

# REGIONAL OPERATIONS AND RESULTS

IFC's global expertise allows us to strengthen private enterprises and improve the climate for entrepreneurship in emerging markets, focusing where the needs are most pressing.



IFC provides investment and advisory services to clients in 130 countries, including a growing number of the least developed countries in Sub-Saharan Africa. More than 40 percent of our projects are in the poorest countries—those served by the World Bank's International Development Association. We also operate in middle-income countries, aiming to reach many of their people who still live on the economic margins.

We have transformed IFC to meet our clients' changing needs, moving a growing number of staff to field offices nearer our clients. More than half our staff are based in field offices in 81 countries, up from 41 percent five years ago. We pursue opportunities where we can make the biggest difference, including in higher-risk emerging markets. Our approach has helped us achieve strong development results as well as profitability—income that lets us reinvest where the needs are greatest.

In fiscal 2008, Latin America and the Caribbean accounted for the largest share of IFC commitments for our own account—26 percent. Our advisory services also continued to grow throughout the developing regions, with the largest project expenditures going to Europe and Central Asia and to Sub-Saharan Africa.









## DEEPER INTO THE FRONTIER

Economic growth over the last decade has reduced the number of people living in poverty. But progress has been uneven. To address these problems, IFC has expanded operations in the poorest countries while also working to spur development in the poorest regions of middle-income countries, where more than half of the world's poor still live.

### MAKING A DIFFERENCE

Jusueva Patiyla is a woman with a mission: keeping her country's memories alive. She is the great-granddaughter of Kurmanjan Datka, a central figure in Kyrgyz history, and is preserving local traditions through the Kurmanjan Datka museum and other culturally based businesses she owns. A schoolteacher in Soviet times, she is a businesswoman today, reflecting the progress of the new Kyrgyz economy.

None of this would be possible without the loans she received from IFC's local microfinance client, Bai Tushum. IFC has been helping Bai Tushum adopt a new business



strategy, broaden its product range, and prepare to take customer deposits. With our help, its roster of borrowers has risen from 5,000 to more than 13,000, and it will soon have the full-scale banking license it needs to become a much bigger player in one of Central Asia's poorest countries.

**PHOTO:** Micro loans from an IFC client have turned Jusueva Patiyla, a former schoolteacher, into a businesswoman.

# SUB-SAHARAN AFRICA

A new chapter in Africa's development is being written. Fewer conflicts, expanding trade, and growing investments are helping reduce poverty and raise living standards. Pockets of conflict and instability remain, but peaceful resolution of disputes and sound macroeconomic policies are emerging. The result is strong growth—6.1 percent in 2007—with manageable levels of inflation and progress on budget deficits and foreign debt payments across the region. Many nations have begun to make slow, steady progress toward a better investment climate. Nonetheless, the region remains a challenge for IFC, requiring a focused strategy and devotion of significant resources. IFC has made that commitment, and we have begun to achieve significant results.

## IFC STRATEGY

IFC has three strategic priorities in the region: to accelerate and deepen our support to SMEs, as they comprise the vast majority of Africa's private sector; to catalyze large investment projects through proactive efforts that bring them to closure; and to bolster reforms of the investment climate that promote continued growth in overall private investment. In implementing these priorities, we pay particular attention to regional projects that support cross-border trade and infrastructure, and to the needs of Africa's more challenging investment environments, such as conflict-affected states. We have expanded our staff in Africa and will decentralize decision-making further. The greater field presence is key to increasing IFC's impact and to improving responsiveness to clients. A key part of this three-part focus on SMEs, proactive project development, and investment climate reform is our advisory services, which we continue to expand in collaboration with key partners. We are working more with the World Bank and MIGA in sectors where public policy and private investment overlap, such as in infrastructure, extractive industries, and investment climate reform. The needs of clients continue to drive innovation in IFC products and services, for example in local currency finance, and in our approaches in conflict-affected countries.

## NEW BUSINESS AND PORTFOLIO

Investment commitments reached \$1.38 billion for 55 projects in 25 countries in FY08, and we mobilized an additional \$37 million through structured and securitized products. By number of projects, 88 percent of new investments are IDA projects, and 13 percent are in conflict-affected countries. Our trade finance products have become an important entry point for reaching new markets, including Liberia, Sierra Leone, and eight other countries. IFC supported leading financial services and retail companies that are expanding in subregions of Africa; we also helped strengthen regional communications with the East Africa cable (see p. 75). With rapid growth in investments, our portfolio expanded to \$3.25 billion, up from \$2.71 billion last year. We also continue to increase our advisory work, with 191 programs underway in 30 countries, significantly ahead of our targets. The largest concentrations are in access to finance (25 percent), often linked closely to investments in financial institutions, and corporate advice (32 percent). IFC sponsored the first Africa Reformers' Club awards to recognize five countries that are leading global reformers as tracked by *Doing Business*. In Liberia, IFC and FIAS helped the government design and implement 21 reforms, among the first results the new government can show in its commitment to support private investment. Major partners in IFC's advisory services are the Netherlands, Switzerland, the African Development Bank, Sweden, Norway, Denmark, France, Japan, and the United Kingdom, along with companies that are direct beneficiaries.

## DEVELOPMENT RESULTS

IFC's investments clients provided financing for 222,000 MSMEs with a total volume of \$2.4 billion this year. New telephone connections were added for 6.9 million customers, and \$2.6 billion was raised in government payments. Development results were moderate compared to IFC's average, driven largely by smaller manufacturing investments that have suffered in difficult business environments. When weighted by investment size, however, Africa outperformed IFC's average. Both the financial sector, with almost half of recent investments, and infrastructure, responsible for a substantial portion of IFC's growth, have strong development results. Advisory services implemented by our regional facility, launched in 2005, are generating results: these include 15 laws or regulations changed to improve the business environment; new access to clean water in rural areas for more than 2 million people; 32,000 more Africans employed; new skills for over 4,500 employees of small firms; a \$34.1 million increase in MSME revenues; and \$47.3 million in MSME access to finance tied to IFC investments.

## SUSTAINABILITY

IFC's leadership on sustainability faces a challenging environment in Africa, where sustainability is often a focus only for large international firms; IFC has faced resistance from smaller firms and businesses that are outside of global supply chains. Still, we have been able to build awareness in the private sector about potential benefits from sustainable practices. IFC is helping firms improve environmental and social performance, engage more with stakeholders, educate employees on key human and labor rights issues, pursue community development plans, and link smaller businesses into their supply chains. Our regional Lighting Africa program encourages businesses to design and manufacture low-cost lighting sources for rural areas that have no access to electricity. IFC completed its first carbon finance operation in Africa, working with a fertilizer producer to reduce harmful emissions. Supported by advisory services, our cleaner production initiative encourages better techniques and equipment that reduce waste and costs. A new program encourages energy efficiency, especially in the mining sector.

## WHAT WE HAVE ACHIEVED, AND WORK STILL TO BE DONE

IFC has exceeded its recent targets for growth in investments and advisory services in Africa. Yet enormous needs demand that we continue this growth. Challenges include improving service to clients, increasing the quality of our investments, and building long-term relationships. IFC is committed to achieving a bigger impact in conflict-affected countries and smaller markets where we have not yet been able to see substantial results. We are exploring new models for public-private partnerships in infrastructure, which have not yet achieved their potential to mobilize new investment. We are developing a strategy to respond to climate change that will provide new products and services to clients. High food prices pose severe hardships on food-importing countries and have fomented political instability, but they also present opportunities to increase food production and make it more efficient. To help address these needs, IFC plans to scale up support to food producers, processors, and the logistics and infrastructure firms they depend on.

