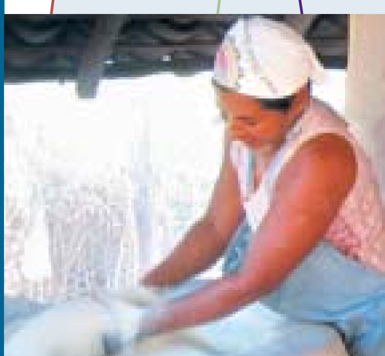
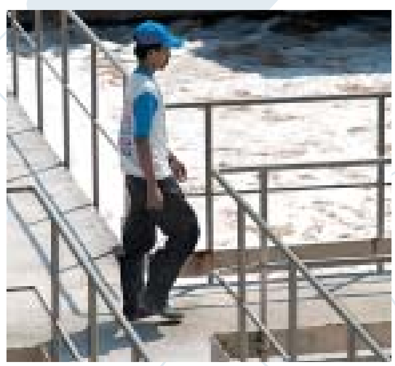
IFC INTERNATIONAL FINANCE CORPORATION
WORLD BANK GROUP

Adding Value *to Private Sector Investment*






2004 Annual Report

IFC'S ANNUAL REPORT ON THE WEB, www.ifc.org/ar2004, is a companion to this printed edition. It provides easy navigation and downloading of data related to IFC investment projects.

Note: Management's discussion and analysis, the audited financial statements, and IFC's fiscal year 2004 investment portfolio appear in Volume 2 of the Annual Report.

The Corporation defines a commitment to include: (1) signed loan and equity (including quasi-equity) investment agreements; (2) signed guarantee agreements; and (3) risk management facilities that are considered ready for execution as evidenced by a signed ISDA agreement or a signed risk management facility agreement with a client.

Currency is given in U.S. dollars throughout unless otherwise specified.

All numbers reflect rounding.

THE INTERNATIONAL FINANCE CORPORATION promotes sustainable private sector investment in developing countries. IFC is a member of the World Bank Group and is headquartered in Washington, D.C. It shares the primary objective of all World Bank Group institutions: to reduce poverty and improve the lives of people in its developing member countries.

Since its founding in 1956, IFC has committed more than $44 billion of its own funds and has arranged $23 billion in syndications and underwriting for 3,143 companies in 140 developing countries. IFC coordinates its activities with the other institutions in the World Bank Group—the International Bank for Reconstruction and Development, the International Development Association, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes—but is legally and financially independent. Its 176 member countries provide its share capital and collectively determine its policies.

CONTENTS

Volume 1

FRONT COVER, PHOTO CREDITS FROM LEFT TO RIGHT: ADRIANO PEREIRA DE LIMA, RICHARD ENGLISH, MICHAEL GUNAWAN, RICHARD ENGLISH

THEME FEATURE

Operational Highlights

IFC's MISSION
To promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives.

OPERATIONAL RESULTS SUMMARY, FY04

New projects committed	217
Total financing committed	$5.63 billion
Financing committed for IFC's own account	$4.75 billion
Total committed portfolio*	$17.9 billion
Loans as a % of committed portfolio	74%
Equity as a % of committed portfolio	20%
Structured finance products (includes guarantees) as a % of committed portfolio	5%
Risk management products as a % of committed portfolio	1%

*Includes off-balance-sheet products, such as structured finance and risk management products; for IFC's own account as of June 30, 2004.

RESOURCES AND INCOME, FY04

Operating income	$982 million
Net income	$993 million
Paid-in capital	$ 2.4 billion
Retained earnings	$ 5.4 billion
Borrowings for the fiscal year	$ 3.0 billion
Net worth	$ 7.8 billion

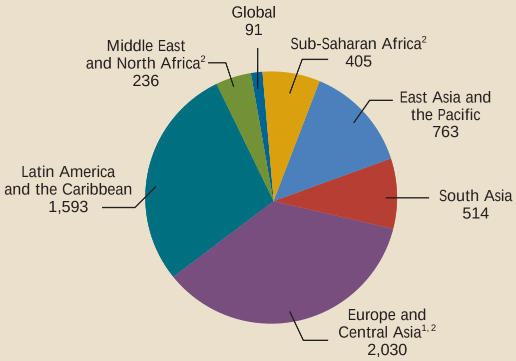
Where

IFC invests in companies and financial institutions in all developing regions. These activities are detailed in the regional reports, beginning on p. 30, and in the table of project commitments (see p. 76). Projects involving more than one developing region are classified as "Global."

COMMITMENTS BY REGION, FY04

Includes IFC's account and syndications (millions of U.S. dollars)

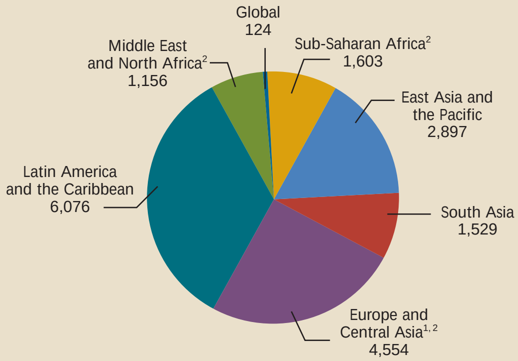
TOTAL $5,633



INVESTMENT PORTFOLIO BY REGION, FY04

For IFC's account (millions of U.S. dollars)

TOTAL $17,938



1. Includes BTC pipeline, which is officially classified as a global project.
2. Includes regional share of LNM Holdings investment, which is officially classified as a global project.
Note: All numbers reflect rounding.

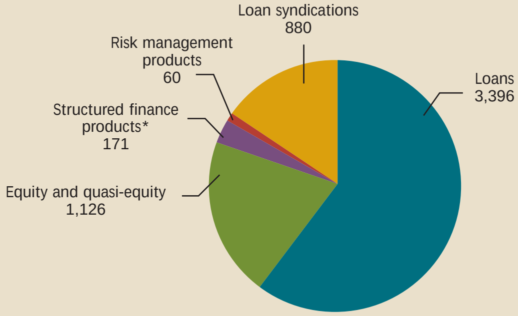
How

IFC offers a full range of investment products; for further details on these operations, see p. 22. IFC also increasingly provides technical assistance and advisory services to private sector enterprises and related government agencies (see p. 26).

COMMITMENTS BY PRODUCT, FY04

Includes IFC's account and syndications (millions of U.S. dollars)

TOTAL $5,633



*Includes guarantees.

What

IFC is active in all commercial sectors in its developing member countries. Funding is often accompanied by assistance on industry best practice, corporate governance, environmental and social issues, and links with local small businesses.

COMMITMENTS BY SECTOR, FY04

Includes IFC's account and syndications (millions of U.S. dollars)

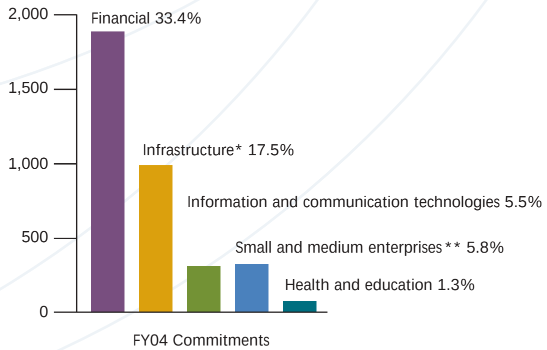
Finance and insurance	$1,675	29.7%
Utilities	739	13.1
Oil, gas, and mining	630	11.2
Information	312	5.5
Industrial and consumer products	295	5.2
Transportation and warehousing	249	4.4
Nonmetallic mineral product manufacturing	238	4.2
Collective investment vehicles	207	3.7
Pulp and paper	206	3.7
Chemicals	200	3.5
Primary metals	173	3.1
Agriculture and forestry	166	2.9
Wholesale and retail trade	125	2.2
Food and beverages	123	2.2
Textiles, apparel, and leather	75	1.3
Health care	63	1.1
Accommodation and tourism services	50	0.9
Plastics and rubber	37	0.6
Professional, scientific, and technical services	36	0.6
Construction and real estate	25	0.4
Education services	10	0.2
TOTAL COMMITMENTS	**$5,633**	**100.0%**

Why

IFC emphasizes five sectors that have a high impact on the economies of developing countries, because they reach large numbers of people or benefit many other sectors of the economy. Together, these **priority sectors** represent nearly two-thirds of IFC's operations.

COMMITMENTS BY STRATEGY, FY04

Includes IFC's account and syndications (millions of U.S. dollars)



* Not including information and communications.
** SME investments are derived from all industry sectors.

Financial consists of finance and insurance, and funds.
Infrastructure consists of utilities and transportation.

Impact

IFC also targets much of its effort to **frontier countries**, where there is little or no foreign capital flow. For all new investments, IFC projects the impact on development. In addition, each year a sample of mature projects are assessed by OEG to determine their contribution to development.

SNAPSHOT OF DEVELOPMENT IMPACT

Commitments for IFC's account and syndications (percentages)

	FY02	FY03	FY04
Priority sector commitments	**77**	**76**	**64**
Financial sector	34	50	33
Frontier country commitments[1]	**22**	**22**	**22**
Commitments with projected high impact[2]	**47**	**58**[3]	**61**
Positive contribution to development[4]	**61**[3]	**57**	**58**

1. Excludes firms in regional and global projects. IFC considers countries "frontier" if they are low income, as defined by the World Bank, or high risk, with a rating of 30 or below or unrated by *Institutional Investor*.
2. For criteria, see p. 16.
3. Adjusted number.
4. For discussion of OEG evaluations, see p. 65.

Board of Directors

Perspective and Oversight for IFC

This year the Board of Directors approved a number of investments and maintained close oversight of development and implementation of IFC strategy. The Board was heavily involved in discussion of IFC's strategic directions, which outline the overall framework for future IFC activities. The Board urged IFC to collaborate more closely with other World Bank Group institutions, especially in providing technical assistance on the business climate and private sector development. In this regard, Directors were pleased to note the increased cooperation between IFC and IDA in Africa. The Board also reviewed country-specific operations and discussed 15 joint World Bank–IFC–MIGA country assistance strategies and related products.

Directors noted the challenges in both maintaining profitability and increasing development impact, and they reaffirmed their support of IFC's focus on frontier markets, with a particular emphasis on small and medium enterprises; innovative financing mechanisms; "south-to-south" investments; long-term partnerships; infrastructure; and health and education.

Specific issues Directors discussed with IFC management include the update of the IFC's Safeguard Policies and associated guidelines, the review of IFC's Policy on Disclosure of Information, an assessment of IFC's strategy and procedures for donor-funded operations, and, in conjunction with other units of the World Bank Group, the Extractive Industries Review. These discussions were ongoing into FY05, along with a proposal to establish a technical assistance and advisory fund to provide sustainable financial support for the Corporation's growing technical assistance activities.

In keeping with its oversight responsibility, the Board discussed the annual review on operations evaluation and the IFC management response. The Board appreciated the continued positive dialogue between IFC management and the Operations Evaluation Group.

With respect to the Corporation's performance, the Board welcomed IFC's achievements, most notably its high operating income and the significant growth, diversification, and improvement in quality of its portfolio.

Letter to the Board of Governors

The Board of Directors of the International Finance Corporation has had this annual report prepared in accordance with the Corporation's by-laws. James D. Wolfensohn, president of IFC and chairman of the Board of Directors, has submitted this report with the accompanying audited financial statements to the Board of Governors.

The Directors are pleased to report that for the fiscal year ended June 30, 2004, IFC expanded its sustainable development impact through private sector project financing operations and advisory activities.

DEBORAH CAMPOS

IFC Governance

The International Finance Corporation's member countries, through a Board of Governors and a Board of Directors, guide IFC's programs and activities. Each country appoints one governor and one alternate. IFC corporate powers are vested in the Board of Governors, which delegates most powers to a board of 24 directors. Voting power on issues brought before them is weighted according to the share capital each director represents. The directors meet regularly at World Bank Group headquarters in Washington, D.C., where they review and decide on investment projects and provide overall strategic guidance to IFC management.

Directors also serve on one or more of five standing committees, which help the Board discharge its oversight responsibilities through in-depth examinations of policies and procedures. The Audit Committee advises on financial and risk management, corporate governance, and oversight issues. The Budget Committee considers certain aspects of business processes, administrative policies, standards, and budget issues that have a significant impact on the cost-effectiveness of Bank Group operations. The Committee on Development Effectiveness advises the Board on selected issues concerning operations and policy evaluation and development effectiveness with a view to monitoring progress on poverty reduction. The Personnel Committee advises the Board on compensation and other significant personnel policies. Directors also serve on the Committee on Governance and Executive Directors' Administrative Matters.

James D. Wolfensohn is president of IFC and the other World Bank Group institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). Mr. Wolfensohn also serves as chairman of the boards. Peter Woicke is executive vice president of IFC, overseeing its day-to-day operations. He is also a managing director of the World Bank, charged with the Bank's private sector operations and with formulation of a coordinated private sector development strategy for the World Bank Group.

See also related sections on the Office of the Compliance Advisor/Ombudsman (p. 62) and the Operations Evaluation Group (p. 65), both of which function independently of IFC management.

PICTURED OPPOSITE FROM LEFT TO RIGHT:

(Standing) Per Kurowski, Terry O'Brien, Otaviano Canuto, Paulo F. Gomes, Nuno Mota Pinto,* Pierre Duquesne, Thorsteinn Ingolfsson, Tanwir Ali Agha, Tom Scholar, Kurt Bayer, Eckhard Deutscher, Alexey Kvasov, Toshio Oya,* Louis A. Kasekende, Yahya Abdullah M. Alyahya, Rapee Asumpinpong.*

(Seated) Zhu Guangyao, Pietro Veglio, Carole Brookins, Mahdy Ismail Aljazzaf, Gobind Ganga, Tamara Solyanyk,* Alieto Guadagni.*

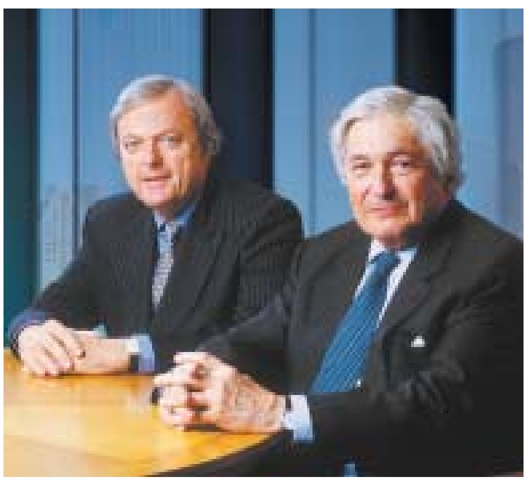
(Not pictured) Chander Mohan Vasudev.

** Alternate director; some directors or alternates were not available for this photograph.*

Directors and Alternates as of June 30, 2004

DIRECTORS	ALTERNATES
Tanwir Ali Agha	Sid Ahmed Dib
Mahdy Ismail Aljazzaf	Mohamed Kamel Amr
Yahya Abdullah M. Alyahya	Abdulrahman M. Almofadhi
Rapee Asumpinpong	Hadiyanto
John Austin	Terry O'Brien
Kurt Bayer	Gino Alzetta
Biagio Bossone	Nuno Mota Pinto
Carole Brookins	Robert B. Holland, III
Otaviano Canuto	Gil S. Beltran
Eckhard Deutscher	Walter Hermann
Pierre Duquesne	Anthony Requin
Paulo F. Gomes	Louis Philippe Ong Seng
Alieto Guadagni	C. Veronica Querejazu Vidovic
Thorsteinn Ingolfsson	Inkeri Hirvensalo
Louis A. Kasekende	J. Mills Jones
Per Kurowski	Maria Jesus Fernandez
Alexey Kvasov	Eugene Miagkov
Marcel Masse	Gobind Ganga
Ad Melkert	Tamara Solyanyk
Tom Scholar	(vacant)
Chander Mohan Vasudev	Akbar Ali Khan
Pietro Veglio	Jakub Karnowski
Zhu Guangyao	Wu Jinkang
(vacant)	Toshio Oya

Message from The Executive Vice President



BRETON LITTLEHALES

Executive Vice President Peter Woicke (left) and President James D. Wolfensohn

People often talk about the "tipping point" phenomenon.

It is the point at which a critical mass is reached—when people, trends, and ideas realign to create a wholly new way of understanding or adapting to the world. It happens everywhere: a product revolutionizes a market, new research recasts a prevailing scientific consensus, a demographic shift changes cultural attitudes.

One such tipping point arrived here, at the International Finance Corporation, in the last few years.

During the late 1990s, we began to realize that IFC's market—and thus our business model—might be reaching a pivotal moment. Clients were beginning to expect more from us than one-time project finance deals and syndications. Governments were asking for help on private sector issues that went far beyond issues of privatization or the structuring of concessions. Local companies were asking for long-term partnerships based not just on capital but on expertise in environmental, social, and corporate governance issues. An increasing number of companies in developing nations were readying themselves to compete on a broader scale, regionally or even globally.

Timing, as always, was an issue. By 2001, a series of emerging market crises had pummeled IFC's portfolio and posed challenges for our traditional lines of business. Was it really the right time for a major restructuring and reorientation?

This past fiscal year's operational results are a strong indicator that the timing was right. Indeed, I believe IFC may be onto something big.

Commitments for IFC's account increased by 23 percent this past year, and our operating income reached a new high of $982 million. New investments more than doubled in Sub-Saharan Africa, and we set departmental records in Europe and Central Asia as well as South Asia. Encouragingly, this new business was widely distributed across sectors.

Converging Goals

More important, we have worked toward—and increasingly witnessed—a shift that has aligned more closely than ever our strategic approach, our institutional capacity, the demand from clients and governments in developing countries, and the views of our shareholder nations.

IFC has moved beyond its tipping point, and in many ways we are very well positioned for long-term success. Our comparative advantages are broad ranging.

A global presence. The popular impression is that north-to-south foreign direct investment—that is, cross-border investment from rich nations into the emerging markets—is the leading edge of economic globalization. In fact, recent research indicates that while such FDI doubled during the late 1990s, south-to-south investment increased tenfold. This informed our difficult decision to accelerate the decentralization of IFC and place our regional departments at the forefront of business development, through hub offices in seven developing

KEITH MARTIN

Reconstruction in Kabul, Afghanistan.

IFC is well positioned for long-term success. Our comparative advantages are broad ranging.

regions and an expanded network of country offices. This change is already reaping dividends, as demonstrated by the many intraregional and south-to-south investments detailed in this report.

Broad capabilities in technical assistance. As more developing nations achieve macroeconomic stability, they are turning their attention to the challenges of microeconomic reform, especially efforts to improve their investment climate and to help small and medium entrepreneurs create new ventures and jobs. Our project development facilities assist entrepreneurs in many business sectors of "frontier" countries and regions—places with low incomes or that present high risks for private investors. From corporate governance and supply-chain synergies to investment climate reform, the activities funded through our partnerships with generous donor nations are a crucial catalyst for entrepreneurial growth, especially among small and medium enterprises. This network of donor partnerships continues to grow, and IFC has also secured approval from its Board for a new funding formula that will help us keep building capacity.

Innovative financial products. IFC has restructured its treasury operations and has been energetic in developing local currency financing and structured finance products to help build local capital markets. This positions us to meet rapidly emerging needs, as pension funds and other institutional investors in developing nations look to diversify their portfolios with long-term local currency instruments and as local companies look to manage cross-border currency risk.

Environmental expertise. As more developing nations struggle with the environmental implications of rapid industrialization, IFC's extensive expertise in such areas as energy efficiency, renewable energy, and biodiversity will help us remain a preferred partner for sustainable private sector development.

Leadership on sustainability. IFC has become a global standard-setter on project finance through the Equator Principles, as well as a repository of best practice on corporate governance. This strengthens our ability to help clients, particularly as shareholder and stakeholder scrutiny of performance on environmental, social, and corporate governance issues plays a larger role in company valuations.

Expansion into municipal finance. As developing nations continue to urbanize and municipalities assume more responsibility for providing essential infrastructure services, IFC and the World Bank are creating capacity and building expertise in municipal finance.

LINDA YOUNG

A marketplace in Mali.

IFC has tailored its lending and technical assistance programs to local needs.

Hard-Won Results

IFC has not developed this more diversified mission by happenstance. It is the result of years, even decades, of hard work and proven developmental results, successes that have gradually won the respect of our shareholder nations and strengthened our collaboration with other institutions of the World Bank Group. A similar long-term relationship has informed the broad adoption of the Equator Principles, whereby a growing number of major financial institutions have chosen to anchor their environmental and social standards with IFC.

Strong past performance is a necessary condition for building stakeholder support, but it is not sufficient to ensure future success. That requires the ability to discern the trends shaping global markets and to make a compelling and coherent case for strategic, adaptive change. If anything, this has been the story of IFC over the past few years. The reality in today's emerging markets is that investment capital is becoming more of a commodity, while expertise in managing nontraditional risks and issues—environmental, social, corporate governance, or supply-chain performance—is becoming a more decisive factor in determining long-term viability for private enterprises. At the same time, as costs for transportation and information technology fall, small and medium local companies are rapidly increasing their ability to compete effectively in the global economy. The net result is that companies, and development officials within countries, are less interested now in one-off projects and transactions. They are focusing instead on strategic partnerships that will enhance private firms' capacity, improve their knowledge base, and expand their long-term potential.

This is why, in region after region, IFC has looked forward, refocused its efforts, and tailored its lending and technical assistance programs to local needs. We have fostered corporate governance for Central and Eastern Europe's pioneering generation of young businesses, raised awareness of environmental and social sustainability for a wide range of Chinese companies, structured municipal finance for the infrastructure needs of South Africa's largest city, and begun working with the World Bank's International Development Association on public-private partnerships in Sub-Saharan Africa, among many other efforts. All of this work has been augmented by the groundbreaking, comparative research on investment climate that IFC has supported in the *Doing Business* report; the first edition of this annual publication is already guiding countries' reform efforts and helping companies compete.

Without question, IFC faces challenging years ahead. Emerging markets, by their very nature, are volatile. Some periods may not witness the level of profitability and degree of developmental impact that we have seen this year. But IFC approaches this future with a reenergized staff, a broader mandate, robust capacity, and unprecedented leadership potential.

IFC approaches the future with a reenergized staff, a broader mandate, and unprecedented leadership potential.

I want to congratulate and thank the many talented and energetic people at IFC who continue to demonstrate the depth of their dedication, the breadth of their creativity, and the power of their teamwork. Their efforts give us much brighter prospects for achieving our main mission—to reduce poverty and improve people's lives in our client countries.

Peter Woicke
Executive Vice President

BRETON LITTLEHALES

Executive Vice President Peter Woicke and the IFC vice presidents

FROM LEFT TO RIGHT:
(Standing)
Michael Klein
Nina Shapiro
Assaad Jabre
(Seated)
Farida Khambata
Peter Woicke
Dorothy Berry
Not pictured: Carol Lee

For IFC organizational chart, see p. 63.

THEME FEATURE

Adding Value
to Private Sector Investment

The International Finance Corporation promotes sustainable economic development through the private sector. Our focus is global and our resources are unique.

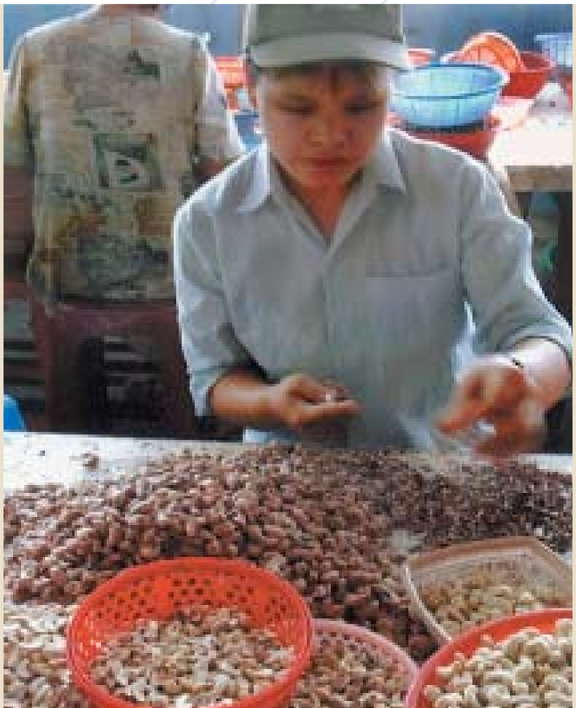
Improving Bank Lending to Small Businesses

Through investments and technical assistance to the financial sector, IFC is addressing the constraints to finance for smaller businesses. In Bangladesh, for example, the SouthAsia Enterprise Development Facility is working with eight partner financial institutions to introduce a range of new products and tools that will increase the quality and quantity of their SME portfolio. Already, 3,000 new small and medium enterprises have access to finance, with five of the financial institutions reporting a $50 million increase in SME term lending over the past year. SEDF is also working with the Central Bank of Bangladesh to provide training to about a thousand bankers in core risk areas such as credit analysis, asset and liability management, treasury functions, internal controls, and anti–money laundering. These are all issues identified by local bankers and authorities as crucial to the sustainability of the financial sector. In combination with the Netherlands Development Finance Company and IFC's Global Financial Markets group, SEDF also organized workshops on corporate governance with local financial institutions. The resulting recommendations were accepted by the Central Bank and incorporated in recent government legislation.

IFC's Strategic Objectives...

Investing in Frontier Markets

Much of our work focuses on countries that are low income or high risk. We work with governments to improve investment climates and pay special attention to the needs of smaller businesses.



RICHARD CAINES

This year the BTC Pipeline demonstrated the difference IFC's involvement makes in a major investment, from consulting with affected communities and arranging supply contracts for local entrepreneurs to ensuring transparency in the reporting of oil revenues and collaborating with other multilateral institutions. For details, see p. 48.

TED POLLETT

OLIVER RYAN

Developing Local Financial Markets

We strengthen financial institutions through investments and capacity building. Among areas of emphasis are housing finance, microfinance, and innovative financial products.

RICHARD ENGLISH

Leading on Sustainability

IFC has unmatched capacity to help companies and financial institutions improve their environmental and social performance as well as corporate governance. A growing number of commercial banks have adopted the Equator Principles, agreeing to adhere to our environmental and social standards in their investments in developing countries.

From the capital markets of Latin America and manufacturers of East Asia to the emerging business sectors of Afghanistan and Iraq, IFC's financing and technical assistance are critical to private sector development. We continue to serve as a catalyst for other investors and to exert a positive influence on practice in a wide range of commercial sectors.

COURTESY OF THE EUROPEAN COMMISSION

Central Europe: IFC's Support to EU Accession

In May 2004, eight Central European countries joined the European Union, less than 15 years after the fall of the Berlin Wall. This achievement reflects tremendous reform efforts that transformed these countries into liberalized market economies.

IFC is proud to have supported this transition with more than $2 billion for 265 projects in the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia since they became members of IFC in the late 1980s and early 1990s. IFC also syndicated $745 million for projects in these countries, and, through FIAS, helped remove administrative barriers to investment. The projects are spread across all industries, with the largest share in financial markets, general manufacturing and services, and infrastructure.

IFC's projects have contributed to processes essential to EU accession: the privatization of large state-owned companies, the creation and strengthening of new financial institutions and products, and increases in the productivity and competitiveness of firms. Recent financing has supported innovative activities, such as energy efficiency improvements, sale of nonperforming loans, and private health care. IFC is also working to support Central European clients in taking their experience to their eastern neighbors. This year, for example, IFC supported its Polish client Intercell—a leader in recyclable paper products—as it invested in Russia.

As these countries integrate into the EU, IFC will continue to play an important, albeit selective, role to address remaining gaps in private sector growth and institutions. Projects will include investments in underdeveloped sectors, participation in difficult privatizations, cutting-edge financial products, and cross-border investments into the region's non-EU neighbors.

Building Long-Term Partnerships with Clients

Through repeat investments and assistance in adopting sustainable business practices, we help companies in developing countries emerge as global players. We also encourage intraregional or "south-to-south" partnerships by helping these companies expand into other developing countries.


BAHODIR TOSHMATOV

Celtel International Receives IFC Client Leadership Award

This year IFC established an annual Client Leadership Award to recognize a highly successful corporate client that, in line with IFC's mission, has made a significant contribution to sustainable development. The first award goes to Celtel International B.V., a pan-African provider of cellular telephone services that has built a successful business while demonstrating extraordinary development impact in its countries of operation.

Celtel provides reliable and affordable cellular services to facilitate communication and business within Africa and with the rest of the world. The company has invested more than $600 million in mobile phone operating companies in 13 countries: Burkina Faso, Chad, the Democratic Republic of Congo, the Republic of Congo, Gabon, Kenya, Malawi, Niger, Sierra Leone, Sudan, Tanzania, Uganda, and Zambia. In 2003, Celtel reached 2.5 million customers, generating revenues of $446 million and a net income of $74 million. IFC's relationship with Celtel began with a 1994 investment in Celtel Uganda, one of the group's first operating companies. IFC has since invested in the holding company and in three other Celtel operating subsidiaries, most recently in the Democratic Republic of Congo and Zambia. These investments have helped modernize networks and increase mobile phone penetration rates. They have also encouraged competition, which has led to lower tariffs and increased local private participation in the telecommunications sector.

Celtel has achieved its business goals while committing to strong corporate governance and the betterment of local communities. Operating in some of the world's most difficult markets, Celtel prides itself on its transparent dealings and on promoting the highest standards of ethics and integrity. Celtel has helped improve health and education by refurbishing schools and health centers, providing scholarships, supporting programs for athletes and people with handicaps, and sponsoring the Africa Education Journalism Award. The company has embraced HIV/AIDS as a business and community issue and has worked with IFC Against AIDS on its HIV policy for employees and their families. Celtel has also started a community phone initiative, installed solar panels for recharging of phone handsets, and helped protect endangered species.

Celtel embodies the potential that the private sector can harness in frontier markets. It is a highly successful enterprise, a leader in its sector, and a model of good practice in promoting business and development in Sub-Saharan Africa.

COURTESY OF CELTEL

Celtel donated these desks as part of its efforts to refurbish schools.

Promoting the Private Sector in Infrastructure, Health, and Education

With our World Bank colleagues, we are helping establish public-private partnerships in these critical sectors and providing innovative financing and advice, including at the municipal level.

COURTESY OF MAGADI SODA

SUSTAINABILITY

Leadership and Expertise *on Sustainability*

An Integral Aspect of Our Business

Sustainability—attention to environmental and social issues and to corporate governance—has become simply *IFC's way of doing business.* We are integrating the Corporation's environmental, social, and governance due diligence into our core investment functions. We are helping client companies recognize that corporate social responsibility is a central reality of business today and not an add-on to investments. IFC provides solutions to clients through our in-house technical expertise and our ability to identify innovative sources of finance.

Socially responsible investors often use broad, portfolio-level screens that steer their funds toward ventures that create public goods. IFC takes that concept one step further, evaluating each individual investment project to ensure that it meets environmental and social standards and scoring its potential positive impact on local communities and developing nations. IFC puts a special emphasis on creating projects in "frontier" sectors and countries where the creation of a vibrant private sector is most needed.

Our regional reports, beginning on p. 30, reflect the fact that environmental, social, and governance factors have now become an integral part of IFC's business. The 2004 Sustainability Report, published separately, provides additional information and metrics.

RICHARD ENGLISH

Safeguards and Disclosure Policy Review

IFC's Safeguard Policies and associated guidelines provide a framework to manage the risk of projects we finance and are the basis of our leadership on environmental and social sustainability—through the Equator Principles they have helped set a new global standard. Following a review by IFC's Compliance Advisor/Ombudsman in 2003, this year we began a far-reaching update of the Safeguard Policies to integrate sustainability further into the Corporation's business. With current policies serving as a baseline for minimum standards, the update will articulate our policy objectives and the performance we expect of our clients on social and environmental sustainability. It will also address key policy gaps on labor standards and health and safety.

IFC is also reviewing its Policy on Disclosure of Information. Since the last update in 1998, procedural changes have taken place within IFC, and external expectations on transparency of publicly owned institutions have changed. In recognition that transparency builds trust, promotes efficiency and accountability, and enhances impact on development, the review is addressing IFC's responsibilities for disclosure. It is also defining areas where we expect clients to be transparent about their activities, particularly on environmental and social aspects of projects.

The processes for these major policy updates are designed to ensure broad engagement from the full range of IFC stakeholders—clients, financial partners, governments, local communities, and civil society—on a continuing basis. The revised policies will be presented to the Corporation's management and Board in FY05. Information on both reviews is available online at www.ifc.org/policyreview.

JOHN GRIFFIN

IFC's Sustainability Framework

IFC has designed a framework to facilitate assessments of projects for their contributions to sustainable development, in addition to its standard evaluation framework for investment projects (see section on Operations Evaluation Group, p. 65). The Sustainability Framework measures whether *expected* project performance goes significantly beyond compliance with IFC's safeguard policies, associated guidelines, and economic and governance expectations to create benefits in the following areas:

- Economic development
- Management commitment and governance
  - Environmental management, social development commitment, and capacity
  - Corporate governance
  - Accountability and transparency
- Environment
  - Eco-efficiency and environmental footprint
  - Environmental performance of products and services
- Socioeconomic development
  - Local economic growth and partnerships
  - Community development
  - Health, safety, and welfare of the labor force

IFC is revising the framework as part of an integrated policy update (see above).

Sustainability Training for IFC Staff

Reflecting the integral role of sustainability in IFC's business, during FY04 the Sustainability Learning Program trained 230 IFC staff, using a mixture of in-depth cases and interaction with clients, industry experts, NGOs, and others. Special topics included the business case for helping client companies combat HIV/AIDS. This year 300 staff were also trained in corporate governance.

Corporate Governance

Good corporate governance—effective structures and processes for direction and control of companies—is essential to long-term private sector growth in developing countries. IFC incorporates governance analysis in its investment work and helps lead global dialogue on corporate governance in emerging markets. Our corporate governance unit has developed a Web-based methodology to provide staff with tools to evaluate the governance of potential clients and help improve their practices. The curriculum has also been used by the Netherlands Development Finance Company and the Inter-American Investment Corporation, and in June 2004, IFC shared the methodology with other bilateral and multilateral financial institutions at the World Bank Group's offices in Paris.

IFC staff provide guidance to regulators, stock markets, members of boards, and other corporate governance advocates, as well as to client companies. IFC has cosponsored the Latin America Corporate Governance Roundtable with OECD since 2000 and provides support to roundtables in Asia, Eurasia, and Russia. IFC houses the secretariat for the Private Sector Advisory Group of the Global Corporate Governance Forum, a joint effort of the World Bank Group, OECD, and donor countries to improve policy and practices in emerging markets. At the local level, IFC staff manage the corporate governance work of the Private Enterprise Partnership in the former Soviet Union and of the China Project Development Facility. In addition to firms served by these projects, this year IFC staff helped more than 40 companies and financial institutions review and enhance their corporate governance practices.

MICHAEL GUNAWAN

JOHN GRIFFIN

IFC Against AIDS

In many regions, HIV/AIDS is as much a business issue as it is a health and humanitarian concern. Workforces and consumers alike are being ravaged by the virus, with economic harm likely to extend into future generations.

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

This year, IFC Against AIDS provided guidance to a beverage company in Nigeria, a forestry company in South Africa, a microfinance bank in Kenya, and the Kenyan Railways company. A cellular telephone company operating in 13 African countries received guidance to refine its HIV policy and develop an AIDS action plan, including anti-retroviral treatment for employees and dependents (see also the Client Leadership Award, p. 13). The program provided customized tools to support HIV/AIDS workplace policies and community programs to a mining company in Madagascar, a tea company in Kenya, a cotton manufacturer in Zambia, and an electricity company in Jamaica. To address the special challenges small and medium enterprises face, IFC Against AIDS also launched a training program for African SMEs, in cooperation with the Africa Project Development Facility. For more information, see www.ifc.org/ifcagainstaids.

The Equator Principles

Twenty-four financial institutions have now announced their commitment to the Equator Principles, a voluntary set of environmental and social guidelines for project finance lending, since their launch in June 2003. Based on IFC's environmental and social policies and procedures, including the Safeguard Policies, the principles have become the new market standard, transforming project finance on a global scale. The Equator banks are estimated to have arranged about 80 percent of worldwide project finance lending in calendar 2003, and more banks are expected to adopt the principles in the coming months. Adopters now include an emerging market bank, Unibanco of Brazil, and Eksport Kredit Fonden, Denmark's export credit agency.

For sponsors raising funds in the project finance market, successful loan syndications are increasingly likely to depend on compliance with the principles. With our policies as the foundation of the principles, IFC has a stake in ensuring that standards are well understood and implemented within each bank. IFC has developed a training program for Equator bank professionals and to date has trained almost 400 staff from these banks. Further tools are planned for the next phase of implementation as the banks gain experience.

More than a declaration of intent, the Equator Principles establish a framework of specific procedures and standards for the banks as they engage with borrowers and each other. Each adopting institution is responsible for implementation, but IFC shares a long-term commitment to the success of the principles. (For a list of adopting institutions, see p. 119.)

Extractive Industries Review

The World Bank Group began an Extractive Industries Review in 2000 to determine how effective its investments in the oil, gas, and mining industries have been in advancing sustainable development and to help define the future role of such investments, which represent about 2 percent of annual lending commitments. The review consisted of two evaluations by groups operating independently of Bank Group management: one by the operations evaluation units of the World Bank Group and the Compliance Advisor/Ombudsman for IFC and MIGA, and the other through a stakeholders' consultation process.

The evaluations found that Bank Group involvement in extractive projects has resulted in positive contributions to sustainable development, but not uniformly. The stakeholder report, in particular, suggested reforms in several areas, including a greater emphasis on renewable energy sources, more transparent reporting of revenue figures, increased consultation with local stakeholders, and fuller disclosure of project information.

Bank Group management presented its response to the review to its Board in August 2004. The response proposed to continue engagement in the sector while adopting measures to increase developmental impact. This reflects strong support among developing countries for the Bank Group's role in ensuring positive developmental results from extractive industries, including the use of environmental, social, and governance safeguards. The proposed measures included:

- using explicit good governance indicators in assessing and designing projects
- designing projects to ensure local communities and poorer people benefit
- ensuring broad community support for projects before an investment decision
- committing to at least 20 percent average growth annually in energy efficiency and renewable energy portfolio commitments, over the next five years
- reducing the risk that extractive industry revenues will be misused by requiring disclosure of revenue figures and the key terms of relevant contracts for all large projects that benefit from Bank Group support
- increasing investment in natural gas projects

The Board agreed with management on the steps necessary to move forward and will be monitoring implementation of these measures, along with management.

