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our products, roles,
and expertise

where values

As the largest global development finance institution focused on the private sector, IFC plays a distinctive role in creating opportunity in emerging markets.

We catalyze private sector growth wherever we can make the biggest difference—by leading the way and demonstrating to others the value of achieving strong development results. We leverage our leadership role in private sector development—by helping raise global standards for sustainable development, and by collaborating with others to address the most urgent development challenges of our time.

We mobilize resources far beyond our own, enlarging the pool of capital and expertise available to the poorest countries and regions of the world.

meet purpose

In our activities, we bring several advantages to bear.

IFC has a strong financial position—and a record of strong performance in both good times and bad—that makes us a reliable long-term partner to our clients. We have a history of developing innovative products and services that help them succeed and expand. We have a growing focus on the world’s poorest countries and regions—and a growing portfolio involving micro, small, and medium enterprises, which play a critical role in creating jobs and expanding opportunity.

what we do

We provide more than money. We blend investment with advice to help the private sector find solutions to today's greatest development challenges.

IFC's three businesses — Investment Services, Advisory Services, and Asset Management — are mutually reinforcing, delivering global expertise to clients in more than 100 developing countries.

We provide financing for both immediate and long-term needs, and we combine it with advice that helps companies grow quickly and sustainably — by innovating, raising standards, mitigating risk, and sharing expertise across industries and regions.

We mobilize resources from our many partners, enlarging the pool of capital and expertise available for improving the lives of people in developing countries. This work sets an example for the private sector and helps influence policy, deepening our impact on the poor. As a result, low-income families are gaining better access to schools and hospitals. Residents of remote villages are gaining connections to urgently needed water and power sources. And small farmers are improving their ability to sell their goods by tapping into the global supply chain.

Whether investing, advising, or mobilizing funds, we use our combined global presence and local knowledge to deliver results, *creating opportunity where it's needed most.*



 **International Finance Corporation**
World Bank Group

IFC Brand Value Proposition

INNOVATION Engaging Partners, Devising Solutions	DEMONSTRATION Mobilizing Capital, Setting Standards	INFLUENCE Shaping Policy, Proving Concepts	IMPACT Achieving Results, Sharing Ideas
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Creating Opportunity Where It's Needed Most

our three
businesses:

IFC Investment Services

As the developing world's largest provider of multilateral financing to the private sector, IFC offers crucial investment services in areas that aren't traditionally a focus for private sector capital. Our broad suite of financial products and services ease poverty and spur long-term growth by promoting worthy enterprises, encouraging entrepreneurship, and mobilizing resources that wouldn't otherwise be available. Importantly, our investment services provide a critical reminder that investors can boost development in emerging economies and make a profit at the same time.

Our financing products are tailored to meet the needs of each project. We provide growth capital, but the bulk of the funding comes from—and leadership and management responsibility lies with—private sector owners.

Last year, we invested \$12.7 billion in 528 projects, of which \$4.9 billion went to projects in IDA countries. We also mobilized an additional \$5.4 billion to support the private sector in developing countries.

IFC Advisory Services

Economic development is often stifled in countries where private enterprises face obstacles to their operations and growth.

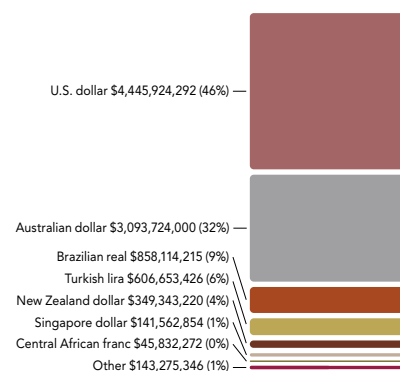
To help the private sector in emerging markets overcome these obstacles, IFC provides more than investment. IFC's advisory services provide advice, problem solving, and training to companies, industries, and governments. Our experience shows that companies need more than financial investment to thrive—they need a legislative environment that enables entrepreneurship, and advice on business best practices. Our work includes advising national and local governments on how to improve their investment climate. Governments account for about half of our advisory projects. We also help investment clients improve corporate governance and become more sustainable.

We offer advice through more than 1,000 Advisory Services staff in 84 offices across 66 countries. Funding comes from donor partners, IFC, and client contributions. In FY10, Advisory Services expenditures totaled \$268 million, of which 61 percent went to IDA countries.