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

IDA COUNTRY MIDDLE-INCOME COUNTRY WITH FRONTIER REGIONS OTHER CLIENT COUNTRY

## MAKING A DIFFERENCE

## ADDRESSING THE AGRICULTURAL CHALLENGE

Soaring global food prices and demand for staples are putting pressure on farmers and other producers. IFC is helping improve the efficiency and development impact of agribusiness enterprises. IFC aims to sharply increase our investments to \$400 million in the next two to three years, up from less than \$10 million last year. We made significant progress in FY08, committing \$72.5 million in new investments in Ghana, Kenya, Tanzania, and Uganda. To help countries address food prices, IFC will scale up investment and advisory support to agribusiness operations in Africa and elsewhere. IFC aims to finance new investments as well as the expanding working capital requirements of firms; to develop new financial instruments that facilitate commodities trade; and to address such fundamental constraints as land titling, supply chains, and infrastructure. We are also working with stakeholders to improve the sector's competitiveness and seeking further opportunities to engage with agribusiness multinationals.

## HELPING CONFLICT-AFFECTED BUSINESSES THRIVE AGAIN

IFC is increasing our presence to help rebuild the private sector in Africa's conflict-affected countries. In the Democratic Republic of Congo, we are supporting new mining projects and working with the government to improve the investment climate. In Liberia, we have provided trade finance and advised the government on attracting private investment to rebuild the electricity network. With IFC's help, the government passed a package of 21 reforms to ease business registration, import-export operations, and land development. In Sierra Leone, we are helping the government improve the investment climate, strengthen the domestic financial sector, and finance telecommunications. In the Central African Republic, IFC invested in Capital Financial Holdings, which includes support for a local bank, and we began an advisory program on investment climate reform. We expect to do more with local banks in these countries, including through our global trade finance program. IFC is increasing local staff presence in each of these countries.

## DEVELOPMENT REACH

Indicator	Portfolio CY06	Portfolio CY07	New Business Expectations FY08
MSME loans (number of loans)	173,960	222,830	166,730
MSME loans (volume in \$ million)	2,610	2,440	1,310
Power generated (millions of customers)	5.9	13.1	9.4
New phone connections (millions of customers)	10.6	6.9	1.0
Employment	32,460	120,140	8,520
Local purchase of goods and services (\$ million)	541.4	1,074.7	25.1
Payments to government (\$ million)	1,453	2,563	208

Reach data for select industries; indicator definitions and reporting periods vary somewhat across industries. Some data from previous years have been revised.

## PROJECT FINANCING AND PORTFOLIO

(\$ millions)	FY07*	FY08*
Financing committed for IFC's account	\$1,379	\$1,380
Loans	\$823	\$541
Equity	\$160	\$202
Guarantees and risk management	\$397	\$638
Loan syndications signed	\$261	\$0
Total commitments signed	\$1,640	\$1,380
Committed portfolio for IFC's account	\$2,712	\$3,252
Committed portfolio held for others (loan and guarantee participations)	\$386	\$326
Total committed portfolio	\$3,098	\$3,578

\*Includes regional shares of selected investments that are officially classified as global projects.

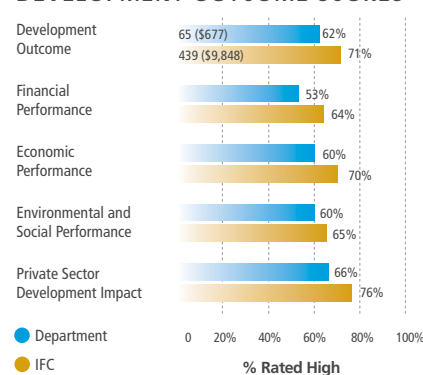
## COMMITMENTS

(financing in \$ millions)	FY05	FY06	FY07	FY08
Number of projects	30	38*	52	55**
Number of countries	14	11	17	25
Financing for IFC's own account	\$445	\$700	\$1,379	\$1,380
Syndications	\$0	\$0	\$261	\$0

\* Includes Veolia AMI

\*\* Includes ECOM WC-IDA and Mixta Africa

## DEVELOPMENT OUTCOME SCORES



## IFC'S LARGEST COUNTRY EXPOSURES (June 30, 2008)

Based on IFC's account, excluding individual country shares of regional and global projects.

Country	Portfolio (\$ millions)	Development Score*
<b>Nigeria</b>		
FY08	\$587	44%
FY07	\$684	50%
<b>South Africa</b>		
FY08	\$535	55%
FY07	\$349	45%
<b>Kenya</b>		
FY08	\$193	86%
FY07	\$185	86%

\* Percent of tracked companies with high development results.



# EAST ASIA AND THE PACIFIC

Developing countries in East Asia and the Pacific grew by an average of 10 percent in 2007, consolidating the region's role as an anchor for economic growth. The benefits have not been fully shared, however, and over half a billion people still live on less than \$2 a day. Poorer countries and lagging regions of larger countries, some affected by recent conflict, need a sustained commitment to upgrade infrastructure and create an enabling environment for a growing private sector. With two of the world's top three countries for greenhouse gas emissions—China and Indonesia—the region is contributing to climate change pressures that have consequences for the planet as a whole. During the fiscal year, the region faced many challenges, including macroeconomic instability, particularly in Vietnam, and a devastating earthquake in China.

## IFC STRATEGY

IFC is focusing advisory and investment services to help IDA countries and frontier regions that have not participated in the region's growth, and we are working to address climate change. To broaden our impact in frontier markets and small states, we are strengthening our investment teams in the Pacific island and Mekong countries, as well as Mongolia. We are working to improve the investment climate, promote reform, and support private investment through innovative financing structures. In frontier regions of China and Indonesia, which have 80 percent of the region's poor people, IFC is using advisory services to stimulate investment in agribusiness and financing for rural areas and microenterprises. To help reduce climate pressures, we are focusing business development and product innovation work on environmental sustainability.

## NEW BUSINESS AND PORTFOLIO

Investment commitments reached \$1.63 billion for 60 projects in eight countries in FY08, and we mobilized an additional \$230 million through syndications and structured and securitized products. By number of projects, 50 percent of new investments are IDA projects, and 22 percent are in frontier regions of middle-income countries. More than 48 percent were with new clients, and 27 percent focused on SMEs. A growing number of investments (22 percent) have a significant climate change component. Our committed portfolio in the region reached \$4.67 billion, with the largest concentrations in the financial sector, infrastructure, and manufacturing. Our committed portfolio in the region reached \$4.67 billion, with the largest concentrations in the financial sector, infrastructure, and manufacturing. IFC had more than 130 active advisory projects, with a total value of \$150 million. Major partners in regional advisory work include Australia, Canada, Finland, Japan, the Netherlands, New Zealand, and the United Kingdom.

## DEVELOPMENT RESULTS

In 2007, IFC's clients had 1.2 million MSME loans outstanding worth \$17 billion, generated power for 13 million customers, distributed water to nearly 6 million customers, and provided 5 million new phone connections. IFC investments achieved moderate development results and a significant improvement over the previous year. The improvement was driven mainly by strong performance of infrastructure, financial markets, and health and education investments. Manufacturing investments had weaker performance, mirroring the pattern in other regions. Compared with FY07, performance improved substantially in Cambodia, China, and Indonesia, even as IFC focused increasingly on the most difficult frontier markets. Advisory work in supply-chain development is supporting livelihoods for thousands of small farmers in rural China and conflict-affected communities of Mindanao in the Philippines. Our work on secured transactions in China, coupled with the creation of the country's first movable assets registry, resulted in \$270 billion in assets being formally registered.

