



# 1 highlights and leadership

## where innovation meets impact

More than 200 million people in the developing world were out of work this year. Over 1 billion are hungry, while millions more are confronting the threat that climate change poses. The United Nations estimates that 884 million people don't have safe drinking water and more than 2.6 billion people lack basic sanitation. The population of the developing world will expand by a third over the next four decades, growth that will strain already weak infrastructure.

In this environment, IFC is innovating to create opportunity where it's needed most. We committed a record \$18 billion in fiscal year 2010, \$12.7 billion of which was for our own account. We invested in 528 projects, an 18 percent increase from FY09. Our Advisory Services portfolio comprised 736 active projects valued at more than \$850 million, with annual expenditures totaling \$268 million.

Countries served by the International Development Association, or IDA, accounted for nearly half our investments—255 projects totaling \$4.9 billion—and more than 60 percent of our Advisory Services expenditures. Sub-Saharan Africa accounted for 19 percent of our investment commitments and 25 percent of our Advisory Services expenditures. We invested a record \$1.64 billion in clean energy, leveraging \$6.8 billion, while climate change-related projects grew to 15 percent of the value of our Advisory Services portfolio. Our investments in microfinance rose 10 percent to \$400 million, expanding our microfinance portfolio to \$1.2 billion.



# Letter from the World Bank Group President



ROBERT B. ZOELICK  
WORLD BANK GROUP  
PRESIDENT

More than two years after the onset of the financial crisis, the economic recovery remains fragile and uncertain. Billions of people continue to struggle to provide for themselves and their families. With government resources constrained by lower tax revenues and higher expenditures to assist those hurt by the crisis, financing to invest in infrastructure and other long-term drivers of growth is often lacking. Small businesses have trouble accessing the loans they need to hire

new workers and expand into new markets. Yet a healthy, forward-looking private sector is fundamental to achieving a sustained recovery that creates jobs and opportunity while building wealth from the bottom up.

In a shifting economic landscape, the World Bank Group is responding with speed, innovation, and a focus on results.

IFC's work over the last year exemplifies that response. I am pleased to introduce an Annual Report that shows how IFC is addressing the world's most difficult challenges based on the belief that the private sector in developing countries will be the engine of inclusive and sustainable growth. With its partners in the private and public sectors, IFC offered hope and a hand up to millions of vulnerable people in 2010. IFC financed a record number of projects. It concentrated more of its resources in countries served by the International Development Association, particularly in Sub-Saharan Africa. In these and other less developed regions, IFC is providing urgently needed support to entrepreneurs, small and midsize businesses, farmers, and growing enterprises; giving businesses access to trade finance; helping develop new business opportunities with renewable and efficient energy sources; and advising governments on ways to enhance the investment climate and spur public-private partnerships.

In the emerging multipolar economy, the world can no longer rely on a few developed countries as the sources of growth. The developing world's share of global GDP in purchasing-power-parity terms reached 43 percent in 2010—a trend that will continue in the years ahead. With IFC's help, emerging economies are becoming critical new poles of growth with dynamic private sectors. These private sectors will add to innovation, inventiveness, new business models, more services for the public—and stronger societies.



RESPONDING WITH  
INNOVATION

IFC offered hope and  
a hand up to millions of  
vulnerable people in 2010.

In 2010, IFC's commitments—including the funds it mobilized from other sources—expanded by 24 percent. IFC invested \$4.9 billion for its own account in 58 IDA countries, a reflection of its commitment to establishing a thriving private sector in the poorest regions. Sub-Saharan Africa accounted for 116 IFC projects. IFC's work is helping conflict-scarred countries to start and build businesses as they put people back to work. In post-earthquake Haiti, IFC will help the country build back better by improving prospects for the private sector.

IFC's influence reaches far beyond straightforward investments. In its search for new ways to channel finance to the poor seeking opportunity, the groundbreaking IFC Asset Management Company showed great promise in its first year. Its African, Latin American, and Caribbean Fund raised \$950 million from sovereign and pension funds attracted by IFC's expertise in developing countries. This is part of a new financial intermediation model in development that we believe will continue to grow in the future. Increasingly, long-term investors are recognizing growth opportunities in Africa and other less developed regions, and they are recognizing how IFC's experience, track record, and high standards can help them explore new possibilities for returns.