Innovative Solutions for Sustainable Business

Through commercialization of new technologies, innovative approaches to financing, and experience few organizations can match, IFC is showing that attention to environmental and social issues is good business. In addition to the expertise provided to our core investments and highlighted in our regional reports, we continue to innovate in areas where the business case for sustainability is evolving.

Examples of IFC's work in promoting sustainable business follow. For more information, see the 2004 Sustainability Report.

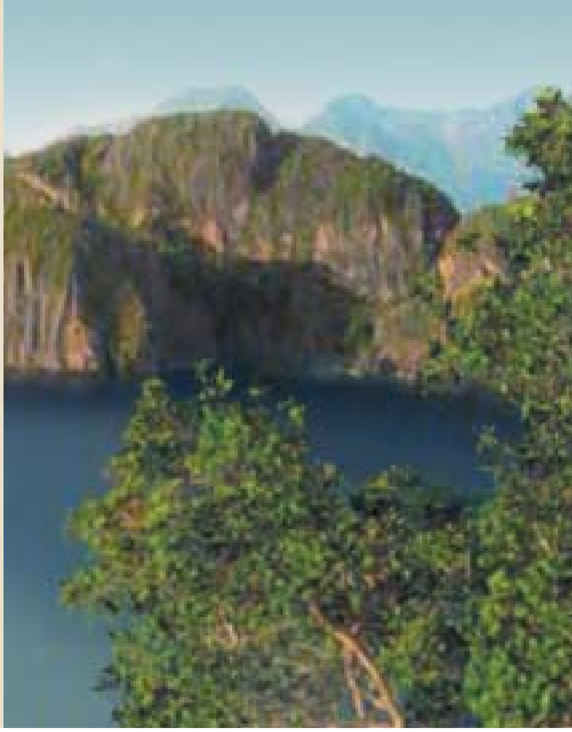
MAXIMIZING THE ENVIRONMENTAL BENEFITS OF OUR INVESTMENTS

IFC provides technical assistance and financing to help client companies reengineer their production processes. Cleaner production reduces use of resources, increases efficiency, and minimizes waste: it increases profitability while reducing environmental impact. IFC also works through financial intermediaries to build commercial lending and leasing businesses that provide capital for energy efficiency investments. The Corporation's commitments to energy efficiency projects have exceeded $90 million since 1990. In FY04, we provided advice and, in some cases, financial support from donors to companies on energy efficiency and cleaner production. For example, we helped a Chinese fiberboard producer reduce its trimming allowances, increasing its salable output by 6 percent. While consumption of raw material and energy remained the same, the change is expected to increase the company's annual profits by 20 percent.

NIELS VESTERGAARD

The Philippines: Preserving Habitats through Innovative Investment

IFC supports conservation of natural habitats in sectors that have an impact on biodiversity. Our efforts include promotion of organic agriculture and ecotourism. This year, we provided a $1.6 million grant from the Global Environment Facility for a private sector initiative that aims to conserve more than 90,000 hectares of sensitive marine and coastal habitat in the Philippines. The funding will be provided to the El Nido Foundation, a nonprofit organization that will collaborate with local communities to mitigate threats to the marine ecosystem, including illegal fishing, overfishing, and sedimentation. The financial sustainability of this initiative will stem from the Asian Conservation Company, an innovative private equity investment holding company. It purchases stakes in Filipino firms that are located in areas of high biodiversity and that depend on marine resources for their long-term sustainability. ACC has acquired majority control of the El Nido Resorts and will ensure that some of the revenues sustain the foundation's conservation work, thus providing a financial return for investors while helping preserve critical ecosystems. The project combines the skills of professional investment managers with the biodiversity expertise of conservation organizations. It should help preserve extensive coral reefs, mangroves, sea grass beds, and tropical forest in a reserve that supports the livelihood of 19 local communities.


COURTESY OF EL NIDO RESORTS

IFC also provides financing and leverages donor funds to support renewable energy and other sustainable energy projects, especially those that commercialize new technologies. Total IFC commitments to renewable energy projects have exceeded $765 million since 1990. In fiscal 2004, IFC supported a project that demonstrates combined use of hydroelectric and solar energy for the first time anywhere in the world. The third-largest electric utility in the Philippines, CEPALCO had considered increasing its fossil fuel generation to meet growing demand. Instead, IFC provided a $4 million grant from the Global Environment Facility to help structure an innovative solar photovoltaic project. A new plant on the island of Mindanao will enhance the capacity of CEPALCO's existing hydroelectric facility; the 950-kilowatt project will be the largest distributed, grid-connected photovoltaic installation in a developing country. The project is expected to demonstrate the commercial viability of similar photovoltaic installations for cleaner, more sustainable energy in many parts of the world.

IFC'S ENVIRONMENTAL AND SOCIAL FACILITIES

The Sustainable Business Assistance Program makes highly selective, strategic interventions in key sectors of the market where demonstrating sustainable business practices offers significant benefits. The program consists of three donor-supported facilities:

The ***Corporate Citizenship Facility*** helps IFC's client companies improve the environmental and social impacts of their business activities. In FY04, CCF committed $690,000 for 31 projects, with a focus on helping clients design and implement effective strategies for engaging stakeholders.

The ***Environmental Opportunities Facility*** finances innovative projects that promote local environmental benefits. In FY04, it made one venture capital investment and six technical assistance grants, with a focus on cleaner production and energy efficiency projects in Asia and Latin America.

The ***Sustainable Financial Markets Facility*** enhances the environmental and social impact of financial intermediaries. During FY04, it provided environmental risk management training to staff from some 100 banks, investment funds, and other financial institutions in developing countries.

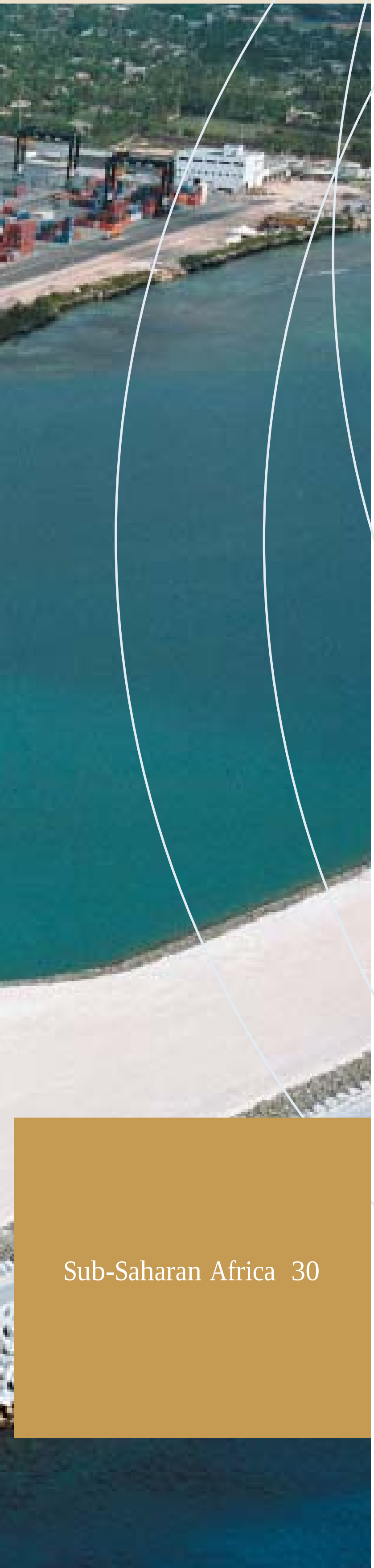
With a global market for carbon emissions credits set in motion by the Kyoto Protocol, IFC has collaborated with the Dutch government in the ***IFC-Netherlands Carbon Facility,*** which purchases carbon credits that reduce emissions of greenhouse gases from projects in Africa, Asia, and Latin America. A similar facility for purchasing credits from projects in Central and Eastern Europe is being developed with the Netherlands and will be comanaged by IFC and the World Bank.

IFC also makes funding available from the ***Global Environment Facility*** for innovative projects with global environmental benefits, including preservation of biodiversity.

Socially Responsible Investment

This year, IFC published *Toward Sustainable and Responsible Investment in Emerging Markets,* a report on socially responsible investment in publicly listed companies. It found that in a worldwide market of $2.7 trillion, less than 0.1 percent of SRI is invested in emerging markets. The report recommended ways to overcome barriers and increase the flow of SRI capital to developing countries.

Report *on Operations and Regions*



COURTESY OF PUERTO CAUCEDO

PHOTO, LEFT:
Puerto Caucedo, an IFC client in the Dominican Republic.

Investment Operations

In FY 2004, almost 64 percent of IFC's new investments were in our five priority sectors: the financial industry, infrastructure, information technology, small and medium enterprises, and health and education. The share of our investments in frontier countries, either high risk or low income, was 22 percent.

TED POLLETT

RICHARD CAINES

ANNE COPELAND CHIU

Overview

IFC signed investment commitments of $5.63 billion in FY04, including $4.75 billion for its own account, compared with $5.03 billion in IFC commitments for FY03, of which $3.85 billion were for its own account. IFC provides a range of products and services for clients, including loans, equity, quasi-equity, structured finance, and risk management products that are funded through IFC's own financial resources. It also syndicates participations in its loans to international financial institutions. Of the investment commitments IFC signed for its own account, $3.40 billion were for loan agreements, $787 million were for equity investments, $339 million were for quasi-equity investments, $171 million were for structured finance products (including guarantees), and $60 million were for risk management products. Based on the total project costs of our FY04 projects, each $1 in IFC commitments for our own account resulted in an additional $5.14 in funding from other sources.

We committed a total of 217 projects in 65 countries, compared to 204 projects in 64 countries in FY03. Our investment portfolio at June 30, 2004, included $17.9 billion for IFC's own account and $5.5 billion in syndicated loans held for others. We added 171 companies to our portfolio this year, and 179 companies left the portfolio. Five-year data on investment commitments and disbursements appear on the opposite page. Investment projects are detailed in the regional sections and listed in our project tables beginning on p. 76.

Syndication and Resource Mobilization

IFC continues to play a leading role in providing access to financing from the private sector. Through its B-loan program, the Corporation maintains an active business relationship with leading commercial banks around the world, enabling it to mobilize additional resources for its clients. Signings of new B-loans in FY04 totaled $880 million, compared with $1.18 billion in FY03.

IFC's committed syndicated loan portfolio as of June 30, 2004, was $5.5 billion in 204 projects. Of these, 45.4 percent were in Latin America, 26.0 percent in Asia, 12.8 percent in Europe and Central Asia, and the balance in the Middle East and North Africa and Sub-Saharan Africa.

IFC is continually exploring new ways to increase its leverage with capital markets, both through the creative use of existing tools and through the development of new financing techniques, including securitization.

IFC OPERATIONS

(millions of U.S. dollars)

	FY00	FY01	FY02	FY03	FY04
OPERATIONS					
Investment commitments					
Number of projects[1]	205	199	204	204	217
Number of countries	78	72	74	64	65
Total commitments signed[2]	3,867	3,931	3,608	5,033	5,633
For IFC's own account[2]	2,337	2,732	3,090	3,852	4,753
Held for others	1,530	1,199	518	1,181	880
Investment disbursements					
Total financing disbursed	3,307	2,370	2,072	4,468	4,115
For IFC's own account	2,210	1,535	1,498	2,959	3,152
Held for others	1,097	835	574	1,509	964
Committed portfolio[3]					
Number of firms	1,333	1,378	1,402	1,378	1,337
Total committed portfolio[2]	22,168	21,851	21,569	23,379	23,453
For IFC's own account[2]	13,962	14,321	15,049	16,777	17,938
Held for others	8,206	7,530	6,519	6,602	5,515

Some data from previous fiscal years have been revised.

1. Includes first commitment to projects in the fiscal year. Projects involving financing to more than one company are counted as one commitment.
2. Includes structured finance and risk management products.
3. Total committed portfolio and held for others include securitized loans.

BALANCE SHEET HIGHLIGHTS

(millions of U.S. dollars)

	FY00	FY01	FY02	FY03	FY04
ASSETS					
Liquid assets, excluding derivatives	13,740	14,581	16,924	17,004	18,397
Investments	10,940	10,909	10,734	12,002	12,312
Reserve against losses	-1,973	-2,213	-2,771	-2,625	-2,033
Net investments	8,967	8,696	7,963	9,377	10,279
Derivative assets	14,224	1,143	1,077	1,734	1,092
Receivables and other assets	1,788	1,750	1,775	3,428	2,593
Total assets	38,719	26,170	27,739	31,543	32,361
LIABILITIES					
Borrowings outstanding	14,919	15,457	16,581	17,315	16,254
Derivative liabilities	14,990	1,768	1,576	1,264	1,549
Payables and other liabilities	3,077	2,850	3,278	6,175	6,776
Total liabilities	32,986	20,075	21,435	24,754	24,579
CAPITAL					
Capital stock	2,358	2,360	2,360	2,360	2,361
Retained earnings	3,378	3,723	3,938	4,425	5,418
Other	-3	12	6	4	3
Total capital	5,733	6,095	6,304	6,789	7,782

Note: As a result of the adoption of new accounting standards on derivatives and hedging in FY01, with respect to investments, borrowings, and derivative assets and liabilities, the balance sheets from FY01 onward are not comparable with prior fiscal-year-end balance sheets.

INCOME STATEMENT HIGHLIGHTS

(millions of U.S. dollars)

	FY00	FY01	FY02	FY03	FY04
Interest and financial fees from loans	694	732*	547*	477	518
Interest from time deposits and securities	634	773*	493*	318	278
Charges on borrowings	-812	-961	-438	-226	-141
Net interest income	516	544	602	569	655
Net gains and losses on trading activities	-38	87	31	157	-104
Income from equity investments	262	222	428	195	584
Release of/provision for losses on investments and guarantees	-215	-402	-657	-98	177
Net noninterest expense	-145	-210	-243	-295	-330
Operating income	380	241	161	528	982
Net gains and losses on financial instruments	—	11	54	-41	11
Cumulative effect of change in accounting principle	—	93	—	—	—
Net income	380	345	215	487	993

*Reclassified to conform to FY04 presentation.

Client Risk Management Products

IFC provides currency, interest rate, and commodity price hedging products to clients in emerging markets, who usually cannot access them because of credit or country risk. Through its Client Risk Management program, IFC combines its experience in risk management with its traditional role in credit intermediation. Because we can accept our clients' long-term credit risk, IFC can intermediate between them and derivatives markets. Clients who hedge using risk management products protect their financial positions. The transactions also improve the quality of IFC's investment portfolio.

In the 13 years since the program was established, IFC has committed 76 risk management projects in 41 countries. The transactions have hedged a notional amount of over $2.5 billion (the potential exposure or future risk of these transactions is a fraction of the notional amount).

In FY04, the Corporation committed 10 risk management transactions. These include a partial credit enhancement for a long-term U.S. dollar–Japanese yen currency swap, enabling Brazil's Unibanco to securitize its future dollar remittance flows, tap the Japanese institutional investor market, and hedge the notes into dollars. In Georgia, IFC executed the country's first swap transaction. We also executed long-term currency and interest rate hedging transactions with firms in Brazil, India, and Mexico.

Risk management products are offered to IFC customers solely for hedging purposes and not for speculation. IFC hedges its own market risk on these transactions and monitors exposure on an ongoing basis.

For a full description of IFC products and services, see p. 74.

A list of FY04 project commitments begins on p. 76.

COURTESY OF PRODEM

Structured Finance Products

IFC increasingly offers structured finance solutions to clients, including partial credit guarantees and securitizations. These tools are part of IFC's broader strategy to help build domestic capital markets and expand the local currency financing options for clients in developing countries. The bond issues that result enable clients to raise a significantly larger amount of capital than that represented by IFC's own exposure. By partially guaranteeing the credit risk in financing transactions, we are able not only to lengthen the tenor of the financing, but also to broaden the investor base.

In FY04, IFC invested $170.5 million and mobilized a further $528.1 million through 13 structured finance transactions. These include a securitization of nonperforming mortgage-backed securities in Colombia, the first of its kind in the country and in Latin America. Also in Colombia, IFC provided local currency credit enhancement to support the issuance of residential mortgage-backed securities by the first secondary market company in the country. In South Africa, IFC partially guaranteed the country's first structured municipal bond. IFC made its first investment in Argentina's domestic financial markets since the economic crisis, a securitization of preshipment loans to exporters. IFC also partially guaranteed a cross-currency swap with Unibanco in Brazil (see section on risk management, above).

GREG GIRARD

CARLOS MADRID

The Municipal Fund

IFC and the World Bank have established a pilot program, the Municipal Fund, to make investments in municipalities, municipal entities, and other tiers of local government, without taking sovereign guarantees. This move reflects a market shift, in which national governments have increasingly devolved the provision of essential infrastructure services onto municipalities and other subsovereign entities, which often lack access to financing and the technical expertise they need to fulfill this new responsibility successfully. The Municipal Fund helps address this need by expanding municipal access to private capital markets and arranging technical support.

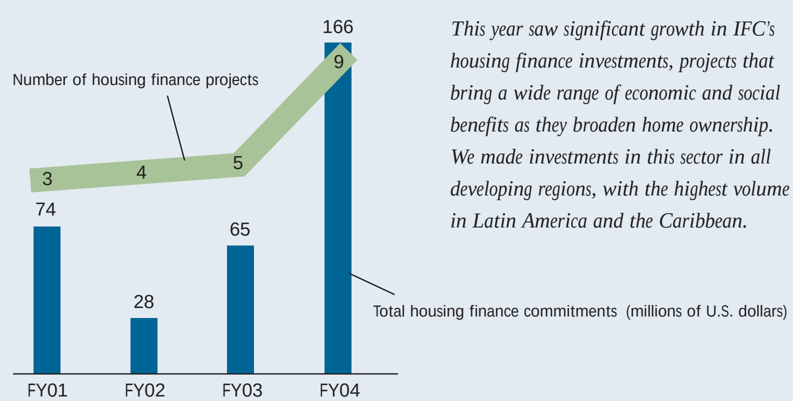
Following last year's groundbreaking investment in a municipal water company in Mexico, this year the Municipal Fund collaborated with the Development Bank of Southern Africa to provide a partial credit guarantee to the city of Johannesburg for a bond issue in the South African capital market that will finance high-priority infrastructure investments in water, energy, and roads. The Municipal Fund is exploring other investments in emerging markets and expects the pace of business to accelerate in the coming year.

IFC'S LARGEST COUNTRY EXPOSURES

Portfolio for IFC's own account as of June 30, 2004
(millions of U.S. dollars)

Brazil	1,316
Russian Federation	1,188
India	1,136
Mexico	1,068
Turkey	885
Argentina	817
China	779
Thailand	468
Indonesia	467
Philippines	435

HOUSING FINANCE: A GROWTH SECTOR FOR IFC



This year saw significant growth in IFC's housing finance investments, projects that bring a wide range of economic and social benefits as they broaden home ownership. We made investments in this sector in all developing regions, with the highest volume in Latin America and the Caribbean.

OPERATIONS

Strengthening Business
through Technical Assistance

For a list of FY04 technical assistance and advisory projects, see p. 92.

IFC supports private sector development both by investing and by providing technical assistance and advisory services that strengthen businesses. IFC's technical assistance helps strengthen small and medium enterprises, financial institutions, and large companies—and the government entities involved in the private sector—in areas ranging from business capacity to management practices and strategies for growth.

Much of our technical assistance work is conducted through facilities managed by IFC but funded through partnerships with donor governments and other multilateral institutions. This is a fast-growing part of our business: in fiscal 2004 nearly one-third of IFC's staff worked in 24 donor-funded operations, at headquarters and in the field. Donor-funded operations accounted for about $90 million in expenditures during FY04, including more than $30 million in funding from IFC.

This year, IFC aligned its network of SME facilities with its regional departments, reflecting the growing importance of providing technical assistance and advice in all regions. The Corporation is also working to standardize the procedures, data recording, partner relations, and monitoring across all its donor-funded operations.

TRAN THI HONG NHIEN

Donor-Supported Technical Assistance

The Technical Assistance Trust Funds program finances feasibility studies, sector studies, capacity building, advisory activities on privatization, policies to strengthen the business environment in developing countries, and assessments of environmental and social impacts of investment projects. Selected projects that were supported by TATF are described in the regional sections of this report.

This year, TATF-funded projects included development of private credit bureau programs in various countries that extend credit to small businesses, development of an SME management training model, and technical assistance for new technologies and management approaches to attract investment in the nonwood pulp and paper sector. Successful projects funded through TATF sometimes lead to ongoing technical assistance programs. The Hungary Energy Efficiency Credit Program, for example, not only resulted in investments by an Austrian bank but also has been replicated in other countries, including soon in Russia.

Through FY04, the donor community provided cumulative contributions of $188 million to support the TATF program, which includes a budgeting allocation from IFC's own resources totaling $14.4 million to date. Since inception of the program in 1988, donors have approved more than 1,380 technical assistance projects.

Other funds provided by donors assist small and medium enterprise project development facilities, the Sustainable Business Assistance Program focusing on environmental and social issues, IFC's new technical assistance initiatives in the Balkans and the Middle East, and some work carried out by the Foreign Investment Advisory Service, IFC Advisory Services, and the Private Enterprise Partnership. Cumulative contributions to all IFC-managed technical assistance programs reached $931 million through FY04.

BAHODIR TOSHMATOV

Small and Medium Enterprises

Small and medium enterprises—companies with 10 to 300 employees and annual sales of $100,000 to $15 million—are the lifeblood of developing economies, especially those that attract little foreign direct investment. Along with microenterprises—firms with fewer than 10 employees and less than $100,000 turnover—they are a key source of employment and a critical engine of economic growth and poverty reduction.

Strengthening smaller firms is a strategic priority for IFC. Efforts center on business-enabling environments, access to capital, access to business development services, and links to large-scale investment projects. The primary tools include a network of multidonor SME facilities; the pilots and partnerships program funded through our SME Capacity Building Facility (CBF); and the new IFC-IDA pilot program for micro, small, and medium enterprise development in Sub-Saharan Africa.

Rather than provide financing themselves, the SME facilities tailor products and services to meet local demand and seek to recover costs by charging appropriate fees to clients. The CBF has funded 117 pilots and partnerships in four years of operations.

To complement its work with SMEs—most of which are government-registered, tax-paying businesses in the formal sector—IFC this year started laying the groundwork for a new initiative to strengthen grassroots business organizations that create jobs in the poorest, most marginalized communities. This segment includes abused women, people with HIV/AIDS, landmine victims, subsistence farmers, and others who can rarely enter the mainstream economy. Whether for-profit or nonprofit, grassroots organizations do much to raise incomes and economic opportunity for these people. These organizations can grow and become stronger and more sustainable with ongoing support from IFC's specialists in business development.

Private Enterprise Partnership

The Private Enterprise Partnership is IFC's technical assistance program in the former Soviet Union. The partnership is funded jointly by IFC, which has allocated an annual budget of $4.6 million through FY06, and donor governments, which have provided a total of $48.5 million from the partnership's founding in 2000 through the end of FY04. The partnership implements programs to build financial markets, link local companies into supply and distribution chains of larger companies, improve corporate governance practices, and strengthen business support services and the regulatory environment for small enterprises. This serves the partnership's objective to build and strengthen the private sector and economic growth in these countries. The partnership's technical assistance has facilitated $781 million in investment, including $68 million from IFC. Its success has provided a model for a new partnership that IFC is spearheading in the Middle East (see box, p. 61).

HOA NGUYEN

IFC Facilities Working with SMEs

Africa Project Development Facility
Sub-Saharan Africa

China Project Development Facility
Sichuan Province, China

Latin America and the Caribbean SME Facility
Bolivia, Honduras, Nicaragua, Peru

Mekong Private Sector Development Facility
Cambodia, Laos, Vietnam

North Africa Enterprise Development
Algeria, Egypt, Morocco

Pacific Enterprise Development Facility
Pacific islands

Private Enterprise Partnership
Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Russia, Tajikistan, Ukraine, Uzbekistan

Private Enterprise Partnership for the Middle East
Afghanistan, Iraq, West Bank and Gaza, Yemen

Program for Eastern Indonesia SME Assistance
Eastern islands of Indonesia

SouthAsia Enterprise Development Facility
Bangladesh, Bhutan, northeast India, Nepal

Southeast Europe Enterprise Development
Albania, Bosnia and Herzegovina, Kosovo, FYR Macedonia, Serbia and Montenegro

Investment Climate

Improving the climate for private sector investment and business development is a priority for IFC's work in developing countries. Many of the Corporation's technical assistance programs address investment climate issues, and our loans, equity investments, and innovative financial products are an effective catalyst for private sector funding from other sources. Reflecting the collaborative nature of this work, a joint vice presidency for Private Sector Development coordinates investment climate efforts for both IFC and the World Bank.

The publication of the first *Doing Business* report, with comparative data on countries' business regulations, was the key development of fiscal 2004 (see box). *Doing Business* complements the Bank Group's Investment Climate Surveys, which have been launched with private firms in 52 countries as of FY04, and related Investment Climate Assessments that use survey data to identify policy, regulatory, and institutional constraints to private investment and firms' performance. The Bank Group also works with governments to increase foreign direct investment, assists with privatization of state-owned enterprises, and supports improvements in corporate governance.

Findings from Investment Climate Assessments and *Doing Business* are informing Bank Group approaches and the countries' own poverty reduction strategies. IDA has adopted policy reform targets based on *Doing Business* indicators in its lending process, and many national and international agencies are using the indicators to help determine how to allocate aid or monitor progress in specific countries.

Foreign Investment Advisory Service

A joint service of IFC and the World Bank, the Foreign Investment Advisory Service helps developing country governments design initiatives to improve the business environment and attract foreign direct investment. FIAS advises on laws, institutions, and strategies to help countries increase the amount and enhance the benefits of FDI. Founded in 1985, FIAS has assisted more than 130 countries, many on a continuing basis over the years. Increasingly, FIAS is coordinating its efforts with IFC's small business facilities.

Financial Markets Advisory Services

IFC's Financial Markets Advisory Services focuses on improving access to finance for smaller businesses, strengthening core operations of banks to improve their quality and sustainability, and helping countries diversify their financial sector through nonbank sources of local currency finance. Many of its projects, which are funded by donors and IFC, address more than one of these objectives.

The program arranged funding for 49 new projects worth nearly $23 million during FY04, and its portfolio totals 86 projects in 60 countries worth more than $41 million. About 75 percent of the work was in frontier market countries. Southern Europe and Central Asia received the largest shares by region.

About two-thirds of the portfolio supports capacity building in financial institutions where IFC has existing or planned investments. Almost 70 percent of FMAS activity involves strengthening finance for micro, small, and medium enterprises. IFC is helping establish microfinance banks in several countries and supporting the Global Credit Bureau Program, which helps consumers and micro and small businesses. About 35 percent of FMAS activity involves nonbank financial services, including leasing and housing finance. Almost 28 percent of the portfolio aims to strengthen core banking operations. A new initiative is also underway to create regional strategic programs for financial sector technical assistance, with IFC's project development facilities more fully integrated into the design and delivery of these programs.

IFC also enhances the environmental and social impact of financial intermediaries through the Sustainable Financial Markets Facility (see p. 19).

How Red Tape Stifles Businesses

Why does it take 210 days to register a business in Angola, but only four in Puerto Rico? Why does the process cost five times per capita income in Cambodia but less than 1 percent in Canada? *Doing Business in 2004: Understanding Regulation,* a report published this year by IFC and the World Bank, offers groundbreaking research that makes a complex issue accessible to the general public. It provides microeconomic data from 133 countries, allowing comparisons on five key indicators of the business climate: starting a company, hiring and firing workers, enforcing a contract, obtaining credit, and closing a business.

Doing Business finds that poor countries regulate business in ways that are associated with less efficient government, more corruption, higher unemployment, and less investment. It also maintains that best practices are transferable. What works in industrial countries can work in developing countries, and innovations from developing countries can be broadly replicated.

The report has garnered worldwide attention and is helping aid agencies and multilateral institutions determine how to allocate funds and monitor progress. Twelve countries have undertaken new regulatory reforms in the last year; countries as varied as Ethiopia, Morocco, and Turkey have reduced the time and cost of starting a business by more than a third as a result of this newly available data.

Planned as an annual publication, *Doing Business* will add indicators on property titling, corporate governance, and bureaucratic hassles in its 2005 report and indicators on taxes, trade, and law and order in 2006. A database of indicators is online at http://rru.worldbank.org/doingbusiness.

FIAS completed 60 advisory projects in FY04, with the largest programs in Europe and Central Asia (17) and Asia and the Pacific (16), of which five were in the Pacific. First-time clients included Botswana, Grenada, Malta, Seychelles, and Syria.

This year, FIAS initiated a multiphase approach to implementation of its recommendations to streamline administrative procedures, particularly in postconflict countries. As part of its long-term program in Turkey, FIAS set up an Investment Advisory Council composed of high-profile international executives to help strengthen the country's investment climate. FIAS also integrated gender issues into its administrative barriers project in Kenya and sponsored capacity building programs for businesswomen in Iraq (see box, p. 60).

IFC Advisory Services

IFC Advisory Services advises governments and state-owned enterprises on the privatization of state-owned infrastructure assets and other transactions that promote sustainable public-private partnerships, especially in the infrastructure and social sectors. Since 1996 the group has closed 16 such transactions worldwide, generating over $3.2 billion in sales proceeds or concession fees. In FY04, the group worked on 15 transactions in health, mining, power, water and sanitation, solid waste, irrigation, and several sectors of transportation: airlines, airports, ports, railways, and urban transit.

Advisory staff draw on the World Bank Group's understanding of development issues to ensure that private infrastructure arrangements meet government goals—while still being bankable. IFC also puts a premium on transparency in transaction design and implementation and is committed to social and environmental sustainability.

Private investors and lenders are increasingly aware of the risks associated with infrastructure, and bringing mandates to successful closure has become more challenging. Advisory Services has responded by changing transaction design to integrate more fully policy advice and implementation, as well as public and private financing. It is also working closely with other parts of IFC and in many cases becoming involved earlier in project development. With support from the United Kingdom's Department for International Development and the Netherlands' Ministry of Foreign Affairs, it has put in place a multidonor trust fund, DevCo Advisory, to support this work. DevCo cofunds analysis of opportunities and the implementation of privatization transactions in frontier countries.


COURTESY OF ODEBRECHT

IFC
REGIONAL
REPORTS

Sub-Saharan Africa

ANGOLA
BENIN
BOTSWANA
BURKINA FASO
BURUNDI
CAMEROON
CAPE VERDE
CENTRAL AFRICAN REPUBLIC
CHAD
COMOROS
DEMOCRATIC REPUBLIC OF CONGO
REPUBLIC OF CONGO
CÔTE D'IVOIRE
DJIBOUTI
EQUATORIAL GUINEA
ERITREA
ETHIOPIA
GABON
THE GAMBIA
GHANA
GUINEA
GUINEA-BISSAU
KENYA
LESOTHO
LIBERIA
MADAGASCAR
MALAWI
MALI
MAURITANIA
MAURITIUS
MOZAMBIQUE
NAMIBIA
NIGER
NIGERIA
RWANDA
SENEGAL
SEYCHELLES
SIERRA LEONE
SOMALIA
SOUTH AFRICA
SUDAN
SWAZILAND
TANZANIA
TOGO
UGANDA
ZAMBIA
ZIMBABWE

A Renewed Commitment

A challenging external environment, poor weather, and homegrown problems held real growth in Sub-Saharan Africa to 2.4 percent for calendar 2003, down from 3 percent for the two previous years. This level of growth does not match rates in the late 1990s and remains significantly below the 7 percent needed to reach the Millennium Development Goals. Development of the region continues to face immense domestic challenges from HIV/AIDS, low savings and investment, poor infrastructure, conflict, shortages of human capital, and the negative perceptions of international investors. IFC's committed investments rebounded from last year's depressed levels to $405 million for IFC's account, including some large projects that had been in development for several years.

Recognizing the need to address Africa's development more comprehensively, IFC initiated a new strategy for the region in FY04. It expands our programs for the smaller businesses that constitute much of Africa's private sector. For larger projects, the strategy targets more support at the formative stages of project development, thus expanding IFC's role significantly beyond provision of finance. To improve the overall investment climate, it focuses IFC's global knowledge and local experience on removing the investment constraints that governments and the private sector face. The Corporation is also expanding the IFC Against AIDS program, which helps the private sector respond to the economic and social challenges of HIV/AIDS, particularly in Africa (see p. 17).

All but the largest African firms lack the resources and capacity to sponsor projects that, in project size and capitalization, meet IFC's norms for direct financing. To reach the African private sector and respond to its needs, IFC is establishing a different product mix, involving both investment and noninvestment services. IFC is working with the World Bank's International Development Association to launch comprehensive programs targeted to micro, small, and medium enterprises in 10 countries. The proposed MSME Program aims to reduce constraints to growth and competitiveness by increasing access to finance, helping firms find new markets by building their technical capacity, and reducing regulation to enable more private sector participation. In FY04 the first new IDA credits to support the program were introduced in Nigeria.

A key resource for capacity building is IFC's Africa Project Development Facility. To make it more effective in meeting demand, IFC is increasing the scale of APDF's operations under a new and more flexible funding model. In addition, IFC is piloting a new model for delivering its services to smaller businesses through SME Solutions Centers. Each center will be an integrated "storefront" of services and financing for SMEs, including short- and long-term finance, capacity building, access to information, and approaches to improving the business-enabling environment. The first SME Solution Center opened this year in Madagascar. To help develop local expertise on environmentally and socially responsible finance, IFC made a grant to the African Institute of Corporate Citizenship to create the Center for Sustainability Finance, which is working directly with IFC clients, including African Bank, to implement strategies and management systems.

IFC'S LARGEST COUNTRY EXPOSURES

Portfolio for IFC's own account as of June 30, 2004
(millions of U.S. dollars)

Nigeria	290
South Africa	225
Mozambique	147
Cameroon	147
Kenya	127

JOHN GRIFFIN

PROJECT FINANCING AND PORTFOLIO

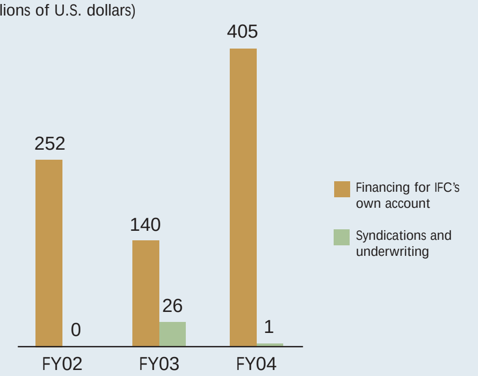
(millions of U.S. dollars)

	FY03	FY04**
Financing committed for IFC's account	140	405
Loans	91	189
Equity and quasi-equity*	29	135
Structured finance and risk management	20	82
Loan syndications signed	26	1
TOTAL COMMITMENTS SIGNED	**167**	**407**
Committed portfolio for IFC's account	1,442	1,603
Loans	973	1,010
Equity	409	455
Structured finance and risk management	60	138
Committed portfolio held for others (loan participations)	254	226
TOTAL COMMITTED PORTFOLIO	**1,696**	**1,829**

* Includes loan and equity-type, quasi-equity investments.
** Includes regional share of LNM Holdings investment, which is officially classified as a global project.
Note: All numbers reflect rounding.

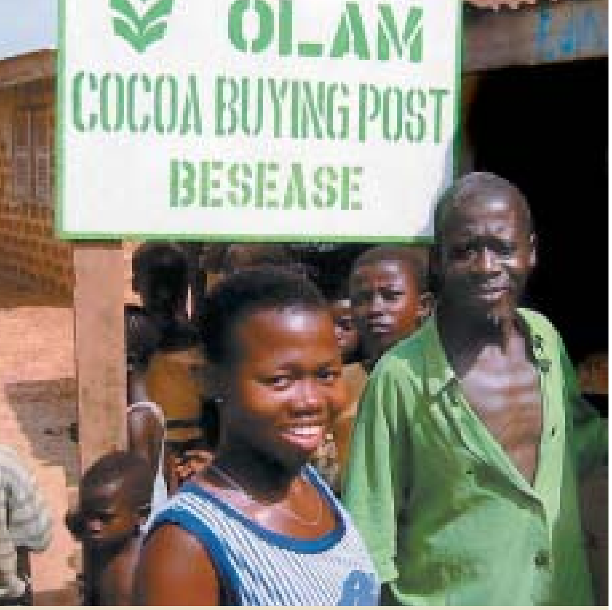
COMMITMENTS

(millions of U.S. dollars)



PROJECT COMMITMENTS AND COUNTRIES

	FY02	FY03	FY04
Number of projects	37	21	25
Number of countries	23	13	12



RICHARD CAINES

Africa: Broader Markets for Agricultural Commodities

This year IFC made an equity investment of $15 million in Olam, a supply chain manager of food and raw materials, to support its operations in Sub-Saharan Africa and in Asia. IFC also provided a $50 million partial credit guarantee for a multicountry working capital facility, increasing Olam's flexibility in financing its operations. Based in Singapore, Olam first began exporting cashews from Nigeria in 1989. Today it is a $1.1 billion company, with operations in over 30 countries and products ranging from cocoa and coffee to nuts and spices. The company has become a global leader in many of these businesses.

Olam's growth in Africa reflects widespread liberalization of marketing monopolies for export commodities, which allows private firms to fill the gap left by former government marketing boards. It also derives from two core business principles: purchasing near the start of the supply chain whenever this is economically feasible and building strong relationships with community-based suppliers. Olam has established a presence across the supply chain, from farms in producing countries to factories in consuming markets. Olam assists local growers through extension services, prefinancing, and better pricing. It also focuses on market niches for commodities produced by higher-risk countries. In Africa, for example, Olam helped develop new export markets for sheanuts. Grown in the Sahel and other semiarid regions, this product had been underutilized despite its value in the manufacture of cosmetics. IFC's investment will help Olam improve access to international markets for local producers.

For larger investment projects, IFC adds value by engaging farther upstream in project development. This also means working with governments to improve the business climate. In Mozambique and its neighbors, IFC is working through the South East Africa Tourism Investment Program to help develop a strategic and collaborative approach to private sector investment in a sustainable and responsible tourism industry. While IFC is initially providing technical assistance, our support will include financing for key projects as the program progresses. We are also promoting more interaction between public and private sectors in Cameroon and have worked with governments in Ghana, Kenya, and Senegal to establish an appropriate regulatory framework for key private infrastructure investments.