## SUSTAINABILITY

By focusing on energy efficiency, renewable energy, clean technology, carbon finance, and sustainable forestry management, IFC is using investment and advisory services to help the private sector address climate change. This was the focus of much of the \$200 million in manufacturing and services investments during FY08. We are helping clients save energy and money in their production process, for example by generating electricity from waste heat, biomass, and other renewable sources. IFC energy investments and planned projects include wind, coal bed methane, and hydroelectric power. By supporting leading wood products companies, we are promoting the sustainable sourcing of wood and helping lower the region's greenhouse gas emissions from deforestation. In January 2008, IFC signed an agreement with China's Ministry of Environmental Protection to introduce our environmental and social performance standards and expertise in sustainable finance. IFC is the first organization to help China develop and strengthen its Green Credit Policy, which aims to improve compliance with environmental regulations. IFC also continued to support responsible management practices in Indonesia's palm oil sector.

## WHAT WE HAVE ACHIEVED, AND WORK STILL TO BE DONE

To address the region's challenges, IFC is more active in IDA countries and in sectors that have traditionally had the highest development impact here—infrastructure and financial markets. We have tripled our infrastructure commitments over FY07, particularly through climate change-related investments in China and a power sector privatization program in the Philippines. We also expanded our advice to governments on public-private partnerships for infrastructure, with new mandates signed in Indonesia, Vanuatu, and Vietnam. Financial markets represented half of IFC investments in IDA countries during FY08. We helped Vietnam cope with the impact of macroeconomic volatility and supported the recovery of Sichuan through efforts to restart financing (see box, p. 123). We financed the first private telecommunications operator in the Pacific and launched an initiative to increase our investment presence in the region. We also supported a major conference on microfinance in Mongolia that highlighted mobile banking and other emerging technologies. Going forward, IFC is building momentum to help IDA countries participate more fully in the region's dynamic growth.

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

IDA COUNTRY MIDDLE-INCOME COUNTRY WITH FRONTIER REGIONS OTHER CLIENT COUNTRY

## MAKING A DIFFERENCE

### IMPROVING THE BUSINESS ENABLING ENVIRONMENT

Improving the business climate is a major thrust of IFC's advisory work in East Asia and the Pacific. Working with FIAS and the World Bank, IFC has an active portfolio of more than 30 projects in the region. Our strategy involves working with client governments to address impediments highlighted in the World Bank Group's annual *Doing Business* survey; this includes developing a better regulatory framework and marketing their improved business environment to potential investors. During FY08, IFC worked in Indonesia, the Lao PDR, Timor-Leste, Tonga, and Vietnam to highlight how specific reforms at the national level could improve the business climate. IFC and the World Bank jointly launched a Pacific regional program that will help Papua New Guinea, the Solomon Islands, Tonga, and Vanuatu.

These initiatives are expected to help improve the countries' *Doing Business* indicators. At the subnational level, IFC and China's Academy of Social Sciences recently launched the first *Doing Business* report covering 30 Chinese cities. In the Philippines a similar benchmarking review covered 21 major business centers.

### FINANCING ENERGY EFFICIENCY IN CHINA AND BEYOND

The innovative IFC China Utility-Based Energy Efficiency Finance program expanded in FY08; IFC is combining a risk-sharing facility with advisory assistance to build Chinese banks' capacity to finance energy efficiency investment. We provided Industrial Bank in China with \$100 million to help it extend 1.5 billion renminbi (\$210 million) in energy efficiency loans. Projects these loans support are expected to reduce carbon emissions by 5 million tons a year, the equivalent of replacing ten 100-megawatt coal-fired power plants in China. To date, IFC's partner banks have made 57 loans totaling \$180 million under the program; most go to SMEs that are implementing energy efficiency projects. IFC has launched similar models in Indonesia, the Philippines, and Vietnam.

### DEVELOPMENT REACH

Indicator	Portfolio CY06	Portfolio CY07	New Business Expectations FY08
MSME loans (number of loans)	310,940	1,231,560	1,856,750
MSME loans (volume in \$ million)	12,842	17,030	4,870
Power generated (millions of customers)	18.5	13.4	9.9
Water distribution (millions of customers)	5.1	5.9	-
Patients reached	800,930	1,268,490	485,500
New phone connections (millions of customers)	10.0	5.2	0.18
Employment	97,209	484,370	16,000
Local purchase of goods and services (\$ million)	3,540	3,647	930
Payments to government (\$ million)	443	451	1,214

Reach data for select industries; indicator definitions and reporting periods vary somewhat across industries. Some data from previous years have been revised.

### PROJECT FINANCING AND PORTFOLIO

(\$ millions)	FY07*	FY08*
Financing committed for IFC's account	\$944	\$1,634
Loans	\$654	\$1,134
Equity	\$220	\$287
Guarantees and risk management	\$70	\$212
Loan syndications signed	\$128	\$59
Total commitments signed	\$1,072	\$1,693
Committed portfolio for IFC's account	\$3,579	\$4,671
Committed portfolio held for others (loan and guarantee participations)	\$599	\$519
Total committed portfolio	\$4,178	\$5,190

\*Includes regional shares of selected investments that are officially classified as global projects.

### COMMITMENTS

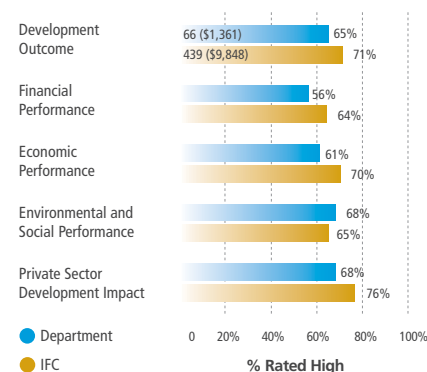
(financing in \$ millions)	FY05	FY06	FY07	FY08
Number of projects	40	41*	38**	60***
Number of countries	11	5	8	8
Financing for IFC's own account	\$740	\$982	\$944	\$1,634
Syndications	\$72	\$243	\$128	\$59

\* Includes Soco Facility and Avenue Asia

\*\* Includes Italcementi

\*\*\* Includes ECOM WC-IDA and Aloe 2

### DEVELOPMENT OUTCOME SCORES



DOTS data as of June 30, 2008, for projects approved in calendar 1999-2004. Bars at top include the number of projects rated and total IFC investment in them (in \$ millions).

### IFC'S LARGEST COUNTRY EXPOSURES (June 30, 2008)

Based on IFC's account, excluding individual country shares of regional and global projects.

Country	Portfolio (\$ millions)	Development Score*
China		
FY08	\$2,150	62%
FY07	\$1,680	43%
Philippines		
FY08	\$898	45%
FY07	\$411	53%
Indonesia		
FY08	\$830	83%
FY07	\$743	60%

\* Percent of tracked companies with high development results.



# SOUTH ASIA

South Asia is home to more poor people than any other region: more than a billion people here live on less than \$2 a day. While economic growth has been strong, averaging 8.1 percent a year across the region over the last three years, inequality has been rising. India, in particular, presents a complex challenge. Large sections of the population, particularly in rural areas, remain untouched by the benefits of growth; 31 of India's 35 states and territories have incomes comparable to those of IDA countries. To distribute benefits more evenly, the region's infrastructure development and rural growth—including job creation—are urgent priorities. Climate change, which disproportionately affects the poor, is a particularly pressing challenge.

## IFC STRATEGY

IFC's three key priorities for the region are to promote economic inclusion by increasing access to infrastructure and financial services and by supporting growth in rural areas and lagging regions; to mitigate and adapt to climate change; and to encourage regional economic integration. We deliver on these priorities with a coordinated program of investment and advisory projects. To enhance economic inclusion, our rural growth strategy encourages investment in agribusiness and rural finance and infrastructure. We work with financial intermediaries to help smaller companies access finance and provide long-term sustainable finance for infrastructure projects. Through advisory services we partner with client companies to enhance local economic linkages, HIV/AIDS prevention programs, and corporate governance. We work with clients on cleaner production, energy efficiency, and carbon finance and promote clean energy by investing in hydropower and wind projects and cleaner coal technologies. We also work with national and subnational governments to improve the investment climate for all investors.

