where innovation meets impact

IFC ANNUAL REPORT 2010

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highlights and leadership

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IFC is a member of the World Bank Group

creating opportunity where it's needed most

THE CONTEXT

why the private sector matters more than ever

The world paid a steep price for defects in the global financial system. In the economic crisis that ensued, millions of people were pushed back into poverty. In many countries, public confidence in the virtues of private markets dwindled.

Yet prosperity cannot be restored and sustained without a major contribution from the private sector. The private sector provides more than 90 percent of jobs, creating opportunities for people to improve their lives. The private sector drives innovation, and provides the goods and services needed to sustain and improve living standards. The private sector is also the main source of tax revenues, contributing to public funding for health, education, and other services.

These contributions are more important than ever in the wake of the crisis, when governments face even greater constraints in serving their societies. The resources needed to alleviate poverty and advance development are too vast for governments to provide on their own. The World Bank estimates the international financing needs of developing countries at $1.1 trillion in 2010—most of which is expected to come from private investors. In addition, more than 80 percent of the investment needed for climate-change mitigation and adaptation is expected to come from private sources.

Today, most developing countries recognize the critical role of the private sector in development and poverty reduction. Developing countries account for a growing share of the global economy. They have a vital interest in getting private sector development right. So does the rest of the world.

THE CHALLENGE

the dilemmas of private sector development

Our belief in the private sector doesn't blind us to the challenges of sustainable private sector development.

Most firms would prefer to operate free of regulatory constraint—yet regulation may be necessary to protect a range of important social interests, including the environment. Many firms would prefer a range of special privileges—even if this is inimical to the development of dynamic competitive markets that drive innovation and long-term growth. Sustainable private sector development thus requires striking a careful balance between a range of short- and long-term perspectives.

Striking that balance is a challenge for all countries, rich and poor. But it can be acute in developing countries, where the gap between needs and available means is large. In East Asia, for example, expanded production of palm oil has helped raise incomes in poor and rural areas—yet it has also fueled concerns over deforestation and the rights of indigenous people.

IFC helps to address these challenges in many ways. We work to raise the norms of private sector behavior, not only with respect to environmental and social issues but also with respect to issues of finance and corporate governance. We also work with governments to improve the regulation of private markets—with the goal of creating an investment climate that, under a prudent governance system, allows contracts to be respected, social interests to be protected, and corruption to be reduced.

This is challenging work, and it can involve difficult judgments and tradeoffs. But throughout our history, IFC has made a practice of taking on difficult tasks—knowing that the lessons we learn from our experience will help us steer the private sector to make an even greater contribution to growth and poverty reduction.

THE SOLUTION

IFC's unique role in development

IFC is ideally positioned to confront the challenges of private sector development. We account for nearly a third of all development financing provided to the private sector by international financial institutions.

We bring a global perspective, allowing us to leverage our experience not only between countries but across developing regions. We complement our financing with world-class advisory services for firms and governments. Our focus on delivering measurable development results doesn't simply help the poor—it has far-reaching effects on the private sector itself.

We bring financial leverage to bear in addressing the leading development challenges of our time, giving businesses in more than 100 countries the capital they need to create jobs and provide essential services. Our leverage in the policy arena, underpinned by our membership in the World Bank Group, is equally significant, promoting the adoption of standards that will establish sustainable business models and guide investment for years to come.

The normative effect of our work is evident in the Equator Principles that govern commercial project finance and the Performance Standards we use to manage environmental and social risks. That standard-setting work makes IFC and our clients more resilient to economic shocks, strengthening the financial system along the way.

Moreover, our outcome-oriented strategy emphasizes achieving quantifiable development results and measuring them in a way that helps us—and the public—understand how well we are doing, and where we can improve. At a time of scarce public resources, IFC is able to invest in some of the world's most challenging spots, improving lives and generating profits. This "demonstration effect" is powerful—it encourages private companies to follow our lead, beginning a virtuous circle.

financial highlights

as of and for the years ended June 30*

Dollars in millions	2010	2009	2008	2007	2006
Net income (loss)	1,746	(151)	1,547	2,490	1,264
Grants to IDA	200	450	500	150	–
Income before grants to IDA	1,946	299	2,047	2,640	1,264
Total assets	61,075	51,483	49,471	40,599	38,547
Loans, equity investments, and debt securities, net	25,944	22,214	23,319	15,796	12,787
Key ratios					
Return on average assets (GAAP basis)	3.1%	-0.3%	3.4%	6.3%	3.2%
Return on average capital (GAAP basis)	10.1%	-0.9%	9.6%	19.8%	12.1%
Cash and liquid investments as a percentage of next three years' estimated net cash requirements	71%	75%	62%	85%	112%
Debt to equity ratio	2.2:1	2.1:1	1.6:1	1.4:1	1.6:1
Total resources required ($ billions)	12.8	10.9	10.4	8.0	n/a
Total resources available ($ billions)	16.8	14.8	15.0	13.8	n/a
Total reserve against losses on loans to total disbursed loan portfolio	7.4%	7.4%	5.5%	6.5%	8.3%

*See Management's Discussion and Analysis and Consolidated Financial Statements for details on the calculation of these numbers.

operational highlights

as of and for the years ended June 30

Dollars in millions	2010	2009	2008	2007	2006
New Investment Commitments					
Number of projects	528	447	372	299	284
Number of countries	103	103	85	69	66
For IFC's own account	$12,664	$10,547	$11,399	$8,220	$6,703
Mobilization					
Syndicated loans	$1,986	$1,858	$3,250	$1,775	$1,572
Structured finance	$797	$169	$1,403	$2,083	$1,245
IFC initiatives & other	$2,358	$1,927			
Asset Management Company	$236	$8			
Total mobilization †	$5,377	$3,962	$4,653	$3,858	$2,817
Investment Disbursements					
For IFC's own account	$6,793	$5,640	$7,539	$5,841	$4,428
Total mobilization †	$3,048	$1,966	$2,382	$1,615	$1,311
Committed Portfolio					
Number of firms	1,656	1,579	1,490	1,410	1,368
For IFC's own account	$38,864	$34,502	$32,366	$25,411	$21,627
Total mobilization †	$9,943	$8,004	$7,525	$5,543	$5,079
Advisory Services					
Number of projects	736	872	862	1,018	
Approved value	$859	$941	$919	$846	
Advisory Services total expenditures	$268	$291	$269	$197	$152

† includes IFC Initiatives, Syndicated B-Loans, Agented Parallel Loans, and IFC Asset Management Company

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. ZOELLICK
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.

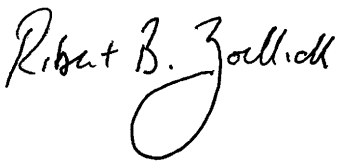
In 2010, IFC's commitments—including the funds it mobilized from other sources—expanded by 24 percent. IFC invested $4.9 billion for its own account in 58 IDA countries, a reflection of its commitment to establishing a thriving private sector in the poorest regions. Sub-Saharan Africa accounted for 116 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

LARS H. THUNELL
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.

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 KOSKELO
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

2 global challenges and impact

where challenges

The global crisis changed the economic order, deepening the challenges developing countries will face in the decades ahead.

Joblessness is making it harder for families to improve their living standards. Growing energy needs are exacerbating the threat of climate change. Rapid population growth is overwhelming urban infrastructures. Water scarcity and inadequate food security are endangering the lives of millions. Such strains also heighten the potential for conflict.

meet solutions

Promoting sustainable development in this era of uncertainty will depend more than ever on partnerships and innovation—and the ability to mobilize resources wherever they can be found. In an increasingly interconnected and multipolar world, developing countries will not only have the most urgent needs—they also will be critical for global prosperity.

IFC is playing a leading role in helping the private sector address these challenges. Our investments and advisory services are focused on projects that ease unemployment and climate change, make food safer and more accessible, give communities access to clean water, foster sustainable cities, and improve conditions in areas ravaged by conflict.

p10: results p16: strategy/scorecard p18: unemployment (gender program, extractive industries) p28: climate change (renewable energy, Lighting Africa) p38: food security (food production, insurance) p46: conflict (Haiti, Africa) p56: water & urbanization (water security, south-south investment) p66: lessons learned

IFC's global impact

RESULTS BY REGION
www.ifc.org/results_region

RESULTS BY INDUSTRY
www.ifc.org/results_industry

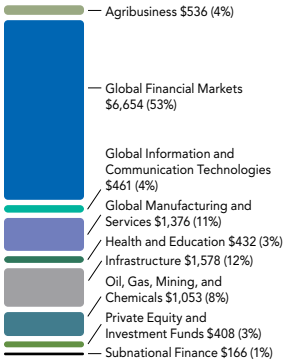
RESULTS BY ADVISORY
www.ifc.org/results_advisory

FOSTERING SUSTAINABLE PRIVATE SECTOR GROWTH

IFC works with private sector clients across a swath of industries to improve lives in the world's most impoverished regions. We invested in 255 projects in 58 countries served by IDA in FY10, commitments that totaled $4.9 billion for our own account. Those countries, where the development needs are deepest, accounted for nearly half of our infrastructure and agribusiness investments. In all countries, IFC invested $5.3 billion in micro, small, and medium enterprises—the engine of job creation—in FY10. We invested $1.5 billion in infrastructure projects and $536 million in agribusinesses around the world. By region, IFC committed $3 billion for its own account in Latin America and the Caribbean. We committed $3 billion in Europe and Central Asia, $2.4 billion in Sub-Saharan Africa, $1.6 billion in the Middle East and North Africa, $1.5 billion in East Asia and the Pacific, and $1 billion in South Asia.

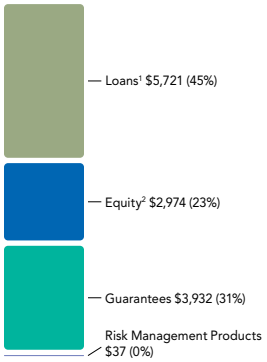
fy10 commitments by industry

dollar amounts in millions



fy10 commitments by product

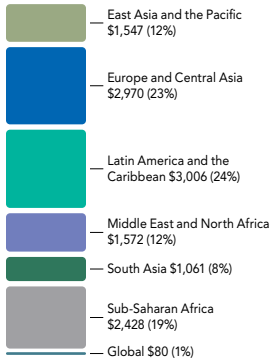
dollar amounts in millions



[1] Includes loan-type, quasi-equity products
[2] Includes equity-type, quasi-equity products

fy10 commitments by region[1]

dollar amounts in millions



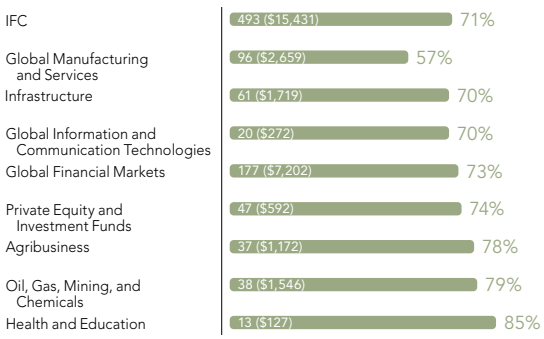
[1] Some amounts include regional shares of investments that are officially classified as global projects.

fy10 commitments by environmental and social category

category[1]	commitments ($ millions)	number of projects
A	825	10
B	3,975	147
C	4,516	254
FI	3,348	117
N[2]	0	0
Total	12,664	528

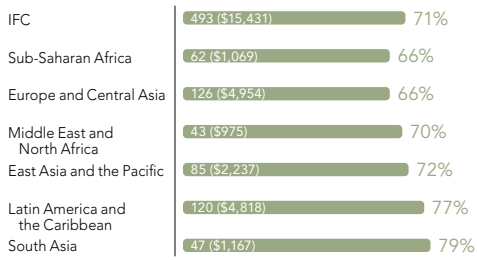
[1] See category descriptions on page 103.
[2] N refers to increased commitments on existing projects or swaps and right issues.

development results by industry

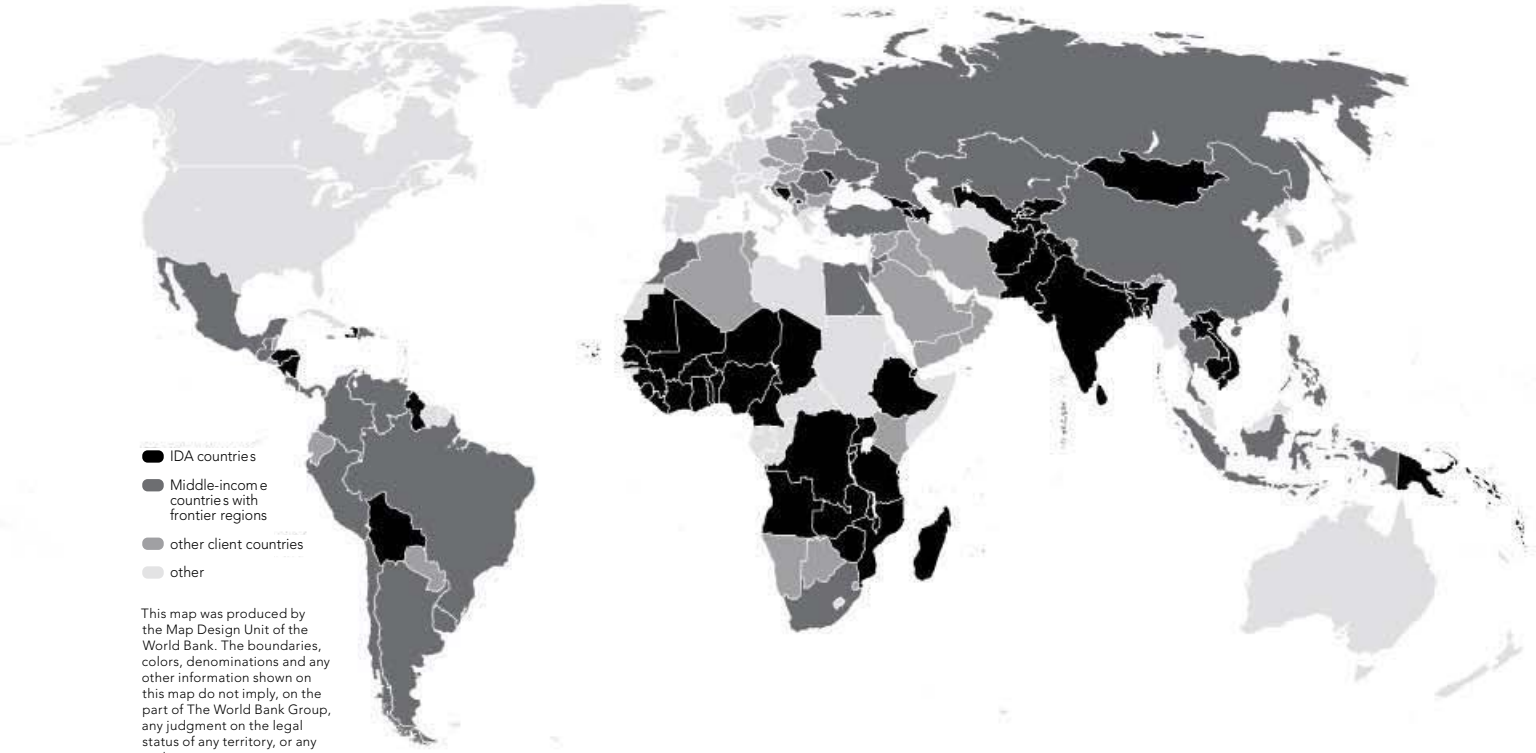


DOTS data as of June 30, 2010, for projects approved in calendar years 2001–2006.
Note: Number inside bar represents number of rated projects, and number in parentheses represents total IFC investment (US$ millions) in those projects.

development results by region



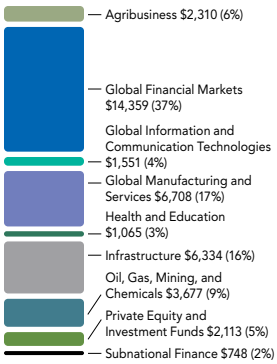
DOTS data as of June 30, 2010, for projects approved in calendar years 2001–2006.
Note: Number inside bar represents number of rated projects, and number in parentheses represents total IFC investment (US$ millions) in those projects.



This map was produced by the Map Design Unit of the World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

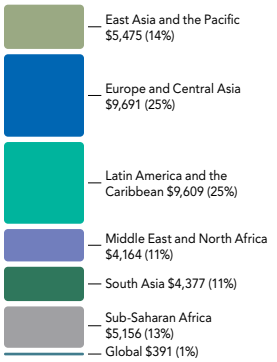
committed portfolio by industry

for IFC's own account as of June 30, 2010
dollar amounts in millions



committed portfolio by region[1]

for IFC's own account as of June 30, 2010
dollar amounts in millions



[1] Some amounts include regional shares of investments that are officially classified as global projects.

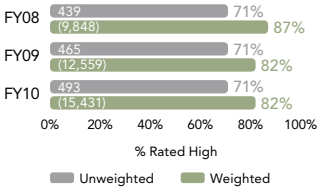
fy10 largest country exposures[1]

June 30, 2010 (Based on IFC's Account)

country (rank)	percent	portfolio ($ millions)
India (1)	10	3,783
Brazil (2)	7	2,533
China (3)	6	2,327
Russian Federation (4)	6	2,286
Turkey (5)	5	2,032
Argentina (6)	3	1,099
Mexico (7)	3	1,074
Colombia (8)	3	1,021
Philippines (9)	3	1,019
Ukraine (10)	2	880

[1] Excludes individual country shares of regional and global projects.

weighted overall development results

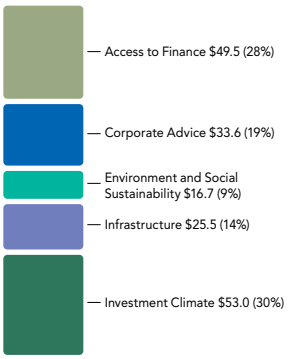


FY08: DOTS data as of June 30, 2008, for projects approved in calendar years 1999–2004; FY09: DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005; FY10: DOTS data as of June 30, 2010, for projects approved in calendar years 2001–2006.

Note: Number inside bar represents number of rated projects, and number in parentheses represents total IFC investment (US$ millions) in those projects.

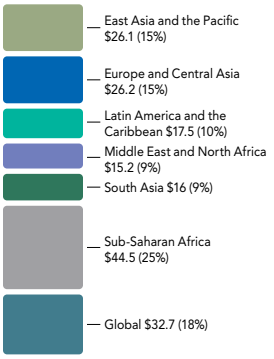
fy10 advisory services project expenditures by business line

dollar amounts in millions



fy10 advisory services project expenditures by region

dollar amounts in millions



how IFC creates opportunity where it's needed most

IFC and our clients make a wide range of contributions in developing countries. Our clients' success can have ripple effects across an economy, giving many people, including the poor, a chance to better their lives.

IFC investee companies benefit employees and their families, local communities, suppliers, investors, and the customers who buy what they produce. They generate significant tax revenues for national and local governments—resources available for assisting the poor. They can use IFC's support to expand or upgrade their facilities, improve environmental performance, strengthen corporate governance, and improve their management systems and adherence to industry standards.

We provide advisory services to both firms and governments. Most of our advisory work with firms is provided alongside our investment services, to maximize impact. Our work with government clients ranges from supporting investment-climate reforms to helping design and implement public-private partnerships for infrastructure and other basic services.

EMPLOYEES

In 2009, IFC's investment clients provided 2.2 million jobs, including more than 711,000 through investments in private equity and investment funds, nearly 514,000 in manufacturing and services, more than 300,000 in agribusiness, and about 128,000 in oil, gas, mining, and chemicals.

—IFC invested in a tea production company in India that provided employment for over 31,000 people in 2009 alone.

—In China, IFC invested in a fund to support the underdeveloped private equity sector. In 2009, the fund's investee companies provided direct jobs to more than 154,000 people.

—In Sri Lanka, IFC helped a hotel business that employs more than 10,000 expand its current operations in key sectors in the country and in the Maldives, and India.

CUSTOMERS

In 2009, IFC's investment clients:

—Provided 10 million loans totaling $112 billion to micro, small, and medium enterprises—of which 8.5 million loans involved microfinance.

—Provided basic utilities to over 210 million customers. This included water distribution to 35 million people, power generation and distribution to more than 160 million, and gas distribution to 16 million.

—Provided 169 million phone connections.

—Provided health services to 7.6 million patients and education to 1.4 million students. For example, IFC's investment in a private hospital in Romania allowed the hospital to treat more than 610,000 patients in 2009. The investment helped relieve some of the burden placed on the public health system.

LOCAL COMMUNITIES

IFC's policies, processes, and performance standards help our clients enhance their positive impact on local communities while avoiding or mitigating negative effects.

—Last year, our clients in oil, gas, mining, and chemicals spent $268 million on community development programs.

—A South African mining company benefiting from IFC investment and advice spent $4.2 million on community development programs in the last year. The programs had a positive impact in the areas of HIV/AIDS prevention, municipal development, gender equality, and local economic development.

—An IFC client in Mozambique spent about $1 million on community development programs. During the life of the project, the client's program benefited the local community in a variety of ways—including housing and marketing support for agricultural commodities—that helped raise income levels and built better community relations.

SUPPLIERS

In 2009, IFC's clients generated millions of dollars for local suppliers. Our investment clients purchased $28.7 billion in manufacturing and services and $9.3 billion in oil, gas, and mining. Agribusiness clients reached 2 million farmers.

—IFC's investment in an Eastern European company is focusing on developing distribution infrastructure to better serve farmers. Last year, 29,000 farmers were reached.

IFC'S CLIENT LEADERSHIP AWARD

IFC prizes corporate clients that share our commitment to socially and environmentally sustainable development. For the past six years, we have presented an annual Client Leadership Award to honor the client that best reflects our values and demonstrates innovation, operational excellence, and strong corporate governance.

This year, we are honoring India's Jain Irrigation, a company that fosters sustainable agriculture through the efficient use of water, energy, and fertilizer. Jain, an IFC Investment and Advisory Services client, is a pioneer in micro-irrigation systems, which deliver water through small, low-pressure devices. Its customers are boosting their water efficiency by as much as 95 percent. At the same time, they are increasing their agricultural productivity and incomes. In FY10, IFC and Jain initiated a project that will allow the firm to measure its environmental and sustainability benefits, and identify ways to cut its water consumption. The project will demonstrate to farmers the benefits of water conservation.

ENVIRONMENT

Many IFC investment projects are helping address climate change and advancing environmental and social sustainability.

—IFC's investment in a Guatemalan company has helped the country focus on developing renewable sources of energy. Five hydropower projects have been installed since the project became operational, representing about 8 percent of all hydropower used in Guatemala. All projects use local labor and are supervised by local managers.

—An energy-efficiency program in China, supported by IFC, with the help of several donors, resulted in more than $500 million in bank loans for energy-efficiency projects, which in turn reduced greenhouse emissions by an estimated 14 million tons of carbon dioxide per year—equal to the emissions of a country like Bolivia.

