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.
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.
IFC’s global impact

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.

Results by Region

Results by Industry

Results by Advisory

Development results by industry

Development results by region

<table>
<thead>
<tr>
<th>Region</th>
<th>Commitments ($ millions)</th>
<th>Number of projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFC</td>
<td>$80 (1%)</td>
<td>1,066</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>$2,428 (19%)</td>
<td>147</td>
</tr>
<tr>
<td>South Asia</td>
<td>$1,061 (8%)</td>
<td>254</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>$1,572 (12%)</td>
<td>72%</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>$2,970 (23%)</td>
<td>72%</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>$1,547 (12%)</td>
<td>72%</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>$3,006 (24%)</td>
<td>72%</td>
</tr>
<tr>
<td>Global</td>
<td>$80 (1%)</td>
<td>1,066</td>
</tr>
</tbody>
</table>

1. See category descriptions on page 103.

2. N refers to increased commitments on existing projects or swaps and right issues.


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

fy10 commitments by industry

dollar amounts in millions

<table>
<thead>
<tr>
<th>Industry</th>
<th>FY10 Commitments ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agribusiness</td>
<td>$536 (4%)</td>
</tr>
<tr>
<td>Global Financial Markets</td>
<td>$6,654 (53%)</td>
</tr>
<tr>
<td>Global Information and Communication Technologies</td>
<td>$461 (4%)</td>
</tr>
<tr>
<td>Global Manufacturing and Services</td>
<td>$1,376 (11%)</td>
</tr>
<tr>
<td>Health and Education</td>
<td>$432 (3%)</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>$1,578 (12%)</td>
</tr>
<tr>
<td>Oil, Gas, Mining, and Chemicals</td>
<td>$1,053 (8%)</td>
</tr>
<tr>
<td>Private Equity and Investment/Management</td>
<td>$498 (4%)</td>
</tr>
<tr>
<td>Subnational Finance</td>
<td>$166 (1%)</td>
</tr>
</tbody>
</table>

fy10 commitments by product

dollar amounts in millions

<table>
<thead>
<tr>
<th>Product</th>
<th>FY10 Commitments ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans¹</td>
<td>$5,721 (45%)</td>
</tr>
<tr>
<td>Equity²</td>
<td>$2,974 (23%)</td>
</tr>
<tr>
<td>Guarantees</td>
<td>$3,932 (31%)</td>
</tr>
<tr>
<td>Risk Management Products</td>
<td>$37 (0%)</td>
</tr>
<tr>
<td>Global Financial Markets</td>
<td>$6,654 (53%)</td>
</tr>
<tr>
<td>Global Information and Communication Technologies</td>
<td>$461 (4%)</td>
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</tr>
</tbody>
</table>

fy10 commitments by region¹

dollar amounts in millions

<table>
<thead>
<tr>
<th>Region</th>
<th>FY10 Commitments ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFC</td>
<td>$493 ($15,431)</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>$536 ($1,069)</td>
</tr>
<tr>
<td>South Asia</td>
<td>$126 ($4,954)</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>$43 ($975)</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>$85 ($2,237)</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>$79 ($1,167)</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>$37 ($127)</td>
</tr>
<tr>
<td>South Asia</td>
<td>$13 ($127)</td>
</tr>
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</tr>
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</table>

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

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


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IDA countries
Middle-income countries with frontier regions
other client countries
other

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

fy10 largest country exposures
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

fy10 advisory services project expenditures by business line
dollar amounts in millions

fy10 advisory services project expenditures by region
dollar amounts in millions

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


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

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.

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.
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.