IFC is concentrating similar efforts on potential new projects in infrastructure, the financial sector, and competitive export industries. IFC made a $100 million investment in MTN Nigeria, helping serve one of the world's fastest-growing cellular markets (see box). Also in telecommunications, we made a repeat investment in Celtel, the winner of IFC's first Client Leadership Award (see p. 13). IFC continued to support other successful existing clients, with new investments in a major soda ash producer in Kenya, a flour mill in Mozambique, a hotel operator in Mali, and a textile exporter in Madagascar. IFC also supported the sustainable development of Africa's natural resources through expansion of a ferrochrome mine in South Africa and $18 million in equity financing for the Mozambique–South Africa gas pipeline. We also helped a group of black South Africans acquire a major stake in one of the country's leading gold mining firms (see box) and worked with the city of Johannesburg on the country's first structured municipal bond. With the *Financial Times*, IFC sponsored a major regional conference on improving the investment climate and promoting new models of private participation in infrastructure.

A more proactive engagement by IFC is particularly relevant in Africa's postconflict countries, where we can support a rapid resumption of private sector activity. For example, IFC has invested a 15 percent shareholding in NovoBanco Enterprise Bank of Angola. The bank will provide credit and other financial services to micro and small enterprises. IFC also financed expansion of local banks in Cape Verde, Mauritania, and Nigeria.

Kenya: A Successful Firm Committed to Its Community

IFC has made a repeat investment in Magadi Soda, a successful supplier of soda ash, which is used mainly for glass manufacturing in other emerging markets. IFC first financed the company in 1996 and, to help it stay competitive in a demanding international market, is now helping fund a $98 million expansion that will upgrade product quality, raise environmental standards, and enlarge capacity. Already Kenya's second-largest foreign exchange earner, the company will strengthen its market position and increase the country's exports.

Drawing on a renewable raw material source, the project is the only substantial economic activity in a remote part of Kenya, providing employment and other economic benefits for local Maasai communities. A subsidiary of the U.K.–based Brunner Mond Group, Magadi Soda has demonstrated a strong commitment to the community by providing housing, schooling, hospital services, and drinking water for local people. These actions have earned it the Corporate Citizenship Award from the Kenya Institute of Management for three years in a row, recognizing Magadi Soda's social responsibility and sensitivity to the community's needs. The company and IFC are also helping the local community establish a development plan to diversify its economic base, including through supply contracts with Magadi Soda.

COURTESY OF MTN NIGERIA

Nigeria: Getting Connected

The World Bank Group's strategy for Nigeria seeks to foster rapid, private sector–led growth in sectors other than oil in order to reduce poverty. IFC's $100 million investment in MTN Nigeria's mobile telecommunications network will add to the infrastructure throughout the country, improving the environment for private sector development across Nigeria. It is also our first infrastructure investment in the country.

In 2001, MTN Nigeria Communications Limited won one of three new 15-year cellular licenses in Nigeria, which were auctioned as part of ongoing liberalization of the sector led by the World Bank. MTN, one of Africa's leading cellular companies, owns some 75 percent of MTN Nigeria, with the remainder held by Nigerian investors and IFC. MTN Nigeria began operations in August 2001, and by March 2004 it had reached almost 2 million subscribers. It has already connected more people to telephone service than Nigeria's parastatal utility had in 50 years of operation.

IFC invested in this project to promote competition in the cellular market, which will lower tariffs, improve quality of service and responsiveness to customers, and expand access to telecommunications. We are also supporting liberalization of the sector and increasing private sector involvement through a fair and transparent process. Part of IFC's investment will back up MTN Nigeria's financing in local currency, reducing the impact of exchange rate fluctuations on its operations and helping develop local capital markets. The project is IFC's largest to date for its own account in Nigeria and our most significant investment in the country since the return of democracy.

South Africa: Transforming Ownership of the Mining Industry

South Africa is the largest, most diversified, and most advanced economy in Africa, with more than a third of the Sub-Saharan region's output. Mining is a dominant source of economic activity, generating about 6 percent of GDP, 30 percent of exports, and 400,000 jobs. Mining companies represent 42 percent of the capitalization of the Johannesburg Stock Exchange and are key earners of foreign exchange.

The South African government is committed to transforming ownership of the mining industry to reduce income inequality and raise economic participation by the black population. It has set targets for mining companies to achieve 15 percent ownership by historically disadvantaged South Africans within five years and 26 percent within 10 years. To support this effort, IFC has lent the equivalent of $28 million to Mvelaphanda Resources Limited as part of the largest black economic empowerment transaction to date. Mvelaphanda Resources will apply the loan to an upfront payment of 4.1 billion rand (about $590 million) for the right to subscribe in five years to a 15 percent interest in the South African gold mining assets and business operations of Gold Fields Limited. This purchase will help the company reach the goal of increasing black ownership.

IFC is also developing a partnership with Gold Fields to maximize the sustainability of its operations. This is expected to include supply contracts for small and medium enterprises, assistance with HIV/AIDS programs, and outreach in education, health care, and agricultural support for mine-worker communities in South Africa and Mozambique.


LAURA BURES

Global Business School Network: Strengthening Managerial Capacity

Through its Global Business School Network, IFC is developing pilot projects to strengthen business schools in Sub-Saharan Africa by linking them with their counterparts in developed countries. The projects aim to build schools' capacity to provide high-quality and sustainable management training programs, as well as establish a network of skills and knowledge that can be shared throughout Africa and other regions. The first pilots are in Ghana, with the Ghana Institute of Management and Public Administration; Kenya, with the U.S. International University; Nigeria, with the Lagos Business School; and South Africa, where the Wits Business School is establishing a program for business trainers from throughout Africa. The GBSN is also providing technical assistance in the pilot IFC-IDA initiative in Kenya. Here GBSN is helping the country's business schools develop local case studies and short courses targeted at the training needs of smaller businesses, as well as establishing a national business plan competition to bring students, entrepreneurs, innovators, academics, and investors together. The competition will have a strong training component that will allow all participants to benefit from the resources of the local business schools.

Development of the pilot projects is driven by the needs of local institutions and the communities they serve. Each pilot is designed to strengthen links between business schools and local business communities and to be financially sustainable within a three-year period. Implementation of projects will begin in FY05, and milestones and results will be evaluated on an ongoing basis.

East Asia and the Pacific

CAMBODIA
CHINA
FIJI
INDONESIA
KIRIBATI
REPUBLIC OF KOREA
LAO PEOPLE'S DEMOCRATIC REPUBLIC
MALAYSIA
MARSHALL ISLANDS
FEDERATED STATES OF MICRONESIA
MONGOLIA
MYANMAR
PALAU
PAPUA NEW GUINEA
PHILIPPINES
SAMOA
SOLOMON ISLANDS
THAILAND
TONGA
VANUATU
VIETNAM

Despite Challenges, Outlook Is Optimistic

Business sentiment in East Asia and the Pacific was upbeat this year, despite a serious health scare and political uncertainty. Stronger growth in the United States and Japan, increased intraregional trade, and robust consumer spending all contributed to this positive trend. International capital flows and domestic bank lending increased, financial markets performed well, and there was a modest revival in investment spending in some countries. Nonetheless, the region has long-term challenges that must be addressed to maintain a strong and vibrant private sector. These include persistent overcapacity in manufacturing, continuing high levels of nonperforming loans, and concerns about overheating in asset markets.

For IFC, East Asia presents an enormous opportunity, as our strengths are suited to the region's needs. IFC has a unique capacity to help companies achieve international best practice in corporate governance and environmental and social practices. We have increased our staff in the region and are adapting our approach to meet changing business conditions. This year, we scaled up our activities in China, doubling the size of our program there. We also allocated more specialized resources for financial sector activities. In infrastructure, we began exploring new models for public-private partnerships to help ensure that the private sector can increase its contribution to the delivery of public goods. We are also expanding our technical assistance programs.

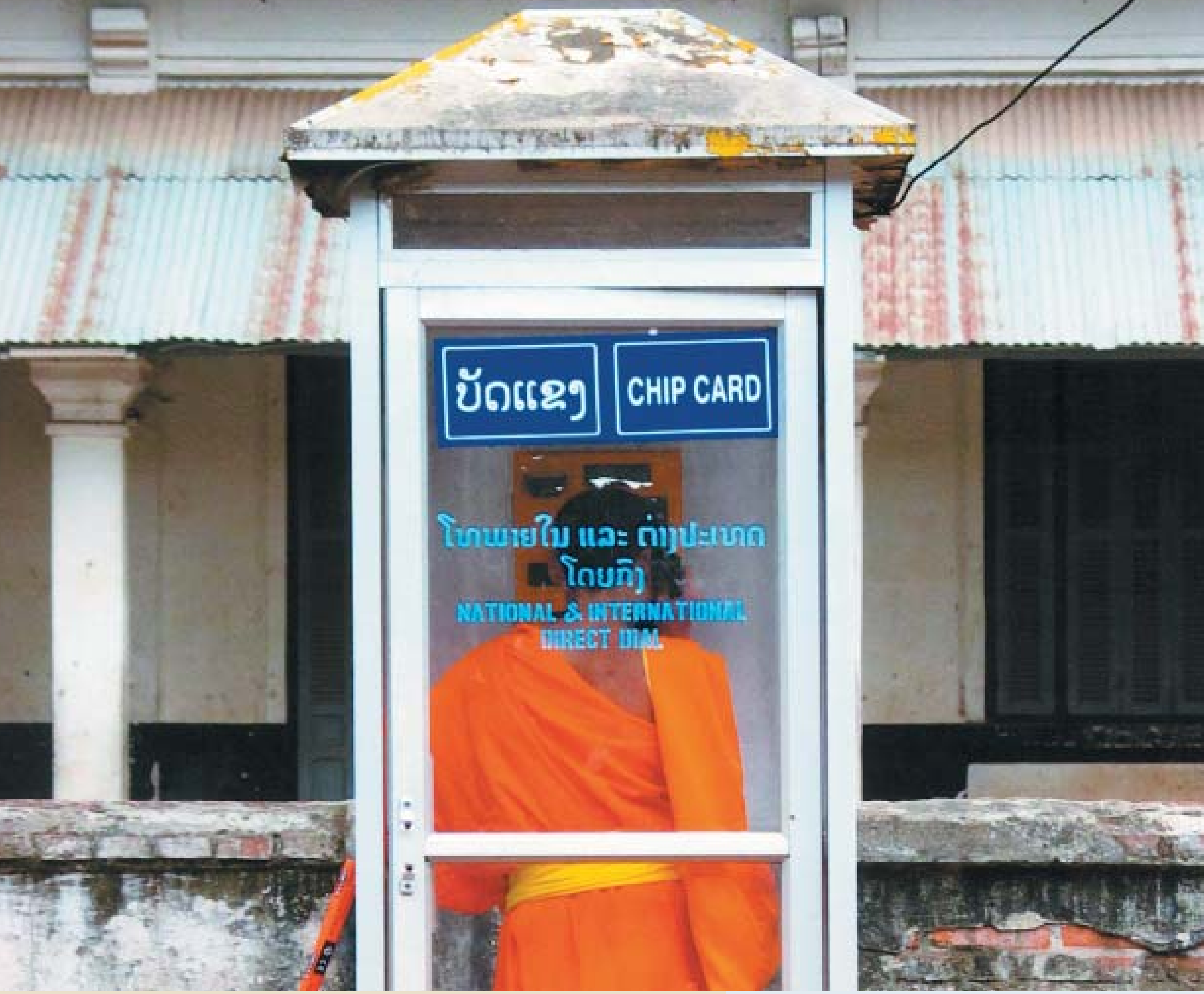
In fiscal 2004, IFC undertook investments totaling $730 million across the region. We maintained our focus on high-impact sectors, especially financial markets and infrastructure. Our financing of Industrial Bank is IFC's first investment in a Chinese state-owned bank, and it will help shape the future of the banking sector in an increasingly competitive environment. We also helped establish the Shanghai International Banking and Finance Institute (see box) and worked with Colony Capital to introduce an alternative approach to distressed asset resolution in China. In the Philippines, IFC provided Globe Telecom with a series of long-term hedging transactions, helping the company better manage its exposure to currency and interest rate changes. IFC's debt and equity financing for Xinao Gas complements the Chinese government's efforts to develop the natural gas industry. Our support for China Green Energy will help address pollution caused by inefficient coal-fired plants and inadequate waste management.

East Asia's rapid growth poses environmental challenges, putting at risk clean air and water, biodiversity, fisheries, fertile soils, and quality of life. IFC is actively demonstrating the business benefits of sustainable development. To further this agenda, IFC supported pioneering research and cosponsored a conference on sustainable business in East Asia (see box). Our investment in Olam, a commodity sourcing and processing company active throughout Asia, will promote sustainable development in agribusiness and complement World Bank efforts to liberalize commodity export markets (see related box, p. 32). In a region with inadequate controls of waste products and haphazard disposal practices, IFC's support for Modern Asia Environmental Holdings, a waste management company, will help reduce pollution and associated diseases.

IFC'S LARGEST COUNTRY EXPOSURES

Portfolio for IFC's own account as of June 30, 2004
(millions of U.S. dollars)

China	779
Thailand	468
Indonesia	467
Philippines	435
Republic of Korea	230



MIGUEL NAVARRO

PROJECT FINANCING AND PORTFOLIO

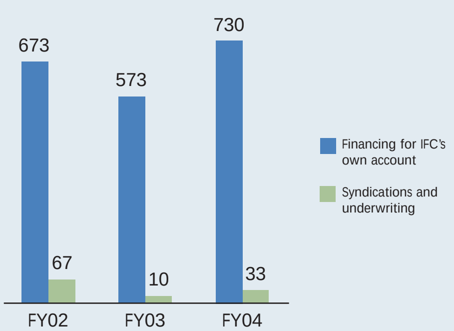
(millions of U.S. dollars)

	FY03	FY04
Financing committed for IFC's account	573	730
Loans	130	424
Equity and quasi-equity*	183	242
Structured finance and risk management	260	64
Loan syndications signed	10	33
TOTAL COMMITMENTS SIGNED	**583**	**763**
Committed portfolio for IFC's account	2,791	2,897
Loans	1,354	1,503
Equity	850	961
Structured finance and risk management	587	433
Committed portfolio held for others (loan participations)	1,138	907
TOTAL COMMITTED PORTFOLIO	**3,929**	**3,804**

* Includes loan and equity-type, quasi-equity investments.
Note: All numbers reflect rounding.

COMMITMENTS

(millions of U.S. dollars)



PROJECT COMMITMENTS AND COUNTRIES

	FY02	FY03	FY04
Number of projects	33	31	40
Number of countries	7	7	7

China: Pioneering Investments

China continues its rapid progress toward a market economy, reforming its business and financial sectors and instituting regulation to promote and police a dynamic and increasingly competitive private sector. IFC continues to support this transition with funding and innovation.

This year we made a $52 million equity investment in Industrial Bank, a rapidly expanding joint-stock commercial bank headquartered in Fujian province and active nationwide. This is IFC's first project involving progressive privatization and strategic reorientation of a state-owned bank in China, and we will help the bank rationalize its ownership structure, improve corporate governance, and adopt international standards and banking best practices. The project creates a model of privatization for China's state-owned banks.

IFC also invested $13 million in Chenming, a greenfield facility producing lightweight coated paper in an economic development zone of Nanchang city. The project will establish a state-of-the-art plant and help meet the growing demand for this type of paper in China and the Asia-Pacific region. It will help Chenming become a major player in the global paper market and reduce costs for end-users, especially those in advertising and print media. IFC is advising the company on sustainable business practices, including certification of plantations and promotion of good environmental and social standards.

GREG GIRARD

Frontier markets—those with embryonic private sectors—are an important area of IFC's work program in the region. Building on earlier technical assistance provided by the Mekong Private Sector Development Facility and IFC's own equity investment, the Corporation invested further equity in Cambodia's Acleda Bank, following it with a credit line to help the bank diversify its asset base. With partners, MPDF established the Cambodia Institute of Banking to provide training in international banking standards (see box). IFC also made a loan to finance expansion of Cambodia's two international airports, helping improve access to the unique cultural assets of the Angkor temple complex.

IFC remains committed to building long-term partnerships with clients, including several in Indonesia this year (see box). Following an earlier equity investment in Vietnam's Sacombank, IFC subscribed to a rights issue to support the bank's capital increase program and provided technical assistance to build capacity in the bank's operations and risk management.

We are also working to promote intraregional investments. IFC's investment in Southern Aluminum Industry, an Indonesian–Hong Kong firm producing aluminum sheets and foil in China's Fujian province, will help transfer skills to the local workforce and set higher environmental standards for the local industry. Our investment in Wilmar, a leading regional processor and merchandiser of oilseeds and edible oil, will increase exports of Indonesian palm oil and benefit other companies along the supply chain.

Four of IFC's project development facilities are located in East Asia and the Pacific (see box). These facilities help smaller businesses incorporate best practices, gain access to capital, and form links to IFC's larger investments in the region. IFC has also established technical assistance programs targeted to the region's business sectors. A key example is the new Regional Corporate Governance Initiative, which trains directors at financial institutions and brings in experts to consult on their operations.

In East Asia and the Pacific, IFC remains committed to an improved legislative and regulatory environment for foreign investment. This year, FIAS advised on a new investment law in Cambodia and on suspension of exporter duties in Fiji. FIAS also helped establish a national working group on reducing impediments to private sector activity in Papua New Guinea.

Cambodia and China: Upgrading Banking and Finance Skills

China's accession to the WTO is increasing competition in the country's financial sector. Although the upgrading of skills has become crucial, there are few institutions in the country that focus on professional education in banking and finance. Hence, IFC has helped establish the Shanghai International Banking and Finance Institute to provide world-class training to Chinese financial institutions. The institute will offer courses, conduct and apply research, and hold seminars and conferences, both domestically and internationally, to improve networking among banking and finance practitioners and academics. It is expected to develop into a full-fledged business school, focusing on continuing education and professional certification.

Cambodia's commercial banking sector has also assumed a critical role as the country emerges from years of internal strife and makes the transition to a market economy. Recognizing this fledgling sector's importance, IFC's Mekong Private Sector Development Facility, in collaboration with the Association of Banks in Cambodia and the ASEAN Bankers Association, has established the Cambodia Institute of Banking. The institute will meet a growing demand for training at locally affordable prices. It will provide tailor-made courses for local banks, seminars for top banking executives on latest trends in banking, and consulting services.

MICHAEL GUNAWAN

Indonesia: Long-Term Relationships

IFC remains committed to building long-term partnerships with clients. This year in Indonesia, we found new opportunities with companies we already know well. Our repeat investments in a manufacturer of synthetic fiber, South Pacific Viscose, will help the firm achieve self-sufficiency in power and increase the sustainability of its production. We helped the Wings Group expand into the food and beverages sector, creating supply chain links with smaller businesses that benefit the local community. A $35 million loan also continued our support for Bank NISP, one of the most dynamic private sector banks in Indonesia. The funding will help diversify the bank's liability structure, support its core lending to smaller businesses, and help it scale up other activities, such as mortgage lending, that require longer-term funding.

Driving the Sustainability Agenda in East Asia

The changes underway in East Asia are daunting, with rapid economic expansion, population growth, and urbanization imposing heavy demands on social and environmental resources. But managing this growth also offers huge business opportunities. IFC is helping private firms understand the issues, especially how raising environmental and social standards can improve a company's access to capital and increase its financial returns in the long term. This year IFC sponsored a report published by the Association for Sustainable and Responsible Investment in Asia that demonstrates the value of a socially responsible approach to investment. With the *Financial Times*, we sponsored a conference on sustainable business in East Asia that examined trends in sustainable practices, business benefits, and the role of stakeholders.

Attention to sustainability is also integral to IFC's investments in the region. For example, a rise in domestic consumer awareness and the emergence of international standards are rapidly increasing East Asia's demand for integrated, responsible waste management. Our investment this year in Modern Asia Environmental Holdings, a firm operating in several countries, will support the company's waste collection, transportation, recycling, treatment, and disposal services for industrial and commercial clients in Indonesia, the Philippines, and Thailand. This in turn will promote environmentally compliant technology and practices for collection and waste-handling, helping reduce pollution of the air, soil, and water, as well as incidence of related diseases. In other examples from the Philippines, IFC provided donor funds for development of solar energy and preservation of coastal habitats (see p. 19).

MICHAEL GUNAWAN

Project Development Facilities: Strengthening Smaller Businesses

MIGUEL NAVARRO

IFC operates special multidonor project development facilities in areas of East Asia and the Pacific where support for small and medium enterprises is especially crucial to economic development: the Mekong region, the Pacific islands, China's Sichuan province, and eastern Indonesia. In FY04, the Corporation increased its efforts to integrate the work of these facilities with other IFC and World Bank Group activities. A good example of this approach is the facilities' technical assistance to help incorporate small businesses into the supply chains of larger firms in which IFC invests.

The strong synergy between the facilities and IFC investments is also particularly important in the financial sector, where training in lending and credit analysis for smaller businesses complements IFC loans, equity investments, and strategic and operational guidance in many areas, such as data management, corporate governance, and compliance with international accounting standards. In Vietnam, for example, IFC has become a strategic investor in two leading commercial banks, Asia Commercial Bank and Sacombank, to which the Mekong Private Sector Development Facility had first provided extensive training through its Bank Training Center. Both banks have significantly increased their lending portfolios for small and medium enterprises.

IFC
REGIONAL
REPORTS

South Asia

BANGLADESH
BHUTAN
INDIA
MALDIVES
NEPAL
SRI LANKA

Becoming a Global Player

Regional growth in South Asia gained momentum in FY04, led by accelerating expansion in India. The private sector remains at the forefront of this strong performance, as entrepreneurs throughout South Asia strive for international competitiveness and identify opportunities to expand operations within the region and beyond. IFC has supported this trend with a record level of new investments, $405 million, as well as $109 million in loan syndications. IFC has also provided technical assistance to help companies improve competitiveness, access longer-term funding, and reach new markets. This assistance includes facilitating investments between developing countries and strengthening links between small businesses and larger IFC clients.

IFC is helping build internationally competitive enterprises throughout South Asia. The year saw a second investment in India's largest producer of writing and printing paper, Ballarpur Industries Limited, to help raise the efficiency of its local operations and support expansion of its farm forestry program, with substantial benefits for rural farmers (see box). IFC has also helped RAK Ceramics, a United Arab Emirates–based company that was already a client in Bangladesh, invest in new capacity for manufacturing ceramic tiles in India. Other IFC investments that increase competitiveness include United Phosphorus Limited, one of India's largest producers of crop protection products and among the top five generic agrochemical companies in the world; and Crompton Greaves Limited, a key player in India's electrical equipment and engineering industry and the country's largest exporter of transformers. IFC's investment in CMS Computers, one of the largest IT service companies serving the domestic Indian market, will support the company's efforts to increase competitiveness and expand operations within India.

Better infrastructure is essential to sustaining the region's economic growth, but fiscal constraints on governments have hampered them in meeting this need. Hence, IFC is encouraging private participation in key infrastructure sectors, such as telecommunications and power. This year IFC established the first partnership in India's power transmission sector following the government's decision to open it to private participation. Powerlinks, a joint venture between the Tata Power Company and Power Grid Corporation of India, will facilitate transmission of power from a hydropower project in Bhutan and surplus power from other regions to the north of India. In mobile telecommunications, IFC has financed the expansion of leading providers GrameenPhone in Bangladesh and Dialog in Sri Lanka (see box). In oil and gas, IFC is financing development of the region's resources through support of Cairn Energy PLC (see box).

IFC is helping build strong institutions that widen access to financial services. IFC made a loan to Sundaram Finance, which will expand its lending to commercial vehicle owners and operators in rural and semirural areas, thus helping small business development. With improved availability of mortgage finance stimulating

IFC'S COUNTRY EXPOSURES

Portfolio for IFC's own account as of June 30, 2004
(millions of U.S. dollars)

India	1,136
Bangladesh	133
Sri Lanka	129
Nepal	51
Maldives	28
Bhutan	10

RICHARD ENGLISH

PROJECT FINANCING AND PORTFOLIO

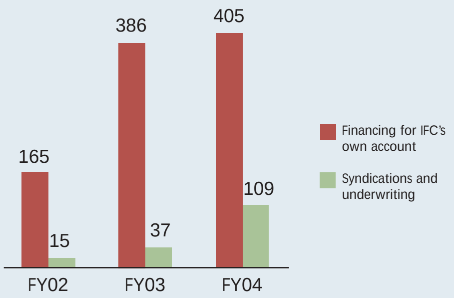
(millions of U.S. dollars)

	FY03	FY04
Financing committed for IFC's account	386	405
Loans	349	332
Equity and quasi-equity*	34	64
Structured finance and risk management	3	9
Loan syndications signed	37	109
TOTAL COMMITMENTS SIGNED	**422**	**514**
Committed portfolio for IFC's account	1,447	1,529
Loans	929	1,101
Equity	345	265
Structured finance and risk management	172	163
Committed portfolio held for others (loan participations)	140	237
TOTAL COMMITTED PORTFOLIO	**1,587**	**1,765**

* Includes loan and equity-type, quasi-equity investments.
Note: All numbers reflect rounding.

COMMITMENTS

(millions of U.S. dollars)



PROJECT COMMITMENTS AND COUNTRIES

	FY02	FY03	FY04
Number of projects	9	18	19
Number of countries	4	4	5

construction throughout India, IFC helped HDFC access international markets for longer-term funding of its mortgage finance business and assisted Birla Home Finance in broadening its housing finance operations, particularly those aimed at middle-income households in India. Owned by BHW, a German firm, Birla Home Finance has successfully introduced a savings-linked housing loan in India, providing opportunities for lower-income households to obtain loans based on their savings performance over a three- to five-year period.

Small and medium enterprises are a key component of sustainable growth and development. IFC continues to support SMEs through development of the financial markets in South Asia. In Bangladesh, IFC has invested in United Leasing Company and BRAC Bank, a new bank set up by IFC, Shorebank, and BRAC, a leading Bangladeshi NGO, to promote financial services to smaller businesses. We are also supporting local entrepreneurs and their businesses through our regional SME facility, the SouthAsia Enterprise Development Facility. SEDF takes a multifaceted approach, working to improve the business-enabling environment, increase access to finance, and make business services for SMEs more widely available (see box and p. 10).

The private sector also plays a central role in delivering health services in the region. In India, IFC is helping Max Healthcare build the first integrated health care delivery network in the New Delhi area.

Bhutan became IFC's newest member in December 2003, a development swiftly followed by our first commitment in the country's tourism sector (see box). SEDF is working with the client, Bhutan Resorts Corporation Limited, to establish links with small businesses, while FIAS is helping the government frame policies to guide private investment. IFC also invested in the tourism sector in the Maldives through Taj Maldives, an affiliate of the Taj Group of India. Both tourism projects represent "south-to-south" investments, simultaneously helping South Asia's two smallest countries and providing longer-term funding for larger firms' expansion within the region.

COURTESY OF DQ ENTERTAINMENT

IFC is an investor in DQ Entertainment, an Indian company that provides animation and multimedia services to North American and European film production houses.

India and Bangladesh: Developing Domestic Energy Resources

Cairn Energy PLC, a U.K.–based oil and gas company, has focused its operational strategy on South Asia, including India, the sixth-largest energy consumer in the world, and Bangladesh, a country with the potential to become a major gas producer. IFC recently provided Cairn with a long-term revolving corporate facility to finance growth in its production capacity and exploration activities in the region. By increasing the availability of domestic gas for power generation and industry, Cairn's activities will enable the use of a cleaner, more cost-efficient fuel to replace naphtha and coal. Cairn has also introduced new technology to raise oil recovery rates: in its Ravva oil field, for example, recovery has risen from 30 to 55 percent. Cairn is working with IFC's environmental staff to ensure that new fields in Rajasthan, India's largest oil discoveries on land in the past two decades, are developed with protections for the fragile ecology and social systems of this region.

Bangladesh and Sri Lanka: Increasing Access to Telecommunications

IFC's investments are aiding the rapid growth in South Asia's mobile communications industry, with broad economic benefits. In Bangladesh, GrameenPhone was the first operator to adopt a mass-market, low-tariff strategy and has quickly built a subscriber base, reaching 1 million by the end of 2003. Other companies have followed suit. The availability of affordable, reliable service has increased cellular penetration from 0.1 percent in 1999 to 1.25 percent today, more than double the rate of fixed-line use. This growth has also spurred reforms in the country's telecommunications sector, including the establishment of an independent regulator. The company has significantly increased rural connectivity through its Village Phone program, in which local individuals, often supported by a microfinance loan from Grameen Bank, operate a pay telephone in their communities. About 50 million people benefit from cellular services provided through this program, which has won numerous awards as an effective model for increasing access to telecommunications in rural areas. It has also improved the economic position of women operators in these areas. IFC has been able to replicate the model in Uganda and is embarking on a similar initiative in Nigeria.

IFC made its second investment in GrameenPhone Ltd. in 2004, a $30 million loan for nationwide expansion of its network and refinancing of debt. In 1999, IFC made a loan and equity investment as part of a $124 million project to build the firm's network over its first four years of operations. The cellular phone operator is sponsored by Telenor of Norway and Grameen Telecom, an entity established by Grameen Bank.

In Sri Lanka, which saw the number of mobile subscribers increase by nearly half during 2003, IFC has invested in Dialog, the local brand name for MTN Networks. Launched in 1995 as the fourth mobile operator in the country, Dialog reached a 50 percent market share by 2002. Following the country's ceasefire, Dialog has increasingly focused its growth on the northern and eastern provinces, where telecommunications infrastructure remains weak as a result of the civil war. IFC's $50 million investment will support the company's expansion plans and help it upgrade its network to offer new services.

COURTESY OF DIALOG


COURTESY OF GRAMEENPHONE

WORLD BANK

Bhutan: High-Value, Low-Impact Tourism

Bhutan, which became IFC's newest member this year, seeks economic development that preserves the country's pristine environment and unique culture. The government first began working with FIAS in 2000 to establish policies and regulations that enable foreign direct investment. This collaboration helped lay the groundwork for IFC's first investment in the country, a resort sponsored by Bhutan Resorts Corporation Limited and Silverlink Holdings of Singapore, owner of the Amanresorts brand name. The project will support the government's concept of "high-value, low-impact" tourism by attracting a small number of high-income, environmentally conscious, and culturally interested visitors, minimizing the impact on Bhutan's environmental, social, and cultural fabric. IFC is providing $10 million as well as comfort to government and investors in what will be the largest foreign direct investment in Bhutan in many years. IFC's experience in managing the social and environmental impacts of private enterprise is also helping maximize the benefits to the local community by developing sustainable ecotourism products and services. IFC's SouthAsia Enterprise Development Facility is also working with the resort to establish links with smaller businesses, including local supply chains for food. This project is expected to create a strong demonstration effect for other foreign direct investment in Bhutan.

Bangladesh: Building Competitive Smaller Enterprises

The garment industry is a cornerstone of the Bangladeshi economy, accounting for 75 percent of total export earnings and employing more than 1.8 million people, mostly women working in small and medium enterprises. This income raises living standards, including health care, housing, and education of the workers' children. Gaining entry into international markets is critical, with competition rising from China and other countries that have high labor productivity and with phaseout of the Multi Fibre Arrangement, a system of quotas restricting the quantity of textiles and clothing from developing countries into industrialized countries.

IFC's SouthAsia Enterprise Development Facility has helped the country's SME garment manufacturers find new buyers in Canada, which agreed in late 2003 to drop all trade barriers on Bangladeshi apparel imports. SEDF partnered with the Canadian Manufacturers and Exporters Association and the Trade Facilitation Office of Canada to arrange successful trade fairs in Montreal and Toronto. Industry leaders expect garment exports to Canada to double as a result, reaching US$300 million in the coming year.

JOHN GRIFFIN

RICHARD ENGLISH

India: Investing in Sustainable Farm Forestry Programs

RICHARD ENGLISH

In FY04, IFC invested in Ballarpur Industries Limited (BILT), India's largest producer of writing and printing paper and a repeat client. While this investment supports the modernization and expansion of production capacity, it also furthers the development of the company's farm forestry program. Targeting small farmers with land unsuitable for other cash crops, BILT raises and distributes seedlings to the farmers at subsidized costs, provides free technical advice, develops high-yield tree varieties, and operates purchase depots to secure a fair price for the produce. This ensures that farmers receive a stable income despite seasonal variations in revenue. In addition, BILT has started a pilot program to provide the farmers in their first crop rotation with an assured buyback of pulpwood. The company has arranged for commercial banks to make cash disbursements to the farmers until the crops reach maturity. The banks are paid by BILT when the pulpwood is delivered to the company. Since BILT's farm forestry program began in 2000, over 15,000 farmers have participated, spanning a combined plantation area of 10,000 hectares. With IFC's help, BILT plans to expand its program, increasing annual seedling distribution to an estimated 100 million and reaching over 25,000 farmers by 2008, ensuring that a large share of the company's raw material comes from local farmers.

IFC
REGIONAL
REPORTS

Europe and Central Asia

ALBANIA
ARMENIA
AZERBAIJAN
BELARUS
BOSNIA AND HERZEGOVINA
BULGARIA
CROATIA
CZECH REPUBLIC
ESTONIA
GEORGIA
HUNGARY
KAZAKHSTAN
KYRGYZ REPUBLIC
LATVIA
LITHUANIA
FORMER YUGOSLAV REPUBLIC OF MACEDONIA
MOLDOVA
POLAND
ROMANIA
RUSSIAN FEDERATION
SERBIA AND MONTENEGRO
SLOVAK REPUBLIC
SLOVENIA
TAJIKISTAN
TURKEY
TURKMENISTAN
UKRAINE
UZBEKISTAN

Increasing Investment and Innovation

Activity in Europe and Central Asia this year reflects the full range of products and services IFC offers, from investments in key sectors such as financial institutions, infrastructure, and health, to technical assistance that helped improve investment climates, expand financing for smaller enterprises, and strengthen companies' corporate governance.

Central and Eastern Europe

PROGRESS IN MANY AREAS

IFC's commitments in Central and Eastern Europe reached a record high of $825 million in FY04, with an additional $68 million syndicated from partner banks. The largest share of this funding went to Russia, reflecting the country's growth and stability and our increasing work with local companies and firms based outside of Moscow. We also increased commitments in Ukraine to $57 million, with investments in agribusiness, the financial sector, and general manufacturing. We continued to support the private sector in the smaller Eastern European economies through advisory work and investment, with a focus on strengthening small businesses. Our latest investment in the Baltics, which helped deepen mortgage markets through the first cross-border securitizations in the region, reflects the more selective role IFC is playing in the EU-accession countries (see box, p. 12).

In Russia, we are investing in an increasing number of sectors, reflecting our strategy to help diversify the country's economy beyond oil and gas. Particularly notable is the increase this year in investments in infrastructure, especially transport and logistics. IFC financed large-scale projects in the railway and air transport sectors. These investments strengthen the country's transport system, which is essential to economic growth, and demonstrate the benefits of increasing the private sector's role in infrastructure. Our investments in Kulon and Russkiy Mir reflect the growing demand from local businesses for logistical services and warehousing to improve efficiency in cargo storage, handling, and transportation. All of these are investments in local Russian firms.

IFC is also helping its long-standing clients reach new markets. This year in Russia, IFC had several repeat investments with clients from elsewhere in the region. The glass manufacturer Sisecam first became an IFC client in the 1970s in its home country, Turkey, and more recently has partnered with us in Georgia and Russia. This year, its Russian affiliate, Ruscam, received its third IFC loan since beginning its operations in Russia three years ago—funding that will further increase its bottle-producing capacity. IFC has held an equity investment since 1994 in Intercell, one of Poland's key packaging producers and its leader in wastepaper recycling. This year, IFC helped Intercell invest in Russia, where it will manufacture paper sacks.

In the Russian regions beyond Moscow, the financial sector remains crucial to spurring development. We choose leading institutions that can set standards, and we add value through a combination of investment and advisory work. Our commitment is long-term and often results in repeated transactions. We are

IFC'S LARGEST COUNTRY EXPOSURES

Portfolio for IFC's own account as of June 30, 2004
(millions of U.S. dollars)

Russian Federation	1,188
Turkey	885
Romania	280
Bulgaria	266
Kazakhstan	167

RICHARD ENGLISH

PROJECT FINANCING AND PORTFOLIO

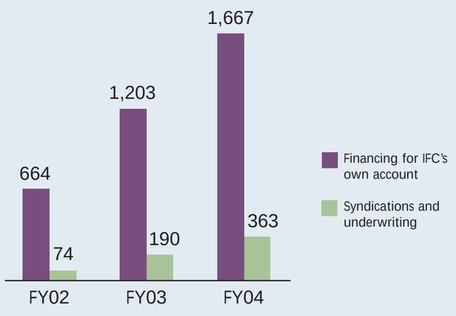
(millions of U.S. dollars)

	FY03	FY04**
Financing committed for IFC's account	1,203	1,667
Loans	968	1,330
Equity and quasi-equity*	141	336
Structured finance and risk management	95	1
Loan syndications signed	190	363
TOTAL COMMITMENTS SIGNED	**1,394**	**2,030**
Committed portfolio for IFC's account	3,581	4,554
Loans	2,898	3,768
Equity	527	672
Structured finance and risk management	156	114
Committed portfolio held for others (loan participations)	785	935
TOTAL COMMITTED PORTFOLIO	**4,366**	**5,489**

* Includes loan and equity-type, quasi-equity investments.
** Includes BTC pipeline and regional share of LNM Holdings investment, which are officially classified as global projects.
Note: All numbers reflect rounding.

COMMITMENTS

(millions of U.S. dollars)



PROJECT COMMITMENTS AND COUNTRIES

	FY02	FY03	FY04
Number of projects	60	59	65*
Number of countries	19	18	17

* Includes BTC pipeline.

Ukraine: Fresh Chicken on the Table

When Yuriy Kosyuk, a young entrepreneur, acquired several bankrupt poultry assets in 1996, he was determined to build them into Ukraine's largest poultry producer. By mastering delivery of fresh chilled products to retailers, the firm, Mironovsky Khleboprodukt, has also increased its competitiveness against frozen imports.

To help strengthen Mironovsky's market position, IFC provided a $30 million loan to expand the firm's production and distribution system and improve efficiency. Totaling $120 million, the project should nearly triple production by 2005, lower production costs by 20 percent, and create 450 new jobs. IFC is also providing technical assistance on corporate governance and helping implement food safety and quality management systems in accordance with international standards. Among operational improvements, Mironovsky will construct a high-protein sunflower plant to produce feed for broilers, helping reduce costs. The plant will be the first of its kind in the former Soviet Union and a model for a sector that has been lagging technologically.