GOVERNMENT

Last year, IFC's investment clients contributed more than $20 billion to government revenues. This includes $7.3 billion from oil, gas, mining, and chemicals; $2.5 billion from manufacturing and services; and $7.5 billion from infrastructure.

—One of Bangladesh's largest private companies—an IFC client—has contributed $440 million in payments to the government.

—An African cell-phone company supported by IFC contributed $117 million in taxes to the government of Zambia in 2009 alone.

—IFC helped the government of Colombia set up a subnational investment promotion agency to attract foreign direct investment. The new agency facilitated $270 million in new private investment in the region.

—IFC acted as the lead advisor on a transaction to involve the private sector in the management of Benin's port. The agreement is expected to provide $631 million in fiscal benefits, including new tax revenues, over the lifetime of the public-private partnership.

INVESTORS

Profits are essential for a private company to be sustainable and to attract more investment—to the company itself and to other companies in developing countries. By investing in profitable ventures, IFC directs resources where they can have the most impact. The greater the profits for IFC and our co-investors, the greater the amount of funds that become available for further investment—and the greater the demonstration effect.

—With IFC's help, an Eastern European bank posted a 12.8 percent return on equity despite a difficult economic environment. The bank is ranked number one in the country in terms of profit, total assets, deposits, and loan portfolio.

our special initiatives to create opportunity

Private enterprises in the developing world face a variety of challenges that can constrain their ability to create jobs and make other contributions to society.

IFC takes a targeted approach to helping them overcome those challenges. To complement our broader strategies, working with a wide range of partners, we operate a set of special initiatives to strengthen the private sector in emerging markets and increase its role in development—by helping ease bottlenecks in the flow of credit to micro, small, and medium enterprises; by helping companies manage troubled assets; and by working to alleviate specific regional challenges.

Support for the initiatives totaled more than $11 billion in FY10, including over $6 billion from IFC's own account, $2 billion in direct support from partner governments and international finance institutions through IFC, and $3 billion in parallel financing arrangements. We have also launched coordinated action plans with other international financial institutions in Africa, Central and Eastern Europe, and Latin America and the Caribbean. These initiatives have been an important part of IFC's response to the global financial crisis, and continue to achieve significant development impact.

TRADE FINANCE

The Global Trade Finance Program

With international trade flows dropping during the global financial crisis, we expanded our award-winning trade finance program by increasing its ceiling in 2008 and extending coverage to additional banks and countries. The program issued $3.46 billion in guarantees in FY10, a 44 percent increase over the previous year. The program provides guarantees for trade transactions in more than 80 countries, primarily supporting small and medium enterprises.

The Global Trade Liquidity Program

This initiative, launched in 2009 in response to the global financial crisis, already has received three deal-of-the-year awards from industry publications for its innovation, focus on public-private partnerships, and rapid implementation to increase credit for trade. The program financed more than $6 billion of trade volume through 4,000 transactions in 40 countries. About 80 percent of these transactions benefited small and medium businesses. Nearly 40 percent were in lower-income countries. Partners include Canada, China, Japan, the Netherlands, Saudi Arabia, Sweden, the United Kingdom, the African Development Bank, and the OPEC Fund for International Development.

MICROFINANCE

Microfinance Enhancement Facility

IFC and the German development agency KfW launched this initiative to support microfinance institutions, which play a vital role in the fight against poverty. We invested $150 million and $130 million, respectively, to help fundamentally sound microfinance institutions facing severe credit constraints in the wake of the financial crisis. The goal is to provide refinancing to more than 100 microfinance institutions in as many as 40 countries and to support lending to as many as 60 million low-income borrowers. Our investments helped mobilize funds from other partners, including the European Investment Bank, the OPEC Fund for International Development, and development agencies from Austria, Germany, the Netherlands, and Sweden.

DISTRESSED ASSETS

Debt and Asset Recovery Program

This program, launched in 2009, makes direct investments in businesses that need to restructure debt, in pools of distressed assets, and in specialized companies that manage distressed assets. It also invests indirectly through investment funds that focus on such assets and companies. IFC will contribute up to $1.6 billion over three years. The initiative aims to mobilize about $5 billion more from other international financial institutions and private sector partners. We also expect to provide support to lower-income countries affected by the financial crisis.

INFRASTRUCTURE

The Infrastructure Crisis Facility

This initiative ensures the availability of long-term debt to support private infrastructure projects affected by capital shortages because of the global crisis. Launched in December 2009 with a financial commitment from KfW and pledges from DEG of Germany, Proparco of France, and the European Investment Bank, it has co-financing arrangements of about $4 billion. It has committed $100 million to projects in four countries, including a deep-water port in Vietnam, and a natural-gas distribution project in Peru.

FOOD SECURITY

The Global Agriculture and Food Security Program

IFC and the World Bank launched the Global Agriculture and Food Security Program, a multilateral mechanism to assist in the implementation of pledges made by the G-8 and G-20 countries to strengthen food security in low-income countries. The program will channel donor funding—more than $800 million so far—to support public and private initiatives to improve governance, productivity, and competitiveness in the agribusiness sector. IFC will manage funding allocated for private initiatives and will provide long- and short-term loans, credit guarantees, and equity to local companies and financial intermediaries.

ADVISORY SERVICES

Access to Finance

IFC Advisory Services launched a $9.6 million initiative, jointly funded by donor partners, to help crisis-affected financial institutions with small and medium enterprise banking, housing finance, microfinance, and leasing. The initiative, which is expected to raise $40 million over three years, also focuses on risk management, distressed-asset management, and financial infrastructure. IFC also is coordinating a World Bank Group effort to support the G-20 development agenda and provide actionable recommendations to foster access to finance by small and medium enterprises.

DESPITE CRISIS, IFC CLIENTS PERFORMED WELL ON JOB EXPANSION

In a time of economic turmoil and retrenchment across the globe, IFC's clients bucked a grim trend. Our data show that most of them—61 percent—either added jobs or kept their payrolls stable.

Data we received from 456 clients who were part of our portfolio throughout 2008 and 2009 showed that these clients expanded their payrolls by a net 32,000 jobs. This group accounted for nearly two-thirds of IFC's client portfolio in agribusiness; health and education; information and communication technologies; infrastructure; manufacturing and services; and oil, gas, mining, and chemicals during that period.

Their net job expansion is a remarkable accomplishment given the magnitude of crisis-related job losses worldwide. The International Labour Organization has estimated that global unemployment in the formal sector now stands at a record 212 million people—27 million of whom lost their jobs in 2009 alone. IFC's clients are too few to make a dent in the global numbers. Nevertheless, their performance highlights the special role they play—with IFC's support—in creating opportunity.

Our clients' job expansion often reflected their strategy of expanding operations to be able to reap the benefits of an eventual recovery. Many increased the range of products and services they offer to customers, often reaching underserved markets. For example, one commercial retail client expanded operations in Bosnia-Herzegovina and Serbia in 2009, adding 2,800 jobs—1,700 of which went to women. As a result, smaller towns in these areas gained modern grocery stores.

Clients in East Asia and the Pacific, South Asia, and Latin America and the Caribbean added more than 10,000 jobs in each of those regions. In the smaller countries of Europe and Central Asia, the region hardest hit by the crisis, our clients added 5,000 jobs. Some of these gains were offset by job losses—our data showed that 39 percent of our clients reduced jobs.

Our data also showed that the number of women employed by our clients generally increased in 2008 and 2009. More than 20 percent of the expansion in jobs in 2008 and 2009 reflected jobs that went to women—8,790 in all.

IFC's five pillars and scorecard

THE PILLARS

IFC strives to deliver what cannot be obtained elsewhere. We offer clients a unique combination of investment and advice designed to promote sustainable private sector development in emerging markets. We call that special edge our "additionality." Using it to maximize our development impact is a cornerstone of our strategy. Our activities are guided by five strategic priorities that allow us to help where we are most needed, and where our assistance can do the most good.

1
STRENGTHENING THE FOCUS ON FRONTIER MARKETS

IDA countries, fragile and conflict-affected situations, and frontier regions of middle-income countries

2
BUILDING LONG-TERM CLIENT RELATIONSHIPS IN EMERGING MARKETS

Using the full range of our products and services to guide clients' development and assist cross-border growth

3
ADDRESSING CLIMATE CHANGE AND ENSURING ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Developing new business models and financing instruments; setting and raising standards

4
ADDRESSING CONSTRAINTS TO PRIVATE SECTOR GROWTH IN INFRASTRUCTURE, HEALTH, EDUCATION, AND THE FOOD-SUPPLY CHAIN

Increasing access to basic services and strengthening the agribusiness value chain

5
DEVELOPING LOCAL FINANCIAL MARKETS

Using innovative financial products, mobilizing resources, focusing on micro, small, and medium enterprises

THE SCORECARD: IFC'S PERFORMANCE ON STRATEGIC PILLARS

	indicator	FY10 performance	FY09 performance
	Number of Projects in IDA Countries	255	225
	Commitments in IDA Countries (millions)	$4,881	$4,424
	Advisory Services Expenditures in IDA Countries (millions)	$81	$74
	Commitments in Sub-Saharan Africa (millions)	$2,428	$1,824
	Commitments in Middle East and North Africa (millions)	$1,572	$1,260
	Number of South-South Investment Projects	71	52
	Commitments in South-South Investment Projects (millions)	$1,654	$1,449
	Commitments in Energy Efficiency and Renewable Energy (millions)	$1,644	$1,034
	Commitments in Infrastructure, Health and Education, and Food[1] (millions)	$3,173	$3,322
	Commitments in Financial Markets (millions)[2]	$6,654	$4,709
	Commitments in Micro, Small and Medium Enterprises Sector (millions)[3]	$5,279	$2,969
DEVELOPMENT RESULTS	Investment Projects Rated High (DOTS Score)[4]	71%	71%

1. Commitments of IFC's Infrastructure, Information and Communication Technologies, Subnational Finance, and Agribusiness departments (not the entire food-supply chain).
2. Commitments of IFC's Financial Markets department.
3. Includes direct MSME borrowers, financial institutions with more than 50% of their business clients being MSMEs, and any other investments that specifically target MSMEs as primary beneficiaries.
4. DOTS scores based on development outcomes rated high as of June 30 of the respective year, for a rolling average of 6 years of approvals (2001–2006 for FY10).

poverty and unemployment

OUR FOCUS

Joblessness has become a formidable challenge since the onset of the global economic crisis. It is most crippling in developing countries, where 212 million people were out of work this year.

Our focus: helping the private sector generate productive jobs and alleviate poverty. It's an objective that shapes every aspect of our activities, including improving the investment climate.

We work to expand economic opportunities and job creation by supporting small and medium enterprises, which account for the bulk of job creation around the world. We do it by promoting the economic empowerment of women, who remain a largely untapped resource in many developing countries. We do it by helping ensure the flow of credit to potential job creators, including through a variety of special initiatives we launched in response to the global crisis. We do it by helping governments create a sound investment climate.

INNOVATION AND IMPACT

Our investment clients provided 2.2 million jobs in 2009, including nearly 514,000 in manufacturing and services, more than 300,000 in agribusiness, and 96,000 in information and communication technologies. Businesses supported indirectly through IFC-backed investment funds provided more than 711,000 jobs in 2009.

We recognize that job creation must be socially and environmentally sustainable. Over the last few years, we have deepened our partnership with the International Labour Organization to ensure productive employment and decent work for all, in line with IFC's Performance Standards. Last year, we signed an agreement with the ILO to increase our cooperation to expand compliance with labor standards through the Better Work program. The partnership is expected to improve the lives of 1.2 million workers in developing countries.

SUB-SAHARAN AFRICA

focusing on opportunities for women

Julian Omalla had scant business training. She struggled with complicated and expensive business registration requirements and a credit environment that often marginalizes female entrepreneurs.

Thanks in part to IFC, her determination paid off. In 2007, IFC teamed up with one of Uganda's largest banks to provide loans and training to female entrepreneurs, including Omalla. Today, the food and beverage enterprise she created, Delight Uganda Ltd., is an African success story, responsible for hundreds of jobs.

Creating economic opportunities for women is a priority for IFC—it is vital for sustainable economic growth, the eradication of poverty, and the well-being of families and communities. Among IFC clients for which we have data, women account for more than a third of the workforce. On average, women employed by our clients make 70 cents for every dollar earned by men, a wage gap that is only slightly larger than the ones that exist in some of the world's most advanced economies.

Helping women become successful entrepreneurs is also one of the ways we support the objectives of the Millennium Development Goals. World Bank surveys have shown that enterprises owned by women tend to hire women in significantly larger numbers than those owned by men.

"The biggest problem in Uganda is unemployment," says Omalla. "I know what to do—we can create more employment."

IFC's Gender Program helps women entrepreneurs by increasing access to financial services and working to reduce gender-based barriers in the investment climate. It is working in Uganda, where our partnership with DFCU Bank, which helped Omalla, is giving female entrepreneurs the confidence to approach the bank for credit—and start their own thriving businesses.

LATIN AMERICA AND THE CARIBBEAN

helping the poor gain access to markets

In Mexico's villages, small shops are big players.

Many are one-woman microenterprises, selling food and household goods from just four square meters of floor space. They provide essential income in hard-to-reach rural areas. But they are often isolated from the larger-scale retail industry's efficient distribution chains. Shop owners must travel to distant cities to buy small amounts of goods—a costly routine.

In this challenge, Mi Tienda ("My Store") saw opportunity. The Mexican company uses a modern logistics network to deliver goods directly to small, rural shops. It offers an inexpensive package of volume-discounted goods, customized financing, store modernization, and training. This model has increased revenues of modernized stores by 35 percent.

Mi Tienda's services helped Obdulia Perez Garcia revive her flagging business. "I don't have to close my store and use gasoline to get my merchandise," she said. "My business came back to life."

With IFC's support, Mi Tienda is helping create more than 900 direct jobs—an important benefit in Mexico, which has seen rising unemployment and an underemployment rate estimated at 25 percent.

Mi Tienda's 36 new distribution centers will target rural shops that reach 4.7 million households.

IFC promotes inclusive business models across Latin America, focusing on investments that serve the poor, who make up 70 percent of the region's population. They earn $2 to $8 a day, but collectively represent a $509 billion market.

Underserved communities lack access to financing, jobs, and other opportunities. IFC seeks to reach them with a market-based approach that engages them as producers, consumers, and distributors. In FY10, IFC dedicated $872 million to 44 investment projects that support these communities in Latin America.

easing poverty, fostering stability with insurance

Everyone is exposed to risks. But in the developing world, where few people have insurance, risks have even more severe consequences. Poor families frequently face financial ruin when a breadwinner dies, prolonging the cycle of poverty.

MITIGATING RISKS

IFC is helping LeapFrog offer insurance through its portfolio companies to 25 million low-income or financially excluded people.

It doesn't need to be that way. IFC is working with LeapFrog Financial Inclusion Fund to bring insurance to millions who have never had the opportunity to protect against life-altering shocks. This year, we invested $20 million in LeapFrog—the world's first commercial microinsurance investment fund. The investment will help LeapFrog offer insurance coverage through its portfolio companies to 25 million low-income or financially excluded people in Sub-Saharan Africa and Asia, more than half of whom will be women and children.

By dampening the shocks brought on by death, illness, property loss, or natural disaster, microinsurance offers income stability where uncertainty was once the norm. That provides the comfort needed to invest in farms, expand businesses, or pay for a child's education. With our help, LeapFrog also is working to strengthen the financial sector in underserved areas by introducing new products.

With a customer base of as many as 1 billion people, microinsurance offers a compelling business case. LeapFrog's success is expected to encourage others in the private sector to participate in this untapped market, catalyzing the development of a new industry.

The fund is pursuing opportunities in Ghana, Kenya, India, Indonesia, and the Philippines. Its first investment was in AllLife, a South African company that insures HIV-positive and diabetic people—a group other firms consider uninsurable. AllLife's profitable, high-impact business model focuses on making sure clients actively manage their health and are tested regularly. The result: better lives and peace of mind for the previously uninsured.

an unequal world

Where does a sister share the same inheritance rights to her parents' property as her brother? Which economies differentiate between women and men under the law?

REPORT: WOMEN, BUSINESS, AND THE LAW

Produced by the World Bank and IFC, the report can help countries identify and address gender inequality.

For the first time, these questions and more can be answered with quantitative and objective data, thanks to the newly launched *Women, Business, and the Law* report, which assesses the ways women are treated differently from men under the laws of 128 countries. The report finds that, in certain key areas, women have equal rights in only 20 of those countries.

The report, produced jointly by the World Bank and IFC, presents indicators based on laws and regulations affecting women's prospects as entrepreneurs and employees. It gives policy makers around the world a starting point for dialogue and action toward gender equality.

Several of the indicators draw on the Gender Law Library, a collection of over 2,000 legal provisions that affect women's economic status. Both resources can inform research and policy discussions on how to improve women's economic opportunities and outcomes. The key topics covered in the report are: accessing institutions, using property, getting a job, dealing with taxes, building credit, and going to court.

The *Women, Business, and the Law* project is intended to further country-level or cross-country research on the effects of gender-based legal differentiation. Using such data, policy makers can identify particular areas of law where gender inequality may be especially pronounced. Such data already have prompted several countries to change their legislation. The project aims to monitor these efforts.

More information on the project is available at http://wbl.worldbank.org

helping young adults gain productive jobs

Rasha Al-Eryani had an education—but no means of supporting herself. Long after she graduated, she remained jobless, turning to her family for help with the bills.

MIDDLE EAST AND NORTH AFRICA

Her story is far too common in Yemen, where nearly 11 million people live on less than $2 a day. With the unemployment rate as high as 40 percent, even the most desirable Yemeni job-seekers, like Al-Eryani, have little opportunity.

That's why IFC joined forces with the Yemen Education for Employment Foundation to create the country's first professional training program for first-time job-seekers. It worked for Al-Eryani. She landed a job in the human resources department of a company in Yemen a month after taking IFC's Business Edge courses.

"When I started working, I was well prepared and did not feel any difference between what I studied in the courses and reality," the 27-year-old Al-Eryani said.

Thousands like her will benefit from Business Edge, learning the essentials of marketing, accounting, and other bankable skills.

Over the next three years, IFC and YEFE expect to train 3,000 people under the sponsorship of companies that have pledged to hire 85 percent of the initiative's participants. The program will help Yemen diversify its oil-based economy and solidify its nascent private sector. It will also expand access to training in more rural areas and increase the participation of women and youth in the workforce in Yemen, one of the poorest countries in the Middle East.

The unemployment rate among youth in this region is one of the highest in the world—and many of the unemployed are well-educated first-time job seekers. IFC's Business Edge training programs are available in more than 20 countries around the world, including Afghanistan, Egypt, Pakistan, and Yemen. They are tailored to local markets and offered through licensed training providers. We provide workshops and training materials to improve skills in marketing, human resources, production and operations, finance and accounting, and productivity.

a gold mine for local communities

There wasn't much opportunity in rural western Mali before the advent of large-scale gold mining—few jobs, little education, minimal health care or infrastructure. Things are different today.

SUB-SAHARAN AFRICA

In a rugged area that had known nothing but extreme poverty for centuries, thousands of people now have a chance for better lives.

Local residents now earn incomes by processing peanut butter and sesame seeds for sale, alongside the fruit, fish, and vegetables they produce. Improved agricultural practices and food security are part of an IFC-supported integrated development plan in communities adjacent to the Sadiola Gold Mine, 500 kilometers from Mali's capital, Bamako.

Until IFC helped finance the mine's construction and opening in 1995, villagers relied mainly on subsistence agriculture. They were largely cut off from the global economy—rarely even using money, conducting transactions instead by barter.

Commercial mining transformed the local economy. Sponsored by AngloGold Ashanti of South Africa, IAMGOLD of Canada, and the Malian government, Sadiola now produces more than 450,000 ounces of gold a year. The mine and its contractors employ more than 1,000 people and buy goods and services from many more. It also puts about $300,000 a year into a local community-development foundation.

The extraction of natural resources can present both risks and opportunities for developing countries. Mining can provide significant opportunities for poor communities to escape poverty, but it can also cause environmental and social harm and upheaval for these communities.

So we work with companies, governments, and local people to maximize benefits and minimize risks. We are helping raise environmental, social, and corporate governance standards in this area, furthering the work we began nearly a decade ago with the Extractive Industries Review, the most comprehensive sector review ever conducted by the World Bank Group.

We also promote accountability by requiring our extractive-industry clients to publicly disclose taxes and royalties they pay to governments—and by keeping track of the numbers ourselves. In 2009, IFC's oil, gas, and mining clients contributed about $7 billion in government revenues and provided about 128,000 jobs.

poverty and unemployment: impact around the world

In 2009, our investment clients provided 2.2 million jobs, including about 73,000 in health and education, and 128,000 in oil, gas, mining, and chemicals. More than 711,000 were provided by businesses supported indirectly through IFC-backed investment funds. The employment we helped businesses provide was in a swath of industries spread around the globe, from automobile manufacturing jobs in India to aluminum production in Argentina.

UKRAINE
Our $25 million investment in meat producer Globino will increase production capacity, modernize equipment, and add about 600 jobs.
JORDAN
We're helping Jordan Phosphate Mines Company relocate a fertilizer export terminal and create jobs with a $50 million financing agreement and $60 million syndication agreement.
INDIA
We're investing €135 million in Volkswagen India Private Ltd. to help the company set up an integrated car manufacturing plant that is expected to directly result in more than 2,500 jobs.
SOLOMON ISLANDS
A $35 million IFC loan to Gold Ridge Mining Ltd. will provide jobs, boost government revenues, and help develop the local community.
SENEGAL
Our $1.2 million equity investment and advisory services will help MicroCred Sénégal boost lending to entrepreneurs with limited access to formal financial services.
ETHIOPIA
To create jobs and increase government revenues, we're investing £3.4 million in Western Ethiopia's Tulu Kapi Gold Project.

climate change

OUR FOCUS

Climate change could have far-reaching global consequences—but the danger is particularly acute for developing countries. In these countries, millions live in coastal areas vulnerable to rising sea levels. For their livelihoods, millions depend on agriculture, which is subject to crop failures and reduced productivity that could increase hunger, malnutrition, and disease.

Climate change and sustainability are key areas of strategic focus for us. Working with partners in more than 100 countries, we invest, advise, and mobilize resources from others, creating opportunity for clients in a broad range of industries in emerging markets. We have developed new business models and financing instruments for clean energy and energy efficiency and worked with the private sector to improve its environmental and social standards.

INNOVATION AND IMPACT

Mitigating and adapting to climate change will cost hundreds of billions of dollars in coming years—with the private sector bearing most of the costs. As the largest global development institution focused on the private sector, IFC is playing a critical role. We make a special contribution by complementing the work of other organizations in the areas of policy, research, advocacy, negotiation, and grant-based assistance.