IFC Asset Management Company

IFC Asset Management Company is a private equity fund manager. It was created to tap the substantial financial resources held by sovereign funds, pension funds, and other institutional investors—channeling them to profitable investment opportunities in countries that most need the capital. A wholly owned subsidiary of IFC, the company invests third-party capital alongside IFC across the developing world. In the process, we expand our development reach by “crowding in” commercial investors. The impact can be long lasting. By demonstrating the financial benefits and growth opportunities—as well as the development impact—of investing in these markets, AMC aims to encourage investors to shift the long-term composition of their portfolios. AMC allows IFC to make more investments than we could alone. And it gives investors access to our pipeline of transactions and deep expertise in developing countries.

what we do: IFC Investment Services



LOANS

IFC finances projects and companies through loans for our own account, typically for seven to 12 years. We also make loans to intermediary banks, leasing companies, and other financial institutions for on-lending.

While IFC loans traditionally have been denominated in the currencies of major industrial nations, we have made it a priority to structure local currency products. Our disbursed portfolio includes loans denominated in 25 local currencies, including Brazilian reais, Colombian pesos, Chinese renminbi, Indian rupees, Indonesian rupiah, Mexican pesos, Nigerian nairas, Russian rubles, South African rand, and Zambian kwachas.

In FY10, we made commitments for \$5.7 billion in new loans.

EQUITY

Equity investments provide developmental support and long-term growth capital that private enterprises need. These investments also provide opportunities to support corporate governance and enhance social responsibility.

We invest directly in companies' equity, and also through private equity funds. This part of our portfolio totaled \$11 billion at fair value at the end of FY10.

IFC generally invests between 5 and 20 percent of a company's equity. We encourage the companies we invest in to broaden share ownership through public listings, thereby deepening local capital markets. We also invest through profit-participating loans, convertible loans, and preferred shares.

TRADE FINANCE

The IFC Global Trade Finance Program guarantees trade-related payment obligations of approved financial institutions. The program extends and complements the capacity of banks to deliver trade finance by providing risk mitigation on a per-transaction basis for over 190 banks across more than 80 countries.

In FY10, IFC issued over 2,800 guarantees totaling \$3.46 billion. More than 51 percent of the volume of guarantees issued went to IDA countries.

This year, we also created the Global Trade Liquidity Program, an award-winning crisis-response initiative.

SYNDICATIONS

IFC's Syndicated Loan program, the oldest and largest syndicated lending program among multilateral development banks, is an important tool for mobilizing capital to serve development needs. Since its establishment in 1957, the program has mobilized over \$34 billion from more than 550 financial institutions for projects in more than 100 emerging markets.

SECURITIZED FINANCE

IFC uses structured and securitized products to provide cost-effective forms of financing that would not otherwise be readily available to clients. Products include partial credit guarantees, structured liquidity facilities, portfolio risk transfer, securitizations, and Islamic finance. We use our expertise in structuring—along with our international triple-A credit rating—to help clients diversify funding, extend maturities, and obtain financing in their currency of choice. Through structured and securitized products, IFC mobilized a total of \$797 million for clients in FY10.

CLIENT RISK MANAGEMENT SERVICES

IFC provides derivative products to our clients to allow them to hedge their interest rate, currency, or commodity-price exposures. IFC intermediates between our clients in developing countries and derivatives market makers in order to provide clients with full market access to risk-management products.

TREASURY SERVICES

IFC funds lending by issuing bonds in international capital markets. We are often the first multilateral institution to issue bonds in the local currencies of emerging markets. Most of IFC's lending is denominated in U.S. dollars, but we borrow in a variety of currencies to diversify access to funding, reduce borrowing costs, and help develop local capital markets. IFC's borrowings have continued to keep pace with our lending. New borrowings in the international markets totaled \$8.8 billion equivalent in FY10.

LIQUIDITY MANAGEMENT

Liquid assets on IFC's balance sheet totaled \$21 billion on June 30, 2010, compared with \$17.9 billion a year earlier. Most liquid assets are held in U.S. dollars. The exposure arising from assets denominated in currencies other than U.S. dollars are hedged into U.S. dollars to manage currency risk. The level of these assets is determined with a view to ensure sufficient resources to meet commitments even during times of market stress.

what we do:

IFC Advisory Services

ACCESS TO FINANCE

We increase the availability and affordability of financial services, particularly for micro, small, and medium enterprises. We focus on three priorities—building financial institutions, including nonbank institutions; improving financial infrastructure; and improving the legal and regulatory framework. At the end of FY10, we had an active portfolio of 238 projects in 68 countries, valued at almost \$290 million. Our FY10 project expenditures totaled about \$50 million, of which 50 percent were in IDA countries and 14 percent in fragile and conflict-affected countries.

