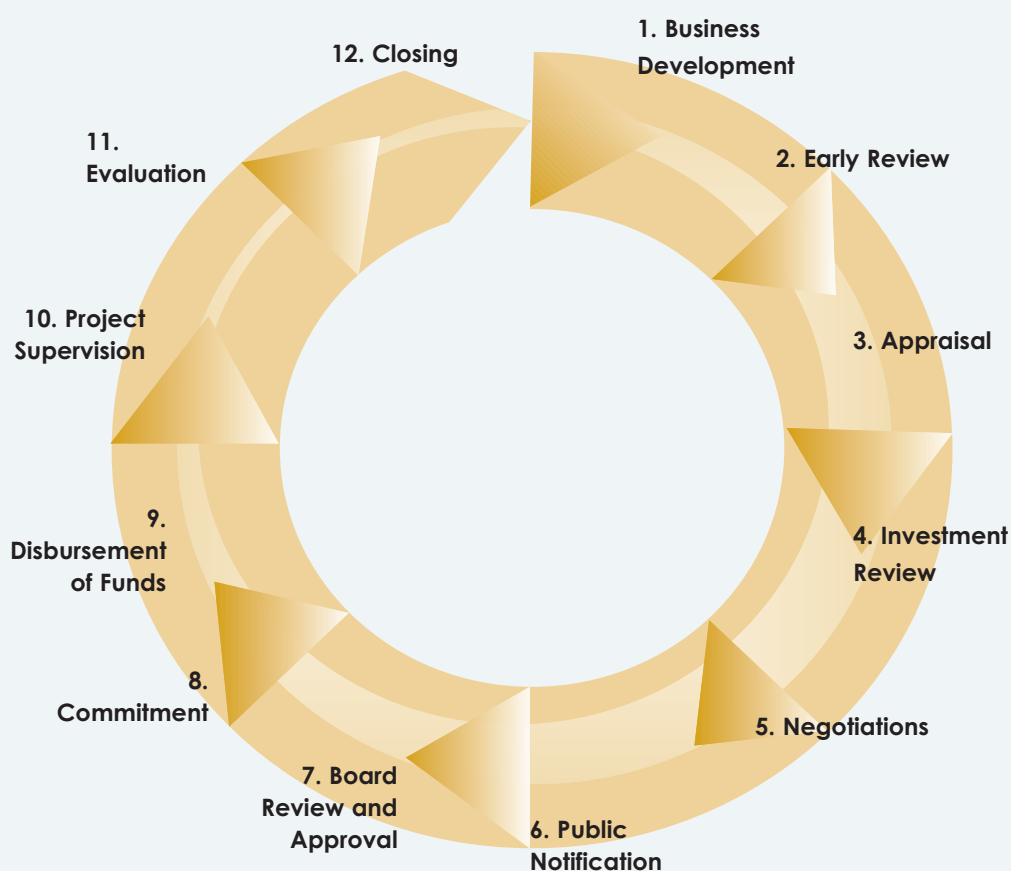


IFC Investment Cycle



IFC INVESTMENT CYCLE

The following cycle shows the stages a business idea goes through to become an IFC-financed project.

1. Business Development

Guided by IFC's strategic goals, our investment officers (IOs) and business development officers identify suitable projects. This initial conversation with the client is critical in helping us understand their needs and determine whether there is a role for IFC.

2. Early Review

The IO prepares a description of the project, IFC's role, the anticipated contribution to development and benefits to stakeholders, and any potential deal-breakers. Lessons from previous projects are considered here and, in some cases, a pre-appraisal visit is conducted to identify any issues in advance. IFC senior management then decides whether to authorize project appraisal.

3. Appraisal (Due Diligence)

The investment team assesses the full business potential, risks, and opportunities associated with the investment through discussions with the client and visits to the project site. The following questions are asked: Is the investment financially and economically sound? Can it comply with IFC's social and environmental Performance Standards? Have lessons from prior investments been taken into account? Have the necessary disclosure and consultation requirements been met? How can IFC help the

client further improve the sustainability of the project or enterprise?

4. Investment Review

The project team makes its recommendations to IFC departmental management, who will decide whether to approve the project. This is a key stage in the investment cycle. The team and departmental management must be confident that the client is able and willing to meet IFC standards and work with us to improve the sustainability of their enterprise.

5. Negotiations

The project team starts to negotiate the terms and conditions of IFC participation in the project. These include conditions of disbursement and covenants, performance and monitoring requirements, agreement of action plans and resolution of any outstanding issues.

6. Public Notification

A Summary of Proposed Investment (SPI) for the project and the environmental and social review, where applicable, are posted on IFC's Web site before being submitted to the Board for review. The length of the disclosure period is determined by the category of the project.



www.ifc.org/projects

7. Board Review and Approval

The project is submitted to IFC's Board of Directors for consideration and approval through regular or streamlined procedures. "Streamlined" means that the members of the Board review the documents but don't meet to discuss the project. This option is available to

low-risk projects of a small enough size. Certain small projects can be approved by IFC management under delegated authority. The due diligence process and public disclosure remain the same in all cases. The Board demands that each investment have economic, financial, and development value and reflects IFC's commitment to sustainability.

8. Commitment

IFC and the company sign the legal agreement for the investment. This includes the client's agreement to comply with the applicable Performance Standards, to immediately report any serious accident or fatality, and to provide regular monitoring reports. The legal agreement will also covenant the client's Action Plan.

9. Disbursement of Funds

Funds are often paid out in stages or on condition of certain steps being completed as agreed in the legal agreement.

10. Project Supervision and Development Outcome Tracking

We monitor our investments to ensure compliance with the conditions in the loan agreement. The company submits regular reports on financial as well as social and environmental performance, and information on factors that might materially affect the enterprise. Ongoing dialogue during supervision allows IFC to support clients, both in terms of solving issues and identifying new opportunities. We also track the project's contribution to development against key indicators identified at the start of the investment cycle.

11. Evaluation

We evaluate projects on a regular basis. To help improve our operational performance, annual evaluations are conducted based on a stratified random sample of projects that have reached early operating maturity.

12. Closing

We close our books on the project when the investment is repaid in full or when we exit by selling our equity stake. In specific cases we may decide to write off the debt. Our goal is to help the client reach a high level of sustainability that will continue long after our involvement has ended.

PROJECT CATEGORIES:

An environmental and social category is assigned anytime after appraisal and before public disclosure. Category A projects require a minimum 60-day disclosure period. All other projects require at least 30 days.

CATEGORY A

Projects expected to have significant adverse social and/or environmental impacts that are diverse, irreversible, or unprecedented

CATEGORY B

Projects expected to have limited adverse social and/or environmental impacts that can be readily addressed through mitigation measures

CATEGORY C

Projects expected to have minimal or no adverse impacts, including certain financial intermediary projects

CATEGORY FI

Investments in Financial Intermediaries that themselves have no adverse social and/or environmental impacts but may finance sub-projects with potential impacts