In FY10, more than $1.64 billion of our direct investments went to finance renewable energy, energy efficiency, and other climate-related business. Our projects have helped Chinese banks implement the country's "Green Credit Policy," enabled farmers to slash their power use, and supported venture capital investment in clean technology companies.

EUROPE AND CENTRAL ASIA

green housing

Cold stairwells and broken windows are an everyday reality for the residents of many apartment buildings in Russia. Given the Soviet legacy of viewing common areas as belonging to no one, many building residents are not used to thinking of energy savings in public areas.

Russia has much to gain from making residential buildings energy efficient. The residential housing sector uses approximately 20 percent of the country's electricity output, and 60 percent of its heat. The energy intensity of residential heating in Russia is almost double that of European countries with similar climate conditions.

Better energy efficiency could reduce carbon dioxide emissions in Russia by as much as 150 million tons per year—with nearly half the reduction achieved by implementing energy-efficient practices in the common areas of residential buildings.

IFC's Russia Residential Energy Efficiency Project, launched in 2010, will work through Russian banks to finance the energy-efficient modernization of multifamily buildings. It also aims to help develop a legal and regulatory environment to allow homeowner associations and housing management companies to access finance for improving energy efficiency.

In the city of Rostov-on-Don, through our local partner Centerinvest, the project has enabled housing management companies to obtain finance to make energy-efficient improvements to residential buildings. It also has made residential buildings more pleasant to live in, installing more modern windows and lighting.

Before Centerinvest arrived, the windows of Marina Gogoleva's building were often blown open by wind, rain, and snow. With new windows, the building is now more comfortable.

"It became warm in the building," the 48-year old teacher said. "The windows look better. They are more beautiful."

EAST ASIA AND THE PACIFIC

helping banks promote energy efficiency

Lito Hizon owns and manages Corfarm, a 15,000-head pig farm north of Manila. To minimize power costs from the grid, he decided to construct a methane capture and electricity production facility.

Needing financing, he applied for and got a $1 million loan from the Bank of the Philippine Islands under a Sustainable Energy Finance window that the Manila lender had opened in January 2008 with IFC assistance and financial support from the Global Environmental Facility.

BPI President Aurelio Montinola III is glad his bank, one of the country's largest, can help farmers like Hizon. Pioneering sustainable energy finance affirms BPI's commitment to environmental protection.

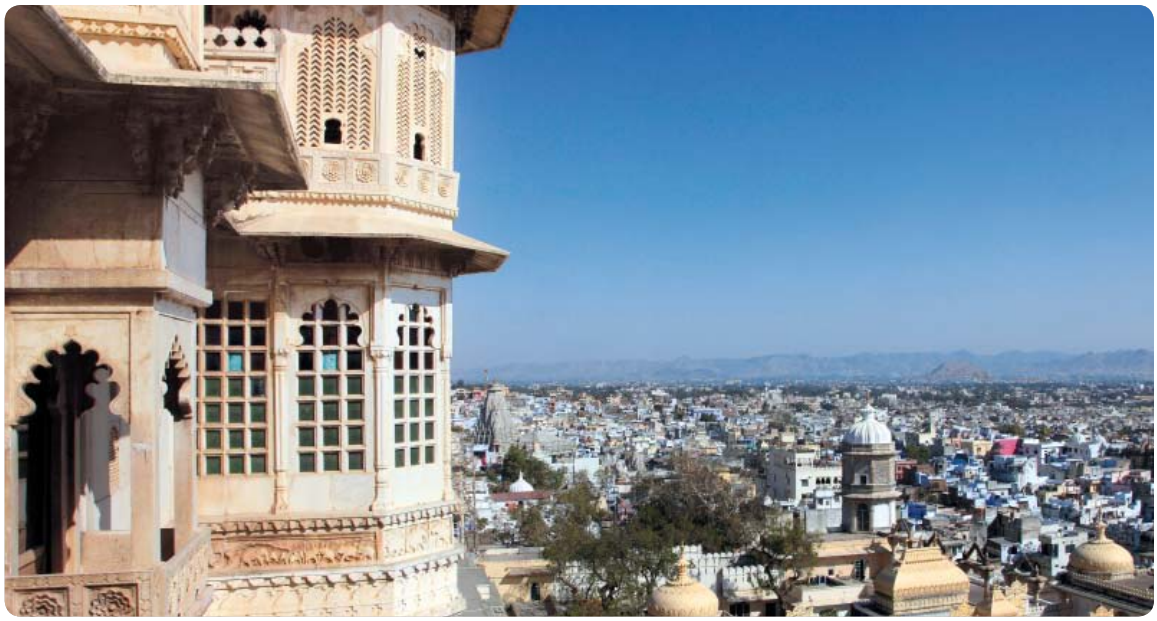
"IFC helped our bank's staff to better understand the energy-efficiency and renewable-energy segments, and we are in advanced negotiations with IFC on a risk-sharing agreement that will help us build a robust and sustainable portfolio," Montinola said.

The program is based on the idea that financing sustainable energy projects is both good business and useful in fighting climate change. Supported by the Global Environment Facility, it works with banks, technology and equipment vendors, end-users, regulatory agencies, and market-awareness partners to promote sustainable energy.

This is the latest in a series of IFC programs that help local banks provide clients with loans for the purchase of energy-saving equipment that comes with advice from technical experts. In China, our three partner banks have extended $1.2 billion in loans of this kind as of June 30, 2010. In Russia, we have helped eight partner banks enter this market, providing $160 million in energy-efficiency financing to several of them.

All told, IFC had energy-efficiency programs in 30 countries as of June 30, 2010.

reducing emissions and cutting costs with cleaner production



It is a major challenge: meeting the world's growing demand for energy while simultaneously reducing greenhouse emissions. New conservation measures to eliminate some of the waste from big industrial users' systems will be a key part of the solution.

CLEANER PRODUCTION

Our $125 million program is helping companies implement energy- and water-efficiency improvements that are good for business and the environment.

To get there, demand for increased industrial energy efficiency must grow in large emerging markets like India. But few Indian manufacturers realize they have many small production inefficiencies that create large hidden utility costs.

Our investment and advisory services have helped one of India's best-known firms, JK Paper Ltd., realize major cost savings from energy and water efficiency improvements at its plants in Orissa and Gujarat. These simple, low-cost fixes by a respected player are setting an important example for others to follow in one of the world's rising economic powers.

We began by supporting a thorough Cleaner Production assessment for JK, identifying 40 saving opportunities available through relatively easy, low-cost upgrades: replacing leaky pipes; replacing old, single-speed motors with new variable speed ones; and others. Then we provided a $3 million loan to finance the needed upgrades.

When implemented, these measures are expected to lead to a 17 percent reduction in water consumption, a 10 percent improvement in energy efficiency, and an annual savings of more than $1 million. The amount saved equals the average annual water use of 75,000 Indian households, and the average annual energy use of 9,100 more.

We started the Cleaner Production lending program with a $20 million global lending pool that helped JK and six other clients cut costs through climate-friendly environmental measures. Now the initiative is being expanded to $125 million to enable us to help more clients. It builds an even stronger case that these upgrades are good for business as well as the environment.

renewable energy— IFC's approach

For people in developing countries, access to modern sources of energy can be crucial for escaping poverty and illness. The intensity of that need also poses a challenge in the fight against climate change.

AN IFC PRIORITY

Our investments in renewable energy and energy efficiency reached a record $1.64 billion in FY10.

Over the next 20 years, two-thirds of the global demand for energy is expected to come from developing countries—where more than 1.6 billion people lack electricity and 2.4 billion burn wood and waste materials for cooking and heating. Harnessing renewable energy resources—such as solar, wind, and biomass—could satisfy much of the demand without exacerbating climate change.

For that reason, IFC has made the promotion of renewable and energy efficiency a key priority. Our investments in these areas totaled a record $1.64 billion in FY10, up from $1.03 billion in FY09. About 16 percent of our projects had a clean-energy component. We have invested in solar, wind, biomass, geothermal, and hydropower projects in all developing regions of the world.

This year, IFC played a strong role in the scale-up of solar energy in developing countries. We made our first investment in a solar project in Sub-Saharan Africa, investing $750,000 in Comasel de St. Louis to help it bring electricity to rural areas of Senegal.

Comasel, a subsidiary of Morocco's Office National de l'Electricité, will use a mix of grid connections and individual solar kits to bring power to nearly 20,000 people in almost 300 villages. The project also will provide electricity to 213 schools and 118 health centers, improving health and education services.

We also invested $10 million in Azure Power, marking our first direct investment in a grid-connected solar power project in India. The investment will help Azure expand the supply of clean energy from 32 villages in India's Punjab state to about 100 villages, saving 10,000 tons of carbon emissions annually.

Lighting Africa

Imagine 2.5 million people in Africa disposing of kerosene lamps and candles in less than three years.

SUB-SAHARAN AFRICA

Then imagine that many people buying climate-friendly lighting products—and in the process creating a thriving private sector-led Base of the Pyramid market.

Safe, bright lighting can significantly empower families and businesses previously dependent on dirty and hazardous flame-based lights. The joint IFC/World Bank Lighting Africa initiative aims to make electric light a reality for millions of Africans.

By addressing access to finance, product quality, and regulatory constraints, Lighting Africa can make it easier for new players to enter the market. And the market for climate-friendly lighting products is potentially huge, with 250 million African consumers by 2030.

Africans currently spend up to $17 billion a year on inadequate lighting. Offering them alternatives is a business opportunity for local and international distributors, established and fledgling private sector companies, local assemblers, international manufacturers, and others.

Lighting Africa now works with around 50 manufacturers that offer over 70 products, providing them with business support services, access to finance, and product quality assurance services. An increasing number of these products now cost less than $25, making them available for the first time to large segments of the African population. That is a marked improvement from just a few years earlier, when only a handful of products were developed for this market.

In FY10, Lighting Africa launched the International Off-grid Lighting Industry Association and took steps toward establishing an off-grid lighting quality seal of approval, an effort that will help assure quality and boost transparency for consumers.

Our overall goal: helping the private sector supply safe, affordable, high-quality lighting to 2.5 million people by 2012 in a market-based way. To do it, we expect to facilitate sales of 500,000 off-grid lighting products through commercial channels, and establish a sustainable commercial platform to supply 250 million people with similar devices by 2030. This will open a new path for social, health, and economic development. Many households and small businesses will see significant cost savings and productivity gains through longer working hours and study time, and reduced health risks from kerosene-induced indoor air pollution.

helping institutional investors make climate-friendly investments

The financial world does not negotiate the big international treaties on climate change. But its capital is critical to meeting their goals.

S&P/IFCI CARBON EFFICIENT INDEX

Launched in late 2009, the index can prompt new incentives to encourage measurement, disclosure, and reduction of carbon emissions.

IFC can influence the markets. But only local and regional banks, institutional investors, and other financial institutions have the power to change them. The vast sums they control can be put to good use in the fight against climate change once a good business case is stated—something IFC works on several levels to create.

In March 2009, we hosted the annual summit of the P8 Group, a set of leading public pension funds from several countries that collectively manages more than $3 trillion and has a keen focus on climate change and sustainability. We have since been helping it explore sustainable investment opportunities in emerging markets.

But before making investment decisions, investors need to see rigorous independent benchmarking of climate-friendly opportunities. Without demand from regulators and stakeholders, listed companies in emerging markets have had little reason to disclose or increase the carbon efficiency of their business activities.

To help them get over this hurdle, IFC teamed up with one of the world's foremost sources of indices and risk evaluation, Standard & Poor's, to launch a new emerging-market Carbon Efficient Index. We did it with support from the U.K. government and the Global Environment Facility. In time, such tools can prompt new market-based incentives such as lower costs of capital and enhanced reputation that can help encourage corporate measurement, disclosure, and reduction of carbon emissions.

The new S&P/IFCI Carbon Efficient Index, launched in December 2009, attempts to mobilize significant portfolio investment flows to favor allocations to the most carbon-efficient companies in emerging markets, thereby encouraging carbon-efficiency competition within sectors.

Targeting the passive equity investor, this new tool offers market returns with little additional risk. Carbon data for the index are provided by Trucost, a specialist in calculating companies' environmental impacts based on readily available business information. To increase awareness of the index, IFC is partnering with the Carbon Disclosure Project to request information on emissions from more than 800 companies in emerging markets in 2010, and to point to the new index as an example of how investors are integrating this information into their decisions.

climate change: impact around the world

IFC is increasing our investments and advice in renewable energy and energy efficiency, a reflection of our growing commitment to address climate change. We financed over $1.64 billion in renewable energy, energy efficiency, and other climate-related business investments. Projects we helped get off the ground are bringing wind energy to Mexican households, backing renewable energy in Turkey, and supporting energy-efficiency lending in Vietnam.

RUSSIA
We're providing a $10 million loan to Monocrystal, helping the manufacturer expand its capacity to produce materials used in energy-efficient technologies.
ARMENIA
With a $15 million loan from IFC, Ameriabank can provide long-term financing to build small hydropower plants.
NEPAL
IFC's $6.5 million loan to Butwal Power Company for a run-of-river hydropower project will support rural electrification and irrigation, and address severe power shortages.
VIETNAM
We're providing $24 million to help Techcombank develop its energy-efficiency lending facility for local small and medium enterprises.
TURKEY
A $75 million loan to Akenerji will support the company's renewable energy projects and help meet Turkey's growing energy needs.
INDIA
Our $7.8 million equity investment in Auro Mira Energy is helping create new renewable energy-based generation capacity.
THAILAND
Our $1.7 million investment in Solar Power (Korat 1) Company will expand private power generation and boost development in rural Thailand.
PHILIPPINES
A $75 million loan to the Filipino branch office of U.S.-based SunPower Corporation will support its Filipino solar cell manufacturing operations.
SRI LANKA
A $12.6 million risk-sharing facility to Sri Lanka's NDB Bank will support the country's power-generation capacity while addressing climate change.

food security

OUR FOCUS

Across the globe, the number of hungry people already exceeds 1 billion. In the next few decades, the challenge of feeding them will grow even more formidable.

By 2050, the United Nations estimates, the world's population will be one-third larger than it is today—and total 9.1 billion people. In developing countries, food production would need to double to keep up with rising demand. Average net annual investments in food production would need to grow by 50 percent. In a time of competing demands for farmland and water, achieving such an expansion sustainably will depend on innovations that improve efficiency and productivity.

IFC is playing a critical role in addressing the challenge—by supporting effective and sustainable practices throughout the agribusiness value chain, from farm to consumer.

INNOVATION AND IMPACT

Our work gives farmers and agricultural enterprises better access to finance, letting them reach new markets. We help them improve productivity, reduce waste, and adopt sustainable methods. By channeling investment to promote global and local trade in food and agriculture, IFC strengthens the global distribution of food.

We are innovative, creating new products that protect farmers from unforeseen risks that can threaten their livelihoods and providing training on productivity-enhancing sustainable practices.

In FY10, we provided nearly $2 billion in lending across the agricultural supply chain, including financing for projects to improve the storage and distribution of agricultural produce, expand rural and agricultural trade finance, and expand food processing. Our agribusiness investment clients reached more than 2 million farmers.

EAST ASIA AND THE PACIFIC

a peanut farmer's success story

Nearly half of all Indonesians work in agriculture. But many of them can't reliably market their products because they aren't equipped to fully participate in the country's agribusiness supply chain.

Peanut farmer H. Sajidin knew the challenges. Like other smallholders in West Nusa Tenggara, one of Indonesia's poorest regions, he used traditional farming methods and local seeds. He didn't know sustainable land cultivation or management methods. Local buyers were his only market, and their prices fluctuated with the seasons.

That was before IFC and Garuda Food, Indonesia's leading snack manufacturer, changed his life.

"My farm's productivity doubled, my income improved significantly, and I can sleep peacefully at night knowing that Garuda Food will buy my crops at agreed prices," Sajidin says. "I want all peanut farmers in Nusa Tenggara to experience the same opportunity that was given to me by IFC and Garuda Food."

IFC provides advisory services to Garuda Food to help peanut farmers increase their output through sustainable practices. We advise the company on ways to train farmers and monitor their performance, and encourage quality with a transparent peanut-purchasing system. Garuda then shares best practices by holding training sessions and providing farmers with high-quality seeds. The farmers sell the resulting crops to the company.

Under the program, Garuda doubled its purchases from peanut farmers between 2007 and 2009. In that period, revenue grew for about 7,500 farmers in the program. Garuda's revenues also have grown—and the presence of an accessible, stable, and transparent market has encouraged thousands to become professional peanut farmers.

SOUTH ASIA

modernizing logistics systems

Inadequate logistics systems are a critical factor holding back economic growth in India. As much as a third of the country's fresh produce is lost as a result of poor transportation and storage facilities—a waste of fruit, meat, and dairy products worth $13 billion.

To address bottlenecks in agriculture-related logistics and infrastructure, IFC invested $5 million in Snowman Frozen Foods Ltd., a Bangalore-based company that transports, stores, and distributes frozen and chilled foods. The investment will help Snowman expand its temperature-controlled storage capacity from 10,000 pallets to 34,000 over the next three years.

In a country that accounts for 33 percent of the world's poor, the investment will make a difference—food waste will be reduced, and farmers and food producers will get better access to retail markets. The project also will improve environmental and social practices at Snowman, which reaches over 100 cities and 4,400 retail outlets in India, by spurring investment in energy-efficient compressors and helping the company expand in the low-income state of Uttar Pradesh.

"IFC, with us, can scale up the business and try to bring down the waste—to a great extent—in fruits and vegetables in India," said Snowman's CEO Ravi Kannan.

For now, India only has the capacity to store 18 percent of its yearly horticultural production in temperature-controlled facilities. Most companies in the sector are regional, with just two or three refrigerated vans and a single storage facility. Most of the country's temperature-controlled storage is only equipped for potatoes and onions.

That's why IFC's investment in Snowman, which operates about 75 refrigerated trucks and 16 storage facilities, is so critical.

increasing food production in Ukraine

As one of the world's leading grain exporters, Ukraine plays a major role in the global food supply chain. But its agribusiness sector faces several constraints.

EUROPE AND CENTRAL ASIA

Adverse weather conditions can curtail production and hurt farmers' incomes. Long-term financing for food production can be scarce.

IFC is helping Ukraine become a more significant food supplier by working with agribusinesses across the supply chain to overcome these constraints. This year, we provided $75 million in long-term financing to Mriya, the country's seventh-largest agricultural producer, to help it double its production of wheat and other agricultural commodities.

We also have helped farmers in Ukraine get better access to insurance products that offset the risks of crop losses because of weather and other hazards. Our Agri-Insurance Development Project, launched in 2008 in partnership with the Canadian development agency CIDA, aims to improve the quality of products offered by insurance companies and build a regulatory environment that facilitates the offering of such products.

Natalia Gudyma, president of the League of Insurance Organizations of Ukraine, says the project contributes to the "improvement of the insurance culture, knowledge and development of Ukraine's national agri-insurance system, and prevents unfair competition." The growing availability of insurance products does more than mitigate risks for farmers—it also makes it easier for them to obtain bank financing, because banks are more likely to provide loans when they know farmers' crops are insured against losses.

Recent progress in the project includes IFC's participation in the development of a new law, expected to be passed later in 2010, which would pave the way for public-private partnerships in agri-insurance, thus enabling a wider rollout of agri-insurance products. The project also has played a key role in establishing an association of agri-insurance companies, the first initiative of its kind in Ukraine.

helping farmers mitigate weather risks

Thanks to a new IFC-led insurance program, farmers across the developing world have better ways to cope with the threat of natural disasters.

HAZARD INSURANCE

Backed by IFC Advisory Services, the Global Index Insurance Facility helps farmers ease the often-devastating impact of natural disasters.

Hazard insurance is a rarity in emerging economies, leaving farmers at the mercy of Mother Nature. Earthquakes, floods, and hurricanes can wipe out homes in an instant. Droughts can deny farmers the crops and livestock they need to get by.

Now the risk can be mitigated. IFC, together with the World Bank, is expanding the availability of index-based insurance for natural disasters and weather risks. The Global Index Insurance Facility, or GIIF, aims to provide new access to insurance products in developing countries, particularly to farmers and people in agrarian communities.

With index-based insurance, losses resulting from weather and catastrophic events are assigned values on a predefined basis, using an index. When one of those events is triggered, insurance payments are distributed. For example, insurance would be paid out if less than an anticipated amount of rain falls, a wind storm of certain category hits, or an earthquake registers a certain magnitude on the Richter scale.

Policyholders qualify for payouts as soon as the statistical indexes are triggered, without having to wait for claims to be settled in the traditional way.

The facility is backed by an IFC Advisory Services program that is working to raise the capacity of insurance companies to provide index-based insurance, help develop such products, and create a favorable regulatory environment by advising governments on possible regulatory changes.

The European Commission has committed €24.5 million as the first donor to a trust fund to finance the advisory services support. The fund is also supported by the Dutch Ministry of Foreign Affairs. IFC is working with key partners to expand the program.

food security: impact around the world

PARAGUAY

A $30 million IFC loan to Banco Bilbao Vizcaya Argentaria Paraguay will strengthen Paraguay's agricultural supply chain and provide new opportunities in rural areas.

ARGENTINA

Banco Patagonia will boost access to finance for farmers and small and medium agribusiness companies with a $30 million loan from IFC.

Millions of farmers have benefited from the products or services of our agribusiness clients. At the end of FY10, our committed agribusiness portfolio totaled $536 million, and we also financed a variety of projects to strengthen all areas of the supply chain. With IFC's help, our clients are irrigating arid stretches of Morocco, providing resilient rice and vegetable seeds in Bangladesh, and enhancing food safety in China.

UKRAINE
We're providing more than $60 million in financing to help poultry producer Myronivsky Hliboproduct expand its grain-farming and poultry operations.
WEST BANK
We launched the second phase of the West Bank Olive Oil Supply Chain Development Project, which is helping Palestinian olive-oil producers obtain financing and become more competitive.
CHINA
A $20 million IFC loan to agro-processor Xiwang Sugar Holdings will allow it to upgrade its operations and raise food safety standards.
MOROCCO
IFC is advising the Ministry of Agriculture on a public-private partnership to build a desalination and irrigation plant in the Chtouka area.
BANGLADESH
Our advice is helping Supreme Seed Co. boost production and supply of stress-tolerant rice and vegetable seeds that can withstand harsh weather conditions.
SUB-SAHARAN AFRICA
IFC structured an innovative financing deal that allowed Africa's Export Trading Group to obtain $120 million in financing to expand trade in agricultural commodities.
NIGERIA
We're providing $8.5 million in financing to Nigerian restaurant chain Tantalizers to help it supply convenient, affordable packaged food for urban populations.

conflict

OUR FOCUS

More than a billion of the world's poorest people live in countries that have a recent history of war or civil conflict. These countries often are ill-equipped to take on the hard work of rebuilding once the conflict has ended. That's why IFC is prioritizing our work here, mobilizing private sector investment in key areas such as infrastructure, extractive industries, supply-chain development, and access to finance, and providing guidance on critical regulatory reforms that promote economic development and growth. We are also working to ensure that women are given a stake in post-conflict reconciliation by supporting their economic participation.