CORPORATE ADVICE

Our corporate advice focuses on four priorities—improving corporate governance; building markets for small and medium enterprises and improving their managerial capacity; contributing to commercially viable and scalable businesses; and enhancing corporate responsibility and community engagement. At the end of FY10, we had an active portfolio of 187 projects in 68 countries, valued at \$145 million. Our FY10 project expenditures totaled about \$34 million, of which 56 percent were in IDA countries and 14 percent in fragile and conflict-affected countries.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

We promote the adoption of profitable business models that are good for social development and the environment. We focus on three priorities—addressing climate change; leveraging labor and social capital; and preventing biodiversity loss. At the end of FY10, we had an active portfolio of 76 projects in 28 countries, valued at almost \$110 million. Our FY10 project expenditures totaled about \$17 million, of which 42 percent were in IDA countries and 3 percent in fragile and conflict-affected countries.

INFRASTRUCTURE

We expand access to infrastructure and other basic services by helping governments design and implement sustainable public-private partnerships. At the end of FY10, we had an active portfolio of 91 projects in 53 countries, valued at more than \$130 million. Our FY10 project expenditures totaled about \$26 million, of which 40 percent were in IDA countries and 14 percent in fragile and conflict-affected countries.

INVESTMENT CLIMATE

We foster competitive markets, growth, and job creation by helping governments design and implement reforms to their business environments. At the end of FY10, we had an active portfolio of 144 projects in 67 countries, valued at more than \$185 million. Our FY10 project expenditures totaled \$53 million, of which 75 percent were in IDA countries and 32 percent in fragile and conflict-affected countries.

what we do:

IFC Asset Management Company

We have used our own balance sheet to invest in member countries for more than 50 years. Now, we are using that expertise to invest others' capital as well. In FY09, the IFC Board created a new, wholly owned subsidiary to act as a fund manager for third-party capital. IFC Asset Management Company, LLC, provides a fund management platform to raise money from sovereign funds, pension funds, and other institutional investors, and invest it using IFC's well-tested approach.

The objective: to expand the supply of long-term equity capital to developing and frontier markets in a way that enhances IFC's development goals and generates profits for investors.

As of June 30, 2010, AMC had approximately \$4 billion of assets under management in two funds: the IFC Capitalization Fund and the IFC African, Latin American and Caribbean Fund (the ALAC Fund). These funds expand IFC's development reach and give outside investors access to our investment expertise and track record of strong equity returns.

IFC CAPITALIZATION FUND

The \$3 billion IFC Capitalization Fund invests in commercial banks in developing countries that are systemic for their local economies. The fund is jointly supported by a \$2 billion commitment from the Japan Bank for International Cooperation, and a \$1 billion commitment from IFC. As of June 30, 2010, the fund has made investment commitments totaling \$395 million in five commercial banks in Paraguay, Serbia, the Philippines, Papua New Guinea, and West Africa.

ALAC FUND

The ALAC Fund was launched in April 2010 and has investment commitments totaling \$950 million from IFC, Dutch pension fund manager PGGM, Korea Investment Corporation, the State Oil Fund of the Republic of Azerbaijan, the United Nations Joint Staff Pension Fund, and a fund investor from Saudi Arabia. The fund co-invests with IFC in equity investments across a range of sectors in Sub-Saharan Africa, Latin America, and the Caribbean. Its aim is to create a portfolio diversified by geography and industry that matches our long-term returns in these markets. As of June 30, 2010, it has made investment commitments of \$66 million in its first three transactions.

A SUCCESSFUL LAUNCH YEAR

In its first full year of operation, AMC established its operating platform, hired a core team of investment professionals, and achieved a critical mass of funds under management. AMC's investment decisions are taken independently by fund investment committees chaired by Gavin Wilson, AMC's Chief Executive Officer. Wilson reports to AMC's Board of Directors, which is chaired by IFC Executive Vice President and Chief Executive Officer Lars Thunell, and includes a majority of non-executive members.

AMC continues to design and launch other fund management products that fit IFC's strategic priorities and meet the needs of investors.

partnerships and mobilization

CATALYZING INVESTMENT IN AFRICA

Our expanding relationship with Ecobank Transnational Incorporated, S.A., Africa's largest local financial services network, is giving people in underserved markets better access to financial services and helping bolster the continent's economic recovery—an example of the impact IFC and IFC Asset Management Company can have by working together.

IFC, the IFC Capitalization Fund, and the ALAC Fund signed a \$175 million financing package for Ecobank in June. Given the breadth of Ecobank's operations across Africa, the investment will provide capital support to banking subsidiaries in many countries with few alternative sources of long-term capital, helping them respond to the financial crisis.

The impact of our investment: A more stable financial sector that leads to job creation and spurs economic growth. It also sends a powerful signal to other investors—what we call the “demonstration effect.”

That's what makes us unique: The ability to make well-structured, comprehensive investments across a range of frontier markets, and to share the opportunity with investors who otherwise might not have been able to invest.