## NEW BUSINESS AND PORTFOLIO

Investment commitments reached \$1.26 billion for 37 projects in five countries in FY08, and we mobilized an additional \$28 million through structured and secure ties products. All of these investments are IDA projects. We invested \$590 million of this (47 percent) in infrastructure, including \$460 million in power and \$130 million in logistics and transportation, with a further \$200 million in telecommunications. On a portfolio basis, \$2.9 billion of our regional investments are in India, with significant amounts in Sri Lanka (\$209 million) and Bangladesh (\$157 million). Our advisory work focused on infrastructure, value addition to firms, access to finance, and environmental and social sustainability. With donors, IFC set up facilities to strengthen the investment climate in Bangladesh (see p. 105) and to develop public-private partnerships for infrastructure, which complement our main regional advisory effort. In FY08 we launched 27 new advisory projects, and our active portfolio is 82 projects valued at \$57 million. Major partners in regional advisory work include the United Kingdom, Canada, the European Commission, the Netherlands, and Norway.

## DEVELOPMENT RESULTS

IFC activities have produced tangible development results: our clients have provided jobs, higher wages and tax revenues, and better supply-chain linkages. In 2007, they had loans of \$5.4 billion with MSMEs and generated power for 32 million customers. South Asia's development outcomes have been above average relative to IFC. Telecommunications has had particularly strong results, as this sector provides a vital part of the region's infrastructure backbone. IFC's advisory partnerships with 18

financial institutions have helped over 15,000 SMEs access finance. Our advice has introduced efficiencies that save steel mills \$2.5 million a year, supported productivity improvements in the garment industry, and helped some 19,000 poultry farms in Bangladesh raise incomes by \$1.3 million.

## SUSTAINABILITY

The region faces serious challenges related to sustainability; the most urgent relate to climate change. In addition to financing a growing portfolio of renewable energy and clean technology investments, we help generate energy efficiency revenue streams for clients through innovative carbon finance products. IFC also provides reimbursable grants to clients in energy-intensive sectors (pulp and paper, cement) to help them reduce energy and water consumption. In India, we are funding private sector-led projects that demonstrate the sustainability and scalability of renewable, off-grid power generation. We worked with India's Bureau of Energy Efficiency and the Alliance to Save Energy on a guide for building local capacity to develop, finance, and implement energy efficiency projects. Going forward, we will expand our work beyond climate change mitigation, to support adaptation efforts by private companies and national and subnational governments. To support rural development, IFC has partnered with Cairn India in a remote part of Rajasthan on vocational skills development, a dairy project to enhance household incomes, and a child and maternal health awareness initiative.

## WHAT WE HAVE ACHIEVED, AND WORK STILL TO BE DONE

In FY08, South Asia was a pilot region for IFC's decentralization, we moved decision-making closer to our clients and invested significantly in expanding our local presence. This has helped enhance our work in infrastructure, energy efficiency, carbon finance, and rural development across the region. Significant challenges remain. We will continue to address the infrastructure deficit through direct investment and advisory work. To help address India's enormous energy deficit, for example, IFC's financing to Tata Mundra will add about 4 percent to generation capacity and provide affordable power by introducing a highly efficient technology that is less carbon-intensive per unit of electricity produced. In the rural sector, we will significantly increase our investment and advisory work in agribusiness, rural infrastructure, and rural finance. IFC has also committed more resources in Bhutan and Nepal to build a strong pipeline of investment and advisory work. While over 25 percent of our investment projects in India contribute to economic development in the lagging states, we plan to increase our work further in these poorer areas. We are also substantially scaling up our advisory work in India, with a focus on the critical issues of rural growth, climate change and lagging states.

BANGLADESH • BHUTAN • INDIA • MALDIVES • NEPAL • SRI LANKA

IDA COUNTRIES

## MAKING A DIFFERENCE

## REACHING SMEs AND WOMEN BORROWERS THROUGH MICROLENDING

BRAC, based in Bangladesh, is the world's largest nongovernmental organization, with more than 100,000 employees. Its microfinance and development programs cover all 64 regions of Bangladesh. IFC is supporting BRAC's lending with local currency funding that will benefit smaller businesses. The country's fragmented and relatively small banking sector, whose total assets of \$30.5 billion are coupled with single-client exposure limits, hinders the ability of the local market to meet BRAC's growing needs. With IFC's guarantee, BRAC will be able to reduce its dependence on grants for growth and thus accelerate its outreach to the poor, particularly women borrowers. This is one of many activities that IFC and BRAC have pioneered together in Bangladesh during a long relationship: other ventures have included investments to support housing finance and SME lending.

## INDIA: EXPANDING THE PRIVATE SECTOR'S REACH

India's growth has averaged 9.3 percent in the last three years, but progress has not yet touched many of the country's neediest people, on whom IFC increasingly focuses investments and advisory services. Many states are lagging behind, and throughout rural India people still face inadequate basic infrastructure, with little access to clean water, energy, telecommunications, transportation, health care, and education. Even in the country's cities, significant poverty remains, while services reach mainly people with higher incomes. Some 30 percent of India's households still lack access to electricity, and 20 percent have no sanitation facilities. India presents a significant share of global poverty: 80 percent of its 1.1 billion people live on less than \$2 a day, and 400 million on less than \$1 a day. It is a country where IFC and the private sector can make a very significant difference.

## DEVELOPMENT REACH

Indicator	Portfolio CY06	Portfolio CY07	New Business Expectations FY08
MSME loans (number of loans)	754,890	880,680	-
MSME loans (volume in \$ million)	4,806	5,407	8,218
Power generated (millions of customers)	27.4	31.5	17.7
Patients reached	1,489,460*	1,523,390*	120,000
New phone connections (millions of customers)	24.7	34.0	17.0
Employment	62,050	103,240	12,430
Local purchase of goods and services (\$ million)	2,573	5,037	54
Payments to government (\$ million)	476	1,180	1,757

Reach data for select industries; indicator definitions and reporting periods vary somewhat across industries. Some data from previous years have been revised.

\* Includes just over 1 million patients in a hospital chain in India, in which IFC has a 1.3% equity stake.

## PROJECT FINANCING AND PORTFOLIO

(\$ millions)	FY07*	FY08*
Financing committed for IFC's account	\$1,073	\$1,264
Loans	\$885	\$850
Equity	\$170	\$330
Guarantees and risk management	\$19	\$84
Loan syndications signed	\$102	\$0
Total commitments signed	\$1,176	\$1,264
Committed portfolio for IFC's account	\$2,645	\$3,546
Committed portfolio held for others (loan and guarantee participations)	\$669	\$635
Total committed portfolio	\$3,314	\$4,180

\* Includes regional shares of selected investments that are officially classified as global projects.

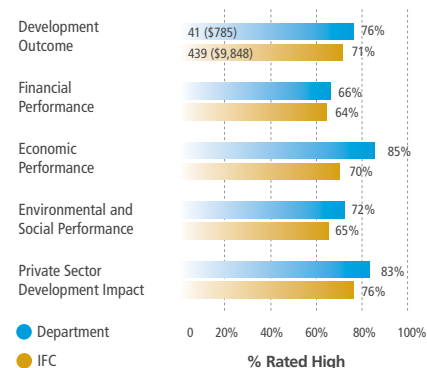
## COMMITMENTS

(financing in \$ millions)	FY05	FY06	FY07	FY08
Number of projects	20	25*	30**	37
Number of countries	2	3	3	5
Financing for IFC's own account	\$443	\$507	\$1,073	\$1,264
Syndications	\$200	\$200	\$102	\$0

\* Includes Avenue Asia

\*\* Includes Italcementi

## DEVELOPMENT OUTCOME SCORES



DOTS data as of June 30, 2008, for projects approved in calendar 1999-2004. Bars at top include the number of projects rated and total IFC investment in them (in \$ millions).