Countries are less likely to slide back into conflict if people see tangible improvements in their lives: job creation, restoration of basic services like electricity, and new business growth underpin long-term civic stability. But in countries where virtually all such functions have been destroyed, new governments trying to rebuild are confronted with so many pressing and sometimes conflicting priorities that they simply can't do it alone.

INNOVATION AND IMPACT

The private sector has a critical role to play, and IFC is part of this effort. We support private sector activity as soon as we can safely and productively work in these countries. Our response to this year's devastating earthquake in Haiti shows we can be nimble, quickly focusing resources where they are needed most. Recognizing the additional challenges of achieving results in these countries, we also work closely with the World Bank and donor partners to share information and collaborate in joint initiatives.

IFC's activities in conflict countries have grown significantly in recent years. Our investments rose from around $200 million in FY05 to $586 million in FY10. Our Advisory Services activities grew from just $5 million in FY05 to $32 million in FY10.

MIDDLE EAST AND NORTH AFRICA

the promise of Yemen's mines

In the sparsely populated desert highlands of Yemen, Sheik Ayidh Asdan is working to bring opportunity to his clan—one of the poorest in the region.

Yemen's first large-scale base-metal mine is being constructed in this hard-scrabble region 100 miles north of Sana'a, a $200 million project that promises to bring thousands of jobs to the area over the next decade. With IFC's assistance, Sheik Ayidh is making sure local communities benefit from the project—by playing a coordinating role between the communities, investors, and the government.

"Many people here wish that more investments would come to their areas because we know how much good that will do for local communities," he said.

Realizing that potential, however, will depend not only on increasing investors' awareness of emerging opportunities in Yemen but also on alerting local communities to the benefits of being engaged in the development of the country's mining sector, he said.

Yemen's economy is fragile as a result of years of civil unrest, a dire fiscal situation, and declining oil production. More than a third of Yemenis live on less than $2 a day, and many are illiterate and hungry. The country needs more jobs, and its economy must be diversified. Developing a vibrant mining sector is one way to do that.

IFC isn't an investor in the project. But, working with Yemen's mining authority, we organized a workshop to promote productive discussions between tribal leaders such as Sheik Ayidh and investors and the government.

We also helped review and overhaul Yemen's mining laws and fiscal regime, and streamline its licensing procedures. In doing so, we helped to ensure the new regulations reflect international best practices, providing benefits to both local and foreign investors.

SUB-SAHARAN AFRICA

creating new businesses, changing lives

"I started out hawking on my head. I had to leave very early in the morning and then I would walk all day," says Marie Bob-Kandeh, recalling her days selling sugar, tomatoes, and onions from a basket in the streets of Freetown, Sierra Leone.

Now, thanks to reforms fashioned with IFC assistance, she has her own formal business, a shop named Rehoboth that sustains her and her four children. "My business is my own," she says. "That's why I call it Rehoboth, a Biblical word; it's my business, so it's my freedom."

Bob-Kandeh and countless people like her are the beneficiaries of an IFC initiative that involved working closely with the government to reform the business climate by making the registration process cheaper and faster, refurbishing the registration center, and making numerous other changes to encourage private sector commercial initiatives and sustainable economic growth. "Now that I have registered Rehoboth, I have the opportunity to apply for contracts," says Bob-Kandeh, 51, Secretary General of the Market Women's Association. "I couldn't do that before."

Following a devastating 11-year civil war, the Government of Sierra Leone in 2004 asked IFC, in partnership with the United Kingdom's Department for International Development, to provide advice on ways to spur business and investment. This led to the Removing Administrative Barriers to Investment program, known as RABI, a six-year multi-phased effort by the government and the private sector to knock down impediments to business formation and investment. The results have been impressive: the cost of registering a business has fallen from $1,500 to $50, while the registration process now takes two days, rather than a week. In 2009, Sierra Leone was deemed to be the quickest and easiest place to start a business in West Africa.

rebuilding economies, restoring confidence

In conflict-affected countries, sustaining economic growth and development is no easy task. Governments lack capacity. Infrastructure is degraded. Financial services are scarce, and access to markets is difficult—especially for small businesses. Corruption can be widespread, and a climate of mistrust can discourage entrepreneurship.

IFC STRATEGY

In conflict-affected countries, we help improve the investment climate, while making selective and focused investments.

IFC's involvement typically begins with advisory services, which can pave the way for later investment. This work includes improving access to finance—for micro, small, and medium enterprises, and to support trade. We help governments improve the investment climate, so new investment is encouraged. We also help local manufacturing and services firms build capacity and strengthen their supply chains.

Investment risks are typically higher in conflict-affected countries. So we take a judicious approach, combining selective and focused investments with advisory services that have led to respectable portfolio performance: IFC's investment projects and advisory programs in conflict-affected nations perform in line with IFC averages, although it may take more time to achieve strong results.

Our work in Iraq illustrates our approach. Our investments in the country are small, and primarily in the financial sector. Our focus is also on advisory services activities that will support capacity building in the banking sector, promote public-private partnerships in collaboration with the World Bank, and provide management training for small and medium enterprises—especially to women in these enterprises.

In FY10, IFC committed $16 million in two projects in Iraq's financial and real sectors. We are also exploring ways to increase our activities in trade finance, microfinance, ports, and the power sector.

our swift response

Haiti's needs were urgent. IFC's response was swift. In the wake of the devastating earthquake that struck the country in January, IFC quickly approved and made available a $35 million emergency investment program to help private companies get back to business, reestablish critical services, and create or preserve jobs.

LATIN AMERICA AND THE CARIBBEAN

The program was a key step in our commitment to helping rebuild Haiti's garment, infrastructure, telecommunications, tourism, and financial sectors.

In these challenging times, IFC aims to help textile firms capitalize on favorable trade legislation, which nearly triples duty-free quotas for Haitian clothing exports to the United States. As part of our program, IFC is financing the expansion of an important garment manufacturer in Northern Haiti, which will create 4,000 new jobs by the end of 2011. In addition, IFC has provided $7.5 million to enable a group of Haitian investors to resume construction of the Oasis hotel complex in Port-au-Prince as a business facility. We are also providing $3.4 million for the first phase of Canada-based Eurasian Minerals' gold and copper exploration in Haiti, which supports 800 jobs.

In addition, we are intensifying our advisory services in Haiti to help companies and government agencies retain and attract investors. This includes simplifying the regulatory framework for special economic zones, improving the country's ports, and supporting the Haitian government's plans to decentralize zones outside of Port-au-Prince. IFC's goal is to help attract new garment companies to invest $30 million in Haiti, which will support 9,500 new jobs in these zones.

In April, we completed the structuring of the international bidding process for TELECO, which will bring the country's largest foreign direct investment since the earthquake—a nearly $100 million investment in Vietnam's biggest mobile telephone operator, Viettel, to expand telecommunications services in Haiti.

In 2008, we opened a local office in the country. Our strategy seeks to increase access to basic services and develop human capital. Though the road to recovery will be long, IFC stands as a long-term partner in Haiti, with one common objective—to create jobs for the Haitian people and help improve their quality of life.

the Conflict-Affected States in Africa initiative

Conflict magnifies the challenges of poverty in many African countries, with devastating results.

SUB-SAHARAN AFRICA

IFC works to provide immediate assistance and long-term support to these countries by helping them rebuild their private sectors, increase stability, reduce poverty, and put their populations back to work. We do it through the Conflict-Affected States in Africa initiative, a $25 million program launched in 2008 to design and implement integrated strategies to support economic recovery in these countries.

The program, supported by Ireland, the Netherlands, and Norway, has helped IFC become active in some of the poorest and least developed states in Africa. We initially focused on four countries, where war has destroyed economies and caused widespread poverty:

—Central African Republic: Heavily dependent on aid, this is one of the world's poorest countries, without a viable private sector. IFC opened a new office in the capital, Bangui, to support on-the-ground efforts to improve the investment climate and foster small business growth.

—Democratic Republic of Congo: Poverty, famine, and disease are widespread in this nation, where more than 5 million people were killed in the Second Congo War. IFC is working here to improve the business climate.

—Liberia: The end of a long civil war in 2003 ushered in an era of hope and democracy here, where Africa's first elected female head of state is leading major reform efforts. From our recently opened office in Freetown, IFC is working on a roster of projects that includes investments in a new microfinance bank and a rubber plantation.

—Sierra Leone: Confidence is on the rise, along with stability, following the conclusion of a 10-year civil war that ended in 2001. IFC projects here include support for tax simplification, investment promotion, and small-business development efforts. We are also broadening the range of financial services available, such as leasing.

a home for the Ahmadi family

Hamida Ahmadi runs a beauty parlor in Kabul's densely populated Char Qala neighborhood. Until recently, she lived in a rental house with her parents and younger sister while the family saved to build a home of their own.

MIDDLE EAST AND NORTH AFRICA

Money was tight. The resources provided by the beauty shop, her mother's tailoring work, and her father's money-exchange business weren't enough to put a new roof over the family. In Afghanistan, affordable loans aren't easy to find.

Then Hamida learned that First MicroFinance Bank of Afghanistan offered construction loans. She borrowed money to complete construction of a new house on land her father had purchased. The family recently moved in, and is planning to expand the house to fit more family members.

Hamida, who pays down the loan regularly each month, praised FMFB for providing finance where few other banks are willing to.

IFC helped found FMFB in 2004, providing its sponsors at the Aga Khan Agency for Microfinance with the capital and advisory services needed to get started. Today, it is Afghanistan's most successful commercial microlender, bringing modern banking to more than 85,000 low-income people across the country.

To widen our impact, we began advising FMFB last year on the development of housing-finance products, providing a resident advisor and other specialist services. This has enabled the bank to make small home loans to nearly 2,000 people like Hamida.

IFC's investment portfolio in Afghanistan has increased more than tenfold over the past five years, climbing to $95 million from $8 million. The portfolio includes a $75 million investment in MTN Afghanistan, the country's second-largest mobile-phone operator, to expand its network to serve more low-income populations. IFC also has launched a management and business-skills training program for small and medium enterprises, and provided advice in agriculture and other sectors.

conflict:
impact around the world

IFC's investments and advisory services are being felt throughout conflict-affected countries, where we are expanding our work. We're helping small business owners in Sierra Leone cut their costs, expanding credit to Yemen's entrepreneurs, and boosting trade finance for firms in Lebanon. At the same time, our initiatives are ensuring that battered economies can recover—and stay healthy.

WEST BANK
IFC is providing $72 million for a mortgage finance program expected to double the number of Palestinian families able to purchase homes.
LEBANON
We're partnering with BLC Bank to help increase trade finance for businesses in Lebanon, expanding economic activity in the region.
SIERRA LEONE
We're supporting Sierra Leone's recovery by helping the government introduce reforms that are simplifying procedures and lowering the cost of doing business.
YEMEN
Our advice is helping Saba Islamic Bank better manage risks and increase financing for small and medium enterprises, strengthening Yemen's banking system.
LIBERIA
IFC advised the government on the bidding process for a management contract for Liberia Electricity Corporation to help rebuild electricity services and connect at least 30,000 new customers.
RWANDA
Through BusinessEdge, we're giving owners of small and medium enterprises in Rwanda a chance to acquire new management skills.
CENTRAL AFRICA
We're putting $12.5 million into a new fund designed to give businesses in central Africa better access to credit.

water and urbanization

OUR FOCUS

Across the developing world, populations are growing rapidly—and concentrating in urban areas.

This growth will intensify the need not only for roads, bridges, and sanitation systems, but also for social infrastructure such as hospitals and schools. It will make clean water an increasingly critical resource.

Under such conditions, successful urbanization will be critical to reducing poverty and ensuring sustainable economic growth. IFC is helping to make that happen.

INNOVATION AND IMPACT

We are partnering with clients to boost investments in small and medium enterprises and encourage new public-private partnerships, helping build medical centers and open education opportunities to the jobless and under-employed. We are working to ease the pressure on cities' overburdened business infra-structure by financing efficient new buildings. We also are working with cities to create a better investment climate.

We are leading initiatives to curb an expected increase in global water requirements that—if left unchecked—might lead to a crisis in developing countries in coming decades. To confront water scarcity, we are investing in new technologies that can help bring clean, affordable water to previously parched regions. Those investments have already given millions access to clean water, and helped energize the private sector to deepen its involvement in the sector.

LATIN AMERICA AND THE CARIBBEAN

university education provides hope for a bright future

Jaider Fernandez, who lives in Bogotá, was frequently unemployed or underemployed. For him, the opportunity to obtain a university education made all the difference.

In 2003, he enrolled in Corporación Universitaria Minuto de Dios—or Uniminuto, one of Colombia's leading educational institutions serving lower- and middle-income students, many of whom live in informal settlements, secondary cities, and rural areas.

Fernandez worked as a delivery boy on minimum wage, and also at a call center. But he was determined to improve his standard of living. In 2007, he completed his undergraduate studies in Information Systems Technology at Uniminuto. That immediately expanded his job opportunities.

He now works as a database administrator at a major company in Bogotá. "Thanks to Uniminuto, I am earning a monthly salary of 2.5 million pesos ($1,250)," he says proudly.

Uniminuto provides a range of affordable technical, vocational, and university education to 35,000 students in Colombia. Its business model combines low-cost tuition and high-value programs in computer science, business, engineering, and other fields, enabling lower-income students to receive professional certification and university degrees.

IFC provided the equivalent of $8 million in long-term local-currency financing to Uniminuto in 2009, helping it reach an additional 10,000 students, many of whom represent the base of the economic pyramid. This financing will protect the university—and, indirectly, its students—from exchange-rate risk, keeping its programs reasonably priced for the foreseeable future.

Fernandez plans to go to Germany for postgraduate studies and return to Uniminuto to become a teacher.

"I feel great affection for Uniminuto," he says. "When I did not have a serious job, Uniminuto helped me finance my studies, obtain my degree, and have a better life."

SUB-SAHARAN AFRICA

bringing world-class health care to Lesotho

For 35-year-old nurse Mabothile Poka, working in a modern, state-of-the-art, public health clinic outside Lesotho's capital fulfills a dream.

The recently opened Likotsi clinic in the city of Maseru promises to revolutionize rural health care in the country, which suffers from one of the world's heaviest caseloads of HIV and AIDS.

"This new clinic is something amazing for the people of Lesotho," Poka said. "It has modern equipment like electrocardiograms and scanners, which haven't been available to patients in rural areas before. It is a dream to work in a place like this in my own country."

The clinic is one of four resulting from a landmark 2008 public-private partnership agreement between the Tsepong consortium—led by health group Netcare—and the government of Lesotho. IFC served as lead transaction advisor on the agreement, which also calls for a modern hospital to be built in Maseru.

The first three clinics opened in May 2010. Patients are benefiting from a full range of services, including an HIV/AIDS unit, dental facilities, and optometry, radiology, and maternity wards. Netcare also has introduced a computerized administrative system, speeding services to the 300 men, women, and children treated at each clinic daily. The operator of the clinics, meanwhile, has agreed to steadily increase the number of female employees and managers over the life of the project.

The public-private partnership agreement that made the Lesotho clinics possible could serve as a model across Africa, where public health services are often overwhelmed by growing populations and hamstrung by a lack of funding.

"In other clinics I've worked at in Lesotho, we always had to turn people away," Poka said. "There were just too many patients, and we didn't always have the right equipment or supplies. Now I am happy I can treat everyone who comes to the clinic for help."

our approach to water security

The scarcity of clean water and sanitation is threatening global economic growth and security. In two decades, a third of the world's population is expected to have access to just half the water it needs. Without action, water security could turn into the world's next crisis.

IFC STRATEGY

IFC helps finance projects that reduce water loss and boost access to clean water and sanitation. We've invested $1.4 billion in the sector since 2000.

IFC is working with the private sector to address a problem that governments alone don't have the resources to fix. Since 2000, IFC has invested more than $1 billion in the sector, reaching over 30 million people.

We know that boosting access to clean water and sanitation services contributes to economic development: every dollar invested in water and sanitation yields an estimated $8 benefit in increased productivity and reduced costs. But as long as water prices don't reflect the cost of delivery, the private sector will largely remain on the sidelines.

To increase private participation in the water sector, IFC is developing a pipeline of bankable projects and providing innovative financing options for projects that help reduce water loss and increase connections. We're building support for new models to address the challenges of water, while promoting the transfer of know-how through partnerships.

Through our work with the private sector, we are helping reduce the number of children who die from diseases spread by dirty water. Also, fewer people are forced to walk miles every day for fresh water, and fewer families lack the dignity of a clean toilet.

helping new global players invest in infrastructure

Africa is an increasingly attractive destination for investment, drawing capital from companies around the globe. IFC is helping a new set of investors—including China—ensure their projects have the biggest development impact and recognize the importance of higher environmental, social, and corporate governance standards.

SOUTH-SOUTH INVESTMENT

IFC committed $1.7 billion in 71 South-South projects in FY10.

In Tanzania, we committed $10 million to finance a 20-story office and retail building being developed in Dar es Salaam by the Mwalimu Nyerere Foundation and a subsidiary of China Railway Jianchang Engineering Company Ltd., one of China's largest contractors. The project, IFC's first direct investment in a Chinese firm operating in Sub-Saharan Africa, builds on our work with companies inside China, where we're boosting energy-efficiency financing, supporting the country's "Green Credit Policy," and working to promote balanced rural and urban development.

China's emergence as an economic power and its substantial investments in Africa make it an important partner for IFC. We can help Chinese enterprises operating in Africa adopt social, environmental, and corporate-governance standards consistent with international best practices. Our track record and strong presence in Africa put us in position to identify and support the companies that understand the long-term business value of sustainable investment.

In the Dar es Salaam project, IFC helped make the building design energy- and water-efficient, and ensured that the wastewater discharged from the complex is treated, since the city—Tanzania's largest—lacks a sewage treatment system. When it is finished, the building will ease the pressure on Dar es Salaam's strained business infrastructure, providing much-needed office space and helping Tanzania's services sector expand.

The project also reflects our increasing involvement in "South-South" investment, projects executed in Africa by companies from developing countries. Such investments encourage smoother capital flows and promote high standards that are critical for Africa's economic development. In FY10, IFC helped facilitate 71 South-South investment projects with commitments totaling $1.7 billion.

cleaner water—
and a healthier future

In Mohan Prasad's village in India, outbreaks of typhoid, malaria, and other waterborne diseases used to occur with regularity. Clean water was an unattainable luxury.

SOUTH ASIA

That is changing, thanks to low-cost ultraviolet technology provided by IFC client WaterHealth International. An innovative solution for low-income people in areas that lack access to potable water, it quickly filters out microbes, allowing the firm to provide safe, purified water for less than a penny a liter—prices even the poor can afford.

"Now, I and everyone in the village get good, safe drinking water," says Prasad, who lives in Nadigudem in the state of Andhra Pradesh.

WHI entered the Indian market in 2005, soon after receiving IFC's early-stage $1.2 million investment. Our investment helped the company attract more from others like Dow Chemical of the U.S. and India's ICICI Bank. Today, it provides clean, affordable water to more than 1 million people in India alone.

Building centralized water supply networks capable of providing safe water can be prohibitively expensive, even for developed countries. With IFC's help, WHI provided an alternative that could be a model for communities in rural areas and on the outskirts of cities—water-purification systems can allow these communities to safely tap available water resources without the need for large infrastructure projects.

IFC is backing WHI's expansion to make an impact on the waterborne diseases that claim hundreds of thousands of lives each year in India—more than any other country. Our investments will help the company install more than 600 systems in rural communities in India, Bangladesh, and Ghana over the next two years.

WaterHealth has installed systems in more than 300 villages in Andhra Pradesh. Through its water centers, the company also provides employment—for service operators like Prasad, maintenance engineers, and others who engage with people from the village and train them on operating machines and collecting revenue.

fostering productive public-private partnerships

One million people live in Periperi, an impoverished district in the Brazilian city of Salvador. For decades, they lacked an emergency hospital.

LATIN AMERICA AND THE CARIBBEAN

That's about to change with the Hospital do Subúrbio, the first to be built in the area in 20 years, and the first to operate under a public-private partnership in the country.

IFC served as the lead advisor to the government of Bahia state, which is building the hospital. With 298 beds, the hospital is expected to treat 20,000 inpatients and 120,000 outpatients each year. For many people in the area, the hospital's opening marks the first time they can easily obtain surgical, orthopedic, and other specialized medical services.

"I feel happy to be working here on the Hospital do Subúrbio, getting it ready for my family and others," said Carlos Nascimento, a mason who worked on the hospital's construction.

The hospital will be equipped and operated by a private consortium for 10 years, after which it will revert to the government. IFC's expertise helped prepare the feasibility study, economic analysis, and project structuring for the concession contract. We also helped with public consultation and the bidding process, under the highest levels of transparency.

In a time of scarce resources and growing needs, many governments are searching for ways to do more with less—to increase the quantity and quality of infrastructure investments while limiting public-sector funding and risk. IFC is responding by helping them set up public-private partnerships and other private sector participation arrangements. We are the only multilateral agency that offers direct advisory services to governments on private sector participation in infrastructure, health, and education.

In 2010, IFC completed 10 successful public-private partnerships that address basic infrastructure and health care needs. These partnerships have also yielded fiscal savings of $1.4 billion for governments and leveraged $1.7 billion in private investment.

water and urbanization: impact around the world

IFC is deploying all of our resources to address the developing world's mounting water needs and ease the stresses on its increasingly crowded cities. Our clients distributed water to nearly 35 million people in 2009, and reached nearly 8 million patients in need of health care. In Eastern Europe, we're helping overhaul water and wastewater networks. In Uganda, government workers are receiving training on the water sector. And in Peru, millions will take advantage of a water treatment plant we helped finance.

EASTERN EUROPE
Our investment of up to €100 million in the Czech Republic's Veolia Voda will help the company rehabilitate and upgrade water and wastewater networks in Eastern Europe.
RUSSIA
We are working with municipal water utilities and private industrial companies to help them improve water efficiency and the quality of discharged water.
CHINA
$25 million in IFC financing for Singapore-based Healthway Medical Corporation Ltd. will help widen access to high-quality medical care in underserved areas of China.
NIGERIA
We're extending $150 million in syndicated loans to help Helios Towers Nigeria Ltd. improve access to quality, affordable telecommunications in Nigeria.
UGANDA
We helped the government of Uganda implement a strategy to increase the efficiency of water distribution to small towns and rural areas through public-private partnerships.
RWANDA
IFC guaranteed a letter of credit issued by Kenya Commercial Bank, allowing Cimerwa, Rwanda's largest cement company, to import equipment and improve competitiveness.
KENYA
We are advising and investing in Kenya's Spencon International so the firm can expand its infrastructure projects in Eastern and Southern Africa.
SOUTH AFRICA
A strategic partnership with South Africa's Life Healthcare Group will help transfer the company's hospital management know-how to other countries.

lessons learned

Even projects with the deepest development impact can be improved.