Ecobank operates in 29 African countries and is systemically important in 17 of them. Its reach stretches from Senegal in West Africa to Chad in the middle of the continent to Tanzania in the east.

The ALAC Fund also invested \$35 million alongside IFC to support HeidelbergCement's expansion in Africa.

OUR CONVENING POWER

IFC's success in fostering private sector development reflects our many innovative partnerships with governments, foundations, and civil society. We maximize results by collaborating with others who share our objectives. Collaboration helps us achieve what we could not do on our own. It allows us to pool our resources and capitalize on the competitive advantages of each of our partners. It lets us share knowledge and helps improve the design and implementation of programs.

Several dimensions of our work give us a worldwide convening power that sets us apart from regional organizations. Our global, local, and cross-sector presence allows us to work with both the public and private sectors—not only in low-income countries but also in middle-income countries, and in partnership with developed countries.

Our global perspective and presence allows us to capture and share lessons of experience across regions. We also have world-class expertise in risk-management, banking, results measurement, and many other areas—and we can play a key role in formulating solutions to development challenges that can be addressed only through collective action. For these reasons, many multilateral development banks and other institutions look for IFC's expertise and leadership as they develop their private sector operations.

OUR ABILITY TO MOBILIZE RESOURCES

Every dollar of IFC investment leverages about \$3 from others.

It's a number we strive to increase. We know the needs of the private sector in developing countries are far greater than we can provide for on our own. So we work with a wide array of partners to maximize the resources we bring to bear—including private investors, international banks, international financial institutions, sovereign funds, institutional investors, philanthropic foundations, and governments.

Our traditional approach to mobilizing third-party resources involves our syndicated lending program, which allows others to co-invest with us through B-loans, syndicated parallel loans, and sales of A-loan participations. We have also mobilized funds for clients through structured and securitized products.

In recent years, we have broadened our approach. Partnerships with other international finance institutions have deepened under the IFI Cooperation Program, in which IFC has played a key role. Since the global economic crisis began, we have also taken a joint approach to many crisis initiatives—including the Joint IFI Action Plan for Central and Eastern Europe, which pledged the equivalent of \$34 billion to support banks affected by the crisis. In addition, we have expanded our partnerships with donor governments, foundations, and nongovernmental organizations.

We also have taken the innovative step of launching IFC Asset Management Company, which is designed to mobilize additional resources by allowing outside investors to access IFC's transaction pipeline and benefit from our expertise in achieving strong equity returns and development impact.

what we do: standard setting

IFC PERFORMANCE STANDARDS

IFC's catalytic role in private sector development is bolstered by our expanding work as a standard setter and developer of tools to help the private sector navigate the fast-changing world of investor, shareholder, and stakeholder expectations.

Our Performance Standards define our clients' roles and responsibilities for managing their projects, and the requirements for receiving and retaining IFC support. They have become globally recognized good practice in dealing with environmental and social risk management, facilitating in global financial markets the swift convergence of standards for cross-border project finance.

We have eight performance standards. More information on each is available at <http://www.ifc.org/performancestandards>. These standards are part of IFC's sustainability framework, which is being updated for the first time this year under a policy-review process that includes engagement with a wide range of stakeholders from academia, civil society, affected communities, and the private sector. More information on the process is available at <http://www.ifc.org/policyreview>.

1

Social and Environmental Assessments and Management Systems

2

Labor and Working Conditions

3

Pollution Prevention and Abatement

4

Community Health, Safety, and Security

5

Land Acquisition and Involuntary Resettlement

6

Biodiversity Conservation and Sustainable Natural Resource Management

7

Indigenous Peoples

8

Cultural Heritage



THE EQUATOR PRINCIPLES

IFC's approach to transforming business practices in emerging markets can best be seen in the role we play in setting global environmental and social standards.

In 2002, a group of international banks decided to develop a global environmental and social risk-management framework for the banking industry. They sought our help to develop what became the Equator Principles, which today are used by about 70 financial institutions to manage social and environmental risks in project finance.

These institutions, known as EPFIs, pledge not to provide loans for projects in which the borrower is unwilling or unable to comply with the principles. Over the years, they have paid increasing attention to IFC's Performance Standards. When those standards were launched in 2006, the Equator Principles were soon updated to reflect them.

IFC's influence on social and environmental standards continues to grow. Eighteen of the financial institutions that have adopted the Equator Principles are from emerging markets. In some cases, the Performance Standards are also being taken up by governments as a framework for banking regulation. In China, for example, IFC's Performance Standards have influenced the government's "Green Credit policy." In addition, 32 export credit agencies from member countries of the Organisation for Economic Co-operation and Development and 16 European development finance institutions refer to IFC's Performance Standards in their private sector projects.

AGRICULTURAL COMMODITY ROUNDTABLES

Food security and climate change are inextricably linked.