To expand distribution, Mironovsky plans to add 900 franchise retail outlets to its existing 400. An initial investment of $2,000 per franchise generates a minimum of one job and a monthly profit of about $300, in a country where the average monthly salary in 2003 was $94.

COURTESY OF MIRONOVSKY KHLEBOPRODUKT

currently working with four locally owned financial institutions outside Moscow. IFC's advisory arm in the region, the Private Enterprise Partnership, also helped some of our clients improve their corporate governance (see box).

Throughout Russia, we are helping introduce innovative products for financial intermediation, including local currency financing and securitization. This year we made our first ruble-linked loan to Russian Standard Bank (see box). With stakeholders from Russia's public and private sectors, we also created a working group to identify the impediments to securitization transactions.

In Ukraine, investments in a leading poultry producer (see box) and the country's top producer of juices, Sandora, will help local companies expand and modernize while creating jobs for local farmers. IFC also supported construction of two Nova Liniya home improvement retail stores, which will boost local production and employ 300 workers. Our activity reflects the country's improving investment climate, opportunities in many sectors, and stronger interest from foreign investors. Similarly, in Belarus, we supported the first privatization in the country's beverage sector that involves foreign investors.

In frontier markets, we continue to help financial institutions increase the access of small businesses to credit. In Georgia, the Private Enterprise Partnership helped introduce legislation critical to the development of financial leasing, which will provide a new source of financing for SMEs. IFC established its first partnership with an Armenian bank, Armeconombank, through a loan that broadens the bank's funding base for on-lending to smaller businesses. In Ukraine, IFC lent to one of the country's first leasing companies, First Lease, to support equipment leases to SMEs. The Private Enterprise Partnership also helped draft new leasing legislation for Ukraine; the bill was passed by parliament this year. In Belarus, to strengthen the financial sector, we organized a workshop for the government on development of the banking sector and the role of foreign banks. We also continue to work with business associations to improve the environment for SMEs.

We provided ongoing support and market innovations to partner banks in frontier countries, with new financing for ProCredit Bank in both Ukraine and Georgia and for TBC in Georgia. The deal with TBC introduces interest rate and currency swaps to Georgia (see box).

Georgia: IFC Introduces Risk Management

This year IFC signed an International Swaps and Derivatives Association Master Agreement with TBC Bank of Georgia. The agreement allows for interest rate and currency swaps, two sophisticated financial instruments that are common in developed financial markets but rarely seen in developing markets. The bank will now be better able to hedge the dollar interest rate risk and dollar–euro currency risk arising from its outstanding term borrowings. Hence, TBC can balance its assets and liabilities more efficiently and improve its risk management capabilities. IFC is the first to introduce this financial instrument in Georgia.

Established in 1992, TBC is Georgia's oldest private commercial bank and the largest in total assets and market share of deposits. It has been an IFC partner since 1998. We provided two earlier loans of $3 million each, for on-lending to small and medium enterprises and for residential mortgage finance. We also purchased a 10 percent equity stake and have provided technical assistance to strengthen the bank's credit underwriting procedures, improve its corporate governance, and raise its financial reporting to international standards.

The swaps agreement is part of IFC's strategy to develop new financial products in Georgia. In 2000, we introduced housing finance through a $3 million credit line and technical assistance on mortgage operations to the Bank of Georgia. IFC is also providing technical assistance to develop the country's legal and commercial infrastructure for leasing.

The Business Value of Corporate Governance

Attracting strategic investors, raising funds in capital markets, increasing operational efficiency, protecting minority shareholder rights—these are gains companies make by improving their corporate governance. With donor support, the Private Enterprise Partnership, IFC's technical assistance program in the former Soviet Union, helps businesses and governments in Russia, Ukraine, and, more recently, Georgia develop sound corporate governance practices and strengthen corporate regulations. The goal is to build investor confidence and trust in locally owned and managed businesses, which is essential to revitalizing production and furthering reforms.

Through the partnership, IFC has provided advice and training on corporate governance to almost 2,400 companies, ranging from Russia's major corporations in the forestry, telecommunications, and chemical sectors to mid-size Ukrainian manufacturers and Georgian banks lending to small businesses. In addition, 30 Russian and 34 Ukrainian universities have launched corporate governance courses in the last year. IFC also cooperates with local securities commissions to promote policy reform. The partnership has also helped develop and promote corporate governance codes in Russia and Ukraine.

This year IFC surveyed corporate governance practices in the Russian and Ukrainian banking sectors. The partnership will help guide the banks in strengthening their practices and evaluating clients' corporate governance when making financing decisions.

IFC STAFF


COURTESY OF SIBERIA AIRLINES

Russia: Thank You for Choosing Siberia Airlines

Based in Novosibirsk, Siberia's largest city, Siberia Airlines was created in 1992 through the reorganization of Aeroflot and was privatized in 1994. Today, it is Russia's second-largest airline, carrying 3.5 million passengers annually to more than 50 destinations in Russia and abroad.

Recently, Russia's demand for air travel has increased dramatically. To take advantage of emerging business opportunities, Siberia Airlines needs to expand and improve its fleet, yet no affordable financing is available for such a long-term project. IFC's $25 million loan will help the company replace the existing short- and medium-term loans the company assumed earlier to acquire and refurbish aircraft, increase its working capital, and expand its route network.

IFC's financing of Siberia Airlines helps develop competition in an airline industry that had been dominated by government-owned Aeroflot. It follows IFC's $30 million loan to the Volga-Dnepr cargo airline in FY02, the first significant foreign investment in Russia's civil aviation sector. Expanding air transportation in a country that spans eight time zones and where some regions can be reached only by air helps establish business, cultural, and private links among communities across Russia. IFC's commitment will demonstrate the viability of investing in Russia's air transportation sector and attract other foreign financiers.

Russia: Developing the Market for Consumer Lending

A few years ago, Russian consumers were forced to pay in cash even when buying household appliances and cars. Today, they can access credit just like consumers in Western markets, thanks largely to the Russian Standard Bank, which pioneered its retail credit program in 2000.

IFC has worked with RSB since 2001 to build Russia's consumer lending market. This year we extended our first ruble-linked loan of $40 million to the bank. Using the offshore ruble swap market, IFC structured the financing so that RSB can borrow funds on a revolving basis in U.S. dollars or as ruble-linked financing. Being able to repay its loan in ruble terms enhances the bank's ability to make local currency loans to consumer clients, thus expanding its portfolio.

Our previous investments with RSB included Russia's first partial guarantee of ruble bond and promissory note issues, as well as IFC's first equity investment in a Russian bank after the 1998 financial crisis. RSB's strengthened funding base and its increased access to capital markets have helped it grow strategically in Moscow and elsewhere. Its consumer loan portfolio has more than doubled each year since 2001, exceeding $465 million in January 2004. With some 3,000 partner retail outlets across Russia, the bank is gaining about 15,000 new clients a day. By the end of 2004, it projects an increase in its customer base to 2.3 million.

COURTESY OF RUSSIAN STANDARD BANK

BTC Pipeline Project: Innovation, Transparency, and Local Engagement


SHAWN MILLER

IFC's involvement in a major regional investment helps ensure that emerging markets maintain standards for channeling wealth from natural resources toward sustainable development. This year we played a crucial role in mobilizing $2.4 billion in financing from a variety of sources, including $310 million in loans from IFC and 15 commercial banks, for the Azeri-Chirag-Deepwater Gunashli Phase 1 oil field, a $3.2 billion project in the Caspian Sea off Azerbaijan, and the Baku-Tbilisi-Ceyhan pipeline, which will run through Azerbaijan and Georgia to the Mediterranean coast of Turkey. The projects will generate significant income for the three countries, while setting precedents for project financing in challenging environments and encouraging transparency and engagement with local people and businesses. The projects will also adhere to high environmental and social standards. IFC and the World Bank have taken the lead to ensure that the countries report oil revenues fully; in Azerbaijan a fund is being set up to see that revenues contribute to economic development.

We are also helping local entrepreneurs benefit through assistance with supply contracts, training of local consultants to provide business services, leasing, and financial products that improve access to capital. To date, more than $1 billion has been spent in the project countries on contracts related to the oil field and pipeline.

IFC has been instrumental in conducting multistakeholder meetings in each country, convening local people, nongovernmental organizations, and others to hear concerns about the pipeline's route and other issues. A report published jointly with EBRD is available online in English and the local languages. The pipeline covers 1,760 kilometers without displacing any households; compensation packages for land have been consistently above market rates and are being independently monitored. During construction, $37 million is being spent on community and environmental investments.


TED POLLETT


TED POLLETT

Southern Europe and Central Asia

STRENGTHENING BUSINESSES AND FINANCIAL INSTITUTIONS

With the private sector growing, dynamic local businesses emerging, and interest from foreign investors on the rise, the Southern Europe and Central Asia region is changing rapidly. IFC's investments in the region have more than doubled within two years, from $345 million in FY02 to $842 million in FY04, with an additional $295 million syndicated from partner banks. This year, the financial sector remained the focus of our strategy to enhance development of private financial institutions and, through them, small and medium enterprises. We also increased our emphasis on private sector investment in infrastructure at the regional and country levels. In general manufacturing, we continued to invest in the restructuring and modernization of previously state-owned enterprises.

IFC continues to facilitate privatization of the region's financial sector and the engagement of strategic foreign investors. With EBRD, we took an equity stake to support future privatization of BCR, Romania's largest bank. IFC is also helping the bank review its strategy and operations and improve its corporate governance and risk management. IFC's largest equity investment in a bank to date, the project is expected to catalyze investor interest and improve the terms and conditions for the bank's privatization. It has been hailed as critical to development of Romania's economy. In Bosnia and Herzegovina, IFC has continued to assist in the restructuring and privatization of the country's largest banking group (see box). In Albania, IFC and EBRD each acquired a 19.5 percent stake in the country's largest insurance company, also to support privatization. This investment will improve the company's corporate governance, policies, and procedures, making it more attractive to investors.

Fostering the development of nonbank financial institutions, especially in housing finance and leasing, is another priority. IFC helped establish a specialized company to originate and service primary mortgages for Romanian households. In Turkey, where key financial sector reforms are beginning to take root, IFC continued to provide financial institutions, including an important leasing company, with longer-term funds.

IFC is also focusing on strategic support to small and medium enterprises in the region. IFC provided funding to Raiffeisen International, a leading SME lender in the region. In Bosnia and Herzegovina, Bulgaria, Moldova, and Romania, we established credit lines to banks that lend primarily to small businesses. After investing equity

Balkan Infrastructure Development Facility

Deficiencies in infrastructure continue to discourage private investors and hinder economic growth in the Balkan region. To support growth and meet the urgent need for private capital to invest in infrastructure, IFC is establishing the Balkan Infrastructure Development Facility in cooperation with USAID and European donors. The facility will help public sector entities in the region attract private sector investments, focusing on the energy, transportation, and water and sanitation sectors. The countries covered by the facility are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Romania, and Serbia and Montenegro.

Managed by IFC and based in Sofia, Bulgaria, the facility reflects the World Bank Group's strategy to broaden engagement in infrastructure to ensure efficient, affordable, and sustainable delivery of infrastructure services. The facility will help identify, develop, structure, and reach financial closure on infrastructure projects, so that committed public sector entities in the Balkan countries can engage more effectively with the private sector and attract investments critical to the region's economic development. The facility will become fully operational in FY05.

COURTESY OF STOMANA

in Microfinance Bank Romania last year, IFC set up a credit line to help it become the country's market leader in micro and small business. In addition to its financial sector investments, IFC makes its products and services available to smaller businesses through SEED, its project development facility (see box), and the Private Enterprise Partnership (see box, p. 27).

Our investments in previously state-owned enterprises are helping increase efficiency, improve competitiveness, and raise standards for management, corporate governance, and environmental performance. Our clients in FY04 included a steel mill and a glass container company in Bulgaria. As part of a strategy to encourage Turkish companies with global ambitions to invest in the region, IFC is helping one of Turkey's leading glass manufacturers construct two state-of-the-art plants in Bulgaria. These facilities will also contribute to Bulgaria's export base. In health and infrastructure, IFC is working to facilitate public-private partnerships, providing innovative financing and technical assistance to local private sector players and subsovereign public entities (see boxes). IFC made its first investment in Turkey's health sector, providing long-term financing to MESA, an Ankara-based industrial group, to establish a hospital as part of its strategy to become a player in health care. IFC also invested in Euromedic, a leading provider of diagnostic imaging and dialysis services in Central, Eastern, and Southern Europe and an existing IFC client, to help expand its network in the region. In Albania, IFC and EBRD financed Vodafone's development of a nationwide cellular network, which will improve telecommunications in many places where the current service is inadequate. This is Albania's largest debt-financed project to date and the country's first syndicated long-term loan to the private sector. IFC also supported one of Turkey's leading IT companies, Meteksan Sistem.

A major project in the oil and gas sector shows how we deliver value to clients by integrating sustainability into IFC's core business. With loans of $155 million for its own account and syndicated loans of $155 million, IFC supported the second stage of development of the ACG oil field in Azerbaijan and the associated Baku-Tbilisi-Ceyhan pipeline, which will carry crude oil through Georgia and Turkey to the Mediterranean. In addition to providing long-term financing, IFC provided leadership for developing the projects in an environmentally and socially sustainable manner (see box).

ARZU KILICOZLU

COURTESY OF THE EUROPEAN COMMISSION

SEED: New Horizons for Smaller Businesses

IFC's Southeast Europe Enterprise Development is building the capacity of local institutions to provide sustainable support to small and medium enterprises. This assistance includes alternative forms of financing for these businesses, including leasing, factoring, and commercial mediation. The rapid growth of leasing in Serbia and Montenegro, where SEED has provided significant help, shows that the market is eager for innovative and practical options in financing. The launch of an alternative dispute resolution program in Bosnia and Herzegovina will help businesses avoid lengthy, expensive court proceedings.

SEED is also working with the region's larger companies to increase their competitiveness by integrating small businesses into their supply chains and outsourcing more activities to smaller firms. A pilot program with Tigar, a leading producer of tire and rubber goods in Serbia and Montenegro, is being extended to other large companies in the region, in industries as varied as cement production, car parts manufacturing, steel reprocessing, and food and beverages. To empower smaller businesses, enhance their sustainability, and promote their collective interests, SEED is working with sectoral groups, cooperatives, regional networks, and business membership associations in the countries it serves. Through these associations, SEED is reaching over 1,500 small businesses with its training and consulting services.

In FY04, SEED came under the direct management of the regional hub in Istanbul, helping ensure full integration of its technical assistance with IFC's regional strategy.

WORLD BANK

Bosnia and Herzegovina: Innovative Approaches Achieve Results

The privatization of the successor banks to United Privredna Banka Sarajevo, formerly Bosnia's largest banking group, continues to demonstrate the benefits of an innovation that IFC pioneered in cooperation with the World Bank and the IMF. In December 2001, the Bosnian Ministry of Finance, IFC, and the Austrian investment company BPIC jointly established a special-purpose vehicle called Sarajevo Privatization Venture (SPV). With €10.5 million in funding from IFC and €1 million from BPIC, this new entity paid off the foreign prewar creditors of the former United PBS, liabilities that had made it impossible to attract strategic investors in time to meet a privatization deadline set by the IMF. In return, SPV acquired majority stakes in three successor banks, Privredna Banka Sarajevo, Central Profit Banka, and Travnicka Banka. Thus, after many years, the three successor banks could finally be privatized. Upon acquisition, SPV merged Central Profit Banka and Travnicka Banka. In FY04, SPV sold the merged bank to Bank Austria Creditanstalt, a leading corporate and retail banking group in Austria, proving that privatization had made the successor banks commercially viable and attractive for acquisition.

Romania: Public-Private Partnerships for Health Care

With costs rising and demand increasing, health care is an important frontier for public-private partnerships. In these arrangements, a government or national health insurer contracts with a private medical firm to provide specific medical services to publicly funded patients. Such partnerships can expand patients' access and improve the quality of health care services, while reducing costs to governments.

In Romania, IFC Advisory Services has assisted the Ministry of Health in designing and implementing a program of public-private partnerships for health care. The pilot transactions, covering a range of medical services, will be replicated nationwide using IFC-prepared contracts and tender procedures. With IFC's help, the ministry successfully completed two initial tenders in FY03 for private medical firms to provide radiology and laboratory services in a major Bucharest public hospital. Two additional tenders were completed in FY04, one to contract out several dialysis centers to qualified private providers and the other to establish a private wing at a women's hospital. Additional transactions, involving private management of a major public hospital and private construction and management of ambulatory surgery centers for public patients, are under preparation. All transactions are publicly tendered and include contractual safeguards to ensure the highest-quality care and universal access.

COURTESY OF APOLLO HOSPITAL

IFC
REGIONAL
REPORTS

Latin America and the Caribbean

ARGENTINA
ANTIGUA AND BARBUDA
THE BAHAMAS
BARBADOS
BELIZE
BOLIVIA
BRAZIL
CHILE
COLOMBIA
COSTA RICA
DOMINICA
DOMINICAN REPUBLIC
ECUADOR
EL SALVADOR
GRENADA
GUATEMALA
GUYANA
HAITI
HONDURAS
JAMAICA
MEXICO
NICARAGUA
PANAMA
PARAGUAY
PERU
ST. KITTS AND NEVIS
ST. LUCIA
TRINIDAD AND TOBAGO
URUGUAY
REPÚBLICA BOLIVARIANA DE VENEZUELA

Brighter Prospects, Continuing Challenges

Economic prospects for Latin America and the Caribbean brightened through FY04, with interest rates low, commodity prices high, and demand rising for the region's goods, both internally and abroad. Bond and equity market developments were positive, and policy adjustments that many countries had made during the slowdown of recent years helped reduce fiscal deficits. Net private capital flows to the region increased to $24 billion in calendar 2003 (still about half the level of two years earlier), and remittances reached $38 billion. With many countries regaining access to the international capital market, especially short-term funding, IFC is refocusing on providing longer-tenor funding. Our strategy centers on added-value services tailored to specific market segments and on addressing social inequality through investments and technical assistance. We continue to emphasize increasing competitiveness, supporting intraregional and "south-to-south" investments that help build strong global players in the region, and providing countercyclical support to viable projects in countries with a difficult investment climate.

In FY04, we provided $1.6 billion in financing to the region, including $374 million through syndications. Demand for our financing remained strong, particularly in infrastructure, energy, and manufacturing; syndications decreased after IFC helped set up several trade facilities with large syndications in FY03. Some project sponsors were refinancing or restructuring to secure longer-term funding after the prolonged downturn in the region. Two examples from Mexico are Copamex, a paper products company (see box), and the port in Manzanillo. Other firms sought IFC financing for new investments, including Thames Chile, whose projects will provide water to over 900,000 Chileans, about 30 percent of whom are below the poverty line. We also made a major investment in two power plants in Mexico (see box).

With an emphasis on sustainability and technical assistance, IFC is expanding its role as a long-term partner to the region's private sector. This year we launched the work program of the LAC SME Facility, a multidonor effort to strengthen the competitiveness of smaller businesses, simplify business regulations, broaden companies' access to finance, and foster indigenous and socially responsible enterprises. Initially serving Bolivia, Honduras, Nicaragua, and Peru, the facility embarked on pilot programs, helping simplify administrative procedures in La Paz, Bolivia, and studying the microfinance sector in Peru and the wood sector in Bolivia and Nicaragua. FIAS also provided advice to help strengthen investment environments in Central America and Peru and is collaborating with the new facility.

We are supplementing financing with technical assistance to companies in the region, for example Marlin in Guatemala (see box) and two repeat clients, Calidra, a Mexican lime manufacturer, and Metrocentro, a Salvadoran retail firm. IFC is also providing technical assistance to help specific business sectors. This year we created an Internet-based business training program and related workshops for SMEs in the English-speaking Caribbean. On a pilot basis, IFC also continued to help Brazil's Zero Hunger initiative, where last year we began helping match municipalities' needs with private sector contributions (see box).

IFC'S LARGEST COUNTRY EXPOSURES

Portfolio for IFC's own account as of June 30, 2004
(millions of U.S. dollars)

Brazil	1,316
Mexico	1,068
Argentina	817
Colombia	401
Peru	338

COURTESY OF ANSM

PROJECT FINANCING AND PORTFOLIO

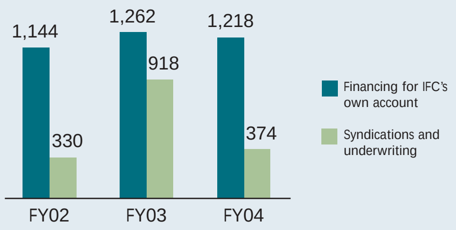
(millions of U.S. dollars)

	FY03	FY04
Financing committed for IFC's account	1,262	1,218
Loans	908	996
Equity and quasi-equity*	309	184
Structured finance and risk management	45	38
Loan syndications signed	918	374
TOTAL COMMITMENTS SIGNED	**2,180**	**1,593**
Committed portfolio for IFC's account	6,145	6,076
Loans	4,966	5,035
Equity	1,099	928
Structured finance and risk management	79	112
Committed portfolio held for others (loan participations)	3,447	2,504
TOTAL COMMITTED PORTFOLIO	**9,592**	**8,580**

* Includes loan and equity-type, quasi-equity investments.
Note: All numbers reflect rounding.

COMMITMENTS

(millions of U.S. dollars)



PROJECT COMMITMENTS AND COUNTRIES

	FY02	FY03	FY04
Number of projects	47	54	45
Number of countries	16	16	16

CARLOS MADRID

Mexico and Central America: Comprehensive Help to a Leading Manufacturer

IFC's investment in Copamex, a leading Mexican manufacturer of paper goods also operating in Costa Rica and Nicaragua, demonstrates the wide range of assistance we can offer to firms in emerging markets. Working with Banco Nacional de Mexico, a unit of Citigroup, we arranged $175 million to support restructuring and global debt refinancing for Copamex and its subsidiary, CPG, a joint venture with a Swedish company. We also helped the company mitigate its foreign exchange risk and find ways to improve its sustainability.

The financing consists of $75 million in loans from IFC and a multicurrency syndicated facility equivalent to $100 million. The facility includes a $46 million loan from foreign banks participating in IFC's B-loan program and a $54 million equivalent Mexican peso loan from local banks. The U.S. dollar portion of the facility and $50 million from IFC have been swapped into Mexican pesos to hedge against currency risk. In all, 10 commercial banks participated in the syndicated facility.

IFC's assistance to Copamex extends beyond innovative financing. We will help the company strengthen its corporate governance and conserve energy and water in its operations. We will advise on bringing a recently acquired paper mill in Nicaragua into compliance with World Bank Group environmental policies and guidelines. IFC will also help the company to improve operating standards, including health and safety, for the company's suppliers in wastepaper collection and transportation.

We are helping financial markets in areas ranging from exports to housing, pension funds, and smaller businesses, and we continue to innovate with structured finance and risk management transactions. We participated in a currency swap transaction with Unibanco, a leading Brazilian bank. To help develop housing finance, which brings broad social and economic benefits, we provided mortgage credit lines in El Salvador, Mexico, Panama, and Peru; undertook studies in Central America; and sponsored a conference on the topic in the Andean region. The credit lines included IFC's first-ever support for residential construction finance and for mortgages backed by worker remittances. In Colombia, we partially guaranteed the region's first securitization of nonperforming mortgage-backed securities by Titularizadora Colombiana, a secondary mortgage company, with very favorable response from investors. This $67 million equivalent peso-denominated issuance creates a new instrument that could greatly accelerate the resolution of nonperforming loans in the country's banking sector and provide liquidity to participating banks. IFC's continuing support to leading microfinance institutions included credit lines to Confia in Nicaragua and Sociedad Financiera Ecuatorial in Ecuador, as well as loans to BancoSol and Prodem in Bolivia. IFC also provided a credit line for supplier financing to Odebrecht, a leading Brazilian construction firm and existing client (see box).

To strengthen private sector participation in the social sector, IFC made a $20 million loan to Brazil's Fleury, a clinical diagnostic company and repeat client, to help it enter the lower-income market and strengthen its market position. A $5 million loan to the University of the West Indies' Institute of Business in Trinidad and Tobago will finance construction of campus buildings.

IFC plays a key countercyclical role in the region, supporting investment and job creation in countries whose investment climates suffer from economic, political, or social crises. In Venezuela, for example, IFC lent $105 million to a hydrocarbons company to help develop oil reserves. In Argentina, IFC has made significant progress in restructuring its portfolio and is providing access to long-term financing. Here IFC provided a $1 million guarantee to support exports, a $40 million equity investment to support acquisition and restructuring of a retail chain, and an $80 million long-term financing package, including $30 million for syndications, for a soy exporter.

Despite signs of recovery, the region remains vulnerable to shocks, with a low savings rate, limited access to domestic credit, and reliance on external borrowings. IFC will continue to play a countercyclical role, tailoring its work to clients' needs and helping devise innovative approaches to business. Amid increasing competition, clients in the region face new opportunities, as evidenced by the intraregional investments that IFC is helping fund. A conference on investment opportunities between Brazil and China, which we cosponsored in Sao Paulo in May 2004, also exemplifies our efforts to help the region achieve sustainable growth.

ADRIANO PEREIRA DE LIMA

BIANCA AZEVEDO

MARICY VIEIRA

Brazil: Setting an Example on Corporate Social Responsibility

Last year, IFC established a key role in the Brazilian government's Fome Zero (Zero Hunger) program, with funding and technical support to two nonprofit groups that developed a database, call center, and Web site to match the needs of Brazil's poorest municipalities with private companies willing to fund antipoverty projects. This year, on the initiative of administrative staff in Rio de Janeiro and Sao Paulo, IFC also became a program participant, sponsoring projects in four municipalities.

A project in Brejao is now piping potable water to more than 1,300 people in a rural area. In Setubinha, IFC funded a laboratory for pathological testing in a newly built clinic. Granjeiro municipality will receive modern agricultural machinery to harvest sisal hemp, a project that could benefit 500 people. And in Aimores, small-scale farmers are receiving agricultural assistance. Each project has strong developmental impact, with a community and municipal government willing to share costs and collaborate to build and maintain the improvements.

There has also been strong participation from Brazil's private sector in adopting projects. Management of the program's Web site and database has been transferred to Associacao Apoio Fome Zero Empresarial, a newly formed association of private companies in Brazil.

ADRIANO PEREIRA DE LIMA

COURTESY OF CPFL ENERGIA

Brazil: Investing in a Large Company's Supply Chain

Construtora Norberto Odebrecht, S.A., is a leading engineering and construction company in Latin America and Brazil's largest exporter of these services. It is also a repeat client for IFC. In FY02, we provided $245 million in financing, including $165 million in syndicated loans to refinance the company's maturing debt, and helped the company set up an education, prevention, and care program to fight AIDS among the workforce and communities of its operations in Angola. This year, IFC provided a $25 million corporate loan to help the company fund advances to its small and medium suppliers and subcontractors in Latin America and build the capacity of these smaller firms. In addition, IFC is working closely with the company to build the capacity of these firms.

The concept of this project, which emerged at the time of the earlier financing, developed into an innovative investment, fully integrated with the capacity building component. Odebrecht conducts business with more than 7,000 smaller firms across a wide array of sectors in Latin America. It provides a market for the firms' services, while benefiting from a loyal and dedicated supplier base. Advances from Odebrecht are typically the main source of funding for the firms to run their day-to-day operations, as they have little or no access to bank financing. IFC's loan will allow Odebrecht to continue to support its small and medium contractors, improve their competitiveness through training, and demonstrate to them the benefits of sustainable business practices.


COURTESY OF ODEBRECHT

Latin America: A Leading Role in Corporate Governance

Throughout Latin America, IFC works with publicly listed firms, financial institutions, founder- and family-owned companies, policymakers, securities regulators, stock exchanges, and other market participants to strengthen governance in the private sector. With OECD, we cosponsor the Latin America Corporate Governance Roundtable, which in FY04 published its *White Paper on Corporate Governance,* a comprehensive strategy for public and private action on governance in the region. We are helping clients in the region meet new legal requirements and market expectations on governance so that they can access new sources of domestic and international capital. We have also advised the governments of Brazil, Chile, and Colombia on governance reforms central to developing broader and deeper public capital markets. IFC promotes mechanisms that help companies with good governance communicate this to investors, including BOVESPA's Novo Mercado, a special listing segment that we helped design and launch in Brazil.

IFC has worked with large firms in the region, such as Odebrecht and CPFL Energia in Brazil and Suramericana Group in Colombia, on improvements in governance that distinguish them in their markets. Many of these companies have become active participants in the regional roundtable. We also provide assistance on topics tailored to the needs of smaller, privately held firms, including establishing management incentives, building strong boards of directors, and planning for succession. IFC trains all investment staff in a corporate governance methodology that was developed from operational experience, particularly in Latin America.

Guatemala: Sustainable Benefits from a Gold Mine

IFC is making a $45 million loan to Montana Exploradora de Guatemala S.A. to develop the Marlin gold project in western Guatemala. The country's first major mining investment in over 20 years, the Marlin mine is expected to produce an average of 217,000 ounces of gold and 3.3 million ounces of silver annually for up to 15 years.

In addition to providing financing, IFC will help plan and implement environmental and social programs in collaboration with Montana, nongovernmental organizations, local municipalities, and community members. IFC will help the company train indigenous communities to develop and manage nurseries for reforestation around the mine, as well as identify other potential markets that these nurseries can supply. The programs will help raise the standard of living of local people and provide sustainable economic opportunities that could outlast closure of the mine. The project supports Guatemala's efforts to invigorate investment and improve the competitiveness of the mining sector. It will also set the standard for social, environmental, and technical management for future mining projects in the country. The partnership with IFC is expected to strengthen the company's positive working relationship with the Guatemalan government and regulators.

ANTON VAN RUITEN

COURTESY OF RIO BRAVO

Mexico: Cleaner Energy, Ongoing Partnership

Most international energy investors withdrew from Latin America as the region's slowdown was compounded by an energy crisis in California and a fall in world stock markets. In Mexico, the number of investors bidding for independent power producers declined significantly, and power generation lagged behind the growth in demand. Amid these conditions, IFC provided $484 million in financing, including $340 million in syndications, for construction and operation of two natural gas-fired power plants, Rio Bravo III and Rio Bravo IV. The project supports Electricité de France International S.A., one of the few major power companies still investing in emerging markets. It also signals an evolving partnership for building reliable power infrastructure in the region: IFC provided financing for two nearby plants with the same sponsor in 2000.

IFC's participation was critical because of the large amount of long-term financing that the project needs to mobilize in a short period and the regulatory uncertainty for the sector in Mexico. The output from the two plants will be sold exclusively to the country's state-owned electric utility, Comision Federal de Electricidad, under a 25-year power purchase agreement. The projects will help provide reliable, environmentally sound power generation capacity to address Mexico's growing demand at a very competitive price. In line with the strategy of the Ministry of Energy and the electric utility, the plants will increase the country's gas-fired, combined-cycle capacity—currently less than 10 percent of the total—which should result in lower-cost generation and positive environmental impacts.

Middle East and North Africa

AFGHANISTAN
ALGERIA
BAHRAIN
ARAB REPUBLIC OF EGYPT
ISLAMIC REPUBLIC OF IRAN
IRAQ
JORDAN
KUWAIT
LEBANON
LIBYA
MOROCCO
OMAN
PAKISTAN
SAUDI ARABIA
SYRIAN ARAB REPUBLIC
TUNISIA
UNITED ARAB EMIRATES
WEST BANK AND GAZA
REPUBLIC OF YEMEN

Meeting Diverse Needs in a Complex Region

Fiscal 2004 was a year of major challenges and important new initiatives for IFC in the Middle East and North Africa. Working in a diverse region, ranging from Morocco in the west to Pakistan in the east, IFC's MENA team tailored its approaches to match the differing needs of each market. While some countries enjoyed a strong year economically and considerable liquidity in their financial markets, others struggled with conflict. IFC pursued a broad range of activities that included technical assistance and advisory assignments as well as investment. IFC initiated its program in Iraq, made its first commitments in Afghanistan in decades, and launched a facility to provide technical assistance in frontier markets. IFC also invested in Egypt Housing Finance Company, the first private housing finance institution in Egypt (see box).

In FY04, IFC committed $236 million in 18 investments. The focus of the program was on the financial sector (including micro and small business and housing); manufacturing (with emphasis on the building materials sector); and oil and gas. Rounding out the sectoral range were investments in infrastructure and information technology. In addition to its Afghan, Egyptian, and Iraqi activities, IFC invested in Algeria, Iran, Pakistan, and Tunisia.

IFC paid particular attention to its technical assistance program for the region, with an emphasis on creating greater synergies between this work and its more traditional investment activities. The North Africa Enterprise Development facility, which operates in Algeria, Egypt, and Morocco, completed its second year of work with small and medium enterprises. Specific initiatives included targeted support for the banking sector to develop SME lending capacity; notably, a broad-based public workshop on best practices for SME lending, held in Egypt in April 2004, drew 250 attendees from financial institutions and governments. Other initiatives included linkage programs, where IFC helps its larger industrial clients build supplier relationships with smaller local businesses. An example of this is our work with SEKEM, a manufacturer of organic pharmaceuticals in Egypt that has established supply contracts with family-owned farms.

During FY04, IFC launched the Private Enterprise Partnership for the Middle East, a facility to support private sector development in four frontier markets: Afghanistan, Iraq, West Bank and Gaza, and Yemen. This initiative will focus on four broad areas: the financial sector, the business-enabling environment, smaller businesses, and the privatization or restructuring of state-owned enterprises (see box).

IFC also made two investments that bring Afghanistan into our portfolio and help promote the country's economic recovery. An equity commitment of $1.25 million for the First Microfinance Bank of Afghanistan represents IFC's first investment in the country in almost 30 years. In addition to the investment, IFC will provide technical assistance for the FMBA. This groundbreaking deal will provide access to finance for the smallest businesses in a country that, despite recent years of

IFC'S LARGEST COUNTRY EXPOSURES

Portfolio for IFC's own account as of June 30, 2004
(millions of U.S. dollars)

Pakistan	354
Egypt	307
Morocco	84
Jordan	83
Algeria	74

KEITH MARTIN

PROJECT FINANCING AND PORTFOLIO

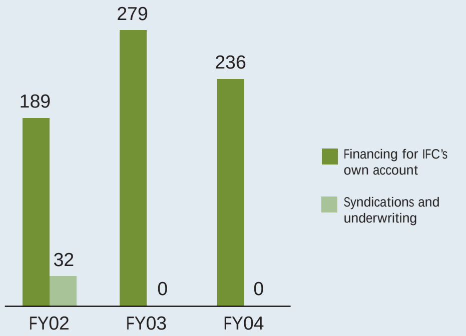
(millions of U.S. dollars)

	FY03	FY04**
Financing committed for IFC's account	279	236
Loans	158	125
Equity and quasi-equity*	8	74
Structured finance and risk management	113	37
Loan syndications signed	0	0
TOTAL COMMITMENTS SIGNED	**279**	**236**
Committed portfolio for IFC's account	1,326	1,156
Loans	803	840
Equity	242	191
Structured finance and risk management	281	125
Committed portfolio held for others (loan participations)	837	706
TOTAL COMMITTED PORTFOLIO	**2,163**	**1,862**

* Includes loan and equity-type, quasi-equity investments.
** Includes regional share of LNM Holdings investment, which is officially classified as a global project.
Note: All numbers reflect rounding.

COMMITMENTS

(millions of U.S. dollars)



PROJECT COMMITMENTS AND COUNTRIES

	FY02	FY03	FY04
Number of projects	17	17	18*
Number of countries	5	6	8

* Includes LNM Holdings.

Egypt: Increasing Home Ownership Builds Capital Markets

Egypt has strong pent-up demand for long-term housing loans. Up to now, consumers' options have been limited to relatively small loans from just a few public sector banks. People buying nonsubsidized housing units have faced the choice of paying the whole amount up front or making short-term installments to property developers at high interest rates. Hence, IFC has invested in the Egypt Housing Finance Company, the country's first private housing finance institution. With our equity investment of $1.6 million, EHFC will begin to address the scarcity of long-term loans for potential homeowners. There will also be spillover effects from its mortgage financing—improved quality of housing stock and more readily available and affordable housing, particularly for Egypt's burgeoning middle class. EHFC is expected to play a catalytic role in developing a housing finance industry that will ultimately lead to economic growth and job creation. The economy will get a sustained lift from higher output and job growth in the construction sector and other downstream industries, while financial markets will deepen as more savings held by local and expatriate Egyptians pass into the formal economy.

IFC's investment in EHFC demonstrates our commitment to developing Egypt's financial markets through technical assistance and institution building, while at the same time creating an outlet for affordable housing finance that will help a vast number of Egyptians attain a higher standard of living.

conflict, has an entrepreneurial history and culture (see box). We also committed a second investment in Afghanistan: the Kabul Serena, the first business hotel to be developed in the country in many years. The project will restore and expand a hotel facility that had fallen into disrepair, allowing it to play a vital role in development of business infrastructure and, over the longer term, tourism.

In Iraq, IFC began a significant initiative in the financial sector. In a country torn by turmoil, the needs of the private sector have not been met for decades. Together with donors, IFC is establishing the Small Business Finance Facility for Iraq. The facility will provide financing and technical assistance for financial institutions in Iraq that on-lend to small businesses.

The need for IFC's assistance to the financial sector is not limited to countries in crisis. In more developed and stable markets, IFC is also making a difference, particularly in expanding lending to SMEs. Responding to a need expressed by Pakistani financial institutions, IFC has launched a capacity building initiative that trains commercial banks' senior management and loan officers in lending to smaller businesses. The curriculum will address skill gaps in assessing the SME market, identifying lending opportunities, evaluating creditworthiness, and developing risk management systems to monitor small business portfolios.

Other financial sector investments supporting SMEs this year included Banque Internationale Arabe de Tunisie in Tunisia, with funding aimed at smaller businesses and consumer finance. BIAT marks IFC's first investment in Tunisia since 1998. It introduces a new financial instrument in the Tunisian banking sector in the form of tier II capital. IFC's work supports ongoing efforts by the World Bank and the IMF to strengthen the country's financial sector.