As a learning institution, IFC takes pride in constantly assessing our strengths and weaknesses—and putting the findings into practice. It makes our investments, advice, and mobilization more effective, ensuring that mistakes made once aren't repeated.

Working with the Independent Evaluation Group and the Compliance Advisor/Ombudsman, IFC addresses the concerns of people affected by our work and broadly gauges our performance. We evaluate the "cross-cutting" effects a single project can have on multiple industries and regions. Applied routinely, this approach builds credibility and trust, and enhances our accountability with stakeholders.

THE FINANCIAL CRISIS—SHAPING OUR STRATEGY

IFC's approach to private sector development has evolved as a result of the global financial crisis. The changed economic environment called for new ways of doing business—not only for our clients but also for IFC and other development institutions.

As economies in the developed world faltered, we worked to help export-dependent countries in emerging markets build and leverage domestic sources of growth—among other things, we helped them address the challenges and opportunities created by rapid urbanization. Last year, for example, we invested $40 million to help modernize and expand the operations of Masan Foods, a Vietnamese packaged-foods company that links local farmers to the growing base of urban middle-class consumers.

We put special emphasis on the delivery of advisory services to help clients manage risks and improve corporate governance. We redoubled our efforts to help governments develop more effective financial-market regulation and systems for dealing with corporate insolvency. For example, we helped the Ministry of Economy in Ukraine—one of the countries hit hardest by the crisis—identify ways to improve the regulatory framework for insolvency administrators and develop rules for out-of-court dispute resolution.

The crisis highlighted the importance of building partnerships and promoting coordination in international responses to development challenges. Several of our crisis initiatives (see page 14) reflected such partnerships—between the public and private sectors, and among international development institutions and donors. In addition, the crisis underscored the importance of having people, programs, and capital in place before a crisis. These attributes significantly enhance our capacity to respond swiftly.

The Independent Evaluation Group examined our response, and found that our performance reflected lessons learned from past crises—but also a few missed opportunities. Among the findings:

—Speed and Effectiveness: Anticipating financial turmoil, IFC began preparing to assist clients as early as 2007. New investments declined by 7 percent during the crisis—less than the 40 percent average in past crises. Investment in the poorest countries increased by 25 percent.

—Response Design: IFC's initiatives were ambitious and innovative and involved mobilizing $25 billion between fiscal 2009 and 2011. The initiatives were targeted, temporary, and partnership-based, a structure that showed we are "learning from past crises."

—Adaptation: IFC demonstrated flexibility in adjusting to changing circumstances. For example, in 2009 we created a Back Office Operational Team to coordinate initiatives and manage fiduciary obligations to donors and investors.

—Coordination: Partnerships with other development finance institutions were a defining feature of IFC's crisis response, and sent an important signal to financial markets that these institutions would "take unprecedented joint action to avoid a systemic banking collapse."

—Financial Capacity and Countercyclical Role: To preserve our financial capacity and maintain our triple-A credit rating, IFC focused heavily on portfolio management. IFC also was selective in embarking on new business. Although that approach was appropriate, it may have caused IFC to miss some "good opportunities for impact through new investments."

The full findings from IEG's update on the ongoing evaluation of "The World Bank Group's Response to the Global Crisis" are available at: http://www.ifc.org/WBCrisisResponse.

IFC'S APPROACH TO PALM OIL

The palm oil sector is rich with sustainable development possibilities—and challenges.

Sustainable palm oil production offers major benefits consistent with IFC's goal of reducing poverty and improving lives. It is an important source of jobs and income for millions of the world's rural poor. In Indonesia, for example, the sector directly and indirectly employs as many as 6 million people and can contribute to better health and education.

Opportunities, however, can be accompanied by risks. Last year, IFC's palm oil funding was suspended pending the development of safeguards to ensure that lending does not cause social or environmental harm. This action came in response to the findings of an independent audit of our investments in Wilmar Group, one of the world's largest processors and merchandisers of palm oil. The audit by the Compliance Advisor/Ombudsman, who reports directly to the President of the World Bank Group, concluded that IFC "did not meet the intent or requirements of its own Performance Standards" for assessing the Wilmar investments.

We are seeking to learn from this experience and emerge better for it. We are working with the World Bank to develop a shared framework to guide our engagement in the palm oil sector. The framework is being developed in consultation with multiple stakeholders, who are helping craft principles to guide work in the sector, with an emphasis on maximizing development outcomes for local communities and minimizing adverse social and environmental impacts.

As an integral part of the process, IFC is seeking the views of diverse stakeholders on key challenges and opportunities facing the palm oil sector. That includes civil society organizations, affected communities, donors, shareholders, partners, private sector representatives, governments, and agriculture- and agribusiness-focused think tanks. The strategic framework will strengthen our commitment to ensuring that positive outcomes, including environmental and social sustainability, remain at the core of IFC's development efforts.

IMPROVING LIVES, IMPROVING HEALTH CARE

IFC has made significant progress in improving lives by investing in health care—an accomplishment that reflects the lessons of experience.

Last year, a 10-year review by the Independent Evaluation Group found that IFC health projects undertaken before 1999 performed poorly, partly because of a lack of expertise in screening and structuring deals. The performance partly reflected our early inexperience in the sector and the effect of financial crises in some regions. But IEG found our performance improved with experience, and more recent investments have realized good financial returns and achieved stronger development outcomes, including increasing access to services and raising standards.

IFC has worked to improve the social impact of health initiatives by supporting investments providing greater benefits to the poor (as recommended by the IEG report) such as increasing investment in low-cost generic drugs and technologies that address health problems affecting the poor. Most IFC-supported pharmaceutical projects have resulted in "significant declines" in generic drug prices, according to IEG.

To increase our impact, we have integrated our investment work with advisory services and increased support for public-private partnerships. Such partnerships in the health sector are still a relatively new development in emerging markets, although there is growing interest in them, and IFC is playing a pioneering role here.

IFC has also improved its investment performance by supporting innovative approaches and business models that increase access to health services for the poor. We do this by encouraging our clients to invest their capital and expertise in low-income countries and frontier markets, working with banks to provide financing for small companies, and helping our clients reach low-income groups in smaller cities.

We are also working closely with the World Bank to increase our development impact with the Health in Africa Initiative—which is designed to mobilize up to $1 billion to strengthen socially responsible health care in Sub-Saharan Africa.

3 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.

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p78: our industries p80: special innovations in financing p82: role in IDA countries p83: inclusive business

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.*

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.

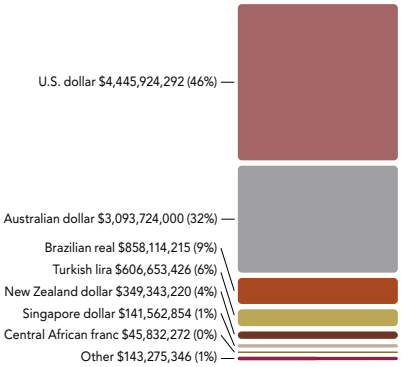
We offer advice through more than 1,000 Advisory Services staff in 84 offices across 66 countries. Funding comes from donor partners, IFC, and client contributions. In FY10, Advisory Services expenditures totaled $268 million, of which 61 percent went to IDA countries.

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

fy10 borrowing on international markets



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.

In FY10, 44 percent of our total syndicated loan volume was in IDA countries and frontier regions—one of the highest levels reached in recent years. IFC also mobilized a total of $2 billion through B-loans, parallel loans, and A-loan participation sales. As of June 30, 2010, IFC's committed syndicated loan portfolio totaled $9.3 billion.

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.

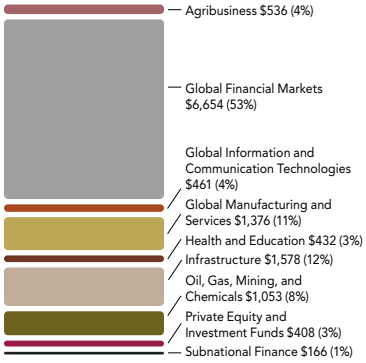
MANUFACTURING AND SERVICES

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 microfinance 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.

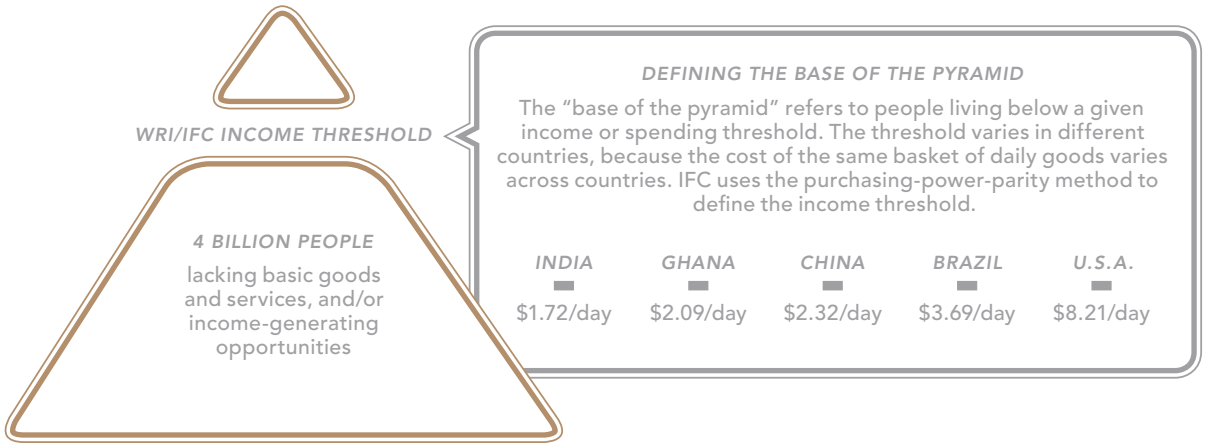
Going forward, IFC will further deepen our engagement in IDA countries, expanding our product range and increasing the number of countries we work with. Our strategy will target innovative projects that link farmers to markets, increase climate-friendly investments, and help firms become regional players. 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.

4 our internal standards and operations

where principles

IFC's commitment to alleviating poverty and creating opportunity for the developing world's most vulnerable people is reflected in our corporate culture. At a time of heightened demand for private sector development, our staff of 3,354 men and women around the world enhances IFC's impact by delivering innovative solutions to the toughest challenges.

meet practice

As the need grows for the private sector to take a greater role in spurring development, we think we can do more. To achieve greater development impact, we are adapting, leveraging our strengths, and sharpening our focus on efficiency under a comprehensive change program we call IFC 2013. We are working more closely with clients and partners, crafting new development goals, and finding new ways to mobilize capital.

Our history shows we learn from experience and take on new challenges. And our staff is better positioned than ever to maximize IFC's development impact. More than half of us are based in developing countries, close to the clients and communities we serve. We are also more diverse than ever—57 percent of our staff is from developing countries.

p87: development goals p88: our staff p90: measuring results p92: clients' development reach p94: compensation p96: our governance p97: donors, foundations, and IFIs
p100: IFC 2013 p102: sustainability framework / policy review p103: footprint commitment p104: investment cycle p106: working with civil society p107: accountability p110: web links

the IFC Way

The IFC Way is a way of being, defining, and solidifying IFC's culture and brand, and a process that engages staff at all levels and in all regions to inform management decision making. It includes our vision, our core corporate values, our purpose, and the way we work.

The initiative began in fiscal 2008 with the most extensive consultative process in IFC history—52 consultations involving more than 1,400 staff members in 31 countries. We learned that regular personal engagement with staff members led to new insights and specific ideas for putting them into practice. We also learned that these discussions, giving staff members the opportunity to share concerns and ideas with management, helped create a sense of commitment and community. IFC is building on that momentum, infusing our culture into all of our activities in ways that will help us be more client-focused and produce even stronger results.

A strong corporate culture is central to any organization's ability to succeed and adapt to new challenges. IFC's adaptive culture has encouraged our staff of more than 3,000 employees in more than 80 countries to find creative ways to meet the challenges posed by the global crisis.

By identifying the shared values of our diverse staff, and by establishing forums for regular dialogue and discussion among staff members and managers, *The IFC Way* is enhancing our ability to tackle new challenges.

OUR VISION
that people should have the opportunity to escape poverty and improve their lives

OUR CORE VALUES
Excellence, Commitment, Integrity, Teamwork

OUR PURPOSE
to create opportunity for people to escape poverty and improve their lives by:
- —Promoting open and competitive markets in developing countries
- —Supporting companies and other private sector partners where there is a gap
- —Helping to generate productive jobs and deliver essential services to the underserved
- —Catalyzing and mobilizing other sources of finance for private enterprise development

In order to achieve our purpose, IFC offers development impact solutions through firm-level interventions (direct investments, Advisory Services, and the Asset Management Company), standard setting, and business-enabling environment work.

OUR STRATEGY PROCESS
IFC has a structured and inclusive approach to strategy setting, sharing a common process and language:
- —We first consider the external environment to see how we can help clients succeed
- —We then draw on the global knowledge and local know-how of IFC staff
- —We work in a unified way to achieve our goals
- —We look for partnership opportunities to maximize development impact

THE WAY WE WORK
- —We help our clients succeed in a changing world
- —Good business is sustainable, and sustainability is good business
- —One IFC, one team, one goal
- —Diversity creates value
- —Creating opportunity requires partnership
- —Global knowledge, local know-how
- —Innovation is worth the risk
- —We learn from experience
- —Work smart and have fun
- —No frontier is too far or too difficult

IFC development goals

We are changing the way we do business, finding innovative ways to help more people escape poverty. It begins by setting a series of specific development goals to provide a forward-looking road map to guide IFC's strategy and operations.

This is a pioneering approach, and represents a significant shift from the past. Until now, we have primarily measured development impact as we go, setting broad priorities and then evaluating each investment or advisory project based on its expected impact.

The development goals now being put in place will give us a broad framework to set our development-driven strategy, coupled with credible measures of our progress.

The effort is a work in progress. Our initial set of goals includes targets to expand access to financial, infrastructure, health and education services, and to expand opportunities for micro, small, and medium enterprises, and for farmers. Based on early experience, methodologies will be refined, and progress against the goals will become an important tool for management.

who we are

IFC's employees are based in about 100 offices in 86 countries, including 42 of the poorest countries—those served by IDA.

We represent 137 countries, including 59 IDA nationalities. Today, 54 percent of our staff is based in the field, up from 43 percent in FY04.

We are diverse. Our diversity enriches our perspectives, allowing for innovative and local solutions for local clients and stakeholders while capturing best practices that can be applied globally. Employees from developing countries represent 66 percent of all staff and 57 percent of those at officer level and higher.

where we work

location	fy04	fy10
Washington, D.C.	1,291 (57%)	1,544 (46%)
Field offices	963 (43%)	1,810 (54%)
Total IFC staff	2,254	3,354

gender (all full-time staff)

gender	fy04	fy10
Male staff	1,121 (50%)	1,571 (47%)
Female staff	1,133 (50%)	1,783 (53%)
Total	2,254	3,354

national origins (all full-time staff)

national origins	fy04	fy10
Developed countries	963 (43%)	1,145 (33%)
Developing countries	1,291 (57%)	2,209 (67%)
Total	2,254	3,354

gender (all staff at officer level and higher)

	fy04	fy10
Male staff	844 (69%)	1,238 (60%)
Female staff	387 (31%)	827 (40%)
Total	1,231	2,065

national origins (all staff at officer level and higher)

national origins	fy04	fy10
Developed countries	647 (53%)	892 (43%)
Developing countries	584 (47%)	1,173 (57%)
Total	1,231	2,065

our place in the World Bank Group

The World Bank Group is a vital source of financial and technical assistance to developing countries. Established in 1944, its mission is to fight poverty with passion and professionalism, for lasting results.

IFC is one of five members of the Bank Group, and carries out the mission by working with the private sector to create opportunity where it's needed most. Since our founding in 1956, we have committed more than $86 billion of our own funds for private sector investments in developing countries, and we have mobilized billions more from others.

In working toward a world free of poverty, we collaborate closely with other members of the Bank Group, including:

— *The International Bank for Reconstruction and Development*, which lends to governments of middle-income and creditworthy low-income countries.

— *The International Development Association*, which provides interest-free loans, called credits, to governments of the poorest countries.

— *The Multilateral Investment Guarantee Agency*, which provides guarantees against losses caused by noncommercial risks to investors in developing countries.

— *The International Centre for Settlement of Investment Disputes*, which provides international facilities for conciliation and arbitration of investment disputes.

measuring results

Development effectiveness is the guiding principle of IFC's work. Through our Development Outcome Tracking System, which measures the development effectiveness of our investment and advisory work, we have established ourselves as a leader in development-results measurement. DOTS gives IFC a key competitive advantage, and is critical to understanding how well our strategy is working and whether we are reaching the people and industries that most need our help.

IFC was the first multilateral development bank to report on development results for our entire portfolio, beginning with our 2007 Annual Report, and to have an external firm review the application of our methodology and reported results, as part of assurance for these aspects of our reporting.

Since 2008, we have been reporting on changes in development results for investments compared with the previous year and, for advisory services, on the results of in-depth evaluations. We also launched a development results portal (www.ifc.org/results) to supplement information in the printed report.

In FY09, IFC's Independent Evaluation Group evaluated IFC's systems and processes for monitoring and evaluating development results, including DOTS. The evaluation found that the tracking system provides current, unbiased assessments of the development results of our investments. It also highlighted the significance of mechanisms introduced to link incentives to project results through performance awards. "In so doing," the report said, "IFC has been at the forefront of performance measurement related to private sector development among multilateral development banks."

In FY10, we launched DOTS-2, which improves the way development results data are captured and tracked through the system, fully integrating with IFC's investment project cycle and other information systems. This year, we report for the first time on the development results of our investments, using data generated by DOTS-2.

IFC's evaluation framework for investments reflects good practice standards agreed on by multilateral development banks for private sector results. Our tracking system is built on this foundation.

DOTS

DOTS allows for real-time tracking of development results throughout the project cycle. IFC staff members identify clear, standardized, and verifiable indicators, with baselines and targets, at the outset of a project. They track progress throughout supervision, which allows for contemporaneous feedback into operations.

For investments, the overall development outcome score is a synthesis of four performance categories that are informed by achievement of industry-specific indicators. To obtain a positive rating, a project must make a contribution to the host country's development—a contribution that is assessed according to good practice standards agreed on by multilateral banks for evaluating private sector investment operations. For Advisory Services, the rating is a synthesis of the overall strategic relevance, effectiveness (as measured by project outputs, outcomes, and impacts), and efficiency of the services.

This report provides the DOTS score—the percentage of projects that have achieved a high rating (in the top half of the rating scale)—for IFC overall and by region and industry. Data for total development reach are provided by IFC's active portfolio clients, and presented regardless of IFC's investment size. Given that IFC is always a minority investor, these results cannot be attributed solely to IFC. IFC does not claim attribution for these reach figures. However, IFC has created specific attribution rules to be applied in measuring and reporting development achievements. These rules, designed to capture the extent to which incremental reach of a client company should be attributed to IFC, will be monitored in department scorecards, starting in FY11.

WHAT DOTS COVERS

IFC's tracking system covers all active projects in our portfolio, for both investments and Advisory Services. The tracking process starts by setting initial objectives, using standard indicators by industry or business line, and tracking achievements throughout the project cycle until closure.

For **Investment Services**, DOTS covers—after certain exclusions—almost all 1,513 companies under supervision. This report focuses on the 493 out of 535 investments approved between 2001 and 2006 that are mature enough to be rated. Every year the cohort of investments we report on shifts by one year. Newer investments are not mature enough to be evaluated, while older ones are less relevant for today's operations and have often already closed. We also address the current reach of all active investments in IFC's portfolio. Reach indicators measure the number of people reached by goods and services provided by IFC clients, or the dollar benefit to particular stakeholders affected by the activities of IFC clients.

For **Advisory Services**, DOTS covers all projects that are active, completed, or on hold, dating back to FY06. At the end of FY10, the supervision portfolio included 562 active projects. This report highlights results achieved between 2006 and 2009, and those of 111 (of 153) projects for which project completion reports were done in FY09 and for which development effectiveness could be assessed. The time periods for which these results are reported differ by Advisory Services business lines and product lines.

Some types of projects are not tracked in the DOTS systems. By number, the most important exclusions were projects at early stages of the project cycle, projects that are expansions to existing ones, projects that are split into several investments, small projects that typically form parts of larger programs, and certain financial products such as swaps and rights issues.

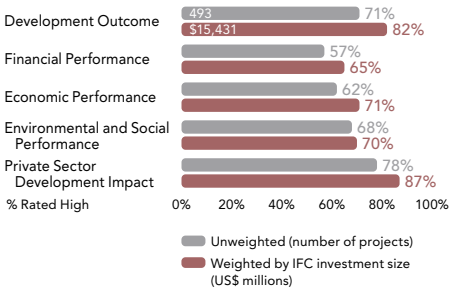
development outcome: investments

performance category	general indicators and benchmarks	examples of specific indicators assessed against targets
Financial performance	Returns to financiers, e.g., financial returns at or above weighted-average cost of capital	Return on invested capital, return on equity, project implemented on time and on budget
Economic performance	Returns to society, e.g., economic returns at or above 10 percent	Numbers of connections to basic services, loans to small enterprises, people employed, tax payments
Environmental and social performance	Project meets IFC's Performance Standards	Improvements in environmental and social management, effluent or emission levels, community development programs
Private sector development impact	Project contributes to improvement for the private sector beyond the project company	Demonstration effects (other firms replicating a new approach, product, or service), linkages to other private companies, corporate governance improvements

development outcome: advisory services

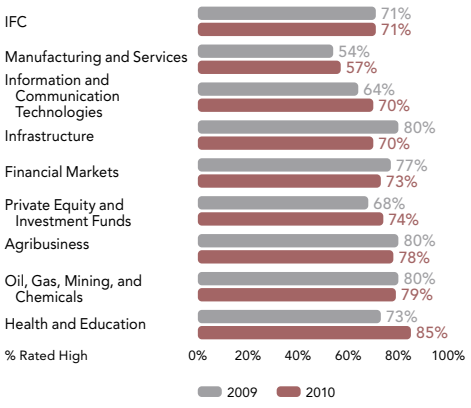
performance category	general indicators and benchmarks	examples of specific indicators assessed against targets
Strategic relevance	Potential impact on local, regional, national economy	Client contributions, alignment with country strategy
Efficiency	Returns on investment in advisory operations	Cost-benefit ratios, project implemented on time and budget
Effectiveness	Project contributes to improvement for the client, the beneficiaries, and the broader private sector	Improvements in operations, investments enabled, jobs created, increase in revenues for beneficiaries, cost savings from policy reforms

IFC's development results for investments



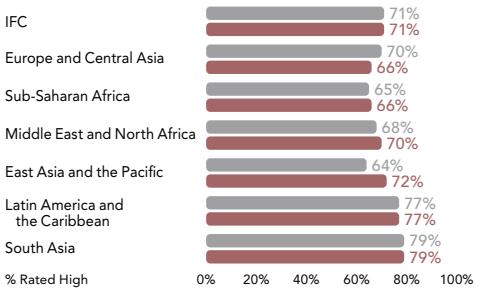
DOTS data as of June 30, 2010, for projects approved in calendar years 2001–2006.