The food and agribusiness sector consumes up to 70 percent of the world's fresh water and generates up to 30 percent of greenhouse gases. It contributes to deforestation and loss of biodiversity. At the same time, the sector is vulnerable to water shortages and shifts in weather patterns caused by climate change.

That poses a major challenge for the world. Minimizing the tradeoffs between increased food production and harm to the environment requires joint effort—by the private, public, and financial sectors, and by civil society. IFC is helping by supporting roundtables on sustainable agriculture.

The roundtables bring producers, processors, traders, and other participants in a commodity's supply chain together with banks and civil society groups that are concerned about the harmful effects agriculture can have. They build consensus on what constitutes responsible production and processing, and promote better management practices.

Take the case of palm oil, the world's most-used vegetable oil. Until recently, producers of palm oil had no comprehensive, widely accepted sustainability standard. That changed with the establishment of the Roundtable on Sustainable Palm Oil, which united the Indonesia Palm Oil Producers Association, Unilever, HSBC, WWF, Oxfam, IFC, and others.

With the financial support of the Global Environment Facility and other donors, IFC is active in several initiatives: the Roundtable on Sustainable Palm Oil, the Roundtable for Responsible Soy, the Better Sugarcane Initiative, the Better Cotton Initiative, the Union for Ethical BioTrade, and the Sustainable Cattle Ranching Working Group in Brazil.

CORPORATE GOVERNANCE

Sound corporate governance is an increasingly important element of sustainable private sector development—not only because it strengthens businesses' ability to attract investment and grow but also because it makes them more accountable.

IFC promotes better corporate governance in developing countries, improving board practices, strengthening shareholder rights, and enhancing risk management and corporate disclosure. We also provide advice to regulators, stock markets, and others with an interest in improving corporate governance.

Our experience allows IFC to tailor global principles to the realities of the private sector in developing countries. As a result, development banks and other investors working in emerging markets now look to IFC for leadership on corporate governance.

We provide this in a variety of ways—including through the Global Corporate Governance Forum, a multi-donor trust-fund facility. The forum drives the corporate governance agenda among regulators and leading corporate directors' organizations. We also bring together international portfolio investors, representing more than \$3 trillion, and local business leaders to discuss what governance changes are needed to attract more capital.

We established the IFC Corporate Governance Methodology—a system for evaluating corporate governance risks and opportunities that is recognized as the most advanced of its kind among development finance institutions.

We train our investment officers to identify five areas of risk and opportunity—the commitment of a client's leadership to strong corporate governance, the structure and function of its board of directors with respect to oversight and strategy, the quality of its risk-management framework, the extent of its transparency and disclosure, and its treatment of minority shareholders, such as IFC.

our industries

IFC's leadership role in sustainable private sector development reflects a special advantage—the depth and breadth of expertise we have acquired over more than 50 years of helping emerging-market firms succeed and grow.

This role reflects the insights we have gained from our work in more than 100 developing countries—in every region of the world, and in industries with the greatest potential to address the major development challenges of our time. This knowledge enables us to provide our clients the right mix of capabilities to address their needs, delivering the best of what IFC has to offer in both global knowledge and local know-how. We also help local companies make better use of their own knowledge by matching it to opportunities in other developing countries.

We have moved increasingly to leverage our global industry knowledge to tackle the biggest development challenges of the coming years—including climate change, unemployment, and urbanization.

AGRIBUSINESS

Agribusiness is a strategic priority for IFC because of the sector's broad development impact and strong role in poverty reduction. The agricultural sector often accounts for at least half of GDP and 60 percent of total employment in many developing countries.

IFC helps the private sector address higher demand and escalating food prices in an environmentally sustainable and socially inclusive way. We support global initiatives for sustainable production of agricultural commodities. To help clients finance inventories, seeds, fertilizers, chemicals, and fuel for farmers, IFC offers working-capital facilities. To facilitate trade and lower costs, we pursue investments in infrastructure such as warehouses and cold-storage facilities. We work to bring land into sustainable production, improve productivity by transferring technologies, and make the best use of resources.

IFC helps companies set benchmarks for responsible production, in line with industry best practices. In areas such as sequestering carbon, managing watersheds, preserving biodiversity, and producing renewable energy resources, IFC can help generate new income through environmental services.

FINANCIAL MARKETS

Financial markets account for almost half of IFC's new investments each year. Sound financial markets are vital to development—they ensure efficient resource allocation, create jobs, and spur economic growth.

