Egypt	Puno	Rep. of Karashayev-	Giresun
Bahia	Assiut	San Martín	Republic of Adigeys	Gümüşhane
Ceará	Aswan	Tumbes	Republic of Altai	Hakkari
Maranhão	Behera	Ucayali	Republic of Buryatiya	Iğdır
Pará	Beni Suef		Republic of Chechnya	Isparta
Paraíba	Fayoum	Philippines	Republic of Chuvashiya	Kahramanmaraş
Pernambuco	Luxor	Bicol	Republic of Dagestan	Karabük
Piauí	Menia	Cagayan Valley	Republic of Ingushetiya	Kars
Rio Grande do Norte	New Valley	Calabarzon	Republic of Kabardino-	Kırşehir
Rondônia	Gena	Caraga	Republic of Kalmikiya	Konya
Roraima	Suhag	Central Luzon	Republic of Khakasiya	Malatya
Sergipe		Central Visayas	Republic of Marii El	Mardin
Tocantins	Guatemala	Cordillera Administrative	Republic of Mordoviya	Muş
	Alta Verapaz	Davao Region	Republic of Northern	Ordu
China	Baja Verapaz	Eastern Visayas	Republic of Tyva	Osmaniye
Anhui	Chimaltenango	Ilocos	Republic of Udmurtiya	Şanlıurfa
Chongqing	Huhuetenango	Mimaropa	Rostov oblast	Siirt
Gansu	Jalapa	Muslim Mindanao	Ryazan oblast	Sinop
Guangxi	Jutiapa	Northern Mindanao	Saratov oblast	Şirnak
Guizhou	Petén	Soccsksargen	Smolensk oblast	Sivas
Heilongjiang	Quetzaltenango	Western Visayas	Stavropol krai	Tokat
Henan	Quiché	Zamboanga Peninsula	Tambov oblast	Trabzon
Hubei	San Marcos		Tomsk oblast	Tunceli
Hunan	Santa Rosa	Romania	Tula oblast	Uşak
Inner Mongolia	Sololá	Bistrița-Năsăud	Tver oblast	Van
Jiangxi	Totonicapán	Botoșani	Ulyanovsk oblast	Yozgat
Jilin		Brăila	Ust-Ordinsk Buryatsk	
Liaoning	Kazakhstan	Buzău	Vladimir oblast	Ukraine
Ningxia	Akmola oblast	Calărași	Volgograd oblast	Cherkasy oblast
Qinghai	Almaty oblast	Dolj	Voronezh oblast	Chernivsti oblast
Shaanxi	East-Kazakhstan oblast	Giurgiu		Kherson oblast
Shanxi	Kostanai oblast	Gorj	Serbia	Khmelnytskyi oblast
Sichuan	North-Kazakhstan	Hunedoara	Bor District	Rivne oblast
Tibet	South-Kazakhstan	Ialomita	Jablanica District	Ternopil oblast
Xinjiang	Zhambyl oblast	Mehedinti	Kolubara District	Vinnitsia oblast
Yunnan		Neamț	Pčinja District	Volyn oblast
	Mexico	Olt	Pirot District	Zakarpattia oblast
Chile	Chiapas	Sălaj	Podunavlje District	Zhytomyr oblast
Araucania	Guerrero	Teleorman	Rasina District	
Coquimbo	Hidalgo	Tulcea	Raška District	Uruguay
Los Lagos	Michoacan de Ocampo	Vaslui	Šumadija District	Artigas
Maule	Nayarit	Vrancea	Toplica District	Cerro Largo
	Oaxaca		Zaječar District	Lavalleja
Colombia	Tabasco	Russian Federation	Zlatibor District	Rio Negro
Amazonas	Tabasco	Aginsk Buryatsk okrug		Tacuarembó
Caquetá	Tlaxcala	Altai krai	South Africa	
Cauca	Veracruz de Ignacio de	Amur oblast	Eastern Cape	
Chocó	Zacatecas	Astrakhan oblast	Limpopo	
Córdoba		Belgorod oblast	Mpumalanga	
Guanía	Panama	Bryansk oblast	Northern Cape	
Magdalena	Bocas Del Toro	Chelyabinsk oblast	Northwest Province	
Nariño	Chiriquí	Chita oblast		
	Cocle			

VII. CORPORATE SCORECARD

US \$ million unless otherwise noted.