IFC's development results by industry fy09 vs. fy10



FY10: DOTS data as of June 30, 2010, for projects approved in calendar years 2001–2006. FY09: DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005.

IFC's development results by region fy09 vs. fy10



FY10: DOTS data as of June 30, 2010, for projects approved in calendar years 2001–2006. FY09: DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005.

INVESTMENT RESULTS

IFC's development-outcome scores remained stable compared with the past two years, with 71 percent of investments rated high in FY10. Results among industries were mixed, reflecting different sensitivities to the adverse effects of the global crisis. Among regions, only Europe and Central Asia deteriorated, but this was offset by improvement in East Asia and the Pacific.

Our Health and Education department showed the biggest performance improvement—the percentage of investments rated high rose by 12 points to 85 percent, although the number of department operations is relatively small. The DOTS scores of our Private Equity and Investment Funds and Information and Communication Technologies departments climbed by six points to 74 and 70, respectively.

The score for the Manufacturing and Services department rose three points to 57. That is encouraging because the department continues to be IFC's weakest performer. Having traditionally suffered from difficult investment climates and poor infrastructure, the Manufacturing and Services department is beginning to benefit from its recent shift away from direct support to small businesses and toward indirect support through financial intermediaries, and also from IFC's strategic focus—often jointly with the World Bank—on improving business climates and infrastructure in the countries of our clients.

Performance improvements in several sectors reflected the fact that newer projects entering the reporting cohort performed better than older projects that dropped out. In the Information and Communication Technologies sector, many companies were located in Asia, which recovered more quickly from the crisis and continued to show strong performance. The performance of our Private Equity and Investment Funds department rebounded partly from last year's drop, as equity markets recovered some of the losses suffered at the peak of the financial crisis—with the exception of investments in Eastern Europe and Latin America.

The performance of our Oil, Gas, Mining, and Chemicals; Agribusiness; and Financial Markets departments remained relatively stable compared with last year (within four percentage points). But the DOTS score of our Infrastructure department deteriorated 10 percentage points, and results that previously were very strong are now in line with the IFC average. With the exception of Latin America and East Asia, the development performance of infrastructure operations deteriorated across the board—particularly in Eastern Europe and Sub-Saharan Africa. By sector, power and utilities projects confirmed their solid performances, while transport operations continued to be the weaker component of our infrastructure portfolio.

As in prior years, results weighted by IFC's investment volume proved to be stronger (projects accounting for 82 percent of investment volume rated high, compared with 71 percent by number). This indicated that, on average, larger investments and companies tend to perform better. In part, this is due to a higher risk profile for small businesses and investments. Moreover, larger companies have economies of scale, and often have better management and corporate governance that make it easier for them to overcome difficult business environments and external shocks. IFC's weighted results were higher for all industries and regions, especially in the Information and Communication Technologies and in the Middle East and North Africa departments, which DOTS scores increased by 18 and 17 points, respectively, when considering weighted results.

Compared with industry departments, IFC's regional departments had smaller fluctuations in their development results scores between FY09 and FY10. The DOTS score for the Europe and Central Asia region, where the impact of the crisis remains pronounced, deteriorated by four percentage points to 66 percent in FY10, marking a decline of 18 percentage points since FY08. The deterioration was driven by weaker financial and economic performance, and to a much lesser extent by lower private sector development impacts. This pattern is similar to that experienced by the European Bank for Reconstruction and Development.

The Europe and Central Asia region, as a result, was among the weakest-performing regions in FY10, with a DOTS score of 66 percent that put it on par with Sub-Saharan Africa. IFC's financial-markets investments in the region clearly suffered from the crisis. Non-performing loans have risen substantially and are expected to continue to rise for some time. Infrastructure investments

development reach by IFC's client companies

	portfolio cy08	portfolio cy09	new business expectations fy10
Investments:			
Employment provided (million)	2.1	2.2	0.3
Microfinance loans			
Number (million)	8.5	8.5	11.7
Amount ($ billion)	$9.32	$10.79	$10.31
SME loans			
Number (million)	1.3	1.5	2.0
Amount ($ billion)	$90.63	$101.32	$54.21
Customers reached with services:			
Power generation (million)	153.4	132.2	14.3
Power distribution (million)	28.5	29.4	5.0
Water distribution (million)	21.6	34.6	31.0
Gas distribution (million)	12.5	15.7	0.1
Phone connections (million)	220.1	169.3	25.4
Patients reached (million)	5.5	7.6	4.7
Students reached (million)	1.2	1.4	1.0
Farmers reached (million)	1.8	2.1	0.6
Payments to suppliers and governments:			
Domestic purchases of goods and services ($ billion)*	$48.57	$38.02	$12.51
Contribution to government revenues or savings ($ billion)	$22.24	$20.08	$9.58

CY08 and CY09 data are not strictly comparable, because they are based on a changed portfolio of IFC clients. Indicator definitions and reporting periods vary somewhat across industries. Some CY08 data have been revised. New Business Expectations timelines vary by department. Please see footnotes to industry tables on our Web site at www.ifc.org/results_industry.

*Only from Manufacturing and Services and Oil, Gas, Mining, and Chemicals Departments.

learning and using results

deteriorated significantly, mainly because of the poor performance of transport-sector investments in Russia. Still, the performance of clients in the general manufacturing sector improved, and regional investments in the oil, gas, and mining sector achieved high development results.

The East Asia and the Pacific region registered the biggest improvement in DOTS scores in FY10—an increase of eight percentage points that raised the region's score to 72 percent, which is above the IFC average of 71 percent. The improvement was broad based, reflecting better performance across the portfolio, and particularly strong performance in newer investments in private equity and investment funds, financial markets, and agribusiness. This improvement also reflects better selection of projects over time. East Asia and the Pacific was one of only two regions where the development results of IFC's financial-markets investments improved (Sub-Saharan Africa being the other). Results of private equity and information-technology investments also improved. Development outcomes for China, which accounted for 60 percent of the total number of rated companies in the region, continued to improve. Indonesia achieved a perfect DOTS score of 100 percent.

Results of the Sub-Saharan Africa region remained about the same as in FY09 despite the global crisis, at 66 percent in FY10 (up from 65 percent in FY09). Investments that entered this year's reporting pool did substantially better than those that exited. Investments in financial markets and in oil, gas, and mining performed strongly—with scores above 80 percent. On the other hand, the region continued to be one of the weakest performers, with results dragged down by very poor performance of manufacturing and infrastructure investments. IFC has made improving the investment climate a focus of its activities in the region. A poor investment climate hampers smaller manufacturing investments and also makes implementing successful infrastructure investments more difficult.

The performance of three other regions—Latin America and the Caribbean, the Middle East and North Africa, and South Asia—also remained relatively stable.

ADVISORY SERVICES RESULTS

Fifty-eight percent of IFC Advisory Services projects that closed in fiscal year 2009 and could be assessed for development effectiveness were rated positively as of June 30, 2009. The results are based on a review of 153 completion reports filed between July 1, 2008, and June 30, 2009. Of those, 111 could be assessed for development effectiveness.

Projects that could not be assessed for development effectiveness were excluded from the analysis. These 42 projects included 30 non-client-facing projects that are not subject to development-effectiveness ratings, 10 Grassroots Business Initiative projects that are no longer managed by IFC, and two projects that were deemed too early to judge because their outcome and/or impact results had not been achieved by June 30, 2009.

Development effectiveness varied by business line: In Access to Finance, 64 percent of projects were rated positively; in Infrastructure Advice, 50 percent; in Corporate Advice, 53 percent; in Environmental and Social Sustainability, 75 percent; and in Investment Climate, 52 percent. Performance also varied by region. In East Asia and the Pacific, 53 percent of projects were rated positively; in Europe and Central Asia, 68 percent; in Latin America and the Caribbean, 82 percent; in the Middle East and North Africa, 41 percent; in Sub-Saharan Africa, 50 percent; and in South Asia, 62 percent.

ENHANCING RESULTS MEASUREMENT

In FY10, we improved our Development Outcome Tracking System with the launch of DOTS-2.

The new system allows us to measure our development performance and reach more quickly and accurately. DOTS-2 further standardizes indicators across regions and industries, and significantly enhances the indicators themselves. We are now able to compare actual results against the original baselines and expectations—and do it faster and more accurately, which allows us to apply the findings to new operations sooner.

With DOTS-2, IFC has an interactive module that enables tracking, monitoring, and reporting on IFC's additionality in projects in terms of risk mitigation, policy setting, knowledge and innovation, and standard-setting. This will allow us to better analyze and articulate the value and unique benefits we provide through our activities. Faster feedback to management will better inform strategy, operations, and incentives.

We have streamlined and harmonized our reporting across IFC, as performance indicators and data are systematically incorporated into project documents throughout the project life cycle.

We constantly share our experience with the broader development community, including other multilateral development banks, foundations, and donors. Since 2005, we have fostered the improvement and harmonization of development-results measurement among multilateral development banks through the Common Performance Assessment System, an annual self-assessment exercise led each year by a different multilateral development bank.

empowering our people

DELIVERING TO CLIENTS IN CHALLENGING TIMES

IFC's staff focuses on supporting our clients in a challenging environment and developing products to reduce the impact of the global economic crisis on the private sector in developing countries.

Our people are deeply committed to IFC's mission of creating opportunity for people to escape poverty. They offer IFC clients a powerful combination of global expertise and local know-how that allows us to respond rapidly to changing needs.

Leveraging Our Talent

IFC's business has grown significantly over the past five years. Our operating model, as a result, has evolved to respond to market demands.

In FY10, IFC's Management Team adopted IFC 2013, a comprehensive program to ensure that IFC continues to adapt the way we work and deliver more effectively on our strategic priorities. In that context, we are launching a new performance-management approach, to further strengthen talent and leadership management across the organization. Our organizational structure will emphasize clarity of roles and career paths.

To properly organize and deploy the global knowledge generated by our specialists, client teams will be strengthened by the creation of Global Industry Groups to enhance knowledge sharing, and Operations Centers to facilitate decision making closer to the client through the co-location of critical resources. By increasing client proximity to IFC experts and managers through the Operations Centers, we will deliver a higher level of responsiveness locally while leveraging global insight.

People are IFC's most important asset. As we decentralize our organization, we are also intensifying our effort to build a global cadre of professionals who bring the full spectrum of global, local, and technical expertise to our clients. Attracting and nurturing the best talent is an important element of IFC 2013 and key to the way we work. For more information on IFC 2013, see page 100.

Compensation

IFC's compensation guidelines are part of the World Bank Group's framework. The international competitiveness of compensation is essential to our capacity to attract and retain a highly qualified, diverse staff. The salary structure of the World Bank Group for staff recruited in Washington is determined with reference to the U.S. market, which historically has been globally competitive. Salaries for staff hired in countries outside the United States are based on local competitiveness, determined by independent local market surveys. Based on the World Bank Group's status as a multilateral organization, staff salaries are determined on a net-of-tax basis.

Executive Compensation

The salary of the President of the World Bank Group is determined by the Board of Directors. The salary structure for IFC's Executive Vice President and CEO is determined by positioning a midpoint between the salary structure of staff at the highest level, as determined annually by independent U.S. compensation market surveys, and the salary of the World Bank Group President. The compensation of our executive leadership is transparent. IFC's Executive Vice President and CEO, Lars Thunell, receives a salary of $347,050, net of taxes. There are no executive incentive compensation packages.

Variable Pay Programs

IFC's variable-pay and retention programs were suspended in FY09 in response to the change in market conditions and for IFC's own financial prudence. Recognizing that outstanding work by individuals and teams remains important to IFC and to our high-performance culture, the temporary suspension of IFC's variable pay programs was lifted for FY10.

Benefits Programs

IFC provides a competitive package of benefits, including medical insurance and a retirement plan. Washington-based employees are covered by Aetna, contracted through an open procurement process. Other staff members are covered by La Garantie Médicale et Chirurgicale, an international health care provider. Medical insurance costs are shared—75 percent is paid by IFC and 25 percent by the insured.

IFC's pension is part of the World Bank Group plan, based on two benefit components—the first: years of service, salary, and retirement age; the second: a cash savings plan, which includes a mandatory contribution of 5 percent of salary, to which IFC adds 10 percent annually. Legacy pension benefits from earlier World Bank Group pension plans include termination grants and additional cash payouts.

Staff Salary Structure* (Washington, D.C.)

During the period July 1, 2009, to June 30, 2010, the salary structure (net of tax) and average salaries and benefits for World Bank Group staff was as follows.

grade	representative job titles	minimum $	market reference $	maximum $	staff at grade level (%)	average salary / grade	average benefits**
GA	Office Assistant	24,420	31,740	41,250	5.8%	34,640	18,605
GB	Team Assistant, Information Technician	31,190	40,550	56,770	0.8%	41,277	22,170
GC	Program Assistant, Information Assistant	38,520	50,090	70,130	10.4%	52,056	27,959
GD	Senior Program Assistant, Information Specialist, Budget Assistant	44,530	57,880	81,040	8.5%	63,683	34,204
GE	Analyst	58,100	75,520	105,720	9.5%	74,384	39,952
GF	Professional	76,950	100,030	140,050	18.4%	95,323	51,198
GG	Senior Professional	104,050	135,270	189,370	31.3%	131,476	70,616
GH	Manager, Lead Professional	143,600	186,700	241,260	17.7%	181,374	97,416
GI	Director, Senior Advisor	190,390	249,070	285,580	2.8%	238,283	127,982
GJ	Vice President	256,760	287,570	322,000	0.4%	286,638	153,953
GK	Managing Director, Executive Vice President	282,010	319,810	351,740	0.1%	338,403	166,329

Note: Because World Bank Group staff, other than U.S. citizens, usually are not required to pay income taxes on their World Bank Group compensation, the salaries are set on a net-of-tax basis, which is generally equivalent to the after-tax take-home pay of the employees of the comparator organizations and firms from which WBG salaries are derived. Only a relatively small minority of staff will reach the upper third of the salary range.

* These figures do not apply to the U.S. Executive Director and Alternate Executive Director, who are subject to U.S. congressional salary caps.

**Includes annual leave, medical, life and disability insurance; accrued termination benefits; and other nonsalary benefits

our governance

From left to right (standing): Merza Hasan, Abdulrahman Almofadhi, Dante Contreras, Konstantin Huber, Alexey Kvasov, Toru Shikibu, Ambroise Fayolle, Sid Dib, Susanna Moorehead, Rudolf Treffers, Michael Hofmann, Toga McIntosh, James Hagan, Samy Watson, Pulok Chatterji, Philippe Ong Seng. *Seated:* Jose Rojas, Sun Vithespongse, Giovanni Majnoni, Carolina Renteria, Ian Solomon, Anna Brandt, Shaolin Yang, Michel Mordasini.

IFC is an international organization established in 1956. We are part of the World Bank Group, although IFC is a legal entity separate and distinct from the other Bank Group institutions, with separate Articles of Agreement, share capital, financial structure, management, and staff.

Membership in IFC is open only to member countries of the World Bank. As of June 30, 2010, IFC's share capital of $2.45 billion was held by 182 member countries. These countries guide IFC's programs and activities. Each country appoints one governor and one alternate. 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.

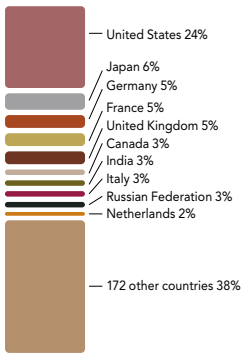
The directors meet regularly at World Bank Group headquarters in Washington, D.C., where they review and decide on investments and provide overall strategic guidance to IFC management. Robert B. Zoellick is President of IFC and the other World Bank Group institutions; he also serves as Chairman of the Boards. Lars H. Thunell is IFC's Executive Vice President and Chief Executive Officer, and oversees IFC's overall strategy and operations.

EXECUTIVE DIRECTORS (ALTERNATIVE)

Abdulrahman M. Almofadhi (Abdulhamid Alkhalifa)
Anna Brandt (Jens Haarlov)
Pulok Chatterji (Kazi M. Aminul Islam)
Dante Contreras (Felix Alberto Camarasa)
Sid Ahmed Dib (Javed Talat)
Ambroise Fayolle (Anne Touret-Blondy)
James Hagan (Do-Hyeong Kim)
Merza H. Hasan (Ayman Alkaffas)
Michael Hofmann (Ruediger Von Kleist)
Konstantin Huber (Gino Alzetta)
Alexey Kvasov (Eugene Miagkov)
Giovanni Majnoni (Nuno Mota Pinto)
Toga McIntosh (Hassan Ahmed Taha)
Susanna Moorehead (Stewart James)
Michel Mordasini (Michal Krupinski)
Louis Philippe Ong Seng (Agapito Mendes Dias)
Carolina Renteria (Rogerio Studart)
Jose A. Rojas (Marta Garcia Jauregui)
Toru Shikibu (Yasuo Takamura)
Ian H. Solomon (vacant)
Rudolf Treffers (Tamara Solyanyk)
Sun Vithespongse (Irfa Ampri)
Samy Watson (Kelvin Dalrymple)
Shaolin Yang (Junhong Chang)

Strong Shareholder Support from Member Countries

Capital Stock by Country



forming productive partnerships

IFC works with governments, businesses, and foundations to foster innovative donor partnerships to reduce poverty and improve people's lives through private-sector development. Our approach to donor relations emphasizes the power of long-term partnerships, maintains a focus on results measurement and efficiency, and provides appropriate visibility for donor partners.

Our donor partners are vital in helping us deliver greater development impact. The financial support they provide not only leverages IFC's own contributions to Advisory Services but also enhances the impact of IFC's investment operations through strengthened collaboration and shared mutual priorities.

IFC's partnership with our donors often extends beyond a funding relationship to one that is based on mutual understanding and knowledge sharing. We foster this by convening donors around thematic issues such as climate change and food security. In so doing, we strive to be thought leaders and stimulate coordinated action.

During FY10, IFC and our donor partners worked together to address the highest-priority challenges on the development agenda—including employment, food security, climate change, infrastructure, and fragile and conflict-affected countries. In a time of limited resources and global financial strains, such partnerships are essential for maximizing our development impact. IFC makes it a priority to convey to donors how their funds are used and what results are achieved through their contributions.

WORKING WITH THE DONOR COMMUNITY

In FY10, a year of severe financial constraints, 19 donor governments and several institutional and private partners helped finance the expansion of IFC's Advisory Services operations through $181.19 million in new commitments.

In response to the global crisis, we expanded the Advisory Services Crisis Response Initiative, which has already raised $18.3 million with the financial support of Austria, Japan, Luxembourg, the Netherlands, and Switzerland.

The Global Trade Liquidity Program is a compelling example of innovating partnership building to ensure an effective response to global financial crisis (see page 14). The program has benefited from the support of a number of partners, including the African Development Bank, Canada, China, Japan, the Netherlands, the OPEC Fund for International Development, the Saudi Fund for Development, Sweden, and the United Kingdom.

In FY10, IFC partnered with many donors to address climate change, reduce biodiversity loss, and leverage social capital.

For instance, through the Netherlands-IFC Renewable Energy partnership, which is expected to provide $20.3 million of funding over four years, the Netherlands has provided new financing for projects in India, Indonesia, Kenya, and Pakistan, ranging from clean-energy finance to wind and hydro power projects.

IFC promotes the use of geothermal resources around the world through a partnership with Japan and Iceland, and supports the development of a carbon-efficient index in a partnership with the United Kingdom.

To scale up investments addressing climate change and biodiversity loss, IFC managed over $320 million from the Global Environment Facility and the Climate Investment Funds, used in the form of concessional investments and grants for Advisory Services. IFC also held its first high-level consultation with the European Commission and the European Investment Bank to explore better ways to work together to tackle issues such as energy efficiency.

IFC and our donor partners also work through public-private partnerships to expand access to basic services: water, electricity, transport, food, health, and education. Over 29 donor partners contribute to IFC's advisory work in public-private partnerships in 86 countries. The Infrastructure Development Collaboration Partnership Fund is supported by Austria, the Netherlands, Sweden, the United Kingdom, and the United States.

With donor support, IFC also promotes job creation and business opportunities in conflict-affected countries. Our Conflict-Affected States in Africa Initiative is supported by Ireland, the Netherlands, and Norway (see page 52). In addition, our Conflict-Affected Countries partnership with the Netherlands has provided $5.4 million in funding for Advisory Services globally.

Since this year's earthquake, our work in Haiti has received critical support from Austria, the Netherlands, Sweden, the United Kingdom, and the United States (see page 51).

PRINCIPLES OF PARTNERSHIPS

Through partnerships with donor and host country governments, other development institutions, philanthropies, and clients, IFC seeks to achieve maximum development impact. These partnerships are especially important in a resource-constrained environment as the world grapples with the fallout from an unprecedented financial and economic crisis. IFC formulated Key Principles of Partnerships to spell out how we engage with our donor partners and how we ensure that the partnerships are mutually complementary and strengthening:

—IFC and our donor partners pool their respective resources to achieve a common goal of promoting sustainable private sector development in emerging markets.

—IFC and our donor partners create opportunities to share knowledge and views about the strategies and approaches to be adopted in Advisory Services managed by IFC. The opportunities for strategic consultations are multiple, sometimes formalized in agreement, sometimes ad hoc based on ongoing interactions.

—IFC provides our donor partners with regular operational and financial updates that allow the donors to understand how IFC is spending their funding, assess project progress, and provide timely feedback.

—Beneficiaries, as well as other stakeholders in both donor partner and client countries, are interested in the impacts and efficiencies of Advisory Services programs managed by IFC. IFC is therefore enhancing results measurement, knowledge sharing and dissemination, and donor partner visibility.

financial commitments to IFC advisory services ($ millions equivalent)

Summary	fy10	fy09
Governments	152.05	185.81
Institutional/Multilateral Partners	19.54	64.52
Private Partners/ Foundations	9.60	0.71
Total	181.19	251.04

financial commitments to IFC services by institutional and private donors ($ millions equivalent)

Institutional and Private Donors	fy10	fy09
Caribbean Development Bank	0	0.4
European Commission	2.25	31.13
Gates Foundation	8	0
GEF, CTF	17.24	32.94
Islamic Development Bank	0	0.04
UN Agencies	0.05	0.02
Various Private Donors	1.6	0.71

financial commitments to IFC advisory services by donor government ($ millions equivalent)

Governments	fy10	fy09
Australia	8.84	5.58
Austria	10.08	16.46
Canada	12.63	17.66
Denmark	0.39	5.34
Finland	5.44	2.28
France	2.92	3.25
Germany	0.04	1.39
Iceland	0.2	0
Ireland	1	7.94
Italy	0	0.74
Japan	9.19	2.62
Luxembourg	2.25	1.9
Netherlands	25.61	44.75
New Zealand	0.58	4
Norway	10.86	15.44
Portugal	0	0.7
South Africa	0.71	0
Spain	0	6.79
Sweden	1.62	1.28
Switzerland	15.33	27.13
United Kingdom	42.52	19.24
United States	1.85	1.34
Total	152.05	185.81

WORKING WITH FOUNDATIONS AND CORPORATE PHILANTHROPIES

Foundations and corporate philanthropies are important allies in the effort to reduce poverty and promote development.