Iraq: Business Training for Women

IFC and the World Bank are working to establish a global network of women entrepreneurs and business associations that can share best practices and press for improvements in the business climate that benefit women in developing countries. As part of this initiative, a delegation of Iraqi businesswomen and policymakers interested in women's business issues, led by Dr. Rajaa Khuzai of the Governing Council, attended a capacity building training program in Vancouver, Canada, in early 2004. Women entrepreneurs from Jordan, representing business associations in their country, accompanied the delegation to present possible models for associations in Iraq. Discussions also focused on ways of delivering financial services to women entrepreneurs. The program featured a workshop cosponsored by FIAS to help translate the event into tangible commitments that advance the business agenda for women in Iraq. These include a workshop for other women entrepreneurs in Iraq to share key concepts from the Vancouver event; the Iraqi Businesswomen's Association is also establishing a program to help women learn entrepreneurial skills. Dr. Rajaa and her group are exploring connections with the U.S. National Women's Business Council as a potential model for Iraqi businesswomen to provide input to policymakers on improving the climate for private investment.

BETTY WOOD

KEITH MARTIN

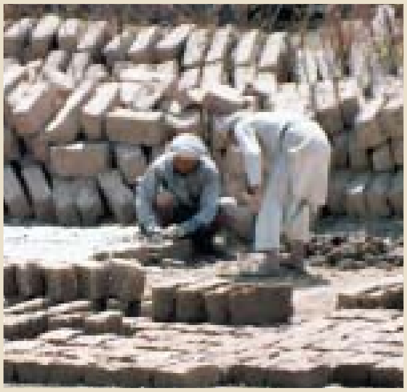
Afghanistan: A Pioneering Investment in Microfinance

In FY04, IFC made its first commitment in Afghanistan since 1973, with an investment in the First Microfinance Bank of Afghanistan. Recently incorporated as the first full-service financial institution in the country, FMBA is providing credit and savings products to micro and small enterprises, a segment of the economy with great potential for growth given Afghanistan's culture of entrepreneurship. These businesses generally depend on funds from family and friends, limited supplier financing, or high-cost loans from informal money lenders. FMBA will initially operate in Kabul and the northeastern provinces, but it expects to grow and operate across the country through a network of regional hubs, allowing it to serve rural and semi-urban areas. IFC seeks to encourage the growth of strong private sector enterprises and believes that investing in financial intermediaries is an effective way to reach entrepreneurs and small business owners. IFC entered into this transaction with the Aga Khan Fund for Economic Development, with Kreditanstalt für Wiederaufbau of Germany to join as a future shareholder. IFC's investment of $1 million will result in a 17 percent shareholding following KfW's investment.

Private Enterprise Partnership for the Middle East

IFC launched the Private Enterprise Partnership for the Middle East in FY04. Patterned after the successful, multidonor Private Enterprise Partnership that IFC operates in the former Soviet Union, PEP-ME aims to provide broad-based technical assistance to support private sector development. The program focuses on four markets in the MENA region—Afghanistan, Iraq, West Bank and Gaza, and Yemen—that face particularly challenging economic circumstances, due either to conflict or to their overall level of development. PEP-ME is being managed through IFC's regional hub in Cairo, where sector specialists will be located, and there will also be staff in World Bank offices in all four markets. PEP-ME's specific activities will depend on the particular circumstances and needs of each location, but the focus, in keeping with larger IFC strategy, will be to develop the financial sector; support small and medium enterprises; address the business-enabling environment, including regulatory and legal issues; and support the restructuring or privatization of state-owned enterprises. The PEP-ME program will be supported by funds from IFC and other donors.

Initial work is underway on training for financial institutions, as well as for businesswomen in Iraq. In June 2004, the partnership collaborated with the Arab Academy for Banking and Financial Services to conduct a three-day workshop in Amman, Jordan. To help build technical capacity for 50 senior managers of Iraqi private sector and public sector banks, training topics ranged from credit risk management to asset-liability management, strategic planning, foreign risk management, and marketing. Attendees, whom the Iraq Bankers' Association helped assemble, were mostly from private financial institutions. They included heads of units dealing with risk management, retail banking, marketing, and auditing.



KEITH MARTIN

Remaining Accountable

Compliance Advisor/Ombudsman

The Office of the Compliance Advisor/Ombudsman is the independent accountability mechanism of IFC and MIGA, established in 1999 and reporting directly to the president of the World Bank Group. The CAO serves as an ombudsman who responds to complaints from people affected or likely to be affected by projects; as an auditor who assesses IFC's and MIGA's compliance with environmental and social safeguards; and as an advisor, providing independent advice to the organizations' president and senior management on policies and systemic issues, including those that arise in complaint investigations and compliance audits.

During FY04, the CAO received 15 new complaints and continued work on ongoing cases. The CAO works to resolve complainants' issues and avoid future problems through mediation, negotiation, or fact-finding involving IFC or MIGA staff, project sponsors, and affected persons. There has also been one compliance audit, and guidelines for the audit process and other functions have been revised and updated. An external review of the CAO by a team of independent consultants was also released in FY04. While praising the CAO's integrity and progress to date, the review recommended improving communications about how the CAO operates, strengthening internal management systems, and initiating audits. It also recommended further review of the compliance audit function; audits can be initiated in response to an ombudsman complaint, at the request of the president or senior management, or when the CAO deems it necessary.

The CAO makes its operational guidelines and all other public documents available in print and on its Web site, www.cao-ombudsman.org. The guidelines are available in Arabic, Chinese, English, French, Portuguese, Russian, and Spanish.

Peru: Studying Water Quality with Local People's Help

This year, the CAO managed an extensive, independent water study of the Cajamarca region of Peru, the site of a mercury spill in 2000 that involved Minera Yanacocha, a gold mine in which IFC is an investor. The study assessed the mine's impacts on the watershed, a key concern of local communities, and grew out of the Mesa de Dialogo, a mediation effort between the mine and affected communities that the CAO started in 2001. The CAO hired independent hydrologists to carry out the work, which was innovative in involving local people, *veedores*, to help monitor and verify data collection. Data gathering and analysis were completed in the summer of 2003; the results were presented to the Mesa de Dialogo in October and to IFC in December 2003. Although the report is completed, water study work is ongoing, as the Mesa de Dialogo works to address the issues and problems raised. The effort has identified important lessons for IFC in best practices and participatory planning.

ANN MAEST

IFC Organizational Structure

BOARD OF GOVERNORS

BOARD OF DIRECTORS

James D. Wolfensohn
President

Gregory Ingram
Director-General
Operations Evaluation

William E. Stevenson
Director
Operations Evaluation
Group[2]

W. Paatii Ofosu-Amaah
Vice President &
Corporate Secretary

Meg Taylor
Compliance Advisor/
Ombudsman[1]

Peter L. Woicke
Managing Director, WBG
Executive Vice President, IFC

Joseph O'Keefe
Manager
Corporate Relations

Rachel Kyte
Director
Environmental &
Social Development

Declan J. Duff
Director
Municipal Fund

Michael Klein
Vice President
Private Sector
Development
& IFC Chief Economist[3]

Neil Roger
Director
Investment Climate &
General Manager FIAS[3]

Laurence Carter
Director Small &
Medium Enterprises[3]

Teresa Barger
Director
Corporate Governance[4]

Assaad J. Jabre
Vice President
Operations

Toshiya Masuoka
Senior Manager
Operational Strategy

Bernard Sheahan
Director
Advisory Services

Motoharu Fujikura
Director
Tokyo Office

Harold Rosen
Director
Grassroots Business
Organizations[3]

Jean-Paul Pinard
Director
Agribusiness

Jyrki Koskelo
Director
Global Financial
Markets

Dimitris Tsitsiragos
Director
Global Manufacturing
& Services

Guy Ellena
Director
Health & Education

Francisco Tourreilles
Director
Infrastructure

Haydée Celaya
Director
Private Equity &
Investment Funds

Mohsen Khalil
Director
Global Information
& Communication
Technologies[3,5]

Rashad-Rudolf Kaldany
Director
Oil, Gas, Mining
& Chemicals[3,5]

Edward A. Nassim
Director
Central & Eastern
Europe

Javed Hamid
Director
East Asia & the Pacific

Atul Mehta
Director
Latin America
& the Caribbean

Sami Haddad
Director
Middle East
& North Africa

Iyad Malas
Director
South Asia

Khosrow K. Zamani
Director
Southern Europe
& Central Asia

Richard Ranken
Director
Sub-Saharan Africa

Farida Khambata
Vice President
Portfolio & Risk
Management

Allen F. Shapiro
Director
Controller's
& Budgeting

Guy-Pierre de Poerck
Chief Information Officer
Corporate Business
Informatics

Marc Babin
Director
Corporate Portfolio
Management

Sakdiyian Kupasrimonkol
Director
Credit Review

Avi Hofman
Director
Financial Operations

Lakshmi Shyam-Sunder
Associate Director
Risk Management
& Financial Policy

Maria da Graca Domingues
Director
Special Operations

Udayan Wagle
Director
Trust Funds

Dorothy H. Berry
Vice President
Human Resources
& Administration

Jennifer Sullivan
General Counsel
& Director

Nina Shapiro
Vice President
Finance & Treasurer

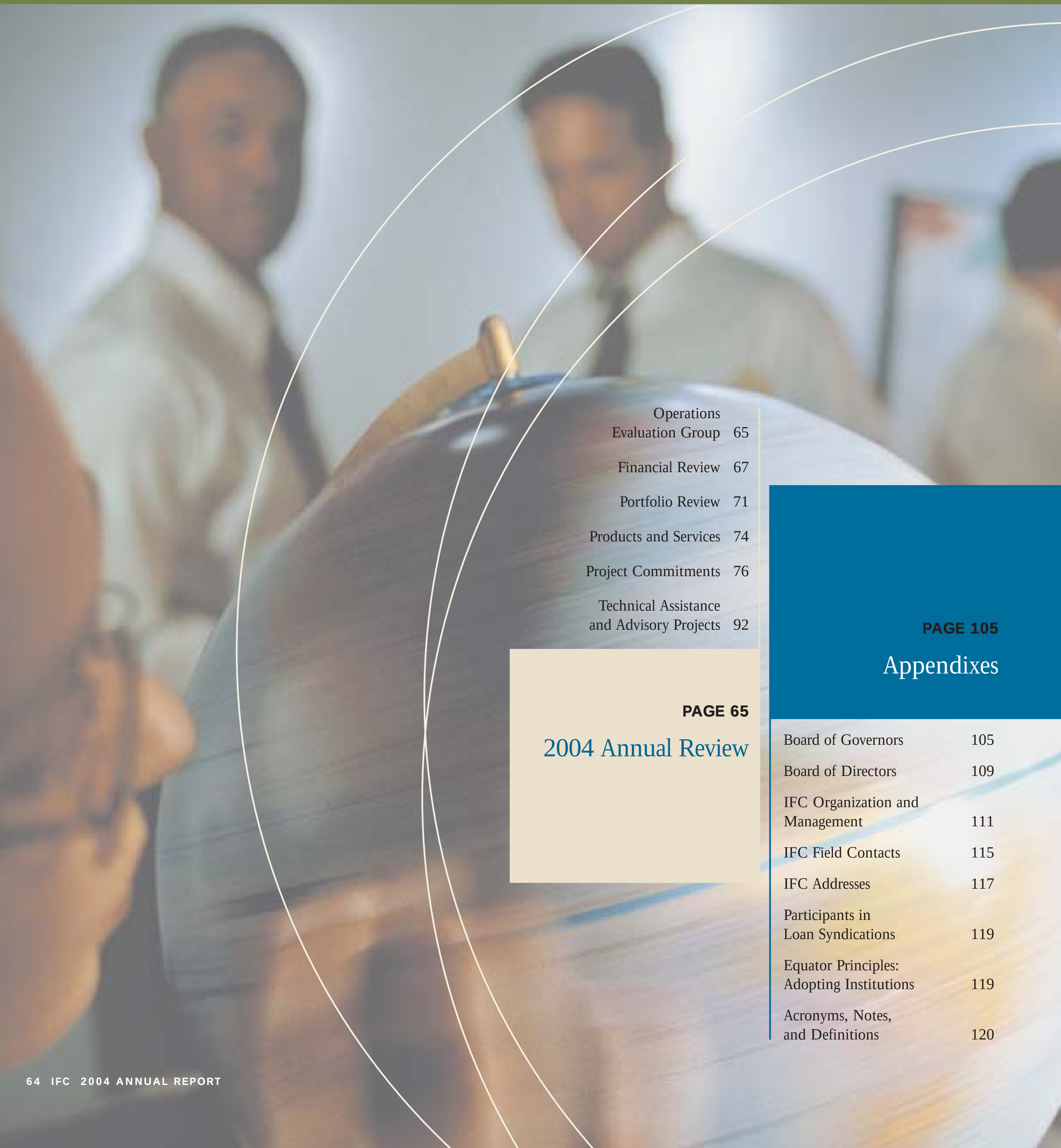
Treasury

Jonathan Hakim
Director
Resource Mobilization

Details of IFC organization and management on p. 111.

1. Vice presidential rank; serves same role for MIGA.
2. Reports to the Director-General, Operations Evaluation; to Peter Woicke for administrative purposes.
3. Jointly IFC and World Bank.
4. Also reports to Vice President, Portfolio & Risk Management.
5. Also reports to World Bank Vice President for Infrastructure.

2004 *Annual Review and Appendixes*



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2004 Annual Review

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Appendixes

Operations Evaluation Group

OEG evaluates IFC's investment projects and programs, as well as the Corporation's related strategies, policies, and procedures. OEG reports to IFC's Board of Directors, who discuss its evaluations. Many evaluations are carried out jointly with OEG's counterparts in the World Bank and MIGA.

In FY04, IFC's Board discussed a sector evaluation on extractive industries, as well as country evaluations on Brazil and China, two of the Corporation's largest client countries. OEG also completed evaluations of IFC's project development facilities and the investment climate for private sector development, in addition to chairing a task force that is developing an evaluation framework for technical assistance and advisory services.

Findings from OEG's Annual Review

Each year, IFC's investment staff evaluate a representative random sample of investments that have reached operating maturity. OEG analyzes the results and presents its findings in its Annual Review. This year's review covers 1995–97 investment approvals and identifies four main drivers of IFC's development and investment results: the relative level of a project's intrinsic risk and IFC's associated instrument selection; IFC's work quality; IFC's strategic choices of a sector, thematic, or country focus; and the quality of the country or global business climate and the prospects for its improvement. Of these, project risk intensity and IFC work quality were the factors most closely associated with the quality of development and investment outcomes. Collectively, the four factors accurately predicted the quality of about two-thirds of the outcomes.

WIN-WIN OUTCOMES

Among the evaluated operations, 41 percent achieved "win-win" outcomes because they fulfill IFC's mandate at the individual investment level, contributing both to development objectives within a country and to IFC's own financial capacity for future development outreach. IFC achieved these results against a backdrop of relative adversity in the emerging markets. During 1995-97, private capital flows to emerging markets were at their peak, and IFC faced a challenge to find viable investment opportunities where it had a demonstrable role. At the same time, it faced pressure from its stakeholders to stimulate capital flows more widely in higher-risk environments. In response, in 1998 IFC formulated a strategic focus on frontier country markets and strategic sectors where its impact was greatest.

DEVELOPMENT OUTCOMES

Based on a synthesis of their performance ratings, 58 percent of operations made positive contributions to development. The indicators for each project were:

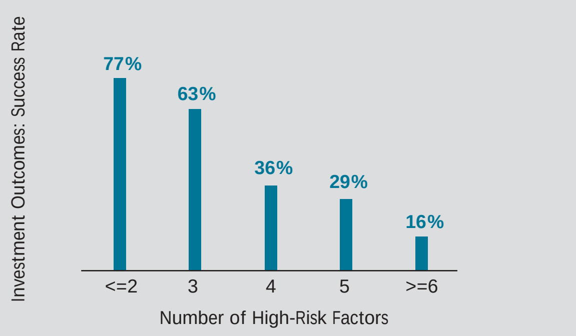
- ***Private sector development*** (72 percent success rate): A positive demonstration effect in creating sustainable enterprises capable of attracting finance, increasing competition and linkages, or bringing about improvements in the regulatory environment.
- ***Environmental impacts*** (64 percent success rate): IFC's environmental, social, and health and safety requirements achieved or exceeded.
- ***Economic sustainability*** (61 percent success rate): Acceptable economic returns to society, taking into account net gains or losses by nonfinanciers, nonquantifiable impacts, and contributions to widely held development objectives.
- ***Project business success*** (39 percent success rate): Returns equal to or greater than the project cost of capital (in the real sector) or, for projects in the financial sector, subportfolios that contributed to the intermediary's profitability, financial condition, and business objectives.

Examples of successful and unsuccessful development outcomes are given on the next page.

IFC'S INVESTMENT OUTCOME

Relative to development outcomes, fewer operations (49 percent) yielded satisfactory investment outcomes for IFC. This has been a consistent relationship across all OEG's Annual Reviews and is not surprising considering that a private sector enterprise must pay its employees, suppliers, and the government (through taxes) before the owners and investors receive their return. OEG found that as the number of high-risk factors in projects increased, their investment outcome success rates were reduced (see figure).

THE EFFECT OF HIGH-RISK FACTORS ON PROJECT INVESTMENT OUTCOMES



ASSESSING THE PROSPECTS FOR RECENT IFC INVESTMENTS

The prospective quality of IFC's most recent investments cannot be assessed reliably until their commercial performance has been demonstrated sufficiently to support a sound projection of results over a project's full operating life. Having established the strong link between a project's intrinsic risk intensity and its investment performance, however, OEG studied a sample of recently committed investments to assess their risk levels relative to the mature evaluated sample and their prospective investment performance going forward. OEG found that the recent investments generally featured lower levels of risk and that IFC's choices of investment instrument were better tailored to the projects' risk characteristics.

Further information on OEG reports can be found at www.ifc.org/oeg.

A Project with a Highly Successful Development Outcome

The project was a two-year capital expenditure program to rehabilitate and expand a recently privatized water and sewerage system in a major capital city.

Project Business Performance: *Excellent.* The project was completed below budget and on time. Capacity increased by 26 percent, resulting in nearly 1 million new water customers and about 400,000 additional sewerage customers in a city of 9.4 million people. The company has been operating profitably throughout.

Economic Sustainability: *Excellent.* The project made available a reliable, 24-hour, clean water supply for the first time in many disadvantaged neighborhoods. The project's economic return of 36 percent reflected taxes paid and the consumer surplus. Also, company employees benefited from secure employment, improved working conditions, better pay. They could also own company shares.

Environmental Impacts: *Satisfactory.* Without the project, the adverse impacts on health associated with unsafe water would have remained a burden to people's lives and the economy. The project helped the company work toward full compliance with local environmental obligations.

Private Sector Development: *Excellent.* The project engaged several contractors with about 11,000 workers. Some of these were small and medium enterprises set up by former employees. The provision of water enabled the establishment of schools and clinics in areas the company served.

A Project with an Unsuccessful Development Outcome

The project was a renovation and upgrading of a company's meat processing plants, aiming to enhance the quality of export products, expand the product range, and improve hygiene standards.

Project Business Performance: *Unsatisfactory.* The project failed financially, having been unsuccessful in positioning the company to expand into the domestic market at a critical time when export markets collapsed. The project helped improve the company's overall efficiency, but the firm remained exposed to raw material price volatility given that the dominant domestic operators controlled cattle supply.

Economic Sustainability: *Unsatisfactory.* The company benefited from an export subsidy, which helped its owners and financiers more than other members of society. A cattle disease outbreak overseas caused the company to restructure and reduce its labor force by closing two old plants in low-income areas.

Environmental Impacts: *Satisfactory.* The project created high safety standards for employees at one plant. Management ensured compliance with IFC environmental guidelines and local regulations including air emissions, safety, and hygiene.

Private Sector Development: *Partly Unsatisfactory.* The project failed to stimulate a large-scale modernization of the domestic meat processing industry, which continued to be dominated by fragmented and inefficient operators who often violate hygiene standards.

Financial Review

Operating income[1] in fiscal year 2004 was $982 million, above the $528 million earned in FY03 and $161 million in FY02 (operating income excludes the effects of accounting standards for derivatives and hedging activities; including these effects, IFC's net income totaled $993 million in FY04). Operating income in FY04 comprised income of $915 million from the Corporation's client services operations compared to $205 million in FY03 and income from treasury services of $67 million, after administrative expenses, below the $323 million treasury contribution in FY03. Overall, the Corporation's operating return on average net worth rose from 8.2 percent in FY03 to 13.1 percent in FY04.

The strong growth in profit on client services operations reflected significant realized gains on sales of investments and robust dividend income from the equity portfolio, stronger loan portfolio income, and the positive impact of a release of loss reserves in FY04. The loan portfolio generated operating income of $304 million in FY04 (after charges for nonaccruals, specific loss provisions, internal administrative expenses, borrowing costs, and loan hedging costs). This follows an operating profit of $174 million in FY03.

The liquid asset portfolios outperformed their investment benchmarks by a record amount in FY04 and earned a positive return for the year. Reflecting the rise in U.S. Treasury yields during the fiscal year, however, income from liquid assets fell to $67 million, of which $104 million were realized and unrealized losses ($323 million and $157 million gain, respectively, in FY03).

The equity and quasi-equity portfolios—that is, the portfolios funded from net worth—recorded operating income of $585 million in FY04, significantly above the operating income of $114 million in FY03. Capital gains on equity sales totaled a record $381 million in FY04, up from $52 million in FY03.

Operating income from IFC's treasury services was lower in FY04, reflecting lower short-term yields and realized and unrealized trading losses in a more adverse bond market. Income from liquid assets totaled $67 million in FY04, of which $104 million was realized and unrealized losses. ($323 million and $157 million gain respectively in FY03).

New investment commitments for IFC's account amounted to $4.8 billion (including $0.2 billion in signed guarantees), and an additional $880 million in loan syndications were signed. The disbursed investment portfolio was $12.3 billion at June 30, 2004, up 3 percent from its level at June 30, 2003. The Corporation's administrative expenses grew 8 percent to $360 million in FY04. As a share of the average disbursed investment portfolio, total administrative expenses rose to 3.0 percent in FY04, up from 2.9 percent in FY03. Administrative expenses include the grossing-up effect of certain revenues and expenses attributable to the Corporation's reimbursable program

IFC'S FINANCIAL PERFORMANCE HIGHLIGHTS

(millions of U.S. dollars)

	FY03	FY04
Client services—operating income	**205**	**915**
Loan—operating income	174	304
Equity/quasi-equity—operating income	114	585
Technical assistance	(9)	(7)
Contributions to facilities	(28)	(29)
Corporate charges and other	(46)	62
IFC treasury services—operating income	**323**	**67**
IFC treasury services—liquid assets	323	67
IFC operating income	**528**	**982**

1. Certain amounts in the prior years have been reclassified to conform to the current year's presentation.

($32 million in FY04, as compared with $30 million in FY03). IFC's borrowings continued to keep pace with its lending activities. New borrowings in the international markets totaled $3.0 billion equivalent in FY04.

Financial Performance of Major Product Lines

Disbursed and outstanding loans (excluding loan-type quasi-equities), or straight loans, rose 5 percent from $7.8 billion in FY03 to $8.3 billion in FY04. IFC's loan portfolio recorded operating income in FY04 of $304 million, compared to operating income of $174 million in FY03. Lower nonaccrual rates, higher recoveries of interest past due, stronger financial fee income, and a release of specific loss reserves all contributed to the improved performance of the straight loan portfolio. Operating income on the straight loan portfolio was equivalent to 22.9 percent of capital employed, compared to a return of 14.5 percent in FY03.

The equity and quasi-equity portfolio (including loan-type quasi-equities), IFC's net worth–funded portfolio, contracted by 3 percent in FY04 to $4.0 billion. This portfolio recorded a record operating income of $585 million in FY04, compared to operating income of $114 million in FY03, because of significant capital gains from sales of equities, strong dividend income, and a release of specific reserves. Capital gains totaled $381 million compared with $52 million in FY03. Due in part to rising global markets for energy and resources, dividend income also grew strongly, totaling $207 million in FY04, up from $147 million in FY03. Operating income on this portfolio (net of custody fees and derivatives gains and losses) amounted to a return on capital employed of 17.6 percent in FY04, after 3.4 percent in FY04.

In FY04 there was a release of loss provisions totaling $177 million, compared to a charge of $98 million provided in FY03. The accumulated reserve against losses on loan and equity investments declined to 16.5 percent of the year-end disbursed and outstanding portfolio, significantly below the level of 21.9 percent in FY04.

Capital and Retained Earnings

IFC's net worth consists of retained earnings and paid-in capital. IFC's paid-in capital was $2.4 billion, unchanged from the end of FY03, while net income of $993 million increased retained earnings to $5.4 billion. The Corporation's net worth at the end of FY04 was $7.8 billion.

On June 30, 2004, IFC's capital adequacy ratio (paid-in capital, retained earnings, and adjusted general reserves compared with risk-weighted assets, both on- and off-balance sheet) stood at 48 percent. This is well above the policy minimum of 30 percent, defined under the capital adequacy framework adopted by the Board of Directors in May 1994. IFC's leverage ratio—which is outstanding borrowings and guarantees measured in relation to the sum of subscribed capital and retained earnings—was 2.3 to 1, well within the limit of 4.0 to 1 prescribed by the Articles of Agreement.

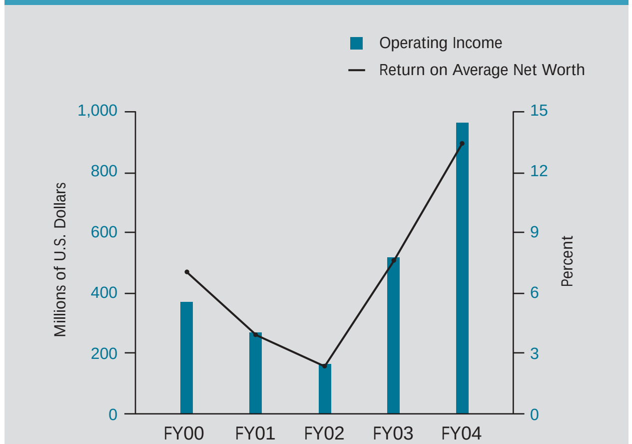
Funding Management

In FY04, IFC borrowed $3.0 billion equivalent in the international capital markets. In FY04, IFC also repurchased $33 million in outstanding debt. These repurchases were undertaken as part of IFC's strategy of enhancing the liquidity of its outstanding bond issues.

IFC issued securities in nine currencies during FY04—U.S. dollars, Japanese yen, Australian dollars, euros, Colombian pesos, Hong Kong dollars, Peruvian soles, Hungarian forints, and British pounds. The largest borrowing of the year was a US$1 billion global bond issue.

IFC raised 45 percent of total new borrowings in FY04 through U.S. dollar–denominated issues, 35 percent via structured Japanese yen issues, 8 percent in Australian dollars, 4 percent in Hong Kong dollars, 3 percent in Colombian pesos, 1.5 percent in British pounds, 2.0 percent in Hungarian forint, 1.0 percent in euros, and 0.5 percent in Peruvian soles. Over 60 percent of the total funding was raised in the Japanese capital markets, and all borrowings were swapped into floating-rate U.S. dollars. Most loans made by IFC are denominated in U.S. dollars on a floating-rate basis. The below-LIBOR cost achieved through the use of currency and interest rate swaps as well as the income generated through debt repurchases contributed to maintaining IFC's low funding cost in FY04.

OPERATING INCOME AND RETURN ON AVERAGE NET WORTH



Liquid Management

Liquid assets on the balance sheet totaled $13.1 billion at June 30, 2004, up from $13.0 billion from a year earlier. The majority of liquid assets are held in U.S. dollars, with small euro and yen balances held to support operational disbursements. Total liquid assets held are determined by constraints associated with IFC's AAA/Aaa credit ratings and, notably, by the pace of new market borrowings and new loan and equity disbursements to clients.

In FY04, IFC's liquid asset portfolios performed well in difficult and volatile financial markets. In the first quarter, U.S. Treasuries sold off sharply as previous fears of deflation abated, the geopolitical situation improved, and the global—and particularly the U.S.—economy accelerated sharply. Reflecting the improved outlook, investor risk appetite rose significantly in the financial markets, boosting stock markets. Bond yields then remained in a broad range over the following two quarters as investors waited for evidence that the U.S. recovery was self-sustaining and generating employment. Doubts about this—which led to a bond market rally early this calendar year—were finally alleviated in the final quarter of the fiscal year as jobs growth picked up sharply. This, plus an uptick in inflation, led the U.S. Federal Reserve's Federal Open Market Committee to begin removing its accommodative monetary stance, beginning with a 0.25 percent rate hike at its June 30, 2004, meeting. Growth also picked up abroad, particularly in Japan but also more modestly in Europe. In this environment, the liquid asset portfolios generated $67 million in operating income, with $39 million in spread income from funded liquidity and $35 million from net worth liquidity, comprising interest income net of realized and unrealized losses. This compares with $323 million during FY03, which included $36 million in spread income from funded liquidity and $293 million in interest and gains income from net worth liquidity.

IFC's liquid assets are invested in line with policies and standards set under the Investment Authority granted by the Board of Directors. The authority specifies the types of instruments and entities eligible for investment. IFC is authorized to invest its liquid assets in the obligations of highly rated governments, agencies, corporations, and commercial banks. Within the authority's framework, IFC's senior management has established prudent guidelines for managing the different dimensions of risk inherent in a large, diversified bond portfolio with particular regard to market (interest rate) risk and credit risk. For management and reporting purposes, IFC's liquid assets are separated into five distinct portfolios and invested globally in the highest-quality assets, including sovereign and triple-A-rated corporate bonds.

The P0 portfolio is a cash account to process all of IFC's operational loan and equity disbursements and receipts and borrowing transactions, as well as to fund all of IFC's administrative expenses. P0 outperformed its overnight effective U.S. Federal Funds benchmark, delivering a return of 1.11 percent compared to 1.03 percent on the benchmark.

The P1 portfolio consists of funded liquidity, namely, the proceeds of variable-rate borrowings, which are invested in high-quality investments pending disbursements of approved loans. IFC's objective is to outperform the total return of its benchmark—three-month USD deposits—within the interest rate and credit risk limits allowed. The total return was 1.76 percent as compared to the benchmark return of 1.03 percent, with an excess return of 0.73 percent, up from 0.5 percent in FY03.

The P2 portfolio corresponds primarily to the Corporation's paid-in capital and accumulated earnings. P2 is managed against a three-year duration benchmark (including the residual fixed-rate loan portfolio). The portfolio is actively managed on a total return basis against this benchmark. The return for FY04 was 0.65 percent versus a benchmark return of -0.44 percent—a margin of 1.09 percent over benchmark. The favorable performance relative to benchmark was mainly the result of relative value strategies, selling conventional U.S. bonds and buying particularly U.S. real (inflation-protected) bonds but also conventional bonds in Europe; and active securities lending.

The P3 portfolio consists of funded liquidity, originally taken from the P1 portfolio. This portfolio is now actively managed by six external managers against the P1 benchmark. At the end of FY04, assets in the P3 portfolio totaled $1.053 billion—approximately 8 percent of the Corporation's total liquid assets. The portfolio consists of a Global Fixed Income (GFI) program allocated to two asset managers with $311 million under management and a mortgage-backed securities (MBS) program allocated to two asset managers with $371 million under management. The remaining $371 million is managed by two asset managers as a hybrid GFI/MBS mandate. The P3 portfolio delivered an absolute return of 1.27 percent for FY04, outperforming the benchmark by 0.24 percent.

The P4 portfolio is the outsourced portion of the P2 portfolio. The P4 external managers' program was started at the beginning of this fiscal year. IFC treasury appointed three managers with an initial allocation of $100 million each, effective July 1, 2003. At the end of FY04, assets in the P4 portfolio totaled $300 million—approximately 2 percent of the Corporation's total liquid assets. The P4 portfolio uses the Lehman Brothers U.S. Intermediate Treasury Index as its benchmark, an industry standard for comparable portfolios. For FY04, the P4 portfolio lost 0.12 percent but beat its benchmark by 0.4 percent. Starting in FY05, the P2 portfolio will also be judged versus the Lehman Brothers benchmark, which will make performance exactly comparable going forward.

Risk Management and Financial Policies

In keeping with industry best practice, risk management and financial policies are administered by a separate group under the Vice Presidency of Portfolio and Risk Management. The unit is independent from all transaction groups and is responsible for recommendations on financial policy and risk management issues, formulation and maintenance of internal financial policy guidelines (and monitoring compliance with these guidelines), and rating-agency issues. It covers business operations, treasury activity, and the newer area of active portfolio management with a view to ensuring coherence and consistency in policies and an integrated financial framework for all business activities.

IFC's overall activities are governed by a set of financial policies on exposure, capital adequacy, leverage, asset-liability management, liquidity, and derivatives. Specific activities in treasury and portfolio management are subject to detailed internal management guidelines for each area of activity.

IFC has policies that set guidelines on exposure to countries, sectors, products, and groups as well as single obligors. While these guidelines serve to limit and monitor business exposures, IFC also limits its financial risks through a set of conservative financial polices. These include a minimum capital adequacy ratio of 30 percent of risk-weighted assets and a maximum ratio of debt plus outstanding guarantees to net worth of 4:1 as long as IFC has any outstanding borrowings from the International Bank for Reconstruction and Development (IBRD). In addition, IFC has conservative approaches to asset-liability, liquidity, and derivatives exposure management as described below.

Funding, interest rate, and currency exposure is controlled through the matched funding policy that requires loan assets to be funded by liabilities that have matching interest rate and currency characteristics. In order to accommodate client needs for loans in nondollar currencies in fixed or floating rates and to allow for flexibility in borrowing and investment of liquid assets in various currencies and alternative interest rate bases, IFC makes use of derivatives, primarily over-the-counter swaps, to transform both assets and liabilities into synthetic variable-rate dollar assets and liabilities. Equity and quasi-equity assets are funded from net worth and are limited by the polices that require such investments not to exceed 100 percent of net worth.

Mismatches that arise over the course of a loan's life due to provisioning, prepayments, reschedulings, receipt of spread or fee income in nondollar currencies, and possible differences in LIBOR reset dates between assets and liabilities are monitored and hedged on an ongoing basis subject to operational limits.

IFC's liquidity requirements are governed by the matched-funding policy and the liquidity policy. Under the matched-funding policy, loans are funded by liabilities with similar interest rate and currency characteristics. Under the liquidity policy, IFC is required to maintain a level of liquid assets of not less than 65 percent of the next three years' projected net cash flow requirements at all times.

IFC's liquid asset holdings are made up of market-funded portfolios and a net worth–funded portfolio. Interest rate risks are managed against duration benchmarks for each of the portfolios, and currency risks are managed by using derivatives to hedge the currency exposure. Credit risks are managed through eligibility requirements for investments and issuer limits based on size and rating as well as concentration limits on asset classes.

IFC uses derivatives in the areas of funding, liquidity management, asset-liability management, client risk management products, and active portfolio management.

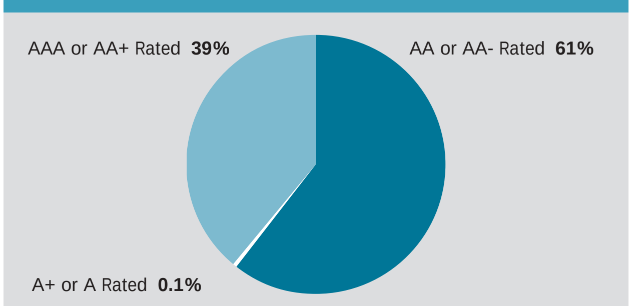
With the exception of the use of derivatives for active portfolio management, and some positions taken in liquid assets management, other uses of derivatives do not entail market risk, as they are used only for hedging purposes. Market risk arising from derivative use in liquid assets and portfolio management activities is subject to the respective guidelines for such activities. While the other derivatives used only for hedging do not entail open-market risk, they create credit exposure that arises from the potential counterparty default when the derivative contract has positive value to IFC.

To manage these counterparty exposures, IFC has credit risk polices relating to eligibility criteria and credit limits that are coordinated with those of the IBRD. Limits are set in terms of the total potential exposure to the counterparty.

To protect against counterparty downgrades subsequent to undertaking contracts, IFC has entered into mark-to-market collateral agreements with most of its derivative counterparties.

The active portfolio management program enables IFC to hedge and manage the aggregate financial risk, returns, and exposures incurred in connection with its portfolio of loan, quasi-equity, and equity investments through the proactive use of risk management techniques, hedging instruments, and income-enhancement strategies tailored to IFC's financial risk tolerance and income objectives.

TREASURY CREDIT RISK ALLOCATION



Portfolio Review

IFC's committed portfolio at the end of FY 2004 increased by 6.9 percent to $17.9 billion, from $16.8 billion in FY03.[1] Nearly 74 percent of the committed portfolio was in loans amounting to $13.3 billion, and 20 percent was in equity investments amounting to $3.6 billion.

Structured finance products (including guarantees) of $908 million accounted for 5 percent of the committed portfolio, and risk management products of $177 million accounted for 1 percent. In addition, IFC held and managed for participants $5.5 billion in loans it had syndicated. At the end of FY04, the committed portfolio included loan and equity investments, risk management products, and guarantees in 1,337 companies in 119 countries.

The net increase in committed portfolio was $1.2 billion after taking into account new commitments, repayments, sales, cancellations, prepayments, write-offs, and translation adjustments. Loan principal repayments totaled $1.9 billion, and $585 million in equity investments were sold or redeemed.

The total disbursed portfolio for IFC's own account increased to $12.3 billion at the end of FY04, from $12.0 billion in FY03. During the fiscal year, the disbursed loan portfolio grew by 5.5 percent, whereas the disbursed equity portfolio contracted by 7.3 percent.

BREAKDOWN OF IFC PORTFOLIO
June 30, 2004

(millions of U.S. dollars)

Committed loans and equity	**16,853**
Loans	13,260
Equity	3,592
Off-balance-sheet exposure (on risk management and structured finance products)	**1,085**
Total committed portfolio for IFC's own account	**17,938**
Total committed portfolio held for participants	**5,515**
Total disbursed portfolio	**12,297**
Total undisbursed portfolio	**4,556**

Many of the Corporation's investments are denominated in U.S. dollars, but IFC borrows in a variety of currencies to diversify access to funding and reduce borrowing costs. The currency breakdown of the disbursed loan portfolio on June 30, 2004, is shown in the notes to the financial statements (see Volume 2 of IFC's 2004 Annual Report). The Corporation minimizes its risk exposure to off-balance-sheet transactions by entering into offsetting swap, option, or forward contract positions with highly rated market counterparties and by performing thorough credit reviews of all counterparties.