## IFC'S LARGEST COUNTRY EXPOSURES (June 30, 2008)

Based on IFC's account, excluding individual country shares of regional and global projects.

Country	Portfolio (\$ millions)	Development Score*
India		
FY08	\$2,876	72%
FY07	\$2,117	72%
Sri Lanka		
FY08	\$209	75%
FY07	\$57	67%
Bangladesh		
FY08	\$157	100%
FY07	\$147	71%

\* Percent of tracked companies with high development results.

# EUROPE AND CENTRAL ASIA

Europe and Central Asia remains one of the world's fastest-growing regions, with 8.2 percent GDP growth in 2007. Strong exports, closer integration with global markets, better access to credit, and high commodity prices are among the drivers. These same forces have made the region's countries vulnerable to recent turmoil in financial markets, and the global credit crunch increased demand for IFC financing across the region during FY08. The region also has rising inflation, fueled by higher global prices for food and energy and greater government spending. Challenges to private sector development include outdated infrastructure, persistent financial market weaknesses, cumbersome regulatory regimes, and weak institutions. Because the region accounts for a significant share of global carbon emissions, improving its energy efficiency is also a priority.

## IFC STRATEGY

IFC is working to increase investments in the region's 13 IDA and conflict-affected countries by strengthening financial sectors, improving infrastructure through direct investments and public-private partnerships, and modernizing industries. Throughout the region we are supporting more local companies and helping financial institutions that serve MSMEs and low-income households. Donor-funded advisory services remain important to simplifying regulation and strengthening institutions and corporate legislation. In more mature markets, such as Russia and Turkey, we are supporting strong midsize companies, working more in less developed regions, offering new products to finance housing and energy efficiency, and encouraging South-South investments. In Russia, we plan to target real sector investments, and we are promoting cleaner production to help address climate change. Our approach in EU countries is selective: we invest only where IFC's development role is crucial.

## NEW BUSINESS AND PORTFOLIO

Investment commitments reached \$2.68 billion for 86 projects in 19 countries in FY08, and we mobilized an additional \$1.19 billion through syndications, structured and securitized products, sales of IFC loans, and parallel loans. By number of projects, 26 percent of new investments are IDA projects, and 16 percent are in frontier regions of middle-income countries. Half our portfolio is in the financial sector, with significant portions in manufacturing and services and in infrastructure. IFC increased advisory operations by 34 percent, to \$30 million in FY08, with a strong emphasis on IDA and conflict-affected countries (34 and 16 percent of expenditures, respectively). Our advisory services launched 40 new projects in 12 countries and three regional ones in Southeast Europe, with new donor commitments of \$24 million, including \$4 million from IFC. Activity in Azerbaijan and Central Asia rose from 18 to 30 percent of the total. In FY08, we completed 71 advisory projects, and we have an active portfolio of 131 projects valued at \$140 million, of which 31 percent are in IDA markets, focused on improving access to finance (28 percent of portfolio) and corporate advice (27 percent). Major partners include Austria, Canada, Italy, the Netherlands, Sweden, Switzerland, and the United States. Some 37 percent of FY08 advisory projects are linked to at least one investment project.

## DEVELOPMENT RESULTS

In 2007, IFC's portfolio companies lent \$50 billion to 1.1 million MSMEs and purchased local goods and services worth \$29.4 billion. Development results have been strong, driven by investments in manufacturing and services and in financial markets, where microfinance lending grew an average of 30 percent a year. In both sectors, IFC addressed major weaknesses during the transition period and improved conditions for private sector development. The strongest investment performance came in countries where IFC has established long-term partnerships with local

companies, such as Russia and Turkey; weaker results reflect difficult business environments, where IFC is responding by increasing advisory services. IFC's advisory services contribution has been significant. We helped remove red tape, saving \$301 million in potential costs for businesses and releasing \$72 million through successful mediation. We also enabled more than \$3 billion in investment by local and foreign companies, and we have helped governments adopt 170 laws that improve the business environment.

## SUSTAINABILITY

IFC has strengthened its advisory and investment programs that use or promote energy efficient technologies or mitigate climate change. We continue to promote sound corporate governance in the region, working with governments to strengthen legislation and advising companies and banks on best practices. We work with clients to implement higher social and environmental standards and help them engage with local communities through dialogue, public disclosure, and supply chain linkages; in Southeast Europe an advisory program is helping companies meet international industry standards and improve their competitiveness. We help agribusiness clients strengthen food safety standards and adopt efficient waste management practices. Across the region, we are bringing private investments into power, water, and waste management infrastructure. IFC cosponsored a major conference on housing finance in Turkey, and our CEO participated in panels on Russia's infrastructure needs and agribusiness potential at the St. Petersburg International Economic Forum.

## WHAT WE HAVE ACHIEVED, AND WORK STILL TO BE DONE

IFC's portfolio in the region's financial institutions is \$2.8 billion, of which \$1.75 billion is in 89 institutions focusing on micro, small, and medium enterprises. This represents 43 percent of IFC's total global investments in the sector. We are doing more in IDA and conflict-affected countries, where the number of investments has risen steadily (20 in FY08, from 11 in FY05) and where we have provided 85 percent of our advisory services. Our new financing represents more business with new clients (60 percent of FY08 investments) and local companies (80 percent), with particular growth in Central Asia and the Caucasus and in regional infrastructure. IFC advisory services helped many countries improve their Doing Business ranking, grew leasing markets across the region, and enabled about \$70 million in SME loans. Advisory programs in infrastructure are expected to enable \$500 million in related investments, improving access to services for over 3 million people. Priorities include South-South investments, access to finance for MSMEs, more investments in agribusiness and infrastructure, and efforts to mitigate climate change and promote sustainable development.

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

IDA COUNTRY MIDDLE-INCOME COUNTRY WITH FRONTIER REGIONS OTHER CLIENT COUNTRY

## MAKING A DIFFERENCE

### IFC SUPPORTS A STEEL PLANT'S ENERGY EFFICIENCY

The Industrial Union of Donbass, a Ukrainian steel company, plans to modernize its facilities to boost competitiveness and slash carbon and particulate emissions by 2011. IFC helped finance the first phase of this ambitious program in FY06, and in FY08 we provided a loan and syndication package to maximize the environmental benefits of the renovation. IFC has been committed to improving energy efficiency and environmental sustainability in Central and Eastern Europe since 1997. After pioneering investments in the region, we began providing credit to banks for energy efficiency lending and introduced programs to help companies assess modernization projects.

These and other initiatives—such as IFC's new cleaner production advisory program, which helps Russian companies minimize waste and raise productivity—are priorities for IFC as we continue to explore ways to mitigate climate change and promote sustainable development.

### IFC HELPS SMALL ENTERPRISES REBUILD AND RAISE INCOMES

Central Asia's small businesses are its economic backbone. IFC is supporting the region's commercially viable microfinance operations, helping these local financial institutions improve services and increase lending to smaller businesses while expanding our reach and development impact. In the Kyrgyz Republic, we provided a \$1.2 million loan to one such client, Bai Tushum, which has transformed itself from a nonprofit fund into a leading microfinance institution, reaching about 13,000 clients. In Tajikistan, IFC portfolio company First Microfinance Bank is providing microcredits to smaller enterprises. Its loan portfolio has grown rapidly, and it is expected to help more than 110,000 people in the next five years. In Uzbekistan, IFC provided two credit lines and advisory services to Hamkorbank, the country's largest privately owned bank. We are helping broaden its funding base and supporting its lending to smaller enterprises. IFC's support to Hamkorbank is key to supporting small business growth, which in turn fosters creation of jobs and income in less developed regions.