Client Satisfaction Measures	FY07 Results	FY08 Estimate	FY08 Target or Benchmark (Set in 2005)	Notes
External: % of satisfied respondents in the Annual Client Survey	85%	NA	Benchmark: FY04 - 05	
External: % of clients who said IFC's services are responsive and timely	52%	NA	-	
Development Impact Measures	FY07 Results	FY08 Estimate	FY08 Target or Benchmark (Set in 2005)	Notes
A. Ex-post Development Impact Measures				
* % satisfactory or better ex-post development outcomes (XPSRs) – IEG ratings	56%	63%	65% on projects committed FY06-08	1
DOTS (Developing Outcome Tracking System) Success Rate	63%	63 - 71%	-	2
B. Ex-ante Development Impact Measures				
Pillar 1. Strengthen the Focus on Frontier Markets				
* Commitments in Sub-Saharan Africa	1,379	1,100 - 1,400	735 – 875	
* Commitments in MSME	2,501	2,000 - 2,500	1,100 - 1,300	3
% of IFC total commitments in frontier countries, compared with the frontier share of developing member country GDP	38%:14%	36%-39%:14%	Overweight in Frontier	4
Commitments in IDA Countries as % of Total Commitment Volume	37%	34 - 38%	-	4
Commitments in IDA Countries as % of Total Project Count	44%	43 - 47%	-	4
Commitments in Frontier Region of Non-IDA Countries as % of Total Commitment Volume	10%	8-10%	-	4
Commitments in Middle East and North Africa	1,217	1,250 - 1500	-	
Commitments in Agribusiness Sector	628	600 - 800	-	
Pillar 2. Build Long-Term Partnerships with Emerging Players in Developing Countries				
* Number of projects with new sponsors as % of total project count	48%	45 - 50%	Larger than 50%	5
Domestic sponsors as % of total number of commitments	64%	60 - 65%	Benchmark: FY04 - 05	5
South-south commitments	1,297	1,000 - 1,300	Benchmark: FY04 - 05	
Pillar 3. Addressing Climate Change and Environment and Social Sustainability				
Renewable Energy and Energy Efficiency projects				6
* IFC Commitments in RE/EE Component	477	260 (1H Results)	EIR target for the World Bank Group	7
* Total RE/EE Component Project Cost	2,008	1,169 (1H Results)	EIR target for the World Bank Group	7
% of Clients who received significant E&S input in Annual Client Survey	67%	NA	Benchmark: FY04 - 05	
% of Clients who said E&S input had impact on their business	87%	NA	Benchmark: FY04 - 05	
Pillar 4. Address Constraints to Private Sector Growth in Infrastructure, Health and Education				
* Commitments in infrastructure, ICT, health and education	1,533	2,430 - 3,250	1,500 - 1,800	
of which, Infrastructure other than ICT	936	1,800 - 2,500	Benchmark: FY04 - 05	
of which, ICT	399	430 - 450	Benchmark: FY04 - 05	8
of which, Health and Education	199	200 - 300	Benchmark: FY04 - 05	
Commitments in Subnationals	75	80 - 100	Benchmark: FY04 - 05	
Number of mandates in Advisory Services to Private-Sector Participation in Public Infrastructure Services	Closed - 8 Ongoing - 27	7 - 8 closings	Benchmark: FY04 - 05	
Pillar 5. Developing Local Financial Markets through Institution Building, Innovative Financial Products and Mobilization				
* Commitments in Financial Sector	3,374	3,300 - 3,700	2,100 - 2,500	9
of which, Housing Finance	620	650-750	Benchmark: FY04 - 05	
Commitments in Local Currency Financing	1,615	892 (as of Dec 31)	Benchmark: FY04 - 05	
Number of Technical Assistance and Advisory Services in Financial Sector	180	220-240	Benchmark: FY04 - 05	10

1 FY07 IEG results are based on a 3-year rolling average for projects approved during calendar year (CY) 1999 to 2001 (projects are typically evaluated 5-6 years after approval). FY08 estimates for IEG results are based on three-year rolling average for projects approved in CY00-02.

2 FY07 DOTS results are based on a rolling average of projects approved between CY98-03.

3 MSME commitments include: direct MSME borrowers; financial institutions with more than 50% of their business clients being MSMEs; and any other investments that explicitly target MSMEs as primary beneficiaries. FY07 results include trade finance.