Commitments and Disbursements

New commitments for IFC's own account were concentrated in the Europe and Central Asia (35 percent), Latin America and Caribbean (26 percent), and East Asia and Pacific (15 percent) regions. The business sectors with the largest volume of new commitments were finance and insurance with 31 percent and oil, gas, and mining with 10 percent.

Disbursements in FY04 were $3.2 billion, up from $3.0 billion in FY03. Loan disbursements were $2.7 billion and equity disbursements were $468 million. IFC also disbursed $964 million on behalf of financial institutions participating in its syndicated loans.

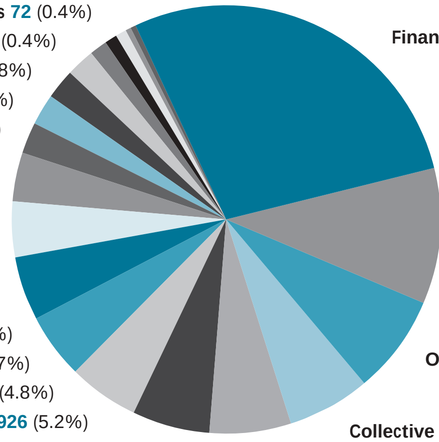
Portfolio Management

As part of its supervision efforts, IFC closely monitors compliance with investment agreements, visits sites to check on project status, and helps find solutions to problem projects. To strengthen portfolio supervision, the Corporation has in place portfolio management units in all investment departments, each under a portfolio manager.

1. Committed portfolio includes structured finance and risk management products, which are off-balance sheet.

COMMITTED PORTFOLIO FOR IFC'S OWN ACCOUNT

By Sector on June 30, 2004 (millions of U.S. dollars)



TOTAL IFC PORTFOLIO $17,938

Note: Numbers include structured finance and risk management products.

This structure helps identify problems early and address them in a timely manner. The maintenance of an investment credit risk-rating system also supports this process. Furthermore, headquarters staff has continued to be both rotated and relocated to the field, and local staff members in resident missions have increasingly been assigned to supervisory tasks. IFC makes special efforts to ensure that banks participating in IFC loans are kept regularly informed of project developments through the B-Loan Management Division. There is always a close and continuing consultation between IFC and its participants.

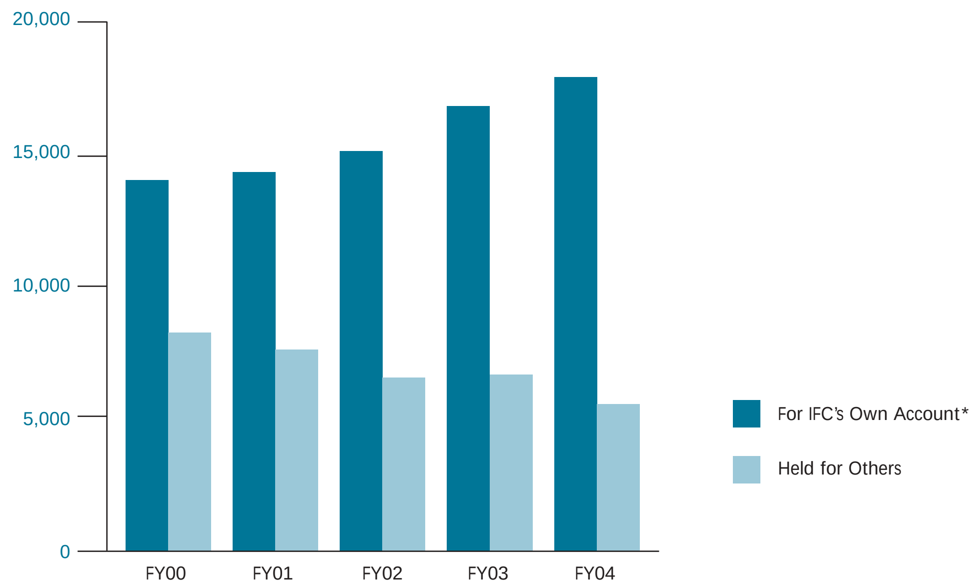
Operational departments evaluate projects case by case when difficulties arise. For projects with particularly severe problems, the Special Operations Department determines appropriate remedial action. In such situations, it seeks to negotiate agreements with all creditors and shareholders to share the burden of restructuring so that problems can be worked out while the project continues to operate. In exceptional cases, when the parties reach an impasse in negotiations, IFC takes all necessary and appropriate measures to protect its interests.

Following successful implementation of a pilot program, IFC's Corporate Portfolio Management Department (CPM) in May 2004 received authority from the Board to manage financial risks and exposures in connection with the portfolio of loan and equity investments through market-based risk management instruments, tools, and strategies. Portfolio management activities approved include the use of market-based instruments to perform hedging transactions on the IFC loan and equity portfolio as well as equity buyback strategies. All transactions and strategies share the common goal of protecting the portfolio against downside risk. CPM is now mainstreaming and refining the set of risk limits and control mechanisms that were established under the pilot program.

During FY04, loan and equity portfolio income was $1.1 billion, up 64 percent from FY03, largely due to higher capital gain and dividend income from the equity portfolio. Principal outstanding on nonperforming loans as a percentage of the disbursed loan portfolio was 11.5 percent on June 30, 2004, compared with 16.7 percent on June 30, 2003. During the same period, principal in arrears as a percentage of the

IFC COMMITTED PORTFOLIO, FY00–FY04

(millions of U.S. dollars)



*Totals for IFC's own account include risk management and structured finance.

disbursed loan portfolio declined to 5.1 percent, from 7.3 percent. Furthermore, the risk level of the loan portfolio declined in FY04 due to the combined effect of: (1) growth in the outstanding portfolio with lower credit risk investments entering the portfolio; (2) reductions in credit risk levels of existing investments due to workouts, reschedulings, and restructurings; (3) reductions in some country risk ratings; and (4) write-offs of deadwood investments.

Estimated unrealized gains on the equity portfolio rose during FY04. Capital gains of $375 million were realized, a substantial increase from $48 million in FY03.[2] IFC received dividends of $207 million, compared with $147 million during FY03. Dividends in FY04 were higher than in FY03, primarily as a result of higher commodity prices.

Reserves against losses decreased to $2.0 billion in FY04, representing 16.5 percent of the disbursed portfolio, down from 21.9 percent in FY03. The decrease was due to a $94 million reduction in specific reserve, a $40 million reduction in general reserve, and write-offs of $458 million.

Management determines specific reserves against losses on the basis of portfolio reviews and recommendations by the Portfolio Management Units in the investment departments. For this purpose, the entire portfolio is reviewed quarterly. Management determines general reserves using a Monte Carlo–based simulation technique. The Corporation's external auditors examine closely the recommendations, policies, and methods for determining the reserves against losses.

2. Capital gains income reported in the Financial Statements includes gains and losses realized on equity buybacks performed by the Corporate Portfolio Management Department.

Products and Services

Investment Products

EQUITY AND QUASI-EQUITY

IFC risks its own capital by buying shares in project companies, other project entities, financial institutions, and portfolio or private equity funds. We generally subscribe to between 5 and 20 percent of a project's equity. We will not normally hold more than a 35 percent stake or be the largest shareholder in a project. We are a long-term investor in our projects. When it comes time to sell, we prefer to exit by selling shares either in a trade sale or, if liquidity permits, in a capital market following a public offering.

With quasi-equity instruments we invest through products that have both debt and equity characteristics. Some instruments, like subordinated loans and convertible debt, impose fixed-repayment schedules. Others, such as preferred stock and income notes, do not require such rigid repayment arrangements.

LOANS AND INTERMEDIARY SERVICES

We finance projects and companies through our A-loans, which are for IFC's own account. IFC cannot accept government guarantees. Maturities of A-loans generally range between 7 and 12 years at origination, but some loans have been extended to as long as 20 years. While most IFC loans are provided in major currencies, we are expanding our capacity to offer local currency loans.

We carry out comprehensive due diligence before investing in any project. Because of our extensive lending experience in developing countries, we are uniquely qualified to evaluate the risks associated with projects. We are willing to extend loans that are repaid only from the cash flow of the project, with only limited recourse or without recourse to the sponsors.

We also make loans to intermediary banks, leasing companies, and other financial institutions through credit lines that result in further on-lending. These credit lines are often targeted to small businesses.

SYNDICATED LOANS

Syndicated loans, or B-loans, are a key part of IFC's efforts to mobilize private sector financing in developing countries, thereby broadening our development impact. Through this mechanism, financial institutions share fully in the commercial credit risk of projects, while IFC remains the lender of record. Participants in IFC's loans share in the advantages that IFC derives as a multilateral development institution, including preferred access to foreign exchange. Where applicable, these participant banks are also exempted from the mandatory provisioning requirements that regulatory authorities may impose.

STRUCTURED FINANCE

IFC also offers structured finance solutions to clients, enabling them to raise a significantly larger amount of capital than that represented by IFC's own exposure. This is especially important for mobilizing local currency funds in the domestic market from institutional investors and financial institutions.

Through partial credit guarantees of debt instruments, IFC uses its triple-A credit rating to help clients diversify their funding sources, extend maturities, and obtain financing in their currency of choice. IFC also helps clients structure securitizations and risk-sharing facilities, transactions that allow a client to sell off part of the risk associated with a pool of assets. IFC is continuing to develop other structured products in response to clients' financing needs.

RISK MANAGEMENT

IFC's risk management products provide clients with access to long-term derivatives markets. Currency-hedging instruments allow clients to hedge their foreign exchange exposures, typically related to foreign currency borrowings. With the development of emerging market derivatives, IFC offers hedges into local currency where these markets exist. IFC also provides derivative products to enable clients to manage their interest rate and commodity price risks.

Technical Assistance and Advisory Services

IFC advisory services are designed to improve the investment climate in member countries and the business practices of companies in which we invest. They play an increasingly important role in the way IFC approaches its investment activities.

We undertake a wide array of financial market advisory assignments, specializing in securities markets and in banking and credit institutions. Assignments address areas such as local debt market development and capacity building at financial institutions.

IFC collaborates with the World Bank through several joint units dealing with aspects of private sector development, including policy issues, sector advice, and specific transactions. Our activity in this area includes advice on competition policy, privatization structuring, and policy analysis of foreign investment issues.

Technical assistance further complements IFC's investment activities by offering advisory and training services to governments and private companies. IFC manages the Technical Assistance Trust Funds program, which is supported by donor governments and an allocation from IFC's own budget. These funds sponsor feasibility and sector studies, training initiatives, environmental and social review of projects, and advisory assignments to governments. IFC also manages project development facilities that help small and medium enterprises, as well as facilities focusing on environmental and social issues.

2004 REVIEW

Project Commitments

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization*
SUB-SAHARAN AFRICA								
REGIONAL								
Africa International Financial Holdings, LLC will acquire, restructure, and sell commercial banks in Sub-Saharan Africa, especially those being privatized.	–	13.38	–	–	–	–	13.38	–
Africa Media Group Limited will benefit from a rights issue for its investment in TV Africa, which broadcasts throughout Africa.	–	0.22	–	–	–	–	0.22	–
Industrial Promotion Services Ltd. will restructure to become the first fully pledged equity investment company in East Africa.	–	4.50	–	–	–	–	4.50	–
Olam International, a supplier of agroindustrial commodities, will strengthen its balance sheet, improve its processing capabilities, and expand its operations in the region.	–	7.50	–	–	–	–	7.50	–
Olam Multi Country Multi Commodity Facility will restructure and increase working capital lines to expand Olam International's trading volume from Africa.	–	–	–	30.00	–	–	30.00	60.00
Pan African Investment Partners Ltd. will invest in high-growth, regionally expanding companies with proven management and established revenue streams in Africa.	–	15.00	–	–	–	–	15.00	–
COUNTRY								
Angola								
Enterprise Bank of Angola will provide credit and other financial services to micro and small enterprises.	–	0.70	–	–	–	–	0.70	–
Cameroon								
Pecten Cameroon Company will finance the ongoing development of offshore oil fields.	–	–	–	–	1.45	–	1.45	–
Cape Verde								
Caixa Económica de Cabo Verde, S.A. will channel foreign exchange denominated term finance to the private sector.	6.08	–	–	–	–	–	6.08	–
Côte d'Ivoire								
Pétro Ivoire S.A., a petroleum products distributor, will build gas stations and networks to increase its retail presence.	0.33	–	–	–	–	–	0.33	–
Kenya								
Magadi Soda Company Ltd. will build a new plant and associated facilities to produce soda ash for export, primarily to the glass packaging sector.	22.00	–	4.00	–	–	–	26.00	–

Note: This table includes projects signed and processed by IFC during FY04. Certain transactions signed in FY03 for which processing was not completed until FY04 are also included.

*Mobilization number covers full amount at project commitment date (projects may involve tranches in multiple years).

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
Madagascar								
Cottonline S.A. will establish an apparel factory specializing in products for U.S. and European markets.	5.00	–	–	–	–	–	5.00	–
Mali								
Société Industrielle d'Emballage et de Conditionnement will increase its production of plastic bags and bottles.	0.27	–	–	–	–	–	0.27	–
Mauritania								
Générale de Banque de Mauritanie pour l'Investissement et le Commerce will finance the mining and oil sectors.	–	–	10.00	–	–	–	10.00	–
Mozambique								
Empresa Nacional de Hidrocarbonetos de Mocambique will develop the Pande and Temane gas fields and associated processing facilities.	–	18.50	–	–	–	–	18.50	–
Merec Industries, Lda. will expand its milling and coconut oil operations by acquiring and installing a mill and silos near Maputo.	–	–	–	1.20	–	–	1.20	1.19
NovoBanco, a microfinance bank, will expand its outreach to micro and small enterprises.	–	0.20	–	–	–	–	0.20	–
Nigeria								
Guaranty Trust Bank Plc. will address the country's scarcity of term finance.	20.00	–	–	–	–	–	20.00	–
MTN Nigeria will expand its network, making cellular telecommunications affordable to more of the country's population.	85.00	15.00	–	–	–	–	100.00	–
Nigeria Trade Enhancement Facility will enable the increase of confirmation limits available to local banks that are otherwise constrained due to country exposure limits.	–	–	–	20.00	–	–	20.00	20.00
South Africa								
African Bank Limited will improve the attractiveness of its unsecured redeemable debentures on the local secondary debt market.	4.94	–	–	–	–	–	4.94	–
City of Johannesburg will use proceeds from a bond issuance for infrastructure investments and to restructure existing debt.	–	–	–	30.44	–	–	30.44	119.30
Hernic Ferrochrome (Pty) Limited will increase its production capacity by developing an underground mine and installing a furnace and pelletizing plant.	24.17	4.70	1.56	–	–	–	30.43	–
Mvelaphanda Gold (Pty) Limited will purchase a stake in Gold Fields Limited's South African assets as a step toward becoming an operator in its own right.	–	–	28.00	–	–	–	28.00	–
South African Home Loans will increase its capital base and fund growth in its mortgage originations.	–	0.58	–	–	–	–	0.58	–
South African Home Loans will expand its capital base and fund growth in its mortgage originations.	–	0.64	–	–	–	–	0.64	–
United Bank for Africa (plc) will develop alternative sources of long-term capital, helping diversify and strengthen its operations.	–	–	10.00	–	–	–	10.00	–

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
UPDC Hotels Ltd. will convert a privatized hotel complex into a hotel, apartments, conference facilities, a business center and health club, and retail and commercial office space.	11.00	–	–	–	–	–	11.00	–
Zambia								
Celtel Zambia Limited will consolidate its market position and increase its cellular penetration in the country.	–	0.25	–	–	–	–	0.25	–
EAST ASIA AND THE PACIFIC								
REGIONAL								
Avenue Asia Special Situations Fund III, L.P. will target single credits in a pool of U.S. dollar and local currency denominated distressed debt instruments.	–	40.00	–	–	–	–	40.00	–
Modern Asia Environmental Holdings, an industrial solid and hazardous waste company, will expand activities in the region.	15.00	–	–	–	–	–	15.00	–
Olam International, a supplier of agroindustrial commodities, will strengthen its balance sheet, improve its processing capabilities, and expand operations in the region.	–	7.50	–	–	–	–	7.50	–
COUNTRY								
Cambodia								
Acleda, a microfinance company, will transform into a licensed commercial bank, allowing expansion of its regional network and an increase in mobilization of deposits.	6.00	–	–	–	–	–	6.00	–
Acleda, a microfinance company, will benefit from new equity capital to expand its operations.	–	1.10	–	–	–	–	1.10	–
Société Concessionnaire de l'Aéroport will manage and operate the Phnom Penh and Siem Reap-Angkor International Airports.	10.00	–	–	–	–	–	10.00	–
China								
Anjia Group Holdings will expand its operations in housing finance and strengthen its staff and systems.	–	2.00	–	–	–	–	2.00	–
Asian Strategic Investments Corporation Group will develop its franchise as a supplier of auto components.	–	10.00	–	–	–	–	10.00	–
China Construction Bank will promote liquidation of nonperforming loans and their transfer from the public to the private sector.	28.00	–	–	–	–	–	28.00	–
China Green Energy Limited will develop, own, and operate a portfolio of cogeneration power plants.	20.00	–	–	–	–	–	20.00	–
China Re Life will privatize its operations by establishing separate business entities for its operations in life and non-life reinsurance and direct property insurance.	–	15.34	–	–	–	–	15.34	–
Colony China Opportunity Fund will act as a distressed asset investment fund.	–	17.31	–	–	–	–	17.31	–
CSMC Technologies Corporation Limited will expand capacity of its semiconductor wafer manufacturing facility and build an additional plant.	–	12.00	–	–	–	–	12.00	–

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
CUNA Mutual Group will provide mortgage, credit life and disability, credit unemployment, and gap insurance.	–	12.00	–	–	–	–	12.00	–
Guangxi Fenglin Forestry Development Co. Ltd. will finance a wood plantation and a fiberboard production plant to be developed by a subsidiary.	15.00	6.00	–	–	18.00	4.00	43.00	–
Industrial Bank will diversify its ownership, improve corporate governance, and adopt international standards.	–	52.18	–	–	–	–	52.18	–
Jiangxi Chenming Paper Co. Ltd. will install and operate a lightweight coated paper facility, including a pulp plant and a cogeneration power plant.	–	12.90	–	–	–	–	12.90	–
Jilin Huazheng Agribusiness Development Co., Ltd. will process pork in Jilin province and market fresh, frozen, and prepared meats.	–	–	–	–	7.00	–	7.00	–
Nanjing Kumho Tire Co., Ltd. will expand its tire production capacity.	34.00	2.23	–	–	–	–	36.23	–
Ningxia Darong Chemical Industry Joint Stock Co. Ltd., a chemical manufacturer, will expand capacity, improving economies of scale to help meet global demand.	10.00	1.50	–	–	8.00	–	19.50	–
Shanghai International Banking and Finance Institute will train finance professionals in international best practices for banking and finance.	–	0.08	–	–	–	–	0.08	–
Shanxi Antai Group Corporation will establish a metallurgical coke production plant in Shanxi province.	40.00	–	–	–	–	–	40.00	–
Southern Aluminum Industry (China) Co., Ltd. will expand and modernize its operations by installing an aluminum rolling mill and related equipment.	12.00	–	–	–	–	–	12.00	–
Wumart Stores will expand in northern and eastern China; enhance its operating, information, and logistic systems; and increase staff training.	–	6.48	–	–	–	–	6.48	–
Xinao Gas Holdings Limited will expand into municipal gas distribution projects.	25.0	10.0	–	–	–	–	35.00	–
Yangtze Special Situations Fund L.P. will act as a distressed asset investment fund.	–	0.96	–	–	–	–	0.96	–
Zhong Chen Energy Storage Co. Ltd. will operate a liquid petroleum gas terminal and review a proposed expansion of the facility.	–	5.00	–	–	–	–	5.00	–
Indonesia								
Bona Vista School will expand its educational facilities in Jakarta.	1.00	–	–	–	–	–	1.00	–
Medan National Plus School will establish preprimary, primary, and secondary schools in major cities.	1.75	–	–	–	–	–	1.75	–
PT Bank Buana Indonesia will become a medium-size bank, playing a more significant role in the country's restructured banking sector.	–	0.36	–	–	–	–	0.36	–
PT Bank NISP Tbk. will diversify its capital structure and expand its lending operations.	35.00	–	–	–	–	–	35.00	–

Project Commitments *(continued)*

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
PT Ecogreen Oleochemicals will set up a fatty acid production unit and realign its working capital.	30.00	–	–	–	–	–	30.00	–
PT Karunia Alam Segar will expand its noodle production to supply the East Java market.	18.10	–	–	–	–	–	18.10	–
PT Prakrsa Alam Segar will expand its noodle production to supply the West Java market.	16.90	–	–	–	–	–	16.90	–
P.T. South Pacific Viscose, a fiber producer, will increase and diversify production.	9.50	–	–	–	–	–	9.50	–
Wilmar Trading, an oil and oilseed processor and distributor, will reinforce its financial structure for sustainable long-term growth.	–	–	–	20.00	–	–	20.00	10.00
Mongolia								
Agricultural Bank of Mongolia will expand and strengthen operations following privatization.	1.80	1.20	–	–	–	–	3.00	–
Trade and Development Bank of Mongolia will privatize its operations, strengthen its capital base, and expand its market reach.	–	1.50	3.50	–	–	–	5.00	–
Philippines								
Globe Telecom, Inc., a telecommunications company, will engage in a currency swap to help manage its foreign exchange exposure risk.	–	–	–	–	–	20.00	20.00	–
Land Registration Systems, Inc. will computerize and connect the offices of the Land Registration Authority to establish a land database.	22.00	2.70	–	–	–	–	24.70	–
Manila Water Company will extend its pipelines, improve its network, develop sanitation services, and develop deep wells.	30.00	15.00	–	–	–	–	45.00	–
Thailand								
Fabrinet Thailand will invest in fiber optic component production lines, helping to increase sales.	3.00	–	–	–	–	–	3.00	–
Thai Middle Market Facility will provide long-term, fixed-rate funding to middle-market companies.	40.00	–	–	–	–	–	40.00	–
Vietnam								
Olam Multi Country Multi Currency Facility Vietnam will restructure and increase working capital lines to expand Olam International's trading volume from Vietnam.	–	–	–	20.00	–	–	20.00	40.00
Saigon Thuong Tin Commercial Joint Stock Bank will strengthen its capital base and institutional capacity.	–	3.23	–	–	–	–	3.23	–

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
SOUTH ASIA								
REGIONAL								
Cairn Energy PLC will help develop India's domestic gas reserves and Bangladesh's domestic gas market.	40.00	–	–	–	–	–	40.00	–
COUNTRY								
Bangladesh								
BRAC Bank will focus on niche credit markets and the domestic and international remittance market.	–	1.63	–	–	–	–	1.63	–
GrameenPhone Limited will increase access to telecommunications throughout the country.	30.00	–	–	–	–	–	30.00	–
United Leasing Company Limited will use longer tenor, local currency funding to promote its leasing business and on-lend at competitive rates.	–	–	–	5.00	–	–	5.00	–
Bhutan								
Bhutan Resorts Corporation Limited will build guest houses in the Himalayan valleys of western Bhutan.	10.00	–	–	–	–	–	10.00	–
India								
Ballarpur Industries Limited will modernize and upgrade its facilities to increase production of paper and pulp.	–	–	15.00	–	–	–	15.00	–
Birla Home Finance will expand its mortgage loans to creditworthy clients that build, acquire, and improve residential properties.	10.61	–	10.61	–	–	–	21.22	–
CMScomputers will expand its IT capacity beyond India's technology hubs to more than 100 cities in the country.	10.00	10.00	–	–	–	–	20.00	–
Continental Carbon India Limited will restructure the debt of a recently acquired carbon black plant and proceed with an investment program.	–	–	–	–	–	1.50	1.50	–
Crompton Greaves Ltd., an electrical equipment and engineering industry firm, will continue its modernization and financial and operational restructuring efforts.	15.00	–	–	–	–	–	15.00	–
DQ Entertainment Limited, a multimedia company, will increase coproduction contracts from firms in Canada, France, and Italy.	–	–	1.00	–	–	–	1.00	–
Housing Development Finance Corporation Limited will expand its lending to middle- and lower-income people.	–	–	–	–	100.00	–	100.00	–
Max Healthcare Institute Limited will build the first integrated health care delivery network in the New Delhi area, offering primary, secondary, and tertiary services.	19.64	–	–	–	–	–	19.64	–
NewPath Ventures LLC will develop operating companies in custom semiconductor chip design and embedded software.	–	3.00	–	–	–	–	3.00	–
NIIT Student Loan Program will provide applied IT education for adult students.	–	–	–	2.10	–	–	2.10	71.10
Powerlinks Transmission Ltd., India's first public-private partnership in the transmission sector, will build, own, and operate a high voltage line between east and north India.	74.56	–	–	–	–	–	74.56	–

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
RAK Ceramics India Pvt. Ltd. will construct a facility for production of high-end vitrified ceramic tiles and sanitary ware.	20.00	–	–	–	–	–	20.00	–
Sundaram Finance Limited will expand its commercial vehicle and automobile financing in rural and semirural markets.	43.61	–	–	–	–	–	43.61	–
United Phosphorus Limited will expand production capacities in India and increase its global presence by acquiring product registration rights in developed markets.	17.50	–	–	–	–	–	17.50	–
Maldives								
Maldives Finance Leasing Company Limited will use long-term funding to extend leases to private sector businesses.	3.00	–	–	–	–	–	3.00	–
Taj Maldives Private Limited will refinance short- and medium-term debt on its holiday resorts.	8.50	–	–	–	8.50	–	17.00	–
Sri Lanka								
Commercial Bank of Ceylon will strengthen its capital base.	–	2.89	–	–	–	–	2.89	–
MTN Networks Limited will expand its network and improve its coverage, network quality, and customer service.	30.00	–	20.00	–	–	–	50.00	–
EUROPE AND CENTRAL ASIA								
REGIONAL								
Advent Central and Eastern Europe III L.P. will make expansion stage and buyout investments in the region.	–	15.15	–	–	–	–	15.15	–
Baku-Tbilisi-Ceyhan Pipeline will transport up to 1 million barrels of oil a day, primarily from the Azeri Chirag Deepwater Gunashli fields.	125.00	–	–	–	125.00	–	250.00	–
Euromedic Group will expand its network of diagnostic and dialysis centers in Bosnia, Hungary, Poland, and Romania and establish operations elsewhere in the region.	12.64	–	–	–	–	–	12.64	–
Poteza Adriatic Fund B.V. will make equity and equity-related investments, through majority or significant minority stakes, in companies in the region.	–	13.68	–	–	–	–	13.68	–
Raiffeisen International Bank-Holding AG will promote lending to small and medium enterprises in Central Europe.	60.00	60.78	–	–	–	–	120.78	–
Raiffeisen International Bank-Holding AG will promote lending to small and medium enterprises in Southern Europe.	60.00	60.78	–	–	–	–	120.78	–
COUNTRY								
Albania								
Insurance Institute of Albania will strengthen its operations, management, and information systems and increase its domestic investment.	–	5.47	–	–	–	–	5.47	–
Vodafone Albania Sh.A. will develop a nationwide cellular network, including in places where telephone service is inadequate.	41.39	–	–	–	8.92	–	50.31	–

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
Armenia								
Armeconombank will on-lend to private small and medium enterprises and provide residential mortgage loans to individuals.	2.00	–	–	–	–	–	2.00	–
Armenia Hotel Closed Joint Stock Company will complete renovation of a business and tourist hotel in Yerevan.	–	1.25	–	–	–	–	1.25	–
Azerbaijan								
Amerada Hess Corporation will develop the Central Azeri field with a processing facility, a gas compression and water platform bridge, a subsea oil pipeline, and expansion of onshore production facilities.	1.68	–	–	–	1.68	–	3.36	–
BP Corporation NA, Inc. will develop the Central Azeri oilfields, including the expansion of onshore production facilities at Sangachal.	10.00	–	–	–	10.00	–	20.00	–
Statoil will develop the Central Azeri field with a processing facility, a gas compression and water platform bridge, a subsea oil pipeline, and expansion of onshore production facilities.	8.75	–	–	–	8.75	–	17.50	–
Unocal—Union Oil Company of California will develop the Central Azeri field with a processing facility, a gas compression and water platform bridge, a subsea oil pipeline, and expansion of onshore production facilities.	10.00	–	–	–	10.00	–	20.00	–
Belarus								
Detroit Belarus Brewing Company will upgrade its facilities, strengthen its distribution system, and improve its management.	7.00	3.00	–	–	–	–	10.00	–
Bosnia and Herzegovina								
Central Profit Banka will provide term loans to small and medium enterprises.	11.47	4.70	–	–	–	–	16.17	–
Raiffeisen Bank Bosnia will refinance working capital loans to small and medium enterprises, extend term loans, and lend to individuals who are buying or refurbishing housing.	8.87	–	–	–	–	–	8.87	–
Bulgaria								
Drujba AD, a manufacturer of glass containers, will modernize operations and improve environmental performance.	24.26	–	–	–	–	–	24.26	–
Pasa Bulgaria will construct a tableware plant.	12.55	2.50	–	–	–	–	15.05	–
ProCredit Bank AD will provide credit and other financial services to micro and small enterprises.	12.16	–	–	–	–	–	12.16	–
ProCredit Bank AD will increase its working capital through a rights issue.	–	1.24	–	–	–	–	1.24	–
Stomana Industries AD will refurbish its steel production plant, improving production methods and environmental performance.	21.23	–	–	–	–	–	21.23	–
Trakya Glass Bulgaria EAD will build the country's first float glass plant.	22.61	5.00	–	–	–	–	27.61	–
Estonia								
Kreenholm Valduse AS will strengthen its textile business, offering customers a broader product range.	0.96	–	–	–	1.24	–	2.20	–

Project Commitments *(continued)*

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
Georgia								
ProCredit Bank will use a rights issue to increase its capital base.	–	0.67	–	–	–	–	0.67	–
ProCredit Bank will provide credit and other financial services on commercial terms to micro and small enterprises.	4.00	–	–	–	–	–	4.00	–
TBC Bank will engage in risk management transactions to improve its currency and interest rate positions.	–	–	–	–	–	0.50	0.50	–
Kazakhstan								
Nelson Resources Limited will augment its working capital and fund exploration, development, and production at its oil and gas projects.	–	1.72	–	–	–	–	1.72	–
Kyrgyz Republic								
Demirbank Kyrgyz International Bank will increase its capital base.	–	0.11	–	–	–	–	0.11	–
Joint Stock Commercial Bank Kyrgyzstan will increase the availability of credit to micro and small enterprises and enhance its lending capacity.	1.50	–	–	–	–	–	1.50	–
Joint-Stock Company Investment Export-Import Bank (Inexim) will on-lend to micro and small enterprises.	1.50	–	–	–	–	–	1.50	–
Moldova								
FinComBank S.A. will use a credit line to on-lend to small and micro enterprises.	1.50	–	–	–	–	–	1.50	–
Moldinconbank S.A. will provide long-term funding for small and medium enterprises, stimulating investment, business growth, and job creation.	4.00	–	–	–	–	–	4.00	–
Victoriabank will finance local companies in sectors including wine and food exports, leasing, real estate, and construction.	5.00	–	–	–	–	–	5.00	–
Poland								
Intercell S.A., a pulp and paper mill, will expand operations in Poland and build two new paper sack plants in Russia.	50.42	–	–	–	–	–	50.42	–
Lidl Polska sp. z.o.o. will expand its discount food store operations.	48.63	–	–	–	–	–	48.63	–
Romania								
Banca Comerciala Romana S.A., a state-owned bank, will use funding to support its future privatization and comply with EU standards.	–	111.00	–	–	–	–	111.00	–
Banca Transilvania will expand its portfolio of residential mortgages.	24.31	–	–	–	–	–	24.31	–
Microfinance Bank (MIRO) S.A. will revise its business strategy and use a credit line to achieve its profitability targets.	10.00	–	–	–	–	–	10.00	–
Ro-Fin Mortgage Loan Company will originate and service primary mortgages to households.	5.00	–	–	–	–	–	5.00	–
Romanian-American Enterprise Fund will on-lend through a credit line to three microlending partners.	3.00	–	–	–	–	–	3.00	–

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
Russian Federation								
Banque Societe Generale Vostok will expand its mortgage lending operations.	75.00	–	–	–	–	–	75.00	–
BSGV Leasing will provide lease financing to Russian corporate clients.	19.45	–	–	–	–	–	19.45	–
Delta Lease Far East will specialize in leasing to small and medium enterprises in Siberia and Russia's Far East.	4.00	–	–	–	–	–	4.00	–
Independent Network Television Holdings, Ltd. will fund the expansion of TV3 Russia, increasing distribution, improving programming, and enhancing promotional activities.	–	3.50	7.00	–	–	–	10.50	–
JSC Lebedyansky, a manufacturer of juices and baby food, will expand production capacity and enter the mineral water business.	35.00	–	–	–	–	–	35.00	–
KronoGruppe Schweiz will modernize a hardboard plant and build a panel plant in Sharja.	49.34	–	–	–	49.34	–	98.68	–
Kronospan Holding Limited will build two fiberboard lines and a resin plant.	51.06	–	–	–	–	–	51.06	–
NBD Bank will finance medium enterprises in key sectors of the economy and strengthen its balance sheet.	–	–	2.00	–	–	–	2.00	–
OOO Ruscam will install a third furnace at its glass bottle plant and build four bottle forming lines and a raw materials batch plant.	17.50	–	–	–	–	–	17.50	–
Pilkington Float Glass Russia will build a float glass plant to meet growing domestic demand.	53.74	–	–	–	–	–	53.74	–
Russian Standard Bank will expand its consumer lending and securitize some of its consumer loans.	40.00	–	–	–	–	–	40.00	–
Severstaltrans; Balttranservis; Sevtekhnotrans will expand their fleet of transportation tank cars and acquire new locomotives.	40.00	–	–	–	–	–	40.00	–
Siberia Airlines will expand its fleet, refurbish newly acquired aircraft, and increase its working capital.	20.00	–	5.00	–	–	–	25.00	–
Sveza Holding, a birch plywood producer, will modernize three plants, expand its harvesting infrastructure, and refinance its short-term debt.	40.50	–	–	–	–	–	40.50	–
ZAO Kulon Development, ZAO Kulon Estate will build and operate commercial warehousing, logistical, and office centers in the Moscow area.	2.50	–	5.00	–	–	–	7.50	–
ZAO Russkiy Mir will purchase railroad tank cars and associated infrastructure for leasing to oil companies.	15.00	–	–	–	–	–	15.00	–
Tajikistan								
SEF SugdAgroServe will expand its Farmers Ownership Model to finance crop inputs and sell more cotton on better terms.	0.50	–	–	–	–	–	0.50	–
Turkey								
Akbank will increase term lending to small and medium enterprises and develop new retail products, including mortgages and consumer loans.	–	–	–	–	100.00	–	100.00	–

Project Commitments *(continued)*

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
Borusan Holding A.Ş. will improve productivity in manufacturing steel and pipe and distributing automobiles and construction equipment.	30.00	–	10.00	–	–	–	40.00	–
Garanti Finansal Kiralama A.Ş. will expand leasing for small and medium enterprises that lack long-term funding for capital investment.	10.00	–	–	–	–	–	10.00	–
Koc Finansal Kiralama A.Ş. will expand its leasing business with small and medium enterprises.	30.00	–	–	–	–	–	30.00	–
Kusadasi Port will build a new passenger terminal, renovate other terminal facilities, and purchase equipment.	10.00	–	–	–	8.00	–	18.00	–
MESA Hospital will offer medical and surgical care, emergency services, and outpatient consultations in Ankara.	11.00	–	–	–	–	–	11.00	–
Meteksan Sistem, an IT services company, will replace some of its short-term debt with longer-term financing to position itself for growth.	8.50	–	–	–	–	–	8.50	–
Opet Petrolcülük A.Ş., a retail distributor of petroleum products, will build a marine terminal and tank storage facility and expand its retail distribution network.	25.00	–	–	–	40.00	–	65.00	–
Oyak Bank A.Ş. will lengthen the maturity of its liabilities, increase its consumer finance activities, and make acquisitions.	50.00	–	–	–	–	–	50.00	–
Ukraine								
CJSC Mironovsky Khleboprodukt will expand its poultry operations and improve production efficiency.	20.00	–	10.00	–	–	–	30.00	–
First Lease will expand its leasing of transport vehicles and enhance its internal management and technical systems.	2.00	–	–	–	–	–	2.00	–
Joint Stock Commercial Bank HVB Bank Ukraine will exercise subscription rights to strengthen its equity base and expand growth.	–	0.53	–	–	–	–	0.53	–
Microfinance Bank of Ukraine will expand its loan portfolio and increase the number of branches and outlets.	–	1.02	–	–	–	–	1.02	–
Nova Liniya will build two large new retail stores in Kiev.	–	–	5.00	–	–	–	5.00	–
ProCredit Ukraine will expand the scope and tenor of its lending to micro and small enterprises.	8.50	–	–	–	–	–	8.50	–
Sandora Limited Liability Company will modernize and expand its juice factory and refinance some of its debt.	10.00	–	–	–	–	–	10.00	–

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
LATIN AMERICA AND THE CARIBBEAN								
REGIONAL								
Construtora Norberto Odebrecht will provide capacity building training to its small and medium suppliers and subcontractors.	25.00	–	–	–	–	–	25.00	–
Digicel Eastern Caribbean Limited will expand mobile telephone services in Aruba, Barbados, Grenada, St. Lucia, and St. Vincent.	10.00	0.85	3.41	–	–	–	14.26	–
Salutia.com, Inc. will pioneer the use of technology in the region's health care market.	–	0.08	–	–	–	–	0.08	–
COUNTRY								
Argentina								
Aceitera General Deheza S.A. will build warehouses; increase crushing capacity for its soybean, sunflower, and groundnut products; and invest in high-protein meal production.	50.00	–	–	–	–	–	50.00	–
Banco de Galicia y Buenos Aires, S.A. will reenter the trade line market to support a key and profitable area of its business and strengthen its financial position.	7.50	–	–	–	–	–	7.50	–
Export Trust, a securitization vehicle, will support expansion of preshipment export financing to Argentine corporates.	1.00	–	–	–	–	–	1.00	–
Jumbo Argentina S.A. will acquire, restructure, and operate the Disco supermarket chain, merging it with its Jumbo hypermarket operations.	–	40.00	–	–	–	–	40.00	–
Bolivia								
BancoSol will increase its on-lending operations and extend the tenor of its small business and microenterprise loan portfolio.	6.00	–	–	–	–	–	6.00	–
Prodem Fondo Financiero Privado S.A. will increase the reach of its lending operations and educate institutional investors on the role of microfinanciers.	3.00	–	–	–	–	–	3.00	–
Brazil								
Comgas will expand the country's use of natural gas as a more cost-effective and environmentally friendly fuel option.	45.00	–	–	–	–	–	45.00	–
Laboratorio Fleury, a clinical diagnostic company, will expand operations and diversify its business.	20.00	–	–	–	–	–	20.00	–
Macae, a gas-fired power plant, will increase its thermal generation capacity.	–	–	–	–	50.00	–	50.00	–
Queiroz Galvao Perfuracoes S.A. will transform variable-rate liabilities into fixed-rate liabilities to take advantage of low interest rates.	–	–	–	–	–	0.60	0.60	–
Tecon Rio Grande S.A. will expand capacity of the container terminal at the port of Rio Grande.	8.10	–	–	–	8.10	–	16.20	–
Unibanco—Uniao de Bancos Brasileiros S.A. will benefit from long-tenor and favorably priced financing for its banking operations.	–	–	–	–	–	20.00	20.00	–