### DEVELOPMENT REACH

Indicator	Portfolio CY06	Portfolio CY07	New Business Expectations FY08
MSME loans (number of loans)	871,230	1,113,150	674,800
MSME loans (volume in \$ million)	24,821	49,934	14,548
Power generated (millions of customers)	19.7	11.2	5.7
Patients reached	1,779,580	750,000	1,289,500
Students reached	12,200	11,750	-
New phone connections (millions of customers)	1.9	3.0	-
Employment	131,840	522,630	55,510
Local purchase of goods and services (\$ million)	8,363	29,419	698
Payments to government (\$ million)	2,096	3,660	1,616

Reach data for select industries; indicator definitions and reporting periods vary somewhat across industries. Some data from previous years have been revised.

### PROJECT FINANCING AND PORTFOLIO

(\$ millions)	FY07*	FY08*
Financing committed for IFC's account	\$1,785	\$2,680
Loans	\$1,164	\$1,925
Equity	\$513	\$682
Guarantees and risk management	\$109	\$73
Loan syndications signed	\$775	\$1,041
Total commitments signed	\$2,560	\$3,721
Committed portfolio for IFC's account	\$7,033	\$9,038
Committed portfolio held for others (loan and guarantee participations)	\$1,387	\$2,225
Total committed portfolio	\$8,420	\$11,263

\*Includes regional shares of selected investments that are officially classified as global projects.

### COMMITMENTS

(financing in \$ millions)	FY05	FY06	FY07	FY08
Number of projects	67*	80**	67***	86****
Number of countries	15	17	15	19
Financing for IFC's own account	\$1,938	\$2,084	\$1,786	\$2,680
Syndications	\$419	\$241	\$775	\$1,041

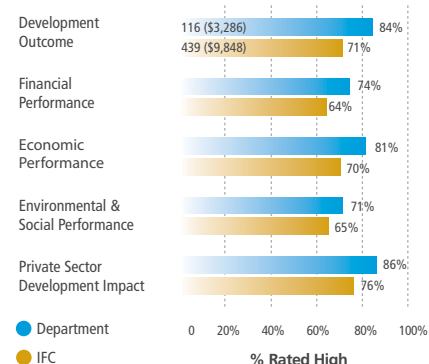
\* Includes RI Facility, Arcelik, Melrose

\*\* Includes EECFI

\*\*\* Includes Melrose II, Melrose II Expansion, and Italcementi

\*\*\*\* Includes Lydian Resources, Lydian International RI, Lydian RI, TAV Tunisia, and Melrose Resources

### DEVELOPMENT OUTCOME SCORES



DOTS data as of June 30, 2008, for projects approved in calendar 1999-2004. Bars at top include the number of projects rated and total IFC investment in them (in \$ millions).

### IFC'S LARGEST COUNTRY EXPOSURES (June 30, 2008)

Based on IFC's account, excluding individual country shares of regional and global projects.

Country	Portfolio (millions)	Development Score*
Russian Federation		
FY08	\$2,718	100%
FY07	\$2,238	89%
Turkey		
FY08	\$1,806	94%
FY07	\$1,342	76%
Ukraine		
FY08	\$651	100%
FY07	\$487	N/A

\* Percent of tracked companies with high development results. N/A = Not available (less than 4 companies).





# LATIN AMERICA AND THE CARIBBEAN

The region has grown, with low inflation, for a fifth consecutive year, although this growth has lagged behind that of other emerging market regions. The economy has been bolstered by sound macroeconomic policies, high prices for export commodities, and strong growth in trade. In many countries, domestic demand stimulates growth, and both investment and private credit have expanded. Despite macroeconomic stability, however, poverty and inequality persist, giving rise to social and political tensions in some countries. The region also lags behind other emerging regions in its competitiveness. Crucial reforms in the pension, labor, fiscal, infrastructure, and financial sectors are needed to sustain its growth.

## IFC STRATEGY

IFC focuses on key development challenges facing the region. We work to improve the business environment, broaden and deepen access to finance, and encourage infrastructure development. We are increasing our focus on smaller countries, especially IDA countries; this includes a strategic approach in the Caribbean islands, which have some of the world's highest income inequality but also some comparative advantages that investment and advice can build upon. In middle-income countries, we are working to expand IFC's reach to underserved people at the bottom of the economic pyramid. We have developed an integrated approach of investment and advisory products to address development challenges. We support growing companies in areas where the region has a comparative advantage, providing a combination of equity and debt to support them as they grow. Going forward, IFC will focus on addressing key product needs, such as equity and local currency financing, while continuing to support our clients' sustainability and innovating in advisory services.

## NEW BUSINESS AND PORTFOLIO

Investment commitments reached \$2.94 billion for 81 projects in 16 countries in FY08, and we mobilized an additional \$2.43 billion through syndications, structured and securitized products, and sales of IFC loans. Investments are increasing, particularly in Central America and the Andean region. We have stepped up efforts to reach the poorest: 15 percent of new investments are IDA projects, and 14 percent are in frontier regions of middle-income countries. The main concentration is in financial markets, infrastructure, and extractive industries; and a significant share of IFC's agribusiness portfolio is located in the region. Our portfolio continues to be diversified across countries and sectors. Our advisory services have an active portfolio of 94 projects, valued at \$59 million. Based on value, 20 percent of our advisory projects are in IDA countries, with emphasis on improving the business environment and infrastructure. Major partners in regional advisory work include Canada, the Netherlands, Switzerland, the United Kingdom, and the United States. In FY08, 33 advisory projects were directly linked to IFC investments.

## DEVELOPMENT RESULTS

IFC's investments have contributed to higher employment, greater access to finance, and better infrastructure. In 2007, our clients provided more than half a million jobs, and many of them substantially increased their employment compared to 2006. They also provided power for over 57 million people, reaching one of every 10 people in the region. Our microfinance clients provided 3.7 million loans, a 37 percent rise from 2006. We are also strengthening our focus on IDA countries: IFC committed \$165 million through 10 investments in FY08, more than tripling the FY07 amount.

Overall the region's investments have had solid development results. IFC has also increased advisory services, particularly in IDA countries: we have completed municipal simplification projects in 18 municipalities (up from one in FY05), with 16 of these in Bolivia, Honduras, and Nicaragua. These efforts are encouraging registration of new small businesses, creating opportunities and reducing the informal sector in some of the region's poorest countries.

## SUSTAINABILITY

Latin American banks were among the first from developing countries to adopt the Equator Principles, and IFC is also helping clients address sustainability issues. For example, we have provided Brazil's Banco Real a \$200 million credit line for on-lending to support environmental, supply chain, and corporate governance lending. We are encouraging sustainable practices—for example, through advice to Petrotesting in Colombia and Shatin in Brazil that is helping them adopt a strategic approach to sustainability and their reporting on community engagement. We are also developing partnerships with NGOs and supporting new markets in energy efficiency lending. IFC is launching the Brazilian Amazon Initiative, a program for sustainability-driven private sector investments and advisory services in agribusiness, forestry, sustainable financing, and biodiversity-related products that aims to develop sector benchmarks and environmental standards. This year, we provided \$378 million in clean energy financing through five investments, including two in Central America. In Chile, IFC is helping expand the sustainable energy sector, with emphasis on renewables; here we invested in a start-up hydropower plant that will reduce emissions by displacing thermal power generation.