IFC's cooperation with other units of the World Bank Group enhanced its effectiveness in 2010. A new agreement will allow IFC to market the products of the Multilateral Investment Guarantee Agency, a deal that will give businesses added comfort as they move into riskier markets.

At the same time, a series of operational reforms are enhancing the World Bank Group's effectiveness by making our institution more accountable and transparent. We are changing our approach to investment lending to put greater emphasis on results and risk management and providing more resources to fight corruption. An agreement on cross-debarment we signed with the other multilateral development banks will ban firms that cheat one of our institutions from dealing with all the others. These reforms will be bolstered by the World Bank Group's increase in voting power for developing and transition countries.

I want to thank IFC's staff for the hard work that made 2010 such a successful year. In an economic environment beset by setbacks, they rose to the occasion, tackling stiff challenges with fresh ideas, ingenuity, and boundless energy. I also want to thank Lars Thunell, whose leadership, stewardship, and top-notch team helped deliver IFC's record performance. Our Board of Governors, Board of Directors, and our contributors and partners deserve praise as well. Their input and guidance is a critical factor in our success.

Robert B. Zoellick  
World Bank Group President

# letter from IFC Executive Vice President and Chief Executive Officer



The role of the private sector in development has never been more important.

In a world with vast and shifting development needs and increasing constraints on public funding, the private sector creates jobs and opportunity, helping the poor improve their lives, generating tax revenues for governments, and providing the global economy with new sources of growth. IFC, the largest international development institution focused on the private sector, is helping link dynamic companies and industries with the needs of the poor.

IFC is where innovation meets impact.

We provide value for money—through the resources we mobilize, the advice we provide, and the example we set for sustainable development. This Annual Report highlights IFC's achievements in confronting the biggest development challenges of our time, challenges that have existed for generations but grown more severe in the economic turbulence of recent years.

Rising unemployment has prolonged the cycle of poverty in the world's poorest regions. More than 1 billion people are hungry. Nearly 900 million go without safe drinking water. More than 1.5 billion people lack access to electricity. Sixty-nine million school-age children do not attend school, mainly because their families cannot afford it.

IFC is there to help.

We provide financing and advice that lets small entrepreneurs expand their businesses and hire new workers. The advice we offer helps companies and governments raise social and environmental standards, and mitigate risks. The funds we leverage from other sources bring additional capital to worthy projects. Our standard-setting work builds stronger companies and industries over the long term. We are a leader in measuring development results, which allows us and our stakeholders to gauge our performance and improve on it.

In neglected regions of Sub-Saharan Africa, impoverished parts of South Asia, or struggling areas of Latin America, our work can be transformative.

In fiscal year 2010, as never before, we mobilized our global expertise and financial resources so private enterprises could maximize their development impact while realizing the significant commercial benefit of investing in emerging markets. We did it while putting a greater emphasis on the world's poorest areas, and helping companies in developing countries invest in other developing countries, furthering the trend of "South-South" investment.

IFC invested a record \$18 billion in FY10—\$13 billion of which was for our own account—in 528 projects in 103 countries. We mobilized more than \$5 billion from others, another landmark. Our Advisory Services expenditures totaled \$268 million. Our investments in Sub-Saharan Africa increased by a third to \$2.4 billion, an all-time high. In 2009, our clients provided more than 161,000 jobs in the region.



#### PROVIDING VALUE FOR MONEY

In 2009, our clients provided 2.2 million jobs, treated nearly 8 million patients, helped educate 1.4 million students, and supported 2.1 million farmers.



Crucially, more of our work than ever was in countries served by the International Development Association, a top priority. We invested a record \$4.9 billion in 255 projects in 58 IDA countries. Those countries accounted for nearly two-thirds of IFC Advisory Services activities. We are deepening our engagement in these countries in six ways, including investments, advice, resource mobilization, and direct contributions to the replenishment of IDA.

We know that it takes more than volume to meet the needs of the poor. That is why we carefully target our resources, selecting where our financing and advice can be deployed most effectively. And we set measurable goals to gauge our impact, and improve our performance.