Project Commitments *(continued)*

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
Chile								
Aguas Nuevo Sur Maule, S.A. will provide water, sanitation, and sewage treatment in Chile's VII Region.	33.00	–	–	–	33.00	–	66.00	–
San Vicente Terminal Internacional S.A. will operate and expand the port of San Vicente.	15.00	–	–	–	–	–	15.00	–
Sociedad Nacional de Procesamiento de Datos S.A., an independent IT services provider, will expand within Latin American markets.	–	10.00	–	–	–	–	10.00	–
Colombia								
Banco Davivienda S.A., a mortgage originator, will expand and diversify its assets and loan portfolio.	–	–	–	0.03	–	–	0.03	35.00
Cartones America S.A., a manufacturer of paper packaging, will refinance its debts and build a cogeneration plant.	22.00	–	–	–	–	–	22.00	–
Colombian Home Mortgage Corp. will acquire and securitize residential mortgage loans, developing the country's secondary mortgage market.	–	–	–	1.46	–	–	1.46	107.80
Colombian Home Mortgage Corp. will support a securitization of nonperforming mortgage assets in a transaction sponsored by Titularizadora Colombiana.	–	–	–	3.30	–	–	3.30	63.70
Costa Rica								
Banco Interfin S.A. will provide long-term financing to small and medium enterprises and increase its regional competitiveness through capitalization of its subsidiaries.	15.00	–	5.00	–	–	–	20.00	–
Dominican Republic								
Domicem S.A. will complete construction of its dry process cement plant.	24.00	–	–	–	24.00	–	48.00	–
Grupo M will upgrade operations and expand its apparel production into a free trade zone in Haiti.	20.00	–	–	–	–	–	20.00	–
Ecuador								
Sociedad Financiera Ecuatorial S.A., an institution providing credit and other financial services to micro and small enterprises, will expand its portfolio and outreach.	2.00	–	–	–	–	–	2.00	–
El Salvador								
Banco Agricola S.A. will expand its mortgage finance operations and on-lend to companies in the manufacturing, commerce, and export sectors.	50.00	–	–	–	–	–	50.00	–
Confia AFP S.A. will help the Cuscatlan Group diversify its revenue stream and reinforce its image as a regional provider of financial services.	–	7.50	–	–	–	–	7.50	–
Financiera Calpia S.A. will expand its loan portfolio and extend its operations within Central America.	5.00	–	5.00	–	–	–	10.00	–
Metrocentro, S.A. de C.V. will construct a new shopping mall to meet increasing demand for retail complexes.	25.00	–	–	–	–	–	25.00	–

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
Guatemala								
Montana Exploradora de Guatemala S.A. will develop a gold deposit and associated processing facilities and infrastructure in western Guatemala.	45.00	–	–	–	–	–	45.00	–
Mexico								
Central Lomas de Real S.A. de C.V. will generate electricity for sale to the government-owned utility.	50.00	–	20.00	–	106.17	2.00	178.17	–
Central Valle Hermoso S.A. de C.V. will generate electricity for sale to the government-owned utility.	50.00	–	20.00	–	107.09	2.00	179.09	–
Copamex Productos Al Consumidor, S.A. de C.V. will undertake financial restructuring using a combination of long- and short-term debt.	50.00	–	–	–	46.00	7.00	103.00	–
Corporativo Copamex, S.A. de C.V. will develop a debt reduction and refinancing strategy, enhancing its financial flexibility and competitiveness.	–	–	25.00	–	–	–	25.00	–
Grupo Calidra, S.A. de C.V. will upgrade and diversify its limestone quarrying operations.	20.00	–	–	–	–	2.00	22.00	–
Hipotecaria Nacional, S.A. de C.V. will service mortgage loans.	99.65	–	–	–	–	–	99.65	–
Hipotecaria Su Casita, S.A. de C.V.—SOFOL, a nonbank housing finance company, will fund bridge loans to developers for construction of low-income housing.	15.94	–	–	–	–	–	15.94	–
Inversionistas en Autotransportes Mexicanos S.A. de C.V. will expand its bus fleet, improve operational efficiency and service quality, and strengthen its market position.	37.00	–	–	–	–	–	37.00	–
Pan American Silver Corporation will rehabilitate and expand a silver mine.	–	1.87	–	–	–	–	1.87	–
SSA Mexico Holdings, S.A. de C.V. will expand the Manzanillo container port terminal to keep it competitive within the region.	45.00	–	–	–	–	–	45.00	–
Nicaragua								
Confia will on-lend to entrepreneurs and microenterprises with limited access to formal credit institutions.	5.00	–	–	–	–	–	5.00	–
Panama								
BancoContinental will better match maturities of its assets and liabilities and improve its evaluation of clients' financial and environmental sustainability.	40.00	–	–	–	–	–	40.00	–
Corporacion UBC Internacional, S.A. will increase its capital to offset recent acquisitions and support its growth.	–	0.33	–	–	–	–	0.33	–
La Hipotecaria will expand its mortgage origination business into El Salvador.	15.00	–	–	–	–	–	15.00	–
Peru								
Banco Internacional Del Peru will strengthen its medium- and long-term mortgage lending.	40.00	–	–	–	–	–	40.00	–

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products *(Includes Guarantees)*	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
Edpyme Edyficar S.A. will expand its lending to low-income microentrepreneurs in poor neighborhoods throughout the country.	3.00	–	–	–	–	–	3.00	–
Gloria S.A. will expand its food, paper products, and pharmaceuticals businesses beyond its base in southern Peru.	25.00	–	–	–	–	–	25.00	–
Trinidad and Tobago								
Caribe Hospitality Trinidad and Tobago will build and operate a Marriott Courtyard hotel in Port of Spain.	3.80	–	–	–	–	–	3.80	–
U.W.I., St. Augustine—Institute of Business will construct a facility to consolidate, improve, and expand its operations.	5.00	–	–	–	–	–	5.00	–
Venezuela								
Petrobras Energia Venezuela will increase production in its oil and gas fields.	80.00	–	25.00	–	–	–	105.00	–
MIDDLE EAST AND NORTH AFRICA								
COUNTRY								
Afghanistan								
First Microfinance Bank of Afghanistan, the first full-service financial institution in the country, will provide credit and savings products to micro and small businesses.	–	1.00	–	–	–	–	1.00	–
Tourism Promotion Services (Afghanistan) Ltd. will renovate and expand the Kabul Serena Hotel.	–	–	7.00	–	–	–	7.00	–
Algeria								
Algerian Cement Company will double its cement production capacity.	10.00	–	–	–	–	–	10.00	–
Egypt								
Alexandria Fiber Co., SAE will build and operate an acrylic fiber plant.	8.00	–	–	–	–	–	8.00	–
Commercial International Life Insurance Company S.A.E. will use a capital increase to comply with regulatory requirements of its business.	–	0.33	–	–	–	–	0.33	–
Egypt Housing Finance Company will provide long-term debt financing for housing investments.	–	1.62	–	–	–	–	1.62	–
Lecico Egypt (S.A.E.) will expand its production capacity for sanitary ware and ceramic tiles.	9.75	–	–	–	–	–	9.75	–
Merlon Petroleum Company of Egypt will develop three gas discoveries in the El Mansoura concession and acquire additional seismic data.	15.00	–	5.00	–	–	–	20.00	–
Sokhna Port Development Company will build and operate container, bulk, general cargo, and fertilizer terminals at North El-Sokhna Port.	20.00	–	–	–	–	–	20.00	–
Iran								
RAK Ceramics Joint Stock Company will set up a facility to produce high-end vitrified ceramic tiles.	7.00	–	–	–	–	–	7.00	–

(millions of U.S. dollars)

Project Description	IFC Loan	IFC Equity	IFC Quasi-Equity	Structured Finance Products (Includes Guarantees)	Syndications	Risk Management Products	Total FY04 Committed	Structured Finance Mobilization
Lebanon								
The Lebanese Ceramic Industries, subsidiary of Lecico Egypt, will refinance debt and improve its balance sheet structure.	5.25	–	–	–	–	–	5.25	–
Pakistan								
BSJS Balanced Fund will exercise subscription rights.	–	0.59	–	–	–	–	0.59	–
Dewan Investment and Finance Company will provide financial services to small and medium enterprises, with a focus on developing the supply chain to Dewan Group.	–	1.03	–	–	–	–	1.03	–
Dewan Salman Fibres Limited will convert its outstanding unhedged U.S. dollar loan to a local currency loan.	–	–	–	30.00	–	–	30.00	–
First UDL Modaraba, a lease financing business, will restructure an income notes facility.	–	–	–	7.00	–	–	7.00	–
Sarah Textiles will restructure its business.	0.13	–	–	–	–	–	0.13	–
TRG Pakistan II Limited will expand local call center operations and invest overseas to diversify its activities.	–	5.00	–	–	–	–	5.00	–
Syrian Arab Republic								
Bank of Syria and Overseas will assist private enterprises and increase the level and efficiency of financial intermediation.	–	3.09	–	–	–	–	3.09	–
Tunisia								
Banque Internationale Arabe de Tunisie will bolster its capital base to facilitate growth, particularly with consumer and small and medium enterprise clients.	–	–	49.34	–	–	–	49.34	–
GLOBAL								
AIG Global Emerging Markets Fund II L.P., a private equity fund, will invest in restructurings and expansion-stage and early-stage companies.	–	45.00	–	–	–	–	45.00	–
Capital International Private Equity Fund IV, L.P. will focus on investing expansion-stage capital in companies in a wide range of sectors that are dominant in their respective markets.	–	30.00	–	–	–	–	30.00	–
Emerging Markets Global Small Capitalization Fund will invest in companies with market capitalization of less than $500 million that are listed on stock exchanges in emerging markets.	–	10.00	–	–	–	–	10.00	–
Global Microcredit Facility will serve as a microcredit enhancement facility to support microfinance institutions throughout the world.	–	–	4.00	–	–	–	4.00	–
LNM Holdings N.V. will fund the environmental, assets rehabilitation, and working capital requirements of its subsidiaries in developing countries.	100.00	–	–	–	–	–	100.00	–
ShoreCap International will provide financing and assistance with governance to institutions that fund small and microenterprises in Africa, South Asia, and Eastern Europe.	–	2.50	–	–	–	–	2.50	–

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Technical Assistance and Advisory Projects

Project	Project Description	Donor	Program
SUB-SAHARAN AFRICA			
REGIONAL			
Africa Bank Training Consortium	To develop bank training centers in five African countries supported by European and U.S. bank training institutions.		CBF
Business Development Services	To support programs increasing the productivity of small firms in Kenya and Madagascar.	Netherlands	TATF
Center for Sustainability Investing in Africa	To promote environmentally and socially sustainable lending and investment in the private financial sector.	Norway	SFMF
Entrepreneurship Program: Capacity Building	To support training for advisors, local trainers, and coaches in the support and training entrepreneurship program.	Netherlands	TATF
Glass Packaging and Tableware: Sector Study	To assess the glass industry and prepare a strategy for modernization.	Sweden	TATF
HIV/AIDS Workplace Training	To assist the pilot phase of the HIV/AIDS workplace training initiative.	Netherlands	TATF
Horus Investments in Microfinance	To offer training to staff of microfinance institutions in Benin, Chad, and Togo and select university graduates.		CBF
Investment Climate, Regional Integration	To assess the investment climate and prospects for regional integration of eight West African Economic and Monetary Union countries.		FIAS
Investment Opportunities: IT and Internet Sectors	To analyze the information technology market and the investment outlook in eastern and southern Africa.	Finland	TATF
Telecommunications Network: Feasibility Study	To assess the viability of a long-distance telecommunications network.	Sweden	TATF
COUNTRY			
Angola			
Banking: Postconflict Support	To help the Enterprise Bank of Angola build capacity to operate in a postconflict environment.	Norway	TATF
Botswana			
Administrative Barriers	To review the commercial legal framework, administrative and registration costs, and barriers to investment.		FIAS
Burkina Faso			
Diagnostic and Competition Policy	To advise on competition policy and related investment.		FIAS
Gambia, The			
Investment Climate	To study the country's investment climate.		FIAS
Ghana			
Private School Association	To provide business planning and training to private primary and secondary schools.		CBF
Sustainable Agribusiness Commodities	To help an agricultural commodities merchandiser develop sustainable timber certification protocols for harvesters.	Norway	CCF
Guinea-Bissau			
Tax System Review	To review and recommend improvements of the tax and incentive systems.		FIAS

CBF: Capacity Building Facility

CCF: Corporate Citizenship Facility

EOF: Environmental Opportunities Facility

FIAS: Foreign Investment Advisory Service

PEP: Private Enterprise Partnership

SFMF: Sustainable Financial Markets Facility

SME: Small and medium enterprise

TATF: Technical Assistance Trust Funds program

Project	Project Description	Donor	Program
Kenya			
Administrative Barriers	To study administrative barriers to investment.		FIAS
Cooperative Bank	To build the bank's capacity in corporate governance, systems, and marketing.		CBF
Honey: Fair Trade Certification	To help a cooperative develop fair trade markets for honey.	Norway	CCF
Investment Policy	To review the country's legal framework for business.		FIAS
Magadi Soda Community Development	To assess needs and provide capacity building or community development around the Magadi soda mine site.	Norway	CCF
Lesotho			
Administrative Barriers	To help design a computerized company registry and reform the licensing system for private enterprises.		FIAS
Madagascar			
Leasing Services Support	To review the potential to expand financial leasing operations and draft new laws and to conduct seminars on benefits of leasing.	Italy	TATF
SME Support Center	To establish an SME Solutions Center and develop an information package and French language training tools.		CBF
Mali			
Entrepreneurship: Endeavor II	To help roll out a successful entrepreneurship promotion model to South Africa.		CBF
Microbusinesses: Trickle-Up	To set up community-based funds and training to help extremely poor people establish microbusinesses.		CBF
Mauritius			
Water and Sanitation: Transaction Advisory Mandate	To advise on private sector participation in water and sanitation services.	IFC	TATF
Mozambique			
Capital Markets Development Study	To help enable individuals and institutions to acquire the government's stake in the Southern Africa Regional Gas Project.	Switzerland	TATF
Carbon Finance: Feasibility Study	To examine the feasibility of using natural gas and carbon finance in the electricity, industrial, transport, and domestic sectors.	Norway	TATF
Tourism Investment Program	To implement a new tourism policy and strategy.	Netherlands	TATF
Nigeria			
Administrative Barriers/ Promotion Strategy	To assist in reform of business registration as part of a micro, small, and medium enterprise program.		FIAS
Bond Markets Development Program	To advise the country's securities commission and stock exchange on developing the local bond market.	Canada/IFC	TATF
Power Generation and Distribution	To provide technical, commercial, environmental, investment banking, and legal services to develop private power generation and distribution.	Ireland	TATF
Senegal			
Private Power Project	To help the government review the legal structure for an independent power plant.	Switzerland/IFC	TATF
Seychelles			
Investment Climate	To review the environment for domestic and foreign direct investment.		FIAS

Technical Assistance and Advisory Projects *(continued)*

Project	Project Description	Donor	Program
Sierra Leone			
Postconflict Investment Climate	To review the country's investment climate and make recommendations for a postconflict environment.		FIAS
South Africa			
Forest Products: Export Market Assessment	To assess the export market for a forest product company and prepare a strategy for the country's forest product sector.	Canada	TATF
Forest Products: Revenue Streams	To help a forest products company develop new revenue streams from its timber and land holdings.	Norway	EOF
Municipal Finance Company	To help establish an institution providing finance and advisory and capacity building services for municipal infrastructure in Africa.	Norway	TATF
Sustainable Mining	To conduct an executive development course on competitiveness and corporate social responsibility.	Netherlands	CCF
Tanzania			
Agriculture Promotion	To improve opportunities for local growers to supply a sugar company and help replicate the model within Africa.		CBF
Competition Policy	To analyze the relation between productivity, competitiveness, economic growth, and poverty reduction.		FIAS
Irrigation Foot Pumps	To provide technical capacity to develop a distribution chain.	Netherlands/Norway	EOF
Uganda			
Administrative Barriers	To review the administrative barriers to investment with a focus on key export-oriented sectors.		FIAS
Uganda Village Phone	To establish village phone microenterprises in rural areas.		CBF
Zambia			
Administrative Barriers	To help the government reform administrative barriers to increase investment and business activity.		FIAS
Investment Policy: Law	To assist the Zambia Investment Center's efforts to amend the Investment Act and reintroduce investment incentives.		FIAS

Project	Project Description	Donor	Program
EAST ASIA AND THE PACIFIC			
REGIONAL			
Bank South Pacific	To expand services and financing to small businesses through improved systems and data scoring.		CBF
General Manufacturing and Services Needs Assessment	To assess the viability of links between manufacturers and local small and medium businesses.	Japan	TATF
Investment Opportunities Survey	To analyze the business process outsourcing market and its regional investment outlook.	Ireland	TATF
Linkages	To examine the impact of investment policies on links between foreign investors and domestic businesses, especially micro and small enterprises.		FIAS
Pacific Islands Investment Policy	Two projects: to assess screening practices and approvals mechanisms used by Pacific countries and their impact on foreign investment, and to review progress made by these countries on investment policies that comply with APEC principles.		FIAS
Southeast Asia Trade Promotion	To enhance trade finance practices among banks in southeast Asia and promote regional growth through "south-to-south" trade.	Switzerland	TATF
COUNTRY			
Cambodia			
Investment Policy: Law	To help the government prepare implementing regulations.		FIAS
Marketing Plan	To provide training and help develop a marketing plan for silk crafts production and a restaurant operation.		CBF
Private Sector Forum	To improve government–private sector dialogue and monitor progress on issues raised by the private sector to improve the investment climate.	Australia	TATF
China			
Automotive Industry: Sector Study	To assess the automotive market, including major players and potential investments.	Sweden/IFC	TATF
Banking: Corporate Governance	To strengthen the corporate governance of Lotus Bank to support its growth in retail and SME finance.	Ireland/IFC	TATF
Bond Market Development Program	To help develop the local nongovernmental bond market.	Canada/IFC	TATF
Business Planning and Capacity Building	To help Minsheng Shipping Company plan an expansion of its business and improve its financial management standards.	Norway	TATF
Evaluations and IT Systems Development	To help the National Council for Social Security Funds evaluate its liquid assets and formulate policies for investment and information technology.	Ireland/IFC	TATF
Financial Audit Assistance	To help two private universities carry out an audit based on international accounting standards.	Sweden/IFC	TATF
Glass Industry Transformation	To develop a strategy for the country's float glass sector.	Sweden/IFC	TATF
IT Sector: Strategy and Market Analysis	To help develop the IT sector.	Sweden	TATF
Leasing Company	To help the New Century Finance Leasing Company strengthen capacity and compliance with standards.	Netherlands	TATF
Mining Supplier Development Program	To facilitate local suppliers for the mining operations of Sino Gold and develop other sectors for economic growth after mine closure.		CBF
Paper Mill Wastewater Treatment Technology	To develop commercial pilots of a technology to treat the wastewater from straw pulp plants, a major source of pollution.	IFC	EOF
Pharmaceutical Industry: Sector Study	To review the pharmaceuticals industry in Sichuan province and its role in the local economy.	Sweden	TATF
Promotion Strategy	To discuss the environment for foreign direct investment with government officials from northeast China.		FIAS

Technical Assistance and Advisory Projects *(continued)*

Project	Project Description	Donor	Program
Pulp and Paper Industry Development	To prepare a development plan for the nonwood pulp and paper industry.	Finland	TATF
Strategic Business Development	To help a metal technology company prepare a business plan and consolidated baseline financial statements.	Denmark/IFC	TATF
Fiji			
Banking: Management Program	To provide mentoring for staff of Fiji Development Bank on processes and procedural changes.	Australia	TATF
Investment Policy	To assist with policy and legislative recommendations on foreign investment.		FIAS
Marshall Islands			
Investment Policy	To help the government review and update its policy on foreign direct investment.		FIAS
Mongolia			
Leasing Development Project	To develop the capacity of the government's leasing agency.	Japan/IFC	PEP/TATF
Mining Sector: Scope Study	To help strengthen small and medium enterprises working with the mining sector.	Ireland	TATF
Papua New Guinea			
Investment Climate	To review the environment for foreign direct investment and recommend improvements.		FIAS
Philippines			
Assessment of Stock Exchange	To provide an independent assessment of the Philippine Stock Exchange.	Italy	TATF
Banking: Institutional Strengthening Program	To help Banco de Oro improve its credit risk management, corporate governance, and policies on money laundering.	Canada/IFC	TATF
Electricity: Private Sector Participation	To help the government achieve complete village electrification by 2006 and increase private sector participation in power generation.	Norway/IFC	TATF
Fixed Income Exchange Board	To help Philippine Dealing and Securities Holding, Inc., set up infrastructure for the local bond market.	Italy	TATF
Microenterprise Bank Philippines	To strengthen the bank's sustainability through recruitment and training of loan officers, new management systems, and enhanced monitoring of loans.		CBF
Mining: Consensus Building	To raise stakeholders' awareness of the potential economic contribution of mining operations.	IFC	TATF
Samoa			
Lending and Credit Appraisal	To help strengthen credit procedures and train staff of the National Bank of Samoa Ltd.	New Zealand	TATF
Solomon Islands			
Credit Union Revitalization	To analyze credit unions and savings clubs and identify changes necessary to a sustainable revival of the credit union movement.	Australia	TATF
Thailand			
Bond Market Development Project	To help the Thai Bond Dealing Center further implement market surveillance and self-regulatory functions.	IFC	TATF
Timor-Leste			
Investment Policy and Promotion	Two projects: to review draft investment legislation, and to evaluate a proposal for an investment promotion agency.		FIAS
Vietnam			
Business Forum	To finance activities of the Vietnam Business Forum that promote dialogue between the government and the business community.	Canada	TATF
Consumer and Small Business Banking	To help Sacombank expand operations in retail and small business finance.	Switzerland	TATF
Credit Bureau Program	To help develop credit reporting to extend credit to underserved segments of the population, especially small businesses.	Australia	TATF
Housing Finance, Privatization Assistance	To analyze the housing finance market and help the Central Bank of Vietnam privatize the Housing Bank of Mekong Delta.	Denmark	TATF
Investment Policy: Law	To support creation of a Unified Law on Foreign and Domestic Investment.		FIAS

Project	Project Description	Donor	Program
SOUTH ASIA			
COUNTRY			
Bangladesh			
Feasibility Study and Business Plan	To help the developer of a low-cost device that purifies household drinking water.	Netherlands/IFC	EOF
Bhutan			
Institutional Development	To support the government's efforts to attract and manage foreign direct investment.		FIAS
India			
Food Production and Safety Management	To improve food safety and quality management.	Sweden	TATF
SME Sector: Global Business School Network	To determine the educational needs of the SME sector and develop relevant business training.	Netherlands	TATF
Special Economic Zones	To facilitate public and private sector discussion on special economic zones.	Switzerland	TATF/FIAS
Sri Lanka			
Competition Policy	To analyze the relationship between productivity, competitiveness, economic growth, and poverty reduction, and review the state of competition.		FIAS
SME Programs	To develop SME initiatives and consider establishing a project office in the country to carry out and manage these activities.	Netherlands	TATF

Project	Project Description	Donor	Program
EUROPE AND CENTRAL ASIA			
REGIONAL			
Central Asia Leasing Facility	To assist leasing companies that are candidates for investment through the facility.		CBF
Commercialization of Energy Efficiency Finance	To help implement energy-efficient projects through market evaluation and promotion of related service companies.	Finland	TATF
Glass Container Manufacturing: Strategic Assessment	To assess the glass container industry in Ukraine and Russia and promote its sustainable development.	Switzerland	TATF
Hazard Analysis Critical Control Point Training	To provide training in food safety management to agribusiness consultants and public health officials from Albania, Bosnia and Herzegovina, and Serbia and Montenegro.	Greece	TATF
Housing Finance Analysis	To document housing finance systems, capital markets, and related laws in Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan.	Switzerland	TATF
Housing Finance Institutions: Feasibility Study	To assess housing finance systems, capital markets, and the legal framework in the Balkan region.	Spain/IFC	TATF
COUNTRY			
Albania			
Administrative Barriers: Implementation	To help the government reduce administrative barriers to investment.		FIAS
Armenia			
Gold Jewelry Project: Feasibility Study	To advise the Yerevan Jewelry Company on global best practice and competitiveness.	Israel	TATF
Bosnia and Herzegovina			
Banking: Legal Advisory	To help implement a merger of Union Banka and other state-owned banks.	Austria/IFC	TATF
Herbal Development Initiative	To help develop associations that can enhance the herbal sector's sustainability.	Netherlands/Norway/IFC	CCF
Bulgaria			
Administrative Barriers	To help review administrative procedures for doing business.		FIAS
Croatia			
Administrative Barriers	To help the government implement the findings of a 2002 study.		FIAS
Czech Republic			
Supplier Support Program	To complete the training of local SME specialists and help fund their training and coaching of domestic enterprises.	IFC	TATF
Georgia			
Administrative Barriers	Two projects: to help the government design its investment climate program, and to implement recommendations of a study on administrative barriers.		FIAS
Kazakhstan			
Oil and Gas Supplier Development	To help develop suppliers around the Karachaganak oil and gas field project.		CBF
Quality Management	To help local firms become eligible suppliers to international consortia operating in joint ventures with the government.	Netherlands	TATF
Latvia			
Administrative Barriers	To analyze the impact of reforms to remove administrative barriers to investment.		FIAS
Macedonia, FYR of			
Administrative Barriers	To provide recommendations on the government's capacity for business environment reform.		FIAS
Moldova			
Investment Policy: Law	To review the draft law on foreign investment and discuss recommendations with government officials.		FIAS

Project	Project Description	Donor	Program
Russian Federation			
Administrative Barriers	Three projects to make recommendations for removing administrative barriers to investment in the Kaliningrad, Perm, and Tomsk oblasts.		FIAS
Bank Capacity Building	To help UralTransBank introduce international practices in credit procedures and corporate governance.	Switzerland	TATF
Banking Sector: Corporate Governance	To improve the internal governance of Russian banks and their credit assessment of corporate clients.	Switzerland	PEP
A Chance to Work	To promote corporate social responsibility and help disadvantaged youth improve their lives.	IFC	TATF/PEP
Commercial Bank: Technical Assistance	To help Sibacademank introduce international practices in credit procedures and risk management.	Norway	TATF
Higher Education: Strategic Business Plan	To assist four private higher education institutions in strategic planning.	Israel/IFC	TATF
Investors: Diagnostic	To survey potential investors in three Russian regions.		FIAS
Leasing: Northwest Russia	To develop leasing in northwest Russia and help Swedish companies establish commercial links with Russian businesses.	Sweden	PEP
Local Community Capacity Building	To build stakeholders' capacity to engage in discussions about development.	Italy	CCF
Microfinance Institution: Feasibility Study	To assess feasibility of transforming a noncommercial financial institution into a specialized microfinance bank in the Samara region.	Denmark	TATF
Primary Mortgage Market Development	To help meet the demand for mortgages, particularly in regions outside the capital.	Switzerland	PEP
Retail Lending Development	To help Bank Vozrozhdenie strengthen its practices in credit procedures and risk management and develop its retail lending.	Canada/IFC	TATF
Social and Environmental Management	To help Novatek, a private gas company, bring monitoring of its social and environmental performance into line with international standards.	Denmark	TATF
Steel Sector: Market Assessment	To consider financing the modernization of steel pipe producers.	United Kingdom	TATF
Telecom Regulatory Body	To review the regulatory environment for telecommunications and determine steps for setting up an independent regulator.	Sweden	TATF
Volga and North-Western Shipping Companies	To assist two shipping companies in understanding environmental, health, and safety problems at their ship repair and maintenance yards.	Netherlands	TATF
Waste Gas Utilization: Feasibility Study	To test the viability of capturing gas wasted in the process of extracting oil and recovering gas from low-pressure wells.	Germany	PEP
Serbia and Montenegro			
Administrative Barriers	To analyze and make recommendations for removing administrative barriers to investment.		FIAS
Business School: Feasibility Study	To prepare a market survey and feasibility study for a new business school.	Italy	TATF
Cogeneration of Heat and Electricity	To identify potential for cogeneration power within existing electric power production plants, industrial sites, and district heating systems.	Italy	TATF
Foreign Direct Investment: Strategy	To assess the investment environment and advise on improvements to attract foreign direct investment.		FIAS
Pipeline Development Strategy	To help plan development of the Constanza-Pancevo-Omisalj-Trieste pipeline.	Italy	TATF
Poultry Company: Corporate Reorganization Study	To help a poultry breeding company restructure its operations to meet international meat industry norms, maximize efficiency and productivity, and reduce production costs.	Italy	TATF
Privatization Agency	To assist the capital market center in the country's privatization agency.	Italy	TATF

Project	Project Description	Donor	Program
Restructuring Program: Elektronska	To help the country's privatization agency restructure state-owned companies prior to privatization and to assess plans for establishing an industrial district, a multifunction logistic center, and a trade village.	Italy	TATF
Water and Sanitation: Private Sector Participation	To foster private sector participation in the water supply and sanitation sector.	Italy/Sweden/IFC	TATF
Tajikistan			
Banking: Sustainability	To help ensure the First MicroFinance Bank of Tajikistan's sustainability and commercial viability.	Canada	TATF
Microfinance: Institutional Transformation	To help an NGO transform itself into a commercially viable microfinance bank.	Canada	TATF
SME Policy Phase II	To improve regulatory procedures for SMEs and launch an information campaign for entrepreneurs.	Switzerland	PEP
Turkey			
Competition Policy	To conduct presentations on investment climate and competition policy to the country's competition board.		FIAS
Investment Advisory Council	Two projects to help the government establish an investment advisory council, composed of international executives, that will support investment climate reforms based on international best practice.		FIAS
Ukraine			
Accounting and MIS Diagnosis	To help Nova Liniya assess its finance and accounting functions and set up a new management information system.	Italy	TATF
Banking Sector: Corporate Governance	Two projects to improve the internal corporate governance of banks and improve their credit assessment of corporate clients.	Switzerland	PEP/TATF
Leasing Development	To create a suitable legislative environment for leasing and develop the capacity of the agency supervising the sector.	Netherlands	PEP
Poultry Producer: Food Safety and Quality Management System/ Accounting and Finance	To help Mironovsky Khleboprodukt, a poultry producer, manage its production safety and quality and establish effective finance and accounting departments.	Italy/Sweden	TATF
SME Policy Development	To monitor the regulatory environment for SMEs and promote a consolidated law on permits for business start-up and expansion.	Norway/IFC	TATF
Uzbekistan			
Garment Manufacturing: Market Survey	To assess the production machinery, market conditions, and technological requirements of an expanding garment manufacturer.	Switzerland	TATF
Privatization: Business Plan Development	To help Uzbektelecom prepare a business plan in advance of privatization.	Japan	TATF
SME Policy Phase III	To continue development of regulatory policy and increase entrepreneurs' access to information.	Switzerland	PEP

Project	Project Description	Donor	Program
LATIN AMERICA AND THE CARIBBEAN			
REGIONAL			
Caribbean: Business Environments	To identify and assess constraints in the business environments of select Caribbean countries.		FIAS
Credit Bureau Program	To develop private credit bureaus that extend credit to underserved segments of the population.	Italy	TATF
Life Insurance for Disabled Persons	To assess the technical and financial viability of establishing a life insurance company for the disabled.	IFC	TATF
Precious Woods	To help a Brazilian-based forest products company develop new revenue streams from its timber and land holdings.	IFC	EOF
Regional Housing Finance Facility	To analyze housing finance markets and potential for mortgage lending in Costa Rica, El Salvador, and Panama.	Italy/IFC	TATF
COUNTRY			
Bolivia			
Labor Market Study	To review the country's labor market and determine the most important needs for higher education.	Netherlands	TATF
Llama Fiber, Prodem Foundation	To support the infrastructure needs of small producers of llama fiber and provide training on quality issues.		CBF
Microfinance: Prodem FFP	To provide funding to a rural microfinance institution to improve financial services for clients.		CBF
Colombia			
Development Finance: Feasibility Study	To study the market for transforming development finance companies into modern investment banks.	Spain	TATF
Costa Rica			
Investment Taxation and Incentives	To review the corporate income tax and incentive system to help the government structure a reform proposal.		FIAS
Ecuador			
Sustainable Supply Chains	To develop supply chains in the banana industry that are environmentally sustainable and socially equitable.	IFC	CCF
Wastewater Treatment	To help Procesadora Nacional de Alimentos C.A. broaden its technical knowledge of secondary wastewater treatment and treated effluent management.	Germany	TATF
El Salvador			
Business Development Support for Retailers	To support business school development to address the needs of local communities.	Norway	CCF
Coffee and Apparel: Corporate Social Responsibility	To assess corporate social responsibility initiatives in the coffee and apparel industries and design policy tools to strengthen these initiatives.		FIAS
Faculty Development Program	To implement training courses that address the needs of entrepreneurs.	Italy	TATF
Global Home Township Program: Feasibility Study	To analyze the potential for the Global Home Township program.	Sweden	TATF
Grenada			
Investment Climate	To help Grenada Industrial Development Corporation assess the country's investment climate.		FIAS
Guatemala			
Investment Climate	To assess the country's investment climate for discussion with the new government.		FIAS
Mining: Community Development	To establish community-run tree nurseries to supply mine reforestation needs.	Norway	CCF

Technical Assistance and Advisory Projects *(continued)*

Project	Project Description	Donor	Program
Guyana			
Investment Policy	To review the country's investment code, comparing it with international good practice.		FIAS
Honduras			
Linkages	To help the government strengthen the framework for labor training.		FIAS
Jamaica			
Investment Taxation and Incentives	To help the government evaluate options for a more appropriate and attractive incentives and tax regime.		FIAS
Sustainable Conch Farming	To help develop sustainable conch farming and economies of scale in marketing.	Netherlands/IFC	EOF
Mexico			
Compressed Natural Gas Buses	To support a pilot project using compressed natural gas for commuter buses in Mexico City.	IFC	EOF
E-Government Study	To improve the competitiveness of e-government technology companies.	Spain	TATF
Water Recycling for Lime Plant	To assess the technical and commercial viability of an innovative system to recover water vapor.	IFC	EOF
Nicaragua			
Competition Policy	To analyze constraints to competition in key industries and help design a related policy framework.		FIAS
Peru			
Administrative Barriers: Municipal	To assess administrative procedures at the municipal level in Lima and help improve the local business environment.		FIAS
Student Loan Program Market Study	To study the potential for establishing a pilot student financing facility with local banks and private universities.	Switzerland	TATF

Project	Project Description	Donor	Program
MIDDLE EAST AND NORTH AFRICA			
COUNTRY			
Afghanistan			
Bank Capacity Building	To help the First Microfinance Bank of Afghanistan build capacity by funding key management positions.	Norway/IFC	TATF
Investment Policy: Law	To review the country's investment law for a discussion of trade and investment.		FIAS
Egypt, Arab Republic of			
Banking: Sustainable Business Practice	To train bankers in sustainable business practices.		SFMF
Iraq			
Capacity Building	To sponsor capacity building programs for Iraqi businesswomen.		FIAS
Pakistan			
Administrative Barriers	To prepare a private sector development strategy for the Northwest Frontier province.		FIAS
Health Sector: Feasibility Study	To study the country's private health care industry and assess the market for general and specialized services.	Japan	TATF
Nonbanking Financial Companies: Investment Analysis	To analyze the competitive positions of the country's leasing companies and investment banks and to strengthen the country's financial infrastructure.	Canada	TATF
Textile Manufacturer: Wastewater Treatment	To help optimize a wastewater treatment facility.	Norway	EOF
Syrian Arab Republic			
FDI Environment: Diagnostic Review	To examine the legal, policy, and institutional framework for attracting foreign direct investment.	France	TATF
Investment Policy: Law	To review investment legislation to make it more conducive to attracting foreign direct investment.		FIAS
Tunisia			
Environmental and Social Assessment	To assess the portfolio of the Tuninvest Fund and identify opportunities to improve sustainable practices.	Norway	SFMF

Technical Assistance and Advisory Projects *(continued)*

Project	Project Description	Donor	Program
GLOBAL			
Competitive Business Advantage Workshops	To provide an introduction to sustainable banking and environmental risk management; workshops in Africa, Europe and Central Asia, and Latin America.	Netherlands/Norway/IFC	SFMF
Drinking Water Purification	To help expand a business that retails potable water through franchises and sells water purification equipment and services to communities.	Netherlands	EOF
Global Credit Bureau Program	To help develop private credit bureaus that will extend credit to underserved segments of the population, especially small businesses.	Norway	TATF
Human Rights Compliance Assessment Tool	To develop an interactive computer program giving companies specific guidance on human rights.	Denmark	TATF
Livestock Welfare: Good Practices	To support the development of livestock welfare principles for IFC investments.	Netherlands/Norway/IFC	CCF
SME Banking: Impact Assessment	To create best practice in impact assessment for small and medium enterprise banking.	Netherlands	TATF
SME Capacity Building: Shorecap Exchange	To build the capacity of micro and small businesses.		CBF
SME Management Training	To transform a successful pilot management training program for SMEs into a core IFC business development product.	Australia/IFC	TATF
SME Toolkit	To leverage information and communication technologies to help SMEs in emerging markets learn and implement sustainable business management practices.	IFC	TATF
World Hotel Links.com	To facilitate the extension of an online guesthouse booking service to markets worldwide.		CBF