## WHAT WE HAVE ACHIEVED, AND WORK STILL TO BE DONE

IFC focuses on making markets work for all people in such areas as infrastructure; agribusiness; and access to finance, housing, and technology. In infrastructure, we provided \$508 million through 12 investments; we also signed several advisory mandates in the Caribbean. In agribusiness, we support companies in subsectors where the region has a competitive advantage; this year we provided \$258 million through 10 investments. About 25 percent of new investments will help finance micro, small, and medium enterprises. In addition to our focus on IDA countries, we are reaching underserved people in middle-income countries; examples include Vinte in Mexico (see p. 87) and Ruralphone in Brazil (see p. 24). We will continue expanding our presence in the Caribbean and Central America, emphasizing priority sectors and incorporating advisory services as added value to our clients and ways of strengthening our development impact.

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

IDA COUNTRY MIDDLE-INCOME COUNTRY WITH FRONTIER REGIONS OTHER CLIENT COUNTRY

## MAKING A DIFFERENCE

### HONDURAS: INTEGRATED SOLUTIONS IN AN IDA COUNTRY

IFC's strategy in Honduras is to create synergies between our investment products and advisory services. We are improving the business environment: we helped the municipality of Tegucigalpa reduce the number of days it takes to obtain an operating license from 30 to one, resulting in a 40 percent rise in licenses for new businesses last year. IFC is also promoting access to finance for micro, small, and medium enterprises—only 1 percent of them have access to commercial banks, though they account for 25 percent of the country's GDP. In FY08, we sought to fill this gap by financing and helping create Bancovelo, a major new microfinance institution, as well as providing \$20 million to Banco Ficohsa's microfinance activities. In the next five years, Bancovelo is expected to reach 22,000 microentrepreneurs—60 percent of them women—while Ficohsa aims to disburse 1,300 loans for MSMEs and provide up to 30,000 housing loans to low- and middle-income families.

### ACCESS TO FINANCE: SUPPORTING MORE INCLUSIVE GROWTH

Expanding access to financial services for smaller businesses and low-income households is a focus of IFC's advisory services and investments throughout the region. In FY08, we signed 15 advisory projects in MSME finance, for a total of \$5.2 million in more than 10 countries, including Haiti, Honduras, Nicaragua, and St. Lucia. We started five low-income housing advisory projects with financial institutions in Honduras, Nicaragua, and Peru. To improve financial infrastructure, IFC provided advice on credit bureaus to 18 countries in the region, with a focus on IDA countries. We also provided more than \$500 million in direct financing through 14 investments that will expand access to finance. In Peru, for example, our \$13 million guarantee to a microfinance institution will enable it to offer more than 100,000 loans and other financial products to low-income customers.

### DEVELOPMENT REACH

Indicator	Portfolio CY06	Portfolio CY07	New Business Expectations FY08
MSME loans (number of loans)	2,714,560	3,711,940	229,380
MSME loans (volume in \$ million)	9,653	15,475	11,892
Power generated (millions of customers)	35.6	57.7	0.4
Patients reached	1,430,110	912,000	437,100
New phone connections (millions of customers)	3.9	1.4	0.6
Employment	287,910	587,880	86,900
Local purchase of goods and services (\$ million)	13,360	14,275	911
Payments to government (\$ million)	9,326	8,507	*13,166

Reach data for select industries: indicator definitions and reporting periods vary somewhat across industries. Some data from previous years have been revised.

\* Expected payments to government revenues capture payments from 2008-2015 and include \$11.3 billion by one large client.

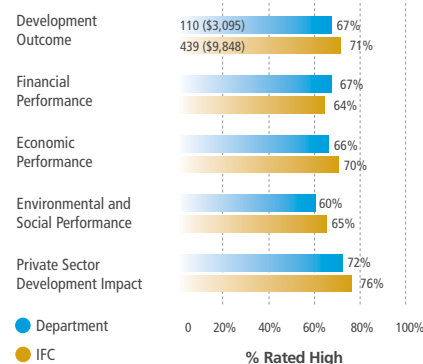
### PROJECT FINANCING AND PORTFOLIO

(\$ millions)	FY07	FY08
Financing committed for IFC's account	\$1,781	\$2,943
Loans	\$1,229	\$2,050
Equity	\$295	\$378
Guarantees and risk management	\$256	\$515
Loan syndications signed	\$299	\$1,619
Total commitments signed	\$2,080	\$4,562
Committed portfolio for IFC's account	\$6,780	\$8,234
Committed portfolio held for others (loan and guarantee participations)	\$2,005	\$3,086
Total committed portfolio	\$8,785	\$11,320

### COMMITMENTS

(financing in \$ millions)	FY05	FY06	FY07	FY08
Number of projects	54	69	68	81
Number of countries	17	18	14	16
Financing for IFC's own account	\$1,398	\$1,747	\$1,781	\$2,943
Syndications	\$385	\$888	\$299	\$1,619

### DEVELOPMENT OUTCOME SCORES



DOTS data as of June 30, 2008, for projects approved in calendar 1999-2004. Bars at top include the number of projects rated and total IFC investment in them (in \$ millions).

### IFC'S LARGEST COUNTRY EXPOSURES (June 30, 2008)

Based on IFC's account, excluding individual country shares of regional and global projects.

Country	Portfolio (\$ millions)	Development Score*
<b>Brazil</b>		
FY08	\$2,487	71%
FY07	\$1,618	58%
<b>Mexico</b>		
FY08	\$1,000	64%
FY07	\$1,228	69%
<b>Argentina</b>		
FY08	\$998	29%
FY07	\$768	8%

\* Percent of tracked companies with high development results.

# MIDDLE EAST AND NORTH AFRICA

The region's economies continue to perform relatively well amid the global financial turmoil and economic slowdown. GDP growth estimates for 2008 remain at about 6 percent. Liquidity also remains satisfactory. While inflationary pressures have emerged in the region along with the increase in world prices for food and other commodities, most countries have maintained macroeconomic stability. Despite overall strong performance, however, many countries face challenges of high unemployment (especially among youth), conflict and political instability, limited access to finance (especially for poor people, women entrepreneurs, and smaller businesses), inadequate physical and financial infrastructure, and weak legal and regulatory frameworks for private sector development.

## IFC STRATEGY

IFC focuses on providing long-term finance to the private sector in ways that benefit underserved communities. Our priorities are in areas with high development impact and where IFC can make the greatest contribution, including access to finance for the underserved, especially MSMEs and mortgage and student borrowers; investments in infrastructure; and opportunities in IDA, conflict-affected, and resource-poor middle-income countries. IFC will pursue these objectives by combining investment and advisory services and facilitating South-South investments.

## NEW BUSINESS AND PORTFOLIO

Investment commitments reached \$1.44 billion for 50 projects in 12 countries in FY08, and we mobilized an additional \$819 million through syndications and structured and securitized products. By number of projects, 32 percent of new investments are IDA projects, and 14 percent are in conflict-affected countries. New sponsors accounted for 78 percent and South-South investments for 32 percent of total projects. Our portfolio is spread across the region, with the biggest concentration in the financial and infrastructure sectors. In advisory services, we have been active in 14 of the region's 19 countries in FY08; we approved 32 new projects, 34 percent of them in IDA and 13 percent in conflict-affected countries. Total expenditure for advisory services in FY08 was over \$22 million: 47 percent were related to access to finance and corporate advice; 26 percent focused on the business enabling environment; and 25 percent on infrastructure, including public-private partnerships. Major partners include Canada, France, the Islamic Development Bank, Japan, Kuwait, the Netherlands, the United Kingdom, and the United States.