We focus on small and medium enterprises, microfinance, trade, and climate change, among others. IFC is a leading investor in microfinance. We create innovative products in insurance and supply-chain finance to reach the poor. We are rebuilding our investments in housing finance and are supporting capital-market development in light of the global financial crisis. The crisis underscored the need for IFC in financial markets. Small and medium enterprises, which account for more than half of employment worldwide, saw lines of credit reduced or eliminated. Investors shied away from capital markets. IFC stepped in to fill the gap.

To maximize our impact, we work with financial intermediaries to extend financial products and best practices to more businesses, and microfinance entrepreneurs than we could on our own.

HEALTH AND EDUCATION

IFC is the world's largest multilateral investor in private health care and education in emerging markets. We invest in these sectors because they are fundamental to human and economic development—health care plays a key role in improving the quality of life, while education is a powerful instrument for reducing poverty and growing human capital.

IFC works to increase access to high-quality health and education. We help improve standards of quality and efficiency, facilitate the exchange of best practices, and create jobs for skilled professionals. IFC also works closely with the World Bank and developing-country governments to tailor strategies for countries that lack adequate resources.

IFC is focused on helping partner companies increase development impact. In addition to making direct investments in socially responsible companies, our role includes sharing industry knowledge and expertise, funding small companies, raising medical and education standards, and helping clients expand services to lower-income groups.

INFRASTRUCTURE

About 2.5 billion people lack proper sanitation facilities in developing countries. At least 1.6 billion have no electricity. And 884 million can't get clean water.

IFC helps increase access to power, transport, and water by financing infrastructure projects and advising client governments on public-private partnerships.

We add value by devising innovative projects and public-private partnerships in difficult markets. We mitigate risk and leverage specialized financial structuring and other capabilities. A significant part of our advisory work is supported by other parts of the World Bank Group and donor partners.

Our infrastructure projects exhibit a solid development impact. In the power sector, 79 percent of IFC investment projects approved before 2005 achieved significant development outcomes. In the water and gas sector and the transport industry, the figures were 77 percent and 68 percent, respectively.

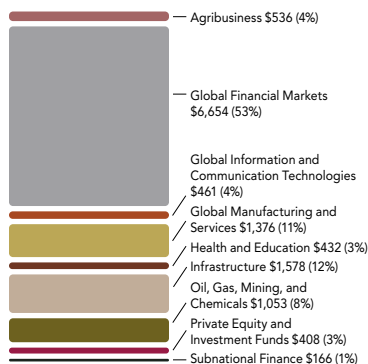
MANUFACTURING AND SERVICES

The manufacturing and services sector plays a vital role in creating opportunity and reducing poverty in developing countries. IFC's manufacturing and services clients tend to create or maintain more employment than those in any other sector.

We have increased our activities in the sector, which includes construction materials; forest products; life sciences; energy-efficient machinery; and tourism, retail, and property. We invest in companies that are developing new products and markets, and restructuring and modernizing to become internationally competitive.

fy10 commitments by industry, with dollar volumes

dollars in millions



We focus on clients that are, or can be, strong players in their local markets. In middle-income countries, we increasingly support local second-tier companies and cross-border investments. We aim to play a strong role in developing local companies in the poorest countries. As these industries represent some of the most carbon-intensive sectors, we are helping clients develop and undertake investments that help reduce carbon emissions and energy consumption.

OIL, GAS, MINING, AND CHEMICALS

IFC's mission in the oil, gas, mining, and chemicals sector is to help developing countries realize sustainable economic benefits from natural resources. We provide financing and advice for private sector clients. We also help governments put in place regulatory frameworks and strengthen their capacity to manage these industries across the value chain—from resource extraction to revenue management and spending.

Fossil fuels such as natural gas play a role as a transition fuel to a less carbon-intensive economy. In addition to fossil fuels, our energy investments support a mix of traditional and alternative energy sources, including wind, solar, and thermal energy.

We support private sector investment in extractive industries by working to ensure that communities enjoy concrete benefits such as jobs, improved infrastructure, and economic opportunities. We also help develop capacity among small and local companies, engage with communities to improve projects' long-term development benefits, and foster transparency and governance to combat corruption.

INFORMATION AND COMMUNICATION TECHNOLOGIES

Modern information and communication technologies make it easier for the poor to obtain access to services and resources. They expand opportunity and make markets and institutions more efficient.

IFC works to extend the availability of such technologies to promote sustainable economic growth and good governance, enhance social inclusion, and reduce poverty. We channel investments toward private companies that build modern communications infrastructure and information-technology businesses, and develop climate-friendly technologies.

IFC has the ability to raise additional funds through its syndications and guarantee program. We almost always bring co-investors into projects, providing comfort and encouraging other private investors into markets often considered too risky.

IFC increasingly helps clients move beyond their own national borders and into other developing markets. We estimate that each dollar of IFC funding attracts about \$9 in private financing.

special innovations in financing

One of IFC's strengths is the agility with which we are able to develop innovative financial tools to maximize development impact in developing countries.