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.
IFC’s five pillars and scorecard

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

<table>
<thead>
<tr>
<th>Indicator</th>
<th>FY10 Performance</th>
<th>FY09 Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Projects in IDA Countries</td>
<td>255</td>
<td>225</td>
</tr>
<tr>
<td>Commitments in IDA Countries (millions)</td>
<td>$4,881</td>
<td>$4,424</td>
</tr>
<tr>
<td>Advisory Services Expenditures in IDA Countries (millions)</td>
<td>$81</td>
<td>$74</td>
</tr>
<tr>
<td>Commitments in Sub-Saharan Africa (millions)</td>
<td>$2,428</td>
<td>$1,824</td>
</tr>
<tr>
<td>Commitments in Middle East and North Africa (millions)</td>
<td>$1,572</td>
<td>$1,260</td>
</tr>
<tr>
<td>Number of South-South Investment Projects</td>
<td>71</td>
<td>52</td>
</tr>
<tr>
<td>Commitments in South-South Investment Projects (millions)</td>
<td>$1,654</td>
<td>$1,449</td>
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<tr>
<td>Commitments in Energy Efficiency and Renewable Energy (millions)</td>
<td>$1,644</td>
<td>$1,034</td>
</tr>
<tr>
<td>Commitments in Infrastructure, Health and Education, and Food¹ (millions)</td>
<td>$3,173</td>
<td>$3,322</td>
</tr>
<tr>
<td>Commitments in Financial Markets (millions)²</td>
<td>$6,654</td>
<td>$4,709</td>
</tr>
<tr>
<td>Commitments in Micro, Small and Medium Enterprises Sector (millions)³</td>
<td>$5,279</td>
<td>$2,969</td>
</tr>
<tr>
<td>Development Results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Projects Rated High (DOTS Score)⁴</td>
<td>71%</td>
<td>71%</td>
</tr>
</tbody>
</table>

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).
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.
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.
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.
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.

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.
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?

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](http://wbl.worldbank.org)
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.

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.

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

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.

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.
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.
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.

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.

UKRAINE
Our $25 million investment in meat producer Globino will increase production capacity, modernize equipment, and add about 600 jobs.

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.
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.
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.”
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.

“If IC 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.

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.
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.

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

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.

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.

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 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.
TURKEY
A $75 million loan to Akenerji will support the company’s renewable energy projects and help meet Turkey’s growing energy needs.

ARMENIA
With a $35 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.

RUSSIA
We’re providing a $10 million loan to Monocrystal, helping the manufacturer expand its capacity to produce materials used in energy-efficient technologies.

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.

THAILAND
We’re providing a $24 million to help Techcombank develop its energy-efficiency lending facility for local small and medium enterprises.

NEPAN
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.

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.

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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.
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.
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.

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.
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

 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.

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

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.
MOROCCO
IFC is advising the Ministry of Agriculture on a public-private partnership to build a desalination and irrigation plant in the Chtouka area.

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.

UKRAINE
We’re providing more than $60 million in financing to help poultry producer Myronivsky Hliboprodukt expand its grain-farming and poultry operations.

CHINA
A $20 million IFC loan to agro-processor Xiwang Sugar Holdings will allow it to upgrade its operations and raise food safety standards.

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.

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.

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.
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.
“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’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.

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.
GLOBAL CHALLENGES AND IMPACT

the Conflict-Affected States in Africa initiative

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.

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

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.
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.

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GLOBAL CHALLENGES AND IMPACT

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 underemployed. We are working to ease the pressure on cities’ overburdened business infrastructure 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.
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.”
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 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.

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.
GLOBAL CHALLENGES AND IMPACT

cleaner water—and a healthier future

That is changing, thanks to low-cost ultra-violet 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.

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.
fostering productive public-private partnerships

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.

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

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.

BRAZIL
IFC’s loan of 65 million Brazilian reais will help Grupo Ser Educacional bring high-quality education to underserved areas and lower-income students.

PERU
IFC is providing $65 million to help Lima’s Sedapal build a water treatment plant that will benefit over 2.4 million low-income residents.
**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.

**KENYA**
We are advising and investing in Kenya’s Spencon International so the firm can expand its infrastructure projects in Eastern and Southern Africa.

**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.

**NIGERIA**
We’re extending $150 million in syndicated loans to help Helios Towers Nigeria Ltd. improve access to quality, affordable telecommunications in Nigeria.

**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.

**RUSSIA**
We are working with municipal water utilities and private industrial companies to help them improve water efficiency and the quality of discharged water.

**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.
GLOBAL CHALLENGES AND IMPACT

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 — SHAPEING 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 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.

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.