MESSAGE FROM THE PRESIDENT

2008 has been an important year for the World Bank Group – a year of challenges and opportunities. IFC has played a critical role in addressing both. I am pleased to introduce a report that captures IFC’s achievements and outlines the work ahead.

This year, the Bank Group has developed six strategic priorities to focus our attention, emphasizing the poorest countries, particularly those in Africa; fragile and post-conflict states; middle-income countries; global and regional public goods; expanding opportunity for the Arab world; and knowledge and learning.

IFC is carrying out these initiatives with energy, commitment, and creativity. To catalyze investment in Africa and other frontier markets, IFC is working to make it easier for sovereign wealth funds to invest equity in these markets. To ease the food crisis, IFC has invested in agribusiness companies, helping them expand production and mitigate risks. To help firms move to cleaner and more efficient technologies, IFC has developed an innovative carbon delivery guarantee that helps companies in developing countries sell carbon credits to buyers in the developed world. To address the growing needs for infrastructure in developing countries, IFC is scaling up investments in transportation, power, and utility projects, and applying best-practice approaches to environmental and social issues.

I have seen first-hand how the Bank Group can tackle pressing development challenges in the poorest countries by bringing to bear its multiple areas of expertise, products, and services. During a trip to Mozambique this year, I visited the Southern Africa Regional Gas project, which is financed by IBRD, IFC, and MIGA. The project is enabling the country to monetize its natural gas resources by linking up with the South African export market. IFC and IDA, moreover, have cooperated on a groundbreaking risk-sharing initiative in Madagascar that is increasing the availability of loans for small and medium enterprises. Increasing this kind of cooperation will allow us to reach further with a blend of services.

IFC’s investments and advice are an essential part of the Bank Group’s help to middle-income countries. Despite overall progress, these countries are still the home to many poor people, and their companies and markets still face capital constraints. Governments also need help to bring in more investment and share the benefits of growth with more people and places. IFC gets involved where it can make a difference, not only bringing in private capital but also helping private enterprises meet global corporate governance standards, safeguard the environment, and integrate local communities into their supply chains through linkages programs with large companies. In addition, IFC clients are promoting development across national boundaries, in the form of South-South investments.

The contribution to private sector development is far-reaching. In Liberia and other post-conflict countries, IFC is working on facilitating business-climate reforms and strengthening the financial sector. In Africa, IFC is working with its partners to mobilize up to $1 billion to support the development of a socially responsible private health sector. In the Middle East, IFC is helping local banks make student loans more widely available. IFC’s global trade finance initiative has been lending critical support to trade flows with the emerging markets and has served as a stabilizing presence in times of credit or liquidity constraints. IFC also has recognized the enormous economic and social potential represented by women entrepreneurs in developing countries, and its gender program has introduced successful initiatives to promote women-owned businesses.

IFC is well suited to the tasks ahead. It has the right mix of capital and expertise. There is strong demand for its services throughout the developing world: private initiative is increasingly recognized as an effective and innovative engine of economic growth. When supported by sound public policies, it has unparalleled power to boost local economies, create jobs, and unearth opportunities that create pathways to inclusive and sustainable development. IFC, with its unique private sector experience and know-how, has the innovative spirit and results-oriented culture that are needed to make a difference.

I want to thank the dedicated and highly accomplished staff at IFC for their commitment to transforming us into a more dynamic, flexible, and innovative institution. Whenever I attend a briefing at IFC, I leave with optimism about the ingenuity and drive of the IFC staff to empower the private sector in developing countries to improve lives and livelihoods. The accomplishments and spirit of IFC are also a testament to the strong and effective leadership of Lars Thunell, who guides an excellent team with judgment, experience, and a drive for results. I also thank our Board of Directors, the Governors, and our many contributors and partners, without whom we could not be successful.

Robert B. Zoellick
President, World Bank Group
Message From the CEO

Helping Clients Succeed in a Changing World

The world around us is changing, and so is IFC.

In a time of uncertainty in world markets, we have stepped up investments and advisory services in the least developed economies and sectors, and we continue to strengthen the foundation for sustainable private sector development across the globe. Our effort to respond swiftly to clients’ needs, bringing unparalleled expertise to foster private entrepreneurship, is making a difference: we are creating new opportunities for people to break free from poverty and improve their lives.