In 2009, our clients provided 2.2 million jobs, including nearly 514,000 in the manufacturing and services sectors. They treated nearly 8 million patients, helped educate 1.4 million students, and supported 2.1 million farmers. They distributed water to 35 million customers, power to 29 million customers, and gas to 16 million. Micro, small, and medium enterprises, the businesses responsible for most of the world's job creation, received 10 million loans totaling \$112 billion from our clients.

Our results highlight the expertise we have developed in more than 50 years of investing in emerging markets. They also show that strong development impact is compatible with strong financial returns. Our net income topped \$1.7 billion in FY10, after a \$200 million transfer to IDA. That sturdy financial position gives us the capacity to boost our activities with existing clients, and expand our reach into new regions and industries.

IFC's track record as a leader in microfinance, which allows poor families to invest in business and education, was enhanced in 2010. We invested a record \$400 million in microfinance, taking our microfinance portfolio to \$1.2 billion during the fiscal year. In another priority area—climate change—our performance also was strong. Clean-energy investments topped \$1.4 billion, another best-ever amount, and we leveraged \$6.8 billion for such investments.

Our work was innovative in other areas as well. During its first year of existence, IFC Asset Management Company began to deliver on its promise, establishing a new platform for mobilizing

investment for development. It invested \$236 million in IFC projects, and attracted investor commitments of \$950 million to its IFC African, Latin American, and Caribbean Fund. As it continues to grow, I believe AMC will be a vital new source of funding for private enterprise in developing countries, helping more people improve their lives.

I saw the impact of our work firsthand, as I met this year with clients, government officials, and entrepreneurs in places like India, Ukraine, and Egypt.

In India, for example, we are bringing innovation and new ideas to the low-income states that account for 40 percent of the country's population but receive hardly any of its foreign direct investment. With our support, a client in the state of Jharkhand is helping young girls from poor villages train to become nurses and giving small farmers access to new markets for their goods. That's just one example. The projects I saw throughout India show how we can help the country—and many others—“do more for less for many.”

While 2010 was a milestone year for IFC, we can improve. That's why we strive to learn from our experience—at all levels of the organization—and put our findings into practice. To become a stronger institution, we are organizing IFC to put ourselves in a better position to engage with clients and reach even more poor people. That process will ensure that we build on our recent accomplishments in the decades to come.

I want to thank the team of professionals at IFC for their incredible work in 2010. In an era marked by uncertainty, they have helped millions of people improve their lives—a tremendous achievement. I also want to thank our Board of Directors for their support, which plays a crucial role in our success. I'm proud to be a part of the team at IFC, and I look forward to making further progress in 2011 in mobilizing the power of the private sector in the fight against poverty.

A handwritten signature in black ink, appearing to read "Lars H. Thunell".

Lars H. Thunell  
IFC Executive Vice President  
and Chief Executive Officer

# IFC's Management Team

Our seasoned team of executives ensures that IFC's resources are deployed effectively, with a focus on maximizing development impact and meeting the needs of our clients. IFC's Management Team benefits from years of development experience and a diversity of knowledge and cultural perspectives—qualities that enhance IFC's uniqueness. The team shapes our strategy and policies, strengthening IFC's financial sustainability and positioning us to help improve the lives of more poor people in the developing world. Our executives are vital in maintaining IFC's corporate culture of performance, accountability, and engagement.



**LARS H. THUNELL**  
Executive Vice President and  
Chief Executive Officer



**RASHAD KALDANY**  
Vice President, Asia, Eastern Europe,  
Middle East and North Africa



**RACHEL ROBBINS**  
Vice President and General Counsel



**DOROTHY BERRY**  
Vice President, Human Resources,  
Communications, and Administration



**CARLOS BRAGA**  
Acting Vice President and  
Corporate Secretary



**JANAMITRA DEVAN**  
Vice President, Financial and  
Private Sector Development



**JYRKI KOSKEHO**  
Vice President, Global Industries



**RACHEL KYTE**  
Vice President, Business  
Advisory Services



**MICHEL MAILA**  
Vice President, Risk Management



**NINA SHAPIRO**  
Vice President, Finance and Treasurer



**THIERRY TANOH**  
Vice President, Sub-Saharan Africa,  
Latin America and the Caribbean,  
and Western Europe



**GAVIN E.R. WILSON**  
CEO, IFC Asset Management  
Company, LLC