4 Starting FY08, the definition of IFC's Frontier Markets has changed to IDA countries and frontier regions in non-IDA countries in order to align with the World Bank Group strategic priorities.

5 Based on new projects, excluding rights issues, A/B loan increases and secondary commitments.

6 World Bank Target is to increase RE/EE portfolio by an annual average of 20%.

7 In FY07, the total project cost of projects with RE/EE components was \$6.2 billion, of which \$2.0 billion was invested in RE/EE components. IFC invested \$1.1 billion in these projects, of which \$477 million targeted to RE/EE components. The figure reported differs from the annual report, as an ongoing review process identified more RE/EE projects.

8 Information and Communication Technologies.

9 Not including private equity funds.

10 Active Technical Assistance projects in Financial Sector. FY08 onwards include projects on hold.

Financial and Organizational Performance Measures	FY07 Results	FY08 Estimate	FY08 Target or Benchmark (Set in 2005)	Notes
Operational Performance				
IFC net commitments	8,220	10,000-10,500	6,015 - 7,150	
IFC committed syndications	1,775	2,500 – 3,000	Benchmark: FY04	
Resource Mobilization Ratio	0.47	0.48 (as of Dec 31)	-	11
Technical Assistance and Advisory Services, DFO Expenditures	191	240-270	Benchmark: FY04	12
Financial and Organizational Performance Measures				
Financial Performance				
Operating income	2,611	1,320 – 2,980	FY06 Plan: \$517 million	13
Return on Net Worth	21%	9 – 20%	Benchmark: FY04	
Return on Net Worth, adjusted for TAAS	23%	10 – 21%	6.0%	14
Loan portfolio: Non-performing loans	2.9%	2.9% (as of Dec 31)	Benchmark: FY04	
% of Low Risk Projects based on the ESRR Score	68%	67 - 69%	Benchmark: FY04	
Maintenance of AAA Rating	Yes	Yes	Yes	
Productivity				
Productivity: # Commitments / Investment staff	0.52	0.53 - 0.58	Benchmark: FY04	15
Productivity: \$ Commitments / Investment staff	14.3	13.5 - 16.0	Benchmark: FY04	
# Commitments / \$1 Million of Regular Budget	0.75	0.75 – 0.76	Benchmark: FY04	
HR Dimension				
Diversity: % of Sub-Saharan African and Caribbean Nationals	9%	9 - 10%	10% (WBG target)	
Diversity: % of Female Workers in GF-GG	41%	39 - 41%	45% (WBG target)	
Diversity: % of Female Workers in GH+	24%	23 - 25%	30% (WBG target)	
Staff morale: % of satisfied respondents in the Biannual Staff Survey	NA	NA	Benchmark: FY06 (Latest WBG Staff Survey)	16

11 Resource mobilization ratio is defined as a sum of loan participations, parallel loans, and non-IFC investment portion of structured finance, divided by IFC investments and IFC portion of structured finance.

12 Donor-funded Operations (DFO) expenditures include overhead costs and cost of managing projects of over 30 DFO programs: Trust Fund program, FIAS, DEVCo, six Environmental Facilities, SME Capacity Building Fund, SME Initiatives, Grassroots Business Initiatives, Project Development Facilities, and PEPs.

13 Including unrealized gains from IFC's investments in Limited Liability Partnerships and certain investments in Limited Liability Corporations.

14 IFC Return on Net Worth based on operating income adjusted for FMTAAS expenses: IFC expense contributions to the Trust Fund program, FIAS, PEP, Project Development Facilities, SME Capacity Building Fund, special Environmental Facilities, and other programs. The target ROE of 6 percent is based on 1) a potential range of 6-8 percent for a commercial benchmark, based on returns of commercial banks and other IFIs adjusted for leverage (Board technical briefing on "Benchmarking IFC's Profitability," November 2003), and 2) adjusted for IFC non-commercial activities (Board Technical briefing on "Unbundling Non-Commercial Activities," January 2003).

15 Total number of projects divided by the total number of investment officers from grade F to H, excluding managers, industry specialists, economists/strategists, and budget officers.

16 Biannual Staff Survey conducted in FY06, percentage of favorable respondents on "overall satisfaction" section.