Here are a few of this year's highlights:



GREEN BOND

IFC's first "Green Bond," a \$200 million issue, is designed to support climate-friendly projects in developing countries. Bond proceeds go into a special "green account" for investment in renewable energy, and in energy-efficient or other climate-friendly projects. This was the first time we issued bonds to raise funds that then went into a separate account tied to specific types of loans. Solar and wind installations are among the kinds of projects eligible for funding.



MICROFINANCE BOND

IFC's first microfinance bond issue, which raised \$300 million equivalent in Australian dollars, will help increase access to finance for low-income entrepreneurs in developing countries. The listing and sale was arranged by Daiwa Securities Group and the bonds were sold to Japanese investors. Under this arrangement, IFC directed an amount equal to the net proceeds of the bond issue to financial institutions that provide loans to micro-entrepreneurs in developing countries, magnifying the impact of our micro-finance activities.



SUKUK BOND

IFC's first-of-its-kind \$100 million Hilal Sukuk bond created opportunities for Islamic investors who want to make a positive social impact. This benchmark issue was the product of three years' coordination between IFC and Islamic scholars, and it created a standardized model that promises to facilitate a pipeline of Islamic finance projects in key sectors such as education, health, and infrastructure. Sukuks are investment certificates with an undivided ownership share in underlying Islamic-law-compliant assets.



GLOBAL BOND

IFC's annual global bond issue was heavily oversubscribed—the \$2 billion issue generated an order book in excess of \$2.5 billion. This strong demand reflected investor confidence in IFC and its management through the global crisis. It highlights IFC's ability to raise funds in a cost-effective manner for private sector development lending in fulfillment of its mission of reducing poverty and improving lives. Buyers included central banks, official institutions, and a wide range of commercial banks.



CENTRAL BANK SWAPS

IFC reached an innovative agreement with the central banks of Rwanda and Belarus that will allow us to provide local-currency loans to support each country's private sector. The central banks will provide IFC with local currency through swaps until local commercial swaps markets develop. Access to long-term local currency allows us to extend long-term loans to companies that lack foreign exchange revenues and cannot assume the foreign-exchange risks associated with borrowing in international currencies.

expanding role in IDA countries and focus on the poor

EXPANDING OUR WORK IN IDA COUNTRIES

About 2.5 billion people—half the population of the developing world—live in the 79 countries eligible to borrow from the International Development Association, the arm of the World Bank Group that helps the poorest countries. Most people in these countries survive on incomes of less than \$2 a day.

That's why creating opportunity in IDA countries is a top priority for IFC, the first of our five strategic pillars. Lives are at stake. By catalyzing the private sector in IDA countries, we can help put millions of unemployed people to work, speed nascent economic growth, boost tax revenues, and address inadequate education and health care.

RAMPING UP OUR IDA PORTFOLIO

Our work in these countries has intensified in recent years, from Afghanistan to Zambia. Since FY05, IFC's investments in IDA countries have more than quadrupled to \$4.9 billion. Our advisory expenditures totaled \$83.3 million in FY10. Nearly half of our investment projects are in IDA countries.

These countries also accounted for 61 percent of our advisory projects. Reflecting our expanded reach in frontier markets, we are now active in 78 percent of IDA countries, half of which are in Sub-Saharan Africa.

That presence reflects our willingness to take risks in challenging environments. The performance of our equity portfolio suggests the risks are paying off. For every \$1 in equity we invested in IDA countries over the last decade, we received \$2.45 back in return, four cents better than similar investments in non-IDA countries.

Private investment is essential for promoting development in IDA countries, where access to finance is difficult and the need for better infrastructure, health services, and education often exceeds available government resources.

Our projects are diverse. In Central America, for example, an IFC-led partnership is training coffee farmers to adopt sustainable practices. In Uganda, we're helping finance a hydropower project that will bring more power to a country where few people have electricity. In Cambodia, we are advising a venture to give more people access to banking through their mobile phones.

SIGNIFICANT IMPACT

This work is having a significant development impact. In 2009, our clients in IDA countries provided 134 million phone connections, generated enough power for 51.5 million people, and distributed water to 800,000 people. Our clients contributed almost \$4.5 billion to government revenues and helped drive \$7.4 billion in local purchases of goods and services. Our advisory services have contributed to millions in savings from recommended regulatory reforms and bolstered environmental sustainability by helping countries slash their carbon footprint.

Yet the development challenges remain, with IDA countries struggling to access credit, lift the world's lowest investment flows, and head off shortages of food and fuel. Investing in IDA countries isn't easy. A lax regulatory environment, corruption in many areas, and the difficulty of attracting the best talent to hardscrabble regions top the list of challenges we face in IDA countries. We are ideally positioned to mobilize capital where others will not—our global expertise and decentralized structure give us a prime opportunity to spearhead private sector development in the IDA countries.