APPENDIX A

Board of Governors

Governors and Alternates

(as of June 30, 2004)

Member	Governor	Alternate
A		
Afghanistan	Ashraf Ghani	Anwar Ul-Haq Ahady
Albania	Arben Malaj	Fatos Ibrahimi
Algeria	Abdellatif Benachenhou	Abdelhak Bedjaoui
Angola	Ana Dias Lourenco	Job Graca
Antigua and Barbuda	Errol Cort	Asot A. Michael
Argentina	Roberto Lavagna	Alfonso de Prat-Gay
Armenia	Vahram Nercissiantz	Karen Chshmarityan
Australia	Peter Costello	Chris Gallus
Austria	Karl-Heinz Grasser	Thomas Wieser
Azerbaijan	Elman S. Rustamov	Farhad Aliyev
B		
Bahamas, The	James H. Smith	Ruth R. Millar
Bahrain	Abdulla Hassan Saif	Zakaria Ahmed Hejres
Bangladesh	M. Saifur Rahman	Mirza Tasadduq Hussain Beg
Barbados	Owen S. Arthur	Grantley W. Smith
Belarus	Andrei V. Kobyakov	Anatoly I. Sverzh
Belgium	Didier Reynders	Guy Quaden
Belize	Said W. Musa	Hugh McSweaney
Benin	Bruno Amoussou	Fatiou Akplogan
Bhutan	Lyonpo Wangdi Norbu	(vacant)
Bolivia	Horst Grebe Lopez	Javier Cuevas Argote
Bosnia and Herzegovina	Adnan Terzic	Dragan Doko
Botswana	Baledzi Gaolathe	Serwalo S.G. Tumelo
Brazil	Antonio Palocci Filho	Henrique de Campos Meirelles
Bulgaria	Milen Veltchev	Bojidar Lubenov Kabaktchiev
Burkina Faso	Jean Baptiste Compaore	Lene Sobgo
Burundi	Athanase Gahungu	Leon Nimbona
C		
Cambodia	Keat Chhon	Ouk Rabun
Cameroon	Martin Okouda	Daniel Njankouo Lamere
Canada	Ralph Goodale	Paul Thibault
Cape Verde	Joao Pinto Serra	Victor A.G. Fidalgo
Central African Republic	Daniel Nditifei-Boysembe	Sonny Mpokomandji
Chad	Mahamat Ali Hassan	Mahamat Bahradine Oumar
Chile	Nicolas Eyzaguirre	Mario Marcel
China	Jin Renqing	Li Yong
Colombia	Alberto Carrasquilla	Santiago Montenegro Trujillo
Comoros	Younoussa Imani	Moindjie Saadi
Congo, Democratic Republic of	Andre-Philippe Futa	Jean-Claude Masangu Mulongo
Congo, Republic of	Rigobert Roger Andely	Pierre Moussa
Costa Rica	Alberto Dent Zeledon	Francisco de Paula Gutierrez
Côte d'Ivoire	Bohoun Bouabre	Boniface Britto
Croatia	Ivan Suker	Martina Dalic
Cyprus	Makis Keravnos	Christos Patsalides
Czech Republic	Bohuslav Sobotka	Oldrich Dedek

Board of Governors *(continued)*

Member	Governor	Alternate
D		
Denmark	Per Stig Moller	Carsten Staur
Djibouti	Yacin Elmi Bouh	Simon Mibrathu
Dominica	Swinburne Lestrade	Ambrose M.J. Sylvester
Dominican Republic	Jose Lois Malkun	Carlos Despradel
E		
Ecuador	Mauricio Yepez Najas	Ramiro Galarza
Egypt, Arab Republic of	Medhat Hassanein	Fayza Abulnaga
El Salvador	Eduardo Zablah-Touche	Guillermo Lopez-Suarez
Equatorial Guinea	Antonio Nve Nseng	Miguel Edjang Angue
Eritrea	Berhane Abrehe	Martha Woldegiorghis
Estonia	Taavi Veskimagi	Renaldo Mandmets
Ethiopia	Ahmed Sufian	Mekonnen Manyazewal
F		
Fiji	Jone Yavala Kubuabola	Tevita Banuve
Finland	Antti Kalliomaki	Paula Lehtomaki
France	Nicolas Sarkozy	Jean-Pierre Jouyet
G		
Gabon	Casimir Oye-Mba	Christian Bongo
Gambia, The	Mousa G. Bala Gaye	Karamo K. Bojang
Georgia	Zurab Nogaideli	Irakli Rekhviashvili
Germany	Heidemarie Wieczorek-Zeul	Caio K. Koch-Weser
Ghana	Yaw Osafo-Maafo	Anthony Akoto Osei
Greece	George Alogoskoufis	Plutarchos Sakellaris
Grenada	Anthony Boatswain	Timothy Antoine
Guatemala	Maria Antonieta de Bonilla	Lizardo Sosa Lopez
Guinea	Madikaba Camara	Eugene Camara
Guinea-Bissau	Joao Aladje Mamadu Fadia	Francisco Correia, Jr.
Guyana	Bharrat Jagdeo	Saisnarine Kowlessar
H		
Haiti	Henri Bazin	Raymond Magloire
Honduras	Arturo Alvarado	Maria Elena Mondragon de Villar
Hungary	Tibor Draskovics	Elemer Tertak
I		
Iceland	Halldor Asgrimsson	Geir Hilmar Haarde
India	P. Chidambaram	D.C. Gupta
Indonesia	Boediono	Hartadi A. Sarwono
Iran, Islamic Republic of	Safdar Hosseini	Mohammad Khazaee Torshizi
Iraq	(vacant)	(vacant)
Ireland	Charlie McCreevy	Tom Considine
Israel	David Klein	Yossi Bachar
Italy	Antonio Fazio	Lorenzo Bini Smaghi
J		
Jamaica	Omar Lloyd Davies	Wesley George Hughes
Japan	Sadakazu Tanigaki	Toshihiko Fukui
Jordan	Bassem I. Awadallah	Tayseer Al-Smadi
K		
Kazakhstan	Grigoriy Aleksandrovich Marchenko	Kayrat Nematovich Kelimbetov
Kenya	David Mwiraria	Joseph Mbui Magari

Member	Governor	Alternate
Kiribati	Nabuti Mwemwenikarawa	Tebwe Ietaake
Korea, Republic of	Hun-Jai Lee	Seung Park
Kuwait	Mahmoud Al-Nouri	Bader Meshari Al-Humaidhi
Kyrgyz Republic	Bolot E. Abildaev	Kubat A. Kanimetov
L		
Lao People's Democratic Republic	Chansy Phosikham	Phouphet Khamphounvong
Latvia	Oskars Spurdzins	Juris Lujans
Lebanon	Fuad A.B. Siniora	Marwan Hemadeh
Lesotho	M.C. Mphutlane	Moliehi Matabane
Liberia	Christian D. Herbert	Harry A. Greaves, Jr.
Libya	Mohamed Ali Elhuwej	Ali Ramadan Shnebsh
Lithuania	Algirdas Butkevicius	Arvydas Kregzde
Luxembourg	Luc Frieden	Jean Guill
M		
Macedonia, former Yugoslav Republic of	Nikola Popovski	Dimko Kokaroski
Madagascar	Zaza Manitranja Ramandimbiarison	Davida Rajaon
Malawi	Goodall E. Gondwe	David Faiti
Malaysia	Abdullah Ahmad Badawi	Samsudin Hitam
Maldives	Fathulla Jameel	Adam Maniku
Mali	Abou-Bakar Traore	Marimantia Diarra
Marshall Islands	Brenson S. Wase	Smith Michael
Mauritania	Abdallah Ould Cheikh-Sidia	Mohamed Ould El Abed
Mauritius	Pravind Kumar Jugnauth	Krishnanand Guptar
Mexico	Francisco Gil Diaz	Alonso Pascual Garcia Tames
Micronesia, Federated States of	Nick L. Andon	Lorin Robert
Moldova	Zinaida Grecianii	Dumitru Ursu
Mongolia	Chultem Ulaan	Ochirbat Chuluunbat
Morocco	Fathallah Oualalou	Abderazzak El Mossadeq
Mozambique	Adriano Afonso Maleiane	Manuel Chang
Myanmar	Hla Tun	Myo Nwe
N		
Namibia	Immanuel Ngatjizeko	Carl-Hermann G. Schlettwein
Nepal	Prakash Chandra Lohani	Bhanu Prasad Acharya
Netherlands	Gerrit Zalm	Agnes van Ardenne
New Zealand	Michael Cullen	John Whitehead
Nicaragua	Luis Eduardo Montiel	Mario Alonso Icabalceta
Niger	Ali M. Lamine Zene	Adamou Namata
Nigeria	Ngozi N. Okonjo-Iweala	Haruna Usman Sanusi
Norway	Hilde Frafjord Johnson	Olav Kjorven
O		
Oman	Ahmed Bin Abdulnabi Macki	Mohammed bin Nasser Al-Khasibi
P		
Pakistan	Shaukat Aziz	Waqar Masood Khan
Palau	Casmir Remengesau	Lawrence Alan Goddard
Panama	Norberto Delgado Duran	Domingo Latorraca
Papua New Guinea	Bart Philemon	Koiari Tarata
Paraguay	Dionisio Borda	Jose Ernesto Buttner Limprich
Peru	Pedro Pablo Kuczynski	Javier Silva Ruete
Philippines	Juanita D. Amatong	Rafael B. Buenaventura
Poland	Leszek Balcerowicz	Jerzy Pruski
Portugal	Manuela Ferreira Leite	Francisco Esteves de Carvalho

Board of Governors *(continued)*

Member	Governor	Alternate
R		
Romania	Mihai Nicolae Tanasescu	Emil Iota Ghizari
Russian Federation	Aleksei Kudrin	German O. Gref
Rwanda	Donald Kaberuka	Celestin Kabanda
S		
St. Kitts and Nevis	Denzil Douglas	Wendell E. Lawrence
St. Lucia	Kenny D. Anthony	Trevor Brathwaite
Samoa	Misa Telefoni Retzlaff	Hinauri Petana
Saudi Arabia	Ibrahim A. Al-Assaf	Hamad Al-Sayari
Senegal	Abdoulaye Diop	Cheikh Hadjibou Soumare
Serbia and Montenegro	Igor Luksic	Mladjan Dinkic
Seychelles	Jeremie Bonnelame	Sylvestre Radegonde
Sierra Leone	Joseph Bandabla Dauda	Samura Kamara
Singapore	Lim Hng Kiang	Lim Siong Guan
Slovak Republic	Ivan Miklos	Elena Kohutikova
Slovenia	Dusan Mramor	Irena Sodin
Solomon Islands	Francis John Zama	Shadrach Fanega
Somalia	(vacant)	(vacant)
South Africa	Trevor Andrew Manuel	Mandisi Bongani Mpahlwa
Spain	Pedro Solbes Mira	David Vegara Figueras
Sri Lanka	Sarath Leelananda Bandara Amunugama	P. B. Jayasundera
Sudan	El Zubair Ahmed El Hassan	Abda Y. El Mahdi
Swaziland	Guduza Dlamini	Musa D. Fakudze
Sweden	Gunnar Lund	Carin Jamtin
Switzerland	Joseph Deiss	Micheline Calmy-Rey
Syrian Arab Republic	Ghassan El-Rifai	Mohammad Hamandosh
T		
Tajikistan	Safarali Najmudinov	Abdulaziz Sharipov
Tanzania	Abdallah Omar Kigoda	Gray S. Mgonja
Thailand	Somkid Jatusripitak	Somchainuk Engtrakul
Togo	M'Ba Legzim	Mewunesso Baliki Pini
Tonga	Siosiua T.T. 'Utoikamanu	Meleseini Lomu
Trinidad and Tobago	Conrad Enill	Alison Lewis
Tunisia	Mohamed Nouri Jouini	Abdelhamid Triki
Turkey	Ibrahim H. Canakci	Aydin Karaoz
Turkmenistan	Shekersoltan Muhammedova	(vacant)
U		
Uganda	Gerald M. Ssendaula	C. M. Kassami
Ukraine	Mykola Azarov	Mykola Derkatch
United Arab Emirates	Hamdan bin Rashid Al-Maktoum	Mohammed Khalfan Bin Khirbash
United Kingdom	Hilary Benn	Gordon Brown
United States	John W. Snow	Alan P. Larson
Uruguay	Isaac Alfie	Ariel Davrieux
Uzbekistan	Rustam S. Azimov	(vacant)
V		
Vanuatu	Jimmy Nicklam	Simeon Athy
Venezuela, República Bolivariana de	Jorge Giordani	Tobias Nobrega Suarez
Vietnam	Le Duc Thuy	Phung Khac Ke
Y		
Yemen, Republic of	Ahmed Mohammed Sofan	Mohammed Al-Sabbry
Z		
Zambia	Ng'andu Peter Magande	Situmbeko Musokotwane
Zimbabwe	Christopher T. Kuruneri	Gideon Gono

APPENDIX B

Board of Directors

Directors and Alternates and Their Voting Power

(as of June 30, 2004)

Director	Alternate Director	Casting Votes of	Total Votes	Percent of Total
Appointed				
Carole Brookins	Robert B. Holland, III	United States	569,629	23.68
(vacant)[a]	Toshio Oya	Japan	141,424	5.88
Eckhard Deutscher	Walter Hermann	Germany	129,158	5.37
Pierre Duquesne	Anthony Requin	France	121,265	5.04
Tom Scholar	(vacant)[b]	United Kingdom	121,265	5.04
Elected				
Kurt Bayer (Austria)	Gino Alzetta (Belgium)	Austria, Belarus, Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey	125,221	5.21
Chander Mohan Vasudev (India)	Akbar Ali Khan (Bangladesh)	Bangladesh, Bhutan, India, Sri Lanka	99,234	4.13
Biagio Bossone (Italy)	Nuno Mota Pinto (Portugal)	Albania, Greece, Italy, Portugal	98,866	4.11
Per Kurowski (Rep. Bol. de Venezuela)	Maria Jesus Fernandez (Spain)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Venezuela (República Bolivariana de)	97,478	4.05
Marcel Masse (Canada)	Gobind Ganga (Guyana)	Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia	92,944	3.86
Ad Melkert (Netherlands)	Tamara Solyanyk (Ukraine)	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Netherlands, Romania, Ukraine	87,113	3.62
Thorsteinn Ingolfsson (Iceland)	Inkeri Hirvensalo (Finland)	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden	86,693	3.60
Alexey G. Kvasov (Russian Federation)	Eugene Miagkov (Russian Federation)	Russian Federation	81,592	3.39
Otaviano Canuto (Brazil)	Gil S. Beltran (Philippines)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Trinidad and Tobago	75,980	3.16
John Austin (New Zealand)	Terry O'Brien (Australia)	Australia, Cambodia, Kiribati, Korea (Republic of), Marshall Islands, Micronesia (Federated States of), Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Vanuatu	73,309	3.05

Board of Directors *(continued)*

Director	Alternate Director	Casting Votes of	Total Votes	Percent of Total
Elected (continued)				
Alieto Guadagni (Argentina)	C. Veronica Querejazu Vidovic (Bolivia)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay	64,144	2.67
Pietro Veglio (Switzerland)	Jakub Karnowski (Poland)	Azerbaijan, Kyrgyz Republic, Poland, Serbia and Montenegro, Switzerland, Tajikistan, Turkmenistan, Uzbekistan	62,601	2.60
Rapee Asumpinpong (Thailand)	Hadiyanto (Indonesia)	Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, Vietnam	59,912	2.49
Louis K. Kasekende (Uganda)	J. Mills Jones (Liberia)	Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	58,873	2.45
Tanwir Ali Agha (Pakistan)	Sid Ahmed Dib (Algeria)	Afghanistan, Algeria, Ghana, Iran (Islamic Republic of), Iraq, Morocco, Pakistan, Tunisia	46,377	1.93
Mahdy Ismail Aljazzaf (Kuwait)	Mohamed Kamel Amr (Arab Republic of Egypt)	Bahrain, Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)	34,079	1.42
Yahya Abdulla M. Alyahya (Saudi Arabia)	Abdulrahman M. Almofadhi (Saudi Arabia)	Saudi Arabia	30,312	1.26
Zhu Guangyao (China)	Wu Jinkang (China)	China	24,750	1.03
Paulo F. Gomes (Guinea-Bissau)	Louis Philippe Ong Seng (Mauritius)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (Democratic Republic of), Congo (Republic of), Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Senegal, Togo	22,947	0.95

In addition to the directors and alternates shown in the foregoing list, the following Directors also served after June 30, 2003: Amaury Bier (Brazil), to Jan. 9, 2004; Yuzo Harada (Japan), to June 15, 2004; Neil F. Hyden (Australia), to Aug. 14, 2003; Finn Jonck (Denmark), to Oct. 7, 2003; Franco Passacantando (Italy), to Sept. 25, 2003. The following Alternate Directors also served after June 30, 2003: Eckhardt Biskup (Germany), to Aug. 31, 2003; Dong-Soo Chin (Korea, Republic of), to July 22, 2003; Helena Cordeiro (Portugal), to Sept. 11, 2003; Emmanuel Moulin (France), to July 22, 2003; Alfonso C. Revollo (Bolivia) and Rosemary B. Stevenson (United Kingdom), to May 14, 2004; Sharon Weber (Jamaica), to Nov. 14, 2003; Masanori Yoshida (Japan), to July 11, 2003.

Note: Somalia (333 votes) did not participate in the 2002 Regular Election of Directors.

a. To be succeeded by Yoshio Okubo (Japan) effective July 6, 2004.
b. To be succeeded by Caroline Sergeant (United Kingdom) effective July 29, 2004.

APPENDIX C

IFC Organization and Management

IFC Management 2004

President[1]	James D. Wolfensohn
Executive Vice President[2]	Peter L. Woicke
Vice President and Corporate Secretary[1]	W. Paatii Ofosu-Amaah
Compliance Advisor/Ombudsman[3]	Meg Taylor
Vice President, Legal	Carol F. Lee
Vice President, Human Resources and Administration	Dorothy H. Berry
Vice President, Operations	Assaad J. Jabre
Vice President, Portfolio and Risk Management	Farida Khambata
Vice President, World Bank/IFC Private Sector Development and IFC Chief Economist	Michael Klein
Vice President, Finance	Nina Shapiro

REGIONAL DEPARTMENTS

Sub-Saharan Africa

Director (Johannesburg)	Richard Ranken
Associate Director, SME Programs and Technical Assistance Operations	Mwaghazi Mwachofi
Associate Director, Investment Operations	Thierry Tanoh
SME Solutions Center, Manager (Johannesburg)	Ibrahima Diong
Manager, East Africa (Nairobi)	Jean Philippe Prosper
Country Manager, Central Africa (Douala)	Cheikh Oumar Seydi
Country Manager, Ghana (Accra)	(vacant)
Country Manager, Madagascar	(vacant)
Country Manager, Nigeria (Lagos)	Andrew Alli
Country Manager, Senegal (Dakar)	(vacant)

East Asia and the Pacific

Director	Javed Hamid
Senior Manager, Business Development (Hong Kong)	Timothy Krause
Senior Manager, China and Mongolia (Beijing)	Karin Finkelston
Manager, Business Development (Hong Kong)	Azmat Taufique
Country Manager, Indonesia (Jakarta)	German Vegarra

See page 63 for IFC organizational chart.

Country Manager, Philippines (Manila)	Vipul Bhagat
Country Manager, Thailand (Bangkok)	Michael Higgins
Country Manager, Vietnam, Laos, and Cambodia (Hanoi)	Deepak Khanna
Manager, Strategy and Coordination	Amitava Banerjee

South Asia

Director	Iyad Malas
Senior Manager, India (New Delhi)	Vipul C. Prakash
Head, Strategy and Coordination	Neil Gregory

Central and Eastern Europe

Director (Moscow)	Edward Nassim
Director, Private Enterprise Partnership (Moscow)	Christian Grossmann
Manager, Strategy and Coordination	Kutlay Ebiri
Southern Europe and Central Asia Director (Istanbul)	Khosrow Zamani
Associate Director (Istanbul)	Shahbaz Mavaddat
Manager (Istanbul)	Sita Ramaswami
Manager (Istanbul)	Vincent Rague

Latin America and the Caribbean

Director (Rio de Janeiro)	Atul Mehta
Associate Director (São Paulo)	Saran Kebet Koulibaly
Country Manager and Regional Representative, Andean Region (Bogotá)	Serge Devieux
Country Manager, Mexico and Central America (Mexico City)	Paolo Martelli
Senior Strategy Officer	Eduardo Wallentin

Middle East and North Africa

Director (Cairo)	Sami Haddad
Associate Director, General Business Development	Abdelkader H. Allaoua
Country Manager, Pakistan (Islamabad)	Farid Dossani
Manager, Business Development	Vivek Pathak
Head, Dubai Office	(vacant)
Head, Strategy and Coordination	Peggy Henderson

INDUSTRY DEPARTMENTS

Agribusiness

Director	Jean-Paul Pinard
Senior Manager, Portfolio and Credit Review	Macadou N'Daw
Senior Manager, New Investments	Oscar Chemerinski

Global Financial Markets

Director	Jyrki Koskelo
Manager, Transaction Group	Edward Strawderman
Associate Director, Field and Portfolio	Mark Alloway
Regional Head, Central and Eastern Europe (Moscow)	Alireza Zavar
Regional Head, South Asia and MENA (Dubai)	Jan Van Bilsen
Regional Head, Southern Europe and Central Asia (Istanbul)	Martin Kimmig
Regional Head, Sub-Saharan Africa (Johannesburg)	Dolika Banda
Manager, East Asia	Loy Pires
Associate Director, Financial Engineering	Shidan Derakhshani
Manager, Institution Building and New Product Development	Georgina Baker
Manager, Microfinance	S. Aftab Ahmed
Manager, Nonbank Financial Institutions	Marcos Brujis
Head, Banking	Joao Lucas Duchene
Head, Global Financial Markets Strategy	Denis Lionel Chaput
Associate Director, Operations	Mamta Shah
Head, Regional Coordinator for CAF and CSA	Ayaan Adam
Head, Regional Coordinator for CEA and MENA	Hans-Jorg Paris
Head, Regional Coordinator for CEU and SECA	Rosy Khanna
Head, Regional Coordinator for CLA	James Scriven
Head, Special Projects	Jean-Marie Masse

Global Information and Communication Technologies[4]

Director	Mohsen Khalil
Manager, Portfolio and Credit Review	Joseph Solan
Manager, New Investments	Stephanie von Friedeburg
Manager, Internet Group	Ravi Vish

Global Manufacturing and Services

Director	Dimitris Tsitsiragos
Associate Director, Sustainability and Global Portfolio	Michael Essex
Senior Manager, Training and Development	Robin Glantz
Manager, Sector Group I	Sujoy Bose
Manager, Sector Group II	Stephanie Fremann
Manager, Sector Group III	Ritva Laukkanen
Manager, Global Transaction Group	Snezana Stoiljkovic

Health and Education

Director	Guy Ellena
Manager, Business Development	Shilpa Patel
Manager, Credit Review and Portfolio	Sybile Lazar

Infrastructure

Director	Francisco Tourreilles
Senior Manager, Transport Services	Ravinder Bugga
Manager, New Investments	Darius Lilaoonwala
Manager, Portfolio and Credit Review	Apinya Suebsaeng
Manager, Portfolio and Credit Review	Paul Baribeau
Manager, Infrastructure	Amnon Mates
Manager, Utilities	Usha Rao-Monari

Oil, Gas, Mining, and Chemicals[4]

Director	Rashad-Rudolf Kaldany
Senior Manager, Mining	Kent E. Lupberger
Senior Manager, Oil and Gas	Somit Varma
Manager, Chemicals	Lance Crist
Manager, Portfolio and Credit Review	Kalada Harry

Private Equity and Investment Funds

Director	Haydée Celaya
Manager, Portfolio Operations	David Wilton

Small and Medium Enterprise[5]

Director	Laurence Carter
Senior Manager, Facilities	Max Aitken
Manager, Donor Funded Operations	Mariann Kurtz Weber
Manager, Linkages	Sujata Lamba

Trust Funds

Director	Uday Wagle
Manager	Mariko Higashi

DEPARTMENTS

Controller's and Budgeting

Director	Allen F. Shapiro
Senior Manager, Budgeting	Richard J. Moss
Manager, Financial Reporting and Accounting Policy	Paul B. Bravery
Manager, Internal Controls and Special Projects	Nicholas Pardoe
Senior Adviser, Loss Provisioning	Guy A. de Clercq

Corporate Business Informatics

Chief Information Officer	Guy-Pierre de Poerck
Senior Manager, Development and Informatics	Wajdi Bustani
Manager, Business Informatics	Paul Standen

Corporate Governance [6]

Director	Teresa Barger

Corporate Portfolio Management

Director	Marc Babin
Head, Equity and Portfolio Management	Sebastian Thiriez

Corporate Relations

Manager	Joseph O'Keefe

Corporate Risk Management and Financial Policy

Associate Director	Lakshmi Shyam-Sunder

Credit Review

Director	Sakdiyiam Kupasrimonkol
Chief Credit Officer	Mun Fui Wong
Chief Credit Officer	Eduardo Abello
Chief Credit Officer	Vincent Polizatto

Environment and Social Development

Director	Rachel Kyte
Manager, Environmental Markets Group	Louis Boorstin
Senior Manager, Project Support Group	William Bulmer
Manager, Insurance Services Group	Merunisha Ahmid
Manager, Market Development	(vacant)

Financial Operations

Director	Avi Hofman
Manager, Loan and Equity Operations Support	Soon-Wan Ooi
Manager, Investment Accounting, Compliance and Custody	Karen Jones

Grassroots Business Organizations

Director	Harold Rosen

Human Resources and Administration

Vice President	Dorothy H. Berry
Associate Director, HR Development	Esteban Altschul
Manager, Compensation and Special Projects	Daniel Tytiun
Manager, Facilities and Administration	Geoffrey A. Willing
Manager, Leadership Development	Helen Frick
Human Resources Team Manager	Eva Mennel
Human Resources Team Manager	Anne Sahl

Legal Department

General Counsel	Jennifer Sullivan
Chief Counsel, Finance	Victoria C. Choy
Chief Counsel	David Harris
Chief Counsel	Eduardo A. Hernandorena
Chief Counsel	David McLean
Chief Counsel	Christian Philip
Chief Counsel	George Springsteen

Operational Strategy Group

Senior Manager	Toshiya Masuoka

Operations Evaluation Group [7]

Director	William E. Stevenson

Resource Mobilization

Director	Jonathan Hakim
Manager, B-Loan Management	Mary Elizabeth Ward

Treasury

Deputy Treasurer—Head of Funding	John Borthwick
Deputy Treasurer—Head of Liquid Asset and Cash Management	Mark Spindel
Deputy Treasurer—Head of Derivative Products and Asset Liability Management	Shanker Krishnan
Deputy Treasurer—Head of Quantitative Analysis	Takehisa Eguchi
Deputy Treasurer—Global Head of Structured Finance	Lee Meddin

PROJECT DEVELOPMENT FACILITIES

Africa Project Development Facility (APDF)

General Manager (Johannesburg)	(vacant)

China Project Development Facility (CPDF)

General Manager (Chengdu)	Eric Siew

Program for Eastern Indonesia SME Assistance (PENSA)

General Manager (Bali)	Chris Richards

LAC SME Facility

General Manager	Anita Bhatia

Mekong Private Sector Development Facility (MPDF)

General Manager (Hanoi)	Adam Sack

North Africa Enterprise Development (NAED)

General Manager, Private Enterprise Partnership—Middle East and NAED	Jesper Kjaer
Program Manager (Cairo)	Antoine Courcelle-Labrousse
Program Manager (Algiers)	Houria Sammari
Program Manager (Rabat)	Joumana Cobein

Pacific Enterprise Development Facility (PEDF)

General Manager (Sydney)	Denise Aldous

SouthAsia Enterprise Development Facility (SEDF)

General Manager (Dhaka)	Anil Sinha

Southeast Europe Enterprise Development (SEED)

General Manager (Sarajevo)	Alex Paine

OTHER

Director, Tokyo Office (Japan)	Motoharu Fujikura
Special Representative in Europe (Paris)	Wolfgang Bertelsmeier
Special Representative in Europe (Frankfurt)	Oltmann G. Siemens

Municipal Fund

Director	Declan J. Duff

Private Sector Advisory Services

Director	Bernard Sheahan
Manager, Privatization Policy and Transactions	Denise Leonard
Manager, Privatization Policy and Transactions	David Donaldson

Private Sector Development

Director, Investment Climate Department and General Manager, FIAS	Neil Roger
Manager, Foreign Investment Advisory Service	Thomas Davenport
Manager, Monitoring and Analysis Group	Simeon Djankov
Lead Economist (Sydney)	Russell Muir
Lead Economist	(vacant)

Special Operations Group

Director	Maria Da Graça Domingues

1. These officers hold the same position in IBRD.
2. Also serves as Managing Director for the World Bank, with responsibility for Private Sector Development across the Bank Group.
3. Reports directly to James D. Wolfensohn.
4. Reports to IBRD Vice President, Infrastructure, as well as IFC Vice President, Operations, and IFC Vice President, Portfolio and Risk Management on portfolio matters.
5. Reports to IFC Vice President, Operations as well as to World Bank/IFC Vice President, Private Sector Development and IFC Chief Economist.
6. Reports to IFC Vice President, Portfolio and Risk Management as well as to World Bank/IFC Vice President, Private Sector Development and IFC Chief Economist.
7. Reports directly to Director General, Operations Evaluation, IBRD and to IFC Executive Vice President.

APPENDIX D

IFC Field Representatives and Contacts

Country	City	Name	Title
Albania	Tirana	Elira Sakiqi	Country Officer
Albania (SEED)	Tirana	Anila Bashllari	Program Coordinator
Algeria (NAED)	Algiers	Houria Sammari	Program Manager
Argentina	Buenos Aires	Yolande Duhem	Country Manager
Armenia	Yerevan	Nerses Karamanukyan	Sr. Projects Officer
Australia (FIAS)	Sydney	Andrew Proctor	Regional Manager
Australia (PEDF)	Sydney	Denise Aldous	General Manager
Azerbaijan	Baku	Aliya Nuriyeva	Program Coordinator
Bangladesh	Dhaka	Hafeezuddin Ahmad	Resident Representative
Bangladesh (SEDF)	Dhaka	Anil Sinha	General Manager
Belarus	Minsk	Ivan Ivanov	Project Manager
Bolivia	La Paz	Paolo Martelli	Country Manager
Bosnia and Herzegovina	Sarajevo	Sita Ramaswami	Country Manager (based in Istanbul)
Bosnia and Herzegovina (SEED)	Sarajevo	Alex Paine	General Manager
Brazil	Rio de Janeiro	Atul Mehta	Director
Brazil	São Paulo	Saran-Kebet-Koulibaly	Associate Director
Bulgaria	Sofia	Sujata Lamba	Country Manager (based in Istanbul)
Cameroon	Douala	Oumar Seydi	Country Officer
Cameroon (APDF)	Douala	David Ashiagbor	Business Development Officer
Chile	Santiago	Yolande Duhem	Country Manager
China	Hong Kong	Tim Krause	Senior Regional Manager
China	Beijing	Karin Finkelston	Country Manager
China (CPDF)	Chengdu	Eric Siew	General Manager
Colombia	Bogota	Serge Devieux	Resident Representative
Côte d'Ivoire	Abidjan	(vacant)	
Croatia	Zagreb	Roberto Albisetti	Country Manager (based in Belgrade)
Czech Republic	Prague	Charles van der Mandele	Head of Special Operations
Dominican Republic	Santo Domingo	Salem Rohana	Regional Representative
Egypt, Arab Republic of	Cairo	Sami Haddad	Director
Egypt, Arab Republic of (NAED)	Cairo	Jesper Kjaer	General Manager
France	Paris	Wolfgang Bertelsmeier	Special Representative for Europe
Georgia	Tbilisi	(vacant)	
Germany	Frankfurt	Oltmann Siemens	Special Representative for Europe
Ghana	Accra	Kirsten Fenster	Country Officer
Ghana (APDF)	Accra	Modou Badara Njie	Regional Manager
India	Mumbai	(vacant)	
India	New Delhi	Iyad Malas	Director
Indonesia	Jakarta	German Vegarra	Country Manager
Indonesia (PENSA)	Bali	Christopher Richards	General Manager
Japan	Tokyo	Motoharu Fujikura	Director

IFC Field Representatives and Contacts *(continued)*

Country	City	Name	Title
Kazakhstan	Almaty	Gorton De Mond	Country Manager
Kazakhstan	Almaty	Valerian Khagay	Country Manager
Kenya	Nairobi	Jean Philippe Prosper	Regional Manager
Kyrgyz Republic	Bishkek	Gulnura Djuzenova	Country Officer
Macedonia, Former Yugoslav Republic of	Skopje	Sita Ramaswami	Country Manager (based in Istanbul)
Madagascar (APDF)	Antananarivo	Henri E. Rabarijohn	Regional Manager
Mexico and Central America	Mexico D.F.	Paolo Martelli	Country Manager
Moldova	Chisinau	Roberto Albisetti	Country Manager (based in Belgrade)
Morocco (NAED)	Rabat	Joumana Cobein	Program Manager
Mozambique (APDF)	Maputo	Issufo Caba	Business Development Officer
Nigeria	Lagos	Andrew Alli	Country Manager
Pakistan	Islamabad	Farid Dossani	Country Manager
Pakistan	Karachi	Zunee Muhtashim	Investment Officer
Paraguay	Asunción	Yolande Duhem	Country Manager
Peru	Lima	Per Kjellerhaugh	Resident Representative
Peru (LAC SME Facility)	Lima	Anita Bhatia	General Manager
Philippines	Manila	Vipul Bhagat	Country Manager
Poland	Warsaw	Mary Lystad	Senior Investment Officer
Romania	Bucharest	Ana Maria Mihaescu	Chief of Mission
Russian Federation	Moscow	Edward Nassim	Director
Russian Federation (PEP)	Moscow	Christian Grossmann	Director
Senegal	Dakar	Mariéme D. Travaly	Country Officer
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Anglo Irish Bank Corporation plc
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Banca Intesa SpA
Banca Monte dei Paschi di Siena SPA
Banco Atlantico SA
Banco Bilbao Vizcaya Argentaria, S.A.
Banco Espirito Santo SA
Bank of America NA
Bank of Bahrain and Kuwait BSC
Bayerische Hypo- und Vereinsbank AG
Bayerische Landesbank
BNP Paribas
BRE Bank SA
BRED Banque Populaire
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DBS Bank Limited
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Deutsche Bank AG
Dexia SA
Erste Bank der Oesterreichischen Sparkassen AG
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Gulf International Bank BSC
HSBC Group
HSH Nordbank AG
ING Group
International Finance Participation Trust
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Equator Principles: *Adopting Institutions*

The following financial institutions had adopted the Equator Principles as of June 30, 2004. For more information on the principles, see p. 17.

ABN AMRO Bank NV
Banco Bilbao Vizcaya Argentaria, S.A.
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Citigroup Inc.
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Dexia SA
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*Credit Agricole Indosuez and Credit Lyonnais merged to form Calyon on April 30, 2004.

APPENDIX H

Acronyms, Notes, and Definitions

ACRONYMS

APDF	Africa Project Development Facility
ASEAN	Association of Southeast Asian Nations
CAO	Compliance Advisor/Ombudsman
CBF	Capacity Building Facility
CCF	Corporate Citizenship Facility
EBRD	European Bank for Reconstruction and Development
EOF	Environmental Opportunities Facility
EU	European Union
FDI	foreign direct investment
FIAS	Foreign Investment Advisory Service
FMAS	Financial Markets Advisory Services
FY	fiscal year
GDP	gross domestic product
GEF	Global Environment Facility
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IT	information technology
MENA	Middle East and North Africa
MIGA	Multilateral Investment Guarantee Agency
MPDF	Mekong Private Sector Development Facility
NGO	nongovernmental organization
OECD	Organisation for Economic Co-operation and Development
OEG	Operations Evaluation Group
PEP	Private Enterprise Partnership
PEP-ME	Private Enterprise Partnership for the Middle East
SEDF	SouthAsia Enterprise Development Facility
SEED	Southeast Europe Enterprise Development
SFMF	Sustainable Financial Markets Facility
SME	small and medium enterprise
SRI	socially responsible investment
TATF	Technical Assistance Trust Funds
USAID	U.S. Agency for International Development
WTO	World Trade Organization

NOTES AND DEFINITIONS

A-loan and B-loan. A single loan agreement between the borrower and IFC normally stipulates the full amount of financing to be provided by IFC and the participating institutions. The IFC loan may be in two portions: (1) the A-loan is IFC's own portion, funded with IFC's own resources and subject to its agreed loan terms; (2) the B-loan is funded by participants on terms that may differ from those of IFC.

Commitments include (1) signed loan and equity (including quasi-equity) investment agreements; (2) signed guarantee agreements; and (3) risk management facilities that are considered ready for execution as evidenced by a signed International Swaps and Derivatives Association agreement or a signed risk management agreement with a client.

Disbursements are loans and investments paid out.

The fiscal year at IFC runs from July 1 to June 30. Thus, FY04 began on July 1, 2003, and ended on June 30, 2004.

Investment amounts are given in U.S. dollars, regardless of the currencies of the investment. Investment amounts in non-U.S.-dollar currencies are revalued on the ending day of the month in which they are approved.

On-lending is the process of lending funds from the IFC's own sources through intermediaries, such as local banks.

Participants and IFC fully share the commercial credit risks of projects, but because IFC is the lender of record, participants receive the same tax and country risk benefits that IFC derives from its special status as a multilateral financial institution.

Quasi-equity instruments incorporate both loan and equity features, which are designed to provide varying degrees of risk/return trade-offs that lie between those of straight loan and equity investments.

Rounding of numbers may cause totals to differ from the sum of individual figures in some tables.

The World Bank includes both IBRD and IDA.

The World Bank Group includes IBRD, IDA, IFC, MIGA, and ICSID.

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At IFC our mandate is to further sustainable economic development through the private sector. We pursue this goal through innovative solutions to the challenges of development, as we invest in companies and financial institutions in emerging markets and as we help build business skills. We consider positive development impact an integral part of good business, and we focus much of our effort on the countries with the greatest need for investment. We recognize that economic growth is sustainable only if it is environmentally and socially sound and helps improve the quality of life for those living in developing countries.

THE IFC ANNUAL REPORT ON THE WEB, www.ifc.org/ar2004, is a companion to this printed edition. It provides easy navigation and downloading of data related to IFC investment projects.

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