IFC seeks long-term strategic partnerships with innovative foundations that are active in our client countries. Foundations and corporate philanthropies value working with IFC because of our global presence, our relationships with the private sector, our ability to combine investment and advice, and our links to the World Bank Group.

In partnership, IFC and philanthropies implement hands-on programs that mitigate market inefficiencies and foster economic growth in developing countries. In the past, philanthropy focused on grant making as its primary means of contributing to development work; more recently, philanthropic organizations have become interested in the use of innovative investment vehicles to support sustainable private sector development.

IFC's top private donors in FY10 were the Bill & Melinda Gates Foundation and the Rockefeller Foundation. Here are a few examples of our partnership work during the year:

—The Bill & Melinda Gates and Rockefeller Foundations supported IFC's effort to mobilize up to $1 billion to strengthen private health care delivery in Africa and advance socially responsible health care.

—The Kauffman Foundation sponsored Global Entrepreneurship Week to highlight the efforts and challenges of bringing entrepreneurship to scale in emerging markets and frontier countries.

—Visa International supported the expansion of IFC's Small and Medium Enterprise Toolkit curriculum to include financial-literacy content that benefits both small and medium enterprises and financial providers.

WORKING WITH OTHER INTERNATIONAL FINANCE INSTITUTIONS

As demand for IFC's services intensifies and the fiscal constraints on our shareholders and clients mount, effective partnerships with other international organizations are more important than ever.

We are teaming up with a host of multi- and bilateral private sector development institutions, pooling resources to expand our reach and maximize the impact of our investments and advisory services. Through collaboration, we can share knowledge and design more efficient programs to confront the thorniest development issues. Our partners, in turn, benefit from IFC's leadership position—we account for about 30 percent of the financing committed by international financial institutions to the private sector in developing countries.

Collaboration has been critical in our response to the global economic crisis, allowing us to swiftly launch new initiatives to boost trade finance, recapitalize banks, and spur infrastructure investment. More broadly, IFC and other IFIs participate together on individual projects, provide joint financing, and cooperate on best practices and standards.

Through the Master Cooperation Agreement, we have expanded our formal co-financing arrangements with other IFIs. The agreement, which details how IFIs work together to co-finance projects led by IFC, supplements the commercial finance made scarce by the crisis.

IFC senior management also meets periodically with counterparts from more than 20 other private sector development institutions to review the progress of joint initiatives. More than 15 working groups have been created to share best practices and harmonize activities in areas including corporate governance, off-shore financial centers, and development results.

Collaboration has been critical in IFC's response to the global economic crisis, allowing us to swiftly launch new initiatives.

ensuring an effective and sustainable business model

IFC 2013

A Comprehensive Change Program

IFC 2013 is a comprehensive change process to create a more effective, sustainable business model that allows us to achieve greater development impact. This process builds on earlier decentralization efforts designed to help us do more in the least developed countries and regions of middle-income countries while building on our track record as a leader in private sector development—and on our core corporate values of excellence, commitment, integrity, and teamwork.

As part of this process, we looked at ways to update our business delivery model, simplify how we work, and put decision making closer to our clients so we can respond more quickly to their needs. We are introducing a set of development goals to guide long-term strategy. We are strengthening our industry expertise to extend our global franchise and find better ways to put our global knowledge to work for our clients. We are continuing to sharpen the focus of our advisory services, and strengthening the alignment between our Advisory and Investment Services, to expand our impact. Measures of success will include increased client satisfaction and greater development impact.

To ensure the sustainability of our business model, we have also increased our focus on financial results. Because of our sound financial position, we were able to respond to our clients' needs during the global financial crisis. Going forward, a critical element of our strategy will remain safeguarding our financial position and ensuring that our business model continues to be sustainable as our clients' needs and financial conditions change.

We are strengthening our financial position by growing our equity investments, generating management and mobilization fees, and securing additional stakeholder contributions. The establishment of IFC Asset Management Company in 2009 creates a new platform for mobilizing third-party investment for development (see page 74).

THE NEW OPERATIONS CENTERS

A hallmark of IFC's success over the years has been our ability to deliver global expertise to meet the needs of our clients in different parts of the world.

To improve that delivery, we have periodically adjusted our organizational structure. Previously, we established specialized industry departments. We also increased our presence in field offices in developing countries. Under IFC 2013, we are taking an important next step, establishing Operations Centers to serve our clients in different time zones.

IFC 2013 calls for the establishment of several regional Operations Centers, each led by an IFC Vice President. These centers will concentrate decision making, execution capacity, and support functions closer to our clients, facilitating more efficient investment and portfolio risk-management activities. The centers also will support further integration of our investment and advisory work, increasing the benefits for our clients.

IFC's first Operations Center outside Washington is in Istanbul, serving IFC operations in Central and Eastern Europe, Central Asia, Southern Europe, the Middle East, and North Africa. The establishment of this center will be followed by a phased rollout of other Operations Centers globally, incorporating lessons learned from the Istanbul center. We are coordinating with the World Bank on the location of these centers, and the approach we take to the regions they serve.

MANAGING RISKS

Portfolio Management

Portfolio management plays a key role in ensuring that IFC investments result in successful, environmentally sustainable private sector enterprises. In an uncertain economic environment, the role of portfolio management is even more important. Since the global economic crisis began, IFC portfolio staffers have worked proactively with client companies to assess vulnerabilities and risk exposures both for clients and for IFC. Additional resources have been allocated to portfolio processes, and more staff members have been active in portfolio work. We have conducted portfolio stress testing and have continued to review and adjust our product mix to maximize development impact as well as financial returns.

On an ongoing basis, IFC monitors compliance with investment agreements, visits sites to check on project status, and helps identify solutions to address potential problem projects. We also track the development outcomes of projects with respect to environmental and social performance. These supervision processes are performed by portfolio units largely based in field offices. IFC management oversees supervision by reviewing the entire investment portfolio on a quarterly basis. The portfolio management process is supported by a credit-risk rating system. Banks participating in IFC loans are kept regularly informed of project developments. IFC consults or seeks their consent as appropriate.

When financial difficulties arise, management determines specific reserves against loan losses on the basis of portfolio reviews and recommendations by portfolio management units and in accordance with policies and methods approved by IFC's external auditors. For projects with severe problems, the Special Operations Department determines the appropriate remedial actions. It seeks to negotiate agreements with all creditors and shareholders to share the burden of restructuring so problems can be worked out while the project continues to operate. In exceptional cases, when the parties reach an impasse, IFC takes all necessary and appropriate measures to protect our interests.

Before making any investment, IFC carries out broad due diligence, including integrity due diligence on the sponsors and principals, to ensure that the project meets all IFC standards in a number of areas—including social and environmental, combating money laundering and the financing of terrorism, anti-corruption, corporate governance, and tax transparency. IFC also applies heightened scrutiny of projects involving offshore financial centers, in order to assess the legitimacy of the proposed structures. Such broad due diligence has long been standard for IFC projects.

Capital Adequacy and Financial Capacity

We assess our capital adequacy by measuring our growth needs and the risk profile of current and projected investments against the established minimum capital adequacy for these needs. The minimum capital requirement is determined using IFC's Capital, Pricing, and Risk, or CAPRI, economic capital approach, which differentiates assets based on statistical measures of risk.

According to CAPRI, IFC needs to maintain a minimum level of total available resources (including paid-in capital, retained earnings net of designations and certain unrealized gains, and total loan loss reserves) equal to total potential losses for all on- and off-balance-sheet exposures estimated at levels IFC believes to be consistent with maintaining a triple-A rating.

Our economic capital-based method of calculating capital adequacy, taking into account our unique mandate of private sector development and our countercyclical nature, is in line with industry best practices and is configured to provide adequate capital backing for a triple-A rating.

Even with the more demanding capital adequacy that a triple-A rating requires, we have historically exceeded our minimum capital requirements by a wide margin.

As of the end of FY10, the total resources required were $12.8 billion, while total resources available were $16.8 billion. IFC's debt-to-equity ratio was 2.2:1, well within the limit of 4:1 prescribed by our financial policies.

IFC's paid-in capital, retained earnings net of designations and certain unrealized gains, and total loan-loss reserves constitute our total resources available. This financial capacity serves to support existing business, accommodate medium-term growth opportunities and strategic plans, and provide a buffer to withstand shocks or crises in some client countries or more general global market downturns, while retaining the capacity to preserve our triple-A rating and play a countercyclical role.

Tackling corruption is an essential element of IFC's effort to promote sustainable private sector development.

IFC and Anticorruption

Corruption undermines public trust in open markets and the rule of law, and adds to the cost of doing business in most developing nations. Tackling corruption is an essential element of IFC's effort to promote sustainable private sector development. Our initiatives to enhance openness and competition, and to promote stronger corporate governance and integrity systems, have proven to be effective tools in combating corruption.

IFC's due-diligence processes and procedures are the first line of defense against corruption in our projects. They aim to ensure the integrity of our potential partners and prevent unethical or illegal practices. Relying on intelligence on the ground and leveraging information through other sources, such as publicly available databases, IFC inquires into the background of potential partners and their stakeholders—including sponsors, management, and owners.

Our anticorruption stance is incorporated into the legal framework governing our investments. Acts of fraud or corruption by a client in an IFC project give us the right to cancel disbursements or terminate a facility. Sanctions are also a possibility for persons or entities found—under the World Bank Group's sanctions process—to have engaged in corrupt, fraudulent, coercive, collusive, or obstructive practices in connection with an IFC project. Sanctions include publishing the name of the company or person on a public Web site, and may include debarment from World Bank Group engagements.

The World Bank Group's investigative unit, the Integrity Vice Presidency, is responsible for investigating allegations of fraud and corruption in IFC projects. IFC's Business Risk Department acts as a liaison between the Vice Presidency and IFC. The Vice Presidency's annual report can be found on the World Bank's Web site.

IFC is also participating in the Cross-Debarment Accord signed in April between the World Bank Group and four leading multilateral banks. Under the agreement, entities sanctioned by one participating development bank may be cross-debarred by the others for the same misconduct. The accord helps ensure a level playing field for all firms competing for multilateral development bank projects. A list of debarred firms is available on the World Bank's Web site.

Further reforms to the sanctions process were made by the World Bank Group Governance on Anti-Corruption Forum. These include early temporary suspension, debarment with conditional release, settlements, and revised sanctioning guidelines. These reforms are being implemented together with updated legal agreement templates. In FY10, a new internal Web site was launched to improve staff access to information on anti-corruption. It includes tools on the World Bank Group's sanctions process and access to mandatory e-Learning programs.

working responsibly

IFC'S APPROACH TO SUSTAINABILITY

IFC's approach to sustainability is founded on the belief that sound economic growth, driven by private sector development, is crucial to poverty reduction. In our investments, operations, and advisory services across the globe, we consider four dimensions of sustainability—financial, economic, environmental, and social.

—The financial sustainability of IFC and our clients ensures that together we can make a long-term contribution to development.

—The economic sustainability of the projects and companies IFC finances means they are contributing to host economies.

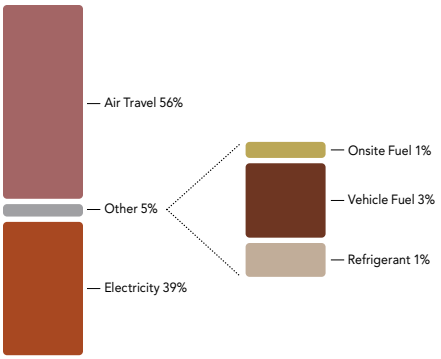
—Environmental sustainability in our clients' operations and supply chains helps protect and conserve natural resources, mitigate environmental impacts, and address the global imperative of climate change.

—Social sustainability is supported through improved living and working standards, poverty reduction, concern for the welfare of communities, and respect for key human rights.

IFC is committed to ensuring that the benefits of economic development are shared with those who are poor or vulnerable, and that development takes place in an environmentally sustainable manner. We also see sustainability as an opportunity to transform markets, drive innovation in new areas, and add value to our clients by helping them improve their business performance.

43,591 Metric Tons of $tC0_2e$

fy09 carbon emissions inventory for IFC's global internal business operations



IFC's FY09 carbon emissions totaled 43,591 metric tons of carbon dioxide equivalent (tCO_2e), which includes emissions from carbon dioxide, methane, and nitrous oxide.

IFC'S SUSTAINABILITY FRAMEWORK AND POLICY REVIEW

IFC's sustainability framework reflects our longstanding commitment to sound environmental management and social development. It gives private sector clients an understanding of their requirements and performance expectations well before they finalize a transaction with IFC. It is designed to address the concerns of people who are affected by our projects, and boost our development impact.

The framework consists of three components: the Policy on Social and Environmental Sustainability, which defines our responsibility in supporting project performance in partnership with clients; the IFC Performance Standards (see page 76), and the Policy on Disclosure of Information. When it approved the current framework in 2006, IFC's Board of Directors asked us to review our experience in implementation after three years.

The resulting report concluded that clarifications and modifications were needed to adapt to a changing business environment and address the evolution of IFC's products. We launched a review in September 2009 and began consultations with stakeholders in November.

So far, IFC has engaged with a wide variety of stakeholder groups, including civil society, industry representatives, academics and technical experts, our Board, the Compliance Advisor/Ombudsman, the Independent Evaluation Group, the IFC's Sustainability Framework External Advisory Group, and internal peer groups.

Stakeholders identified a number of areas where more attention or clarification was needed. Key cross-cutting themes included climate change, ecosystem services, and gender and human rights. Other issues of interest to stakeholders: the implications of "consent" versus "consultation" with indigenous people, biodiversity protection, environmental and social categorization, and contract transparency.

Proposed changes expand the scope of our clients' greenhouse gas emissions reporting, add requirements on water and energy efficiency, ensure projects take a gender-responsive approach, and address trafficking of women and children. IFC committed to expand disclosure of information on our development impact and project performance.

More information on the process is available at http://www.ifc.org/policyreview.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

IFC has calculated an environmental and social risk rating for our investments since 2000. We rate investments that have some degree of risk, as reflected by their environmental and social categorization as A, B, or FI. The rating is given and updated, usually once a year, by our environmental and social specialists, based on reports provided by clients and site visits. The frequency of visits depends on an investment's risk rating and its performance against agreed action-plan items.

Research at IFC shows a positive correlation between environmental and social risk and credit risk in IFC's investments. Our most recent research, completed in 2010, indicated that around 35 percent of loan investments with the highest environmental and social risk also carry a high IFC credit-risk rating. Similarly, only about 5 percent of investments with low environmental and social risk ratings have a high credit risk. In the case of equity investments, research has shown that IFC investments assessed to have less environmental and social risk also yield significantly higher rates of return on investment.

To further strengthen IFC's environmental and social risk management, we continued to focus in FY10 on reducing the environmental and social knowledge gap in IFC's portfolio. The gap refers to the percentage of companies in IFC's portfolio for which we have not received updated information on environmental and social performance within the last two years. The knowledge gap was reduced from 6.4 percent in FY09 to 4.4 percent in FY10.

IFC INVESTMENT PROJECT CATEGORIES

A	Expected to have significant adverse social or environmental impacts that are diverse, irreversible, or unprecedented.
B	Expected to have limited adverse social or environmental impacts that can be readily addressed through mitigation measures.
C	Expected to have minimal or no adverse impacts; includes certain financial intermediary investments.
FI	Investments in financial intermediaries that have no adverse social or environmental impacts but that may finance subprojects with potential impacts.

OUR FOOTPRINT COMMITMENT

Helping our clients address environmental challenges is central to IFC's strategy. Aligning this strategy with how we run our business is an important day-to-day effort.

This year, IFC received the "Environmental Excellence" award from District of Columbia Mayor Adrian Fenty. The annual competition recognizes environmental stewardship, innovative best practices, pollution prevention, and resource conservation by businesses in Washington, D.C.

As part of the World Bank Group, IFC became the first multilateral development bank to report our greenhouse emissions—starting with IFC/World Bank headquarters operations—in the Carbon Disclosure Project, the world's largest database of primary corporate information on climate change.

This year, IFC's headquarters building—our largest office—was awarded the U.S. Green Building Council's Leadership in Energy and Environmental Design Platinum Certification for Existing Buildings. This is the highest rating given to existing buildings for maximizing operational efficiency and minimizing environmental impacts—by reducing water and energy consumption, for example.

More than half of IFC's carbon footprint is from air travel. We are working to reduce corporate air travel by increasing the use of video conferences, e-meetings, and online training. Since FY08, our use of video conferencing has more than doubled. In addition, more staff training has been moved to an e-learning platform.

The other significant part of IFC's carbon footprint is electricity use—IFC's headquarters electricity use accounts for 22 percent of the overall FY09 carbon footprint. In FY10, we reduced electricity use per workstation at IFC headquarters by 10 percent to 6,394 kilowatt hours, achieving the electricity reduction target we set for the years FY08 through FY13. We will be readjusting this target in FY11 to encourage even more energy-efficient operations.

In FY10, we began using a new Web-based data management system, instituted in FY09, for the collection and calculation of our global carbon emissions inventory from internal operations. Because of the complexity and detail of IFC's carbon inventory methodology, transition to the new system has posed several challenges—including data inconsistencies and issues concerning data calculation, which we are working to resolve. In FY09, carbon emissions from IFC's global internal business operations totaled 43,591 metric tons of carbon dioxide equivalent.

IFC continues to be carbon-neutral for all global business operations. We purchase carbon credits from a portfolio of five projects. Working with ClimateCare, IFC chose projects that bring clear and tangible benefits to the development of the communities in which they take place.

The IFC Investment Cycle

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

1: BUSINESS DEVELOPMENT

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

2: EARLY REVIEW

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

3: APPRAISAL (DUE DILIGENCE)

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

4: INVESTMENT REVIEW

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

5: NEGOTIATIONS

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

6: PUBLIC DISCLOSURE

Upon completion of environmental and social, or E&S, due diligence, review summaries and action plans are issued. These documents describe key findings and list actions to be taken by the client to close any significant E&S compliance gap. The documents, as well as a Summary of Proposed Investment, are posted on IFC's Web site before being submitted to the Board for review. The length of the disclosure period is determined by the category of the project.

7: BOARD REVIEW AND APPROVAL

The project is submitted to IFC's Board of Directors for consideration and approval through regular or streamlined procedures. "Streamlined'' means that the members of the Board review the documents but don't meet to discuss the project. This option is available to low-risk projects. Certain small projects can be approved by IFC management under delegated authority. The due diligence process and public disclosure remain the same in all cases. The Board demands that each investment have economic, financial, and development value and reflect IFC's commitment to sustainability.

8: COMMITMENT

IFC and the company sign the legal agreement for the investment. This includes the client's agreement to comply with the requirements of IFC's Sustainability Framework, to immediately report any serious accident or fatality, and to provide regular monitoring reports. The legal agreement also formalizes the client's E&S Action Plan.

9: DISBURSEMENT OF FUNDS

Funds are often paid out in stages or upon completion of certain steps documented in the legal agreement.

10: PROJECT SUPERVISION AND DEVELOPMENT OUTCOME TRACKING

We monitor our investments to ensure compliance with the conditions in the loan agreement. The company submits regular reports on financial and social and environmental performance, as well as information on factors that might materially affect the enterprise. Project site visits are scheduled to verify that E&S requirements are met. Ongoing dialogue allows IFC to help clients to solve issues and identify new opportunities. We also track the project's contribution to development against key indicators identified at the start of the investment cycle.

11: EVALUATION

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

12: CLOSING

We close our books on the project when the investment is repaid in full or when we exit by selling our equity stake. In some cases, we may decide to write off the debt. Our goal is to help the client develop practices and management systems that support a project's sustainability and that will continue long after our involvement has ended.

COMMITMENT TO TRANSPARENCY

As a global, multilateral finance institution with operations in many regions and sectors, IFC has an impact on a diverse range of stakeholders.

We believe that transparency and accountability are fundamental to fulfilling our development mandate, and to strengthening public trust in IFC and our clients. IFC makes information concerning our investments and advisory services publicly available, enabling our clients, partners, and stakeholders to better understand our activities and engage in informed discussion about them.

We frequently solicit feedback to identify issues of importance to stakeholder groups. Feedback includes an annual client survey and ongoing engagement with stakeholders, including representatives of civil society, local communities affected by our projects, industry associations, governments, international finance institutions, and academia.

Such feedback has prompted us to consider how we can disclose more information. In September 2009, we began a review of our Disclosure Policy, in conjunction with the review of IFC's Sustainability Framework. Through this process, IFC will seek to increase reporting on project performance and development impact while also ensuring consistency with the World Bank's new Access to Information Policy, where appropriate.

We are also providing updated information on the development impact of our projects. Working with our clients, and on an experimental basis, IFC this year produced several reports containing updated development results of selected projects. We will use lessons learned from producing these reports, as well as feedback from stakeholders, to inform our decisions as we develop a new disclosure framework.

IFC'S DISCLOSURE PORTAL AND PROJECT MAPPING

IFC continues to improve our Internet-based Disclosure Portal, which serves as a central location for corporate information, policies and standards, proposed investments, and stakeholder feedback. The portal provides links to a project database containing client information, summaries of proposed investments, environmental and social reviews and mitigation measures, and expected development impact. The database was expanded last year to include IFC Advisory Services projects. The portal encourages stakeholder feedback, allowing users to ask questions or provide comments about specific projects.

This year, to improve access to IFC's project information and development impact, IFC introduced a project-mapping Web tool. Using satellite images hosted by Google, the tool allows visitors to see the global distribution of our projects, in a color-coded map that includes information about the environmental and social risk associated with each project. Clicking on specific icons on the map allows readers to access broader project information contained in IFC's Disclosure Portal. In addition, readers can search IFC projects by sector, region, and country.

For members of the public who feel that an initial request for information has been unreasonably denied or that our policy has been incorrectly applied, we have established a complaints mechanism. Complaints are reviewed by the Disclosure Policy Advisor, who reports directly to IFC's Executive Vice President and CEO.

For full information, see www.ifc.org/disclosure.

IFC makes information concerning our investments and advisory services publicly available, enabling our clients, partners, and stakeholders to better understand our activities and engage in informed discussion about them.

WORKING WITH CIVIL SOCIETY

IFC engages with civil society, including nongovernmental organizations, both institutionally and in project implementation. We maintain an ongoing dialogue about many aspects of our operations, strategy, and policies, and we are collaborating on a variety of initiatives.