OUR APPROACH IN IDA COUNTRIES

IFC's strategy in the most challenging countries is to start with products such as investment-climate advice, which paves the way for investment. In addition, IFC and the World Bank bring complementary skills to bear in joint projects. Working together, we can provide clients more flexible financing options, such as a mix of public and private finance. We can also provide project-structuring expertise while simultaneously advancing industry-sector reform.

In FY10, 10 joint investment projects were committed in IDA countries, twice as many as in FY08. IFC staff also collaborated on 123 joint advisory projects, marking an increase of 45 since FY08. In addition, between FY06 and FY09, IFC contributed \$1.3 billion directly to IDA.

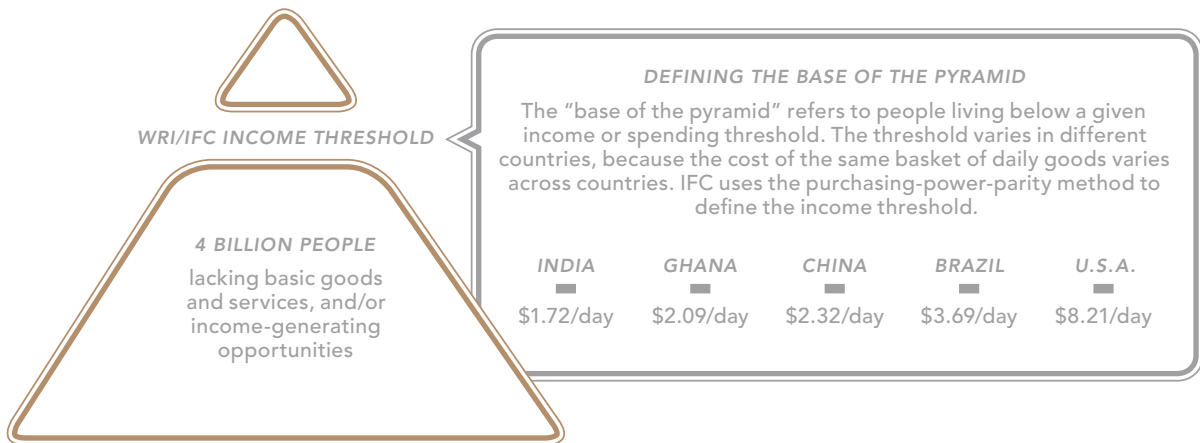
Going forward, IFC will further deepen our engagement in IDA countries, expanding our product range and increasing the number of countries we work with. Our strategy will target innovative projects that link farmers to markets, increase climate-friendly investments, and help firms become regional players. We will also focus on gender while supporting micro, small, and medium enterprises, and establish business models that benefit the base of the economic pyramid. We are working with the World Bank to develop more detailed strategies for IDA countries.

INCLUSIVE BUSINESS — OPPORTUNITIES AT THE BASE OF THE PYRAMID

IFC’s vision is that people should have the opportunity to escape poverty and improve their lives.

Increasingly, we do this by supporting clients that invest in inclusive business models—offering critical goods, services, and livelihoods to the poor in financially sustainable and expandable ways. The private sector can play a pivotal role in meeting the needs of people who struggle with poverty in its broadest form—the kind defined as much by a scarcity of opportunity and access as by a lack of income.

Landmark research by the World Resources Institute and IFC has shown that about 4 billion people—roughly two thirds of the world’s population—live at the base of the global economic pyramid. Each of these people makes ends meet on less than the equivalent of \$3,000 per year in local purchasing power. Beyond low incomes, they also have significant unmet needs, depend on informal or subsistence livelihoods, and pay a “poverty penalty”—higher prices for basic goods and services, often of lower quality, than wealthier people pay.



At the same time, the poor are creative and resourceful economic agents with an appetite for change. Pioneering companies are finding ways to tap into this potential, integrating low-income producers and consumers into their supply chains. Using inclusive business models, local companies are investing in supply and distribution chains that provide better income opportunities and more goods and services for the poor.

Building on these pioneering efforts—and the development imperative—our challenge now is to greatly increase the number of financially sustainable inclusive business models operating at scale. This is an important role for the private sector: to be able to invest in business models that include the poor as full economic partners.

IFC is approaching this challenge with integrated investment and advisory services, as well as a proactive effort to document and share what we learn. Recognizing that our vision will require the combined effort of many partners, IFC is working to foster a network of corporations, financial institutions, donors, service providers, and others interested in making the process of starting and scaling up inclusive business models easier.