## DEVELOPMENT RESULTS

IFC's activities have generated tangible results, increasing employment, mobilizing additional financing, and assisting smaller businesses. In 2007, our clients had 852,000 loans outstanding to MSMEs and generated \$787 million in government revenues. Compared to the IFC average, development results have been weak. In the West Bank and Gaza and neighboring Jordan, political instability affected the performance of some investments. Our portfolio fared best in infrastructure, funds, and telecommunications, while operations in some small nonbank financial institutions and particularly small manufacturing businesses showed weak results. The performance of our two largest exposure countries—Pakistan and Egypt—has generally been above IFC's average. To date, advisory services have facilitated an estimated \$1.5 billion in infrastructure investment and helped generate government revenues of nearly \$1.3 billion through public-private partnerships and privatizations. Using a variety of programs, we have helped underserved groups access financing of about \$3.8 billion, which includes 1.6 million microfinance loans. Advisory services

were instrumental in reducing the time to start a business by half in two countries; across the region we have helped reform or amend 28 laws, regulations, and codes and 109 procedures and policies. Some 41,000 participants have been trained in SME management skills.

## SUSTAINABILITY

IFC is promoting environmental and social sustainability best practices through our investment-related advisory work; activities include developing the policy framework for mining industries in Egypt and Yemen; strengthening food quality standards for raisins and pomegranates in Afghanistan and olive oil in the West Bank and Gaza; and improving labor standards in Jordan's apparel industry, in collaboration with the ILO. In Saudi Arabia, IFC has advised on the introduction of private sector participation for a new desalination plant to supply potable water to the King Abdulaziz International Airport and its facilities. This project will significantly lower the cost of water and introduce international best practices in plant operations, leading to a larger, more sustainable water supply. IFC continues to promote women's entrepreneurship to create jobs and raise the rate of women's participation in the region's labor force. We are also working to build the capacity of business-women's associations and research centers in Tunisia and the United Arab Emirates.

## WHAT WE HAVE ACHIEVED, AND WORK STILL TO BE DONE

IFC has substantially increased investment and advisory services in the region in the last four years, reaching many new clients. This outreach is improving the business environment and helping many companies become more competitive. Going forward, we will increase our focus on infrastructure, including public-private partnerships; increase access to finance for underserved groups; support development of smaller businesses; and help improve corporate governance and sustainability across the region. Assisting the private sector in IDA countries and those affected by conflict will remain a priority, and we will continue to tailor approaches to the specific market conditions of our client countries.

AFGHANISTAN • ALGERIA • BAHRAIN • **ARAB REPUBLIC OF EGYPT** • ISLAMIC REPUBLIC OF IRAN • IRAQ • JORDAN • KUWAIT • LEBANON • LIBYAN ARAB JAMAHIRIYA • MOROCCO • OMAN • **PAKISTAN** • SAUDI ARABIA • SYRIAN ARAB REPUBLIC • TUNISIA • UNITED ARAB EMIRATES • WEST BANK AND GAZA • **REPUBLIC OF YEMEN** IDA COUNTRY MIDDLE-INCOME COUNTRY WITH FRONTIER REGIONS OTHER CLIENT COUNTRY

# MAKING A DIFFERENCE

## REBUILDING THE PRIVATE SECTOR IN THE WEST BANK AND GAZA

Reviving the private sector is critical to jump-starting the economy and creating opportunities for many unemployed youth in the West Bank and Gaza. IFC is helping local banks expand access to finance for underserved segments of the economy. We are supporting trade finance operations with two local banks, Al Rafah Microfinance Bank and Bank of Palestine. This year we signed an agreement to establish a long-term housing finance facility in a unique partnership with the Palestinian Investment Fund, the U.S. Overseas Private Investment Corporation, the Bank of Palestine, the U.K. Department for International Development, the Palestine Mortgage and Housing Corporation, and the World Bank. IFC is taking an equity stake in the new housing finance company that will be created, and both IFC and the World Bank will provide advisory services to help ensure the initiative's success. The effort is expected to finance affordable housing for 30,000 middle- and low-income families. Another landmark initiative is the first student loan program in the West Bank and Gaza, which IFC is introducing along with the Bank of Palestine and the Palestine Education Fund. The new facility will disburse up to \$10 million in loans, funding higher education for about 8,000 students a year.

## LINKING ADVISORY AND INVESTMENT WORK IN JORDAN

Infrastructure is a key sector in the region's development. We advise governments on structuring innovative public-private partnerships in critical sectors. In other cases, we provide financing to innovative infrastructure transactions that commercial banks consider too risky to fund without IFC's involvement. For example, our integrated investment and advisory services contributed to the largest private investment in Jordan's history—the \$1 billion upgrade of the Queen Alia International Airport. IFC advised the government on a competitive bidding process, and the bid was awarded to Airports International Group, a consortium based in Abu Dhabi. Some six months later, IFC helped provide a \$120 million, 18-year loan and mobilized \$160 million through a syndication that attracted six European and Middle Eastern banks. The Islamic Development Bank and the World Bank also provided significant funding.

## DEVELOPMENT REACH

Indicator	Portfolio CY06	Portfolio CY07	New Business Expectations FY08
MSME loans (number of loans)	206,860	851,710	1,088,950
MSME loans (volume in \$ million)	2,397	3,612	4,334
Power generated (millions of customers)	16.6	19.9	2.5
Employment	64,180	63,360	15,850
Local purchase of goods and services (\$ million)	474	602	29
Payments to government (\$ million)	561	787	1,039

Reach data for select industries; indicator definitions and reporting periods vary somewhat across industries. Some data from previous years have been revised.

## PROJECT FINANCING AND PORTFOLIO

(\$ millions)	FY07*	FY08*
Financing committed for IFC's account	\$1,217	\$1,442
Loans	\$879	\$818
Equity	\$205	\$267
Guarantees and risk management	\$134	\$358
Loan syndications signed	\$210	\$531
Total commitments signed	\$1,427	\$1,973
Committed portfolio for IFC's account	\$2,477	\$3,452
Committed portfolio held for others (loan and guarantee participations)	\$497	\$734
Total committed portfolio	\$2,974	\$4,186

\*Includes regional shares of selected investments that are officially classified as global projects.

## COMMITMENTS

(financing in \$ millions)	FY05	FY06	FY07	FY08
Number of projects	21*	29**	40***	50****
Number of countries	8	12	12	12
Financing for IFC's own account	\$315	\$668	\$1,217	\$1,442
Syndications	\$0	\$0	\$210	\$531

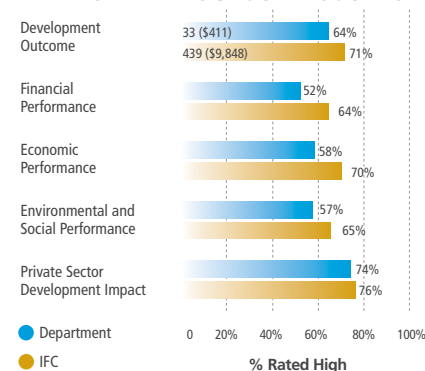
\* Includes BAPTF and Melrose

\*\* Includes Soco Facility and Viola AMI

\*\*\* Includes Melrose II and Melrose II Expansion and Italcementi

\*\*\*\* Includes MelroseResources

## DEVELOPMENT OUTCOME SCORES



DOTS data as of June 30, 2008, for projects approved in calendar 1999-2004. Bars at top include the number of projects rated and total IFC investment in them (in \$ millions).

## IFC'S LARGEST COUNTRY EXPOSURES (June 30, 2008)

Based on IFC's account, excluding individual country shares of regional and global projects.

Country	Portfolio (\$ millions)	Development Score*
<b>Pakistan</b>		
FY08	\$665	71%
FY07	\$522	75%
<b>Egypt</b>		
FY08	\$499	67%
FY07	\$517	75%
<b>Tunisia</b>		
FY08	\$304	N/A
FY07	\$58	N/A

\* Percent of tracked companies with high development results. N/A = Not available (less than 4 companies).