IFC works with the World Bank Group's Civil Society Team to reach out to civil society on a regular basis. For example, senior IFC staffers have held roundtable meetings with civil society representatives to discuss the financial crisis and its effect on the poor. IFC also has several advisory groups that provide feedback and make recommendations on our strategies and policies in various areas. The Compliance Advisory/Ombudsman, in collaboration with IFC project teams, also maintains close contact with local communities, civil society organizations, and other stakeholders through its work.

IFC is making a concerted effort to engage with civil society in the context of the review of its Policy and Performance Standards on Social and Environmental Sustainability and its Policy on Disclosure of Information. The review of these policies began in September 2009, and IFC has since engaged with stakeholders, including civil society organizations, using a combination of Web tools (such as e-mails, a blog, live Web chats, and the Policy Review Web site), teleconferences, and face-to-face consultations to receive input. We will continue these consultations globally throughout the review period.

We seek to improve and initiate more strategic partnerships with nongovernmental organizations at the operational level, improving projects and enhancing our development impact. For example, we work with the World Wildlife Fund's Global Forest Trade Network to promote sustainable forestry, with the Rainforest Alliance to assist coffee growers in Central America and southern Mexico, and with Oxfam Hong Kong to develop sustainable tourism in Cambodia and the Lao People's Democratic Republic. IFC has also collaborated with the World Wildlife Fund to promote better agricultural management practices in such industries as cotton, palm oil, soybeans, and sugar cane.

BRAZIL: CONTAINING DEFORESTATION IN THE AMAZON

John Carter felt "a sorrow" as he watched the Amazon forest disappear before his eyes.

In hundreds of flights, piloting his single-engine Cessna over Brazil's Mato Grosso, he saw bulldozers and massive fires tear through one of the world's most important ecosystems. There were laws and environmental strategies, but none seemed to contain the deforestation.

"I thought, if we could support landowners and create economic incentives for responsible production, that might work where other conservation efforts have failed," Carter said.

In 2004, he founded Aliança da Terra, a nongovernmental organization that seeks market-based solutions to deforestation in the Amazon. Its Registry for Socio-environmental Responsibility helps ranchers and soybean producers enhance social and environmental practices. When Carter needed help growing his organization, he turned to IFC.

"We were a small, grassroots organization oriented toward operations in the field, but we didn't have a view toward capitalizing on what we were building," he said.

IFC Advisory Services helped strengthen Carter's NGO and add 2 million hectares to its registry, bringing the total to 3.5 million hectares. In addition, IFC is helping develop a carbon monitoring system that could help bring new streams of revenue for farmers that follow responsible environmental practices.

"This is a new model of agriculture happening in the eye of the hurricane, the area of the Amazon which has had the largest deforestation," Carter said.

ACCOUNTABILITY

Independent Evaluation Group

IFC emphasizes learning from experience. The Independent Evaluation Group, which reports to IFC's Board of Directors, contributes to IFC's learning agenda and is a vital part of its accountability structure.

Each year, IEG independently evaluates or validates the performance of a representative sample of IFC investment and advisory projects. This year, IEG evaluated IFC activities concerning agribusiness, the response to the global financial crisis, environmental and social performance standards, climate change, energy efficiency, and the Chad-Cameroon cluster of projects. For the first time, IEG also evaluated IFC's country operations in Peru along with those of the World Bank and MIGA, providing a comprehensive view of the World Bank Group's contribution to Peru's development. Such an approach encourages cross-institutional learning.

This year's evaluation findings show that during fiscal years 2007–09 over 74 percent of IFC's investment projects achieved satisfactory or higher development outcome ratings. Ratings declined slightly in FY09, reflecting the initial impact of the global crisis. The performance of IFC's financial-sector projects declined, although their environmental and social impact ratings improved, reversing a three-year downward trend. Infrastructure, still among IFC's best-performing sectors in development outcomes, has seen an almost 40 percent decline in activities since the crisis began.

In-depth analysis shows that project development outcomes appear to hinge on two groups of factors: those external to IFC—such as a change in a country's business-climate risk, sponsor risk, market risk, or project type risk—and those internal to IFC, such as the quality of IFC's work in project appraisal and structuring, project supervision, and additionality. This year's findings indicate that IFC's overall work quality has continued its recent upward trend, with some decline in supervision quality. IEG also has recommended that IFC intensify its focus on Africa, where development outcomes have lagged behind those of other regions.

To encourage learning from its reports, IEG makes frequent presentations for IFC staff in Washington, D.C., and in the field. IEG's reports are available at www.ifc.org/IEG.

Compliance Advisor/Ombudsman

The Compliance Advisor/Ombudsman is the independent accountability mechanism for IFC and the Multilateral Investment Guarantee Agency. Reporting to the President of the World Bank Group, CAO responds to complaints from people affected by IFC and MIGA projects, with the goal of enhancing the social and environmental outcomes of these projects.

CAO has three roles. CAO's Ombudsman team works to identify the causes of conflict and helps stakeholders resolve concerns through dialogue and assisted negotiation. CAO Compliance specialists conduct appraisals and audits of IFC's social and environmental performance to ensure adherence to its policies and guidelines. In its advisory role, CAO provides independent guidance to the President and management of IFC on social and environmental concerns related to policies, systemic issues, and emerging trends. CAO does not give project-specific advice.

In FY10, CAO worked on 22 cases related to 28 IFC projects in 16 countries. Of these, eight were new complaints accepted by CAO for further assessment, and 14 were carried over from previous years. CAO closed six cases, facilitated seven agreements through its ombudsman team, and released six compliance appraisals and one audit of IFC.

The audit was prompted by a complaint from civil society in 2007 regarding IFC's investments in Wilmar Group, which relate to palm oil in Indonesia. CAO facilitated settlements between the company and affected communities in FY08 and FY09 and released an audit of IFC's involvement with Wilmar in early FY10. In response, IFC is conducting a strategic review of its engagement in the global palm oil sector (see page 67). CAO continues to monitor the settlements, and the audit remains open.

In May 2010, CAO completed an advisory review of IFC's Sustainability Framework (see page 102). It focused on issues relevant to communities affected by IFC projects and assessed IFC's implementation of the framework.

CAO reaches out to civil society and other stakeholders to raise awareness about accountability and recourse at IFC. In FY10, CAO met with about 300 civil society organizations from over 20 countries. CAO works with IFC staff at headquarters and in the field to share lessons from its work.

Visit www.cao-ombudsman.org for more information.

Internal Auditing

The Internal Auditing Department helps the World Bank Group achieve its mission by providing objective assurance and advice to add value; enhancing risk management, control, and governance; and improving accountability for results. The department conducts its work in all organizational activities (including trust-funded operations) in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

Auditing work primarily focuses on determining whether the Bank Group's risk management, control, and governance processes provide reasonable assurance that significant financial, managerial, and operating information is accurate, reliable, and timely; resources are acquired economically and used efficiently; assets are safeguarded; the organization's actions are in compliance with policies, procedures, contracts, and applicable laws and regulations; and business objectives are achieved.

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independent assurance report on a selection of sustainable development information

Further to the request made by IFC, we performed a review on a selection of sustainable development information for the financial year ended June 30, 2010 in the Annual Report, including quantitative indicators ("the Indicators") and qualitative statements ("the Statements"), related to the following material areas:

MATERIAL AREAS	STATEMENTS	INDICATORS
Environmental and Social Performance of projects	"What We Do: Standard Setting: IFC Performance Standards" (p. 76), "The Equator Principles" (p. 77), and "Corporate Governance" (p.77)	• Commitments by Environmental and Social Category (p. 10): **Category** / **Commitments ($ millions)** / **Number of projects** A: 825 / 10 B: 3,975 / 147 C: 4,516 / 254 F1: 3,348 / 117 N: 0 / 0
Development effectiveness of investments and advisory services	"Measuring results" (pp. 90 and 91), "Investments Results" (p. 92, excluding the table "Development Reach by IFC's Client companies"), and "Advisory Services Results" (p. 93)	• Development Effectiveness scores of Investments (pp. 10, 11 and 91): 71% "rated high"[1] • Development Effectiveness score of Advisory Services (p. 93): 58% "rated positively"
Financial inclusion: microfinance loans and loans to small and medium enterprises		• Number and amounts of microfinance loans and SME loans (p. 92) **Type of loans** / **Number of loans (millions)** / **Amount ($ billions)** Microfinance: 8.5 / 10.79 SMEs: 1.5 / 101.32
Climate change	Climate Change section (pp. 28–37)	• Amount committed in renewable energy and energy efficiency investments (p. 17): $1,644 millions
Corporate footprint, social responsibility, and sustainable business model	"IFC 2013" (p. 100), "IFC and Anticorruption" (p. 101), and "Working Responsibly" (pp. 102–103)	• Carbon footprint (p. 102): 43,591 tCO_2 equivalent in financial year 2009
Water	"Water and Urbanization: Focus" (p. 56), "Innovation and Impact (p. 57), "Our Approach to Water Security" (p. 60), "Cleaner Water and a Healthier future" (p. 62) and "Impact around the World" (pp. 64 and 65)	
Engagement in IDA[2] countries	"Expanding role in IDA countries and focus on the poor" (pp. 82 and 83)	
Partnerships	"Forming Productive Partnerships"(p. 97)	
Accountability	"Independent Evaluation Group" and "Compliance Advisor/ Ombudsman" (p. 107)	

[1] FY10 Development Results for investments (% rated high):

Overall Portfolio (% rated high)	Unweighted (number of projects)	Weighted by investment size
Development Outcome	71%	82%
Financial Performance	*57%*	*65%*
Economic Performance	*62%*	*71%*
Environmental and Social Performance	*68%*	*70%*
Private Sector Development impact	*78%*	*87%*

Development Outcome by industry	(% rated high)
IFC (total)	71
Oil, Gas, Mining & Chemicals	*79*
Infrastructure	*70*
Agribusiness	*78*
Global Financial Markets	*73*
Health & Education	*85*
Private Equity & Investment Funds	*74*
Information & Communication Technologies	*70*
Manufacturing & Services	*57*

Development Outcome by region	(% rated high)
IFC (total)	71
South Asia	*79*
Latin America & the Caribbean	*77*
Europe and Central Asia	*66*
Middle East & North Africa	*70*
Sub-Saharan Africa	*66*
East Asia & the Pacific	*72*

Our review aimed at obtaining limited assurance[3] that:

1. the Indicators were prepared in accordance with the reporting criteria applicable in 2010 (the "Reporting Criteria"), consisting in IFC instructions, procedures, and guidelines specific for each indicator, a summary of which is provided in the comments next to the Indicators presentation (pp.10, 11, 17, 91, 92, 93 and 102) in the Annual Report or on IFC's website; and

2. the Statements have been presented in accordance with "IFC's Policy on Disclosure of Information" and principles of relevance, completeness, neutrality and clarity, and reliability as defined by international standards.[4]

It is the responsibility of IFC to prepare the Indicators and Statements, to provide information on the Reporting Criteria, and to compile the Annual Report.

It is our responsibility to express a conclusion on the Indicators and the Statements on the basis of our review. Our review was conducted in accordance with the ISAE 3000, International Standard on Assurance Engagements from IFAC.[5] Our independence is defined by IFAC professional code of ethics.

NATURE AND SCOPE OF OUR REVIEW

We performed the following review to be able to express a conclusion:

- We assessed the Reporting Criteria, policies and principles, with respect to their relevance, their completeness, their neutrality, and their reliability.
- We reviewed the content of the Annual Report in order to identify key statements regarding the sustainability areas listed above. We selected statements that were deemed to be committing, of particular stakeholder interest, of potential reputation risk to IFC, together with statements on corporate responsibility management and performance.
- At group level, we conducted interviews with people responsible for reporting in order to assess the application of the Reporting Criteria or to substantiate the Statements.
- At group level, we implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the Indicators.
- We collected supporting documents of Indicators or Statements, such as reports to the board of directors or other meetings, loan contracts, internal and external presentations and reports, studies or results of survey.
- We reviewed the presentation of the Information in the Annual Report and the associated notes on methodology.

LIMITATIONS OF OUR REVIEW

Our review was limited to the Statements and Indicators identified in the table above and did not cover other disclosures in the Annual Report.

Our tests were limited to document reviews and interviews at IFC's headquarters in Washington, DC. We did not participate in any activities with external stakeholders, clients, or local IFC offices.

INFORMATION ABOUT THE REPORTING CRITERIA AND THE STATEMENT PREPARATION PROCESS

With regards to the Reporting Criteria and the Statement preparation policies and principles, we wish to make the following comments:

RELEVANCE

IFC publishes an integrated Annual Report and, for the first time, involved stakeholders in an effort to improve the identification of key sustainability issues that should be included in the Annual Report.

IFC presents sustainability information on its own impact and the environmental and social risks, impacts, and outcomes of projects financed directly or through financial intermediaries that are comparable to other multilateral development banks. A specific effort is made by IFC to assess its development results, notably through its Development Outcome Tracking System (DOTS).

COMPLETENESS

The Indicators reporting perimeters aim to cover all relevant IFC's activities. An effort has been made this year to formalize the definitions, perimeters, and exclusion rules for the Indicators, especially related to "Development effectiveness of advisory services" and the "Microfinance and SME loans". The perimeters actually covered by each indicator have been indicated in the comments next to the data in the Annual Report.

NEUTRALITY AND CLARITY

IFC provides information on the methodologies used to establish the Indicators in the comments next to the published data, in particular for indicators related to "Carbon footprint", "Investments in renewable energy and energy efficiency", "Microfinance and SME loans", "Development Results" in the related sections and on the IFC website (links listed p.110).

RELIABILITY

The reporting tools and internal controls for the Indicators related to "Investments in renewable energy and energy efficiency" and "Development effectiveness of advisory services" need to be strengthened and formalized in order to be more adapted to their complexity and the significant reliance on professional judgments of people entering or validating the data.

The improvement of the Statements preparation processes should be continued to ensure that the Statements rely on the most up-do-date and accurate information.

CONCLUSION

For the Indicator related to "carbon footprint", IFC implemented methodological changes and a new reporting tool this year. We identified significant gaps between the carbon footprint calculated with this new tool and the requirements of the Reporting Criteria. Due to time constraints, it was not possible to check if all the inconsistencies were corrected.

Based on our review, and except for the above qualification, nothing has come to our attention that causes us to believe that:

- the Indicators were not established, in all material aspects, in accordance with the Reporting Criteria;
- the Statements were not presented, in all material aspects, in accordance with "IFC's Policy on Disclosure of Information" and the principles of relevance, completeness, neutrality and clarity, and reliability as defined by international standards.

Paris-La Défense, France, August 25, 2010

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Eric Duvaud
Partner, Climate Change and
Sustainability Services

[2] International Development Association.

[3] A higher level of assurance would have required more extensive work.

[4] ISAE 3000 from IFAC, Global Reporting Initiative (GRI), or AA1000 Accountability Principles.

[5] ISAE 3000: "Assurance Engagement other than reviews of historical data", International Federation of Accountants, International Audit and Assurance Board, December 2003.

acronyms

AGRA	Alliance for a Green Revolution in Africa
CAO	Compliance Advisor/Ombudsman
CAPRI	Capital Pricing and Risk (economic capital approach)
CY	calendar year
DEG	private sector arm of German development agency KfW
DFI	development finance institution
DFID	Department for International Development of the United Kingdom
DOTS	Development Outcome Tracking System
EBRD	European Bank for Reconstruction and Development
FMO	Netherlands Development Finance Company
FY	Fiscal Year
GBF	Grassroots Business Fund
GTLP	Global Trade Liquidity Program
IBRD	International Bank for Reconstruction and Development (World Bank)
ICF	Infrastructure Crisis Facility (IFC crisis-response facility)
IDA	International Development Association
IEG	Independent Evaluation Group
IFI	International Financial Institution
ILO	International Labour Organization
KfW	Kreditanstalt für Wiederaufbau (German development agency)
LNG	Liquefied Natural Gas
MIGA	Multilateral Investment Guarantee Agency
MSMEs	micro, small, and medium enterprises
OeEB	Oesterreichische Entwicklungsbank AG (Austrian Development Bank)
PPP	Public-Private Partnership
PROPARCO	Promotion et Participation pour la Coopération Economique (development finance institution of France)
SMEs	small and medium enterprises
UNESCO	United Nations Educational, Scientific and Cultural Organization

letter to the Board of Governors

The Board of Directors of IFC has had this annual report prepared in accordance with the Corporation's bylaws. Robert B. Zoellick, President of IFC and Chairman of the Board of Directors, has submitted this report with the audited financial statements to the Board of Governors.

The Directors are pleased to report that for the fiscal year ended June 30, 2010, IFC expanded its sustainable development impact through private sector investments and Advisory Services.

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Pages 112–113: Jason Florio

web resources

IFC's Web site, www.ifc.org, provides comprehensive information on every aspect of our activities. It includes contact information for offices worldwide, news releases and feature stories, data on results measurement, disclosure documents for proposed investments, and key policies and guidelines affecting IFC and our client companies.

The online version of the IFC Annual Report 2010 provides downloadable PDFs of all materials in this volume and translations as they become available. It is available at www.ifc.org/annualreport. The Web site also provides more information on sustainability, including a Global Reporting Initiative index.

For more information on several key topics, please visit the following Web Resources:

IFC's crisis-response initiatives
http://www.ifc.org/issuebriefs

Creating opportunity at the Base of the Pyramid
http://www.ifc.org/TOS_baseofthepyramid

IFC's Women in Business Program
http://www.ifc.org/gem

Supporting women in business in Africa
http://www.ifc.org/womenentrepreneursinafrica

Gender dimensions of investment climate reform
http://www.ifc.org/GenderIC

Embedding gender in sustainability reporting
http://www.ifc.org/genderreporting

IFC's June 2010 Corporate Responsibility Forum
http://www.ifc.org/CorporateResponsibilityForum

Addressing climate change
http://www.ifc.org/TOS_climatechange

IFC's transportation strategies
http://www.ifc.org/TransportationStrategies

IFC's project mapping tool
http://www.ifc.org/projectmappingtool

IFC's Better Work Program in Haiti
http://www.ifc.org/betterworkhaiti

IFC Performance Standards and human rights
http://www.ifc.org/IBHRandIFCPoliciesPS

Food security
http://www.ifc.org/foodsecurity

Charting our Water Future
http://www.ifc.org/charting waterfuture

IFC in conflict-affected countries
http://www.ifc.org/conflictaffectedcountries

Performance Standards
http://www.ifc.org/performancestandards

World Bank list of debarred firms
www.ifc.org/WBDebarredFirms

IFC footprint commitment
http://www.ifc.org/footprint

stakeholder review panel on 2010 Annual Report

IFC regularly engages with stakeholders on a variety of issues. This year, we convened our first stakeholder review panel on the 2010 Annual Report. The panel was asked to assess IFC's identification of material issues in the first draft. IFC found the feedback constructive, and is committed to continuing our engagement with stakeholders in order to receive more substantive commentary on future reports. What follows is a summary of the meeting, which panelists agree accurately describes the process and outcomes.

Engagement Process

We retained a neutral facilitator to manage the engagement process. There were two goals: to advance mutual learning; and to assess IFC's identification of material issues in the first draft of the report. "Materiality" was defined as those aspects of IFC's strategy, initiatives, and performance that are important to communicate to IFC's stakeholders and to demonstrate our development impact. Panelists participated in a four-hour meeting for a facilitated discussion with senior managers of IFC. Panelists subsequently reviewed changes IFC made to the Annual Report based on their feedback. However, neither the panel nor any individual member endorsed or approved the 2010 Annual Report. This engagement was neither an audit nor verification.

Panelists

IFC and the facilitator jointly selected the panelists by considering the following: understanding of IFC's work; expertise in areas of importance to IFC; and geographic, gender, and issue diversity. IFC reimbursed the panelist's expenses. The panel consisted of the following experts:

—Arvind Ganesan, Director, Business and Human Rights, Human Rights Watch
—Frank Mantero, Director, Corporate Citizenship, General Electric
—Carol Peasley, President and CEO, Centre for Development and Population Activities (CEDPA)
—Kavita Ramdas, President and CEO, Global Fund for Women
—Ruth Rosenbaum, Executive Director, Center for Reflection, Education and Action (CREA)
—Ken Wilson, Executive Director, The Christensen Fund
—Simon Zadek, Visiting Senior Fellow, Harvard University's Kennedy Center

Panelists' Suggestions and IFC's Response

The panel suggested several areas where the report could be strengthened in terms of its format, including clarifying the unique role of IFC, and providing greater transparency about the challenges and dilemmas we face. Additionally, some panelists offered recommendations that require further discussion and examination. We will explore ways to address that feedback in future reports. The panel appreciated IFC's forthrightness at the meeting and the changes IFC made in this year's report. The following summarizes key themes and IFC's responses.

Panelists' Feedback	IFC's Response
Discuss dilemmas of private sector development (such as palm oil), emphasizing context, learning, and need to manage risks.	Addressed in introductory essays; "Lessons Learned" section expanded and moved forward; text strengthened on examples, e.g., "The Financial Crisis—Shaping IFC's Strategy," "IFC's Approach to Palm Oil."
Discuss IFC's unique role and impact.	Addressed in introductory essays; text strengthened, e.g., "Despite Crisis, IFC Clients Expanded Jobs."
Clarify what IFC means by "sustainability."	Sustainability definition provided.
Provide more information on policy work and normative impact of standard-setting, including an analysis of the relationship with external standards such as human rights covenants.	Addressed in introductory essays; expanded discussion of the IFC Sustainability Framework Policy Review; added details on Better Work program; added Web link to human-rights impact analysis and examples of impact.
Provide greater clarity about outcome-oriented approach to development.	Addressed in introductory essays; strengthened text on development results, including Advisory Services results.
Strengthen discussion about gender.	"Focusing on Opportunities for Women" section revised and expanded to highlight women, business, and the law; other text strengthened.
Discuss IFC's efforts to build "resilience."	Addressed in introductory essays; new examples added, e.g., "Easing Poverty, Fostering Stability with Insurance."
Address role of new market players in Africa.	Focus of section changed to "Helping New Global Players Invest In Infrastructure;" text on Mwalimu Nyerere Foundation project strengthened.
Discuss youth.	Story on "Helping Young Adults Gain Productive Jobs" strengthened to discuss challenge of youth unemployment.
Provide information on debarred companies.	Web link provided to list of debarred companies.
Adopt a sound approach to placing content on the Web, providing links to more detailed information on the Web.	About a dozen Web links were added, offering more details about the issues raised here, provided as a box.
Emphasize IFC's venture capital work to strengthen discussion of Base of Pyramid work.	Strengthened text to "Inclusive Business—Opportunities At The Base Of The Pyramid;" added Web link to "Telling our Story" on Creating Opportunity at the Base of the Pyramid, but this work cannot be characterized as "venture capital."
Use investment cycle chart to tell the story of a deal.	New text and chart provides more detail on 12 steps of the IFC investment cycle.

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