Recent events in global markets underscore the importance of the work we do. Consider the effects of food and oil prices on the billion people who still live in extreme poverty. For the first time in more than three decades, prices for both oil and food have reached record levels—and this is reversing years of progress against poverty and hunger. The cost of food may push more than 100 million people, nearly a third of them in Africa, back into poverty. The rise is exacerbating children’s malnutrition even in the faster-growing emerging economies. The global credit crunch, meanwhile, poses a challenge for private enterprises in most emerging markets. Yet much can be done. As these and other economic challenges have emerged, so have new opportunities for IFC to do our part for an inclusive and sustainable world.

IFC is uniquely positioned to make a difference for the many people at the base of the global economic pyramid. We are the largest multilateral financial institution investing in private enterprises in emerging markets, with activities in 130 countries. We combine financing that helps local businesses grow quickly and sustainably with advice that helps them innovate, raise standards, mitigate risk, and share knowledge across industries and regions. Our affiliation with the World Bank Group gives us additional leverage in terms of skills and experience. We call this unparalleled set of comparative advantages our “additionality.” It is the main reason our clients choose to work with us.

Our success, reflected in strong development outcomes and financial performance of our portfolio, is allowing us to do more to create opportunity where it is most urgently needed. The Independent Evaluation Group, an independent unit within the Bank Group, has found that IFC’s profitability goes hand-in-hand with healthy development outcomes. IFC net income in the 2008 fiscal year was a robust $1.5 billion. This financial strength allows us to increase our activities in fragile economies and conflict-affected countries, and to extend our reach to smaller businesses as well.

IFC’s activities this year demonstrate our growing role. Our new investments totaled $16.2 billion, a 34 percent increase over the previous year. This includes $11.4 billion in new commitments for our own account and $4.8 billion in funding that we mobilized for clients. In Sub-Saharan Africa, we significantly expanded the number of countries where we do business, from 17 to 25. We have pledged $1.75 billion to the three-year funding cycle of the International Development Association—the Bank Group’s lead agency for assisting the poorest countries. In middle-income countries, where more than half the world’s poor people live, we have sharpened our focus to ensure that our activities address global challenges such as climate change while at the same time helping areas and groups that are most in need.

We are achieving results. In calendar year 2007, IFC’s clients generated power for nearly 147 million customers in developing countries and distributed water to 18 million. Clients carried more than 153 million railway passengers and established some 50 million new phone connections. Our investments provided more than 700,000 jobs in manufacturing and service sectors, and they helped spur more than $47 billion in local purchases of goods and services.
We have strengthened the managerial capabilities of small and midsize firms in a number of countries, training more than 20,000 entrepreneurs—many of them women—through the IFC Business Edge program. We helped increase the availability of credit, assisting in providing nearly 7 million microfinance loans and more than 500,000 housing finance loans. Through our clients we reach more micro-entrepreneurs than any other development finance institution. Our work in oil, gas, mining, and chemicals helped generate more than $9 billion in revenues for governments—funds that can be used to help reduce poverty.

These results reflect our ability to adapt to changes in clients’ needs and in global economic conditions. Over the last few years, we have decentralized more of our operations, moving more key staff to the field, so that they are closer to clients. To provide the integrated solutions that clients need, we have significantly stepped up our advisory services business. To ensure the greatest overall impact, we have increased cooperation with colleagues across the World Bank Group and with many other partners who share our commitment to the development of emerging markets.

We are helping clients turn longer-term challenges into opportunities for growth that improves lives. Emerging economies have an opportunity, for example, to balance the need for jobs and basic services with a sound approach to climate change. IFC’s financing and technical expertise are helping clients find the right mix of energy sources and make the best use of new technologies. We are designing innovative business models and financial instruments that can deliver cleaner energy and help protect the environment. To help developing countries produce more food, we are also working on several fronts, investing to expand the supply of high-quality water, helping remove local constraints on agricultural lending and land use, building farmers’ capacity, and finding new ways to insure crops.

IFC has a central role in implementing the World Bank Group’s strategy. In conflict-affected countries, we have helped create jobs by steering foreign investment to small local firms. We are developing ways to help sovereign wealth funds from developed and emerging countries make equity investments in Sub-Saharan Africa and other frontier markets. We are helping raise standards and reform regulations to ensure that development is both environmentally and socially sustainable.

IFC’s adaptability reflects a determination to measure our performance, learning what works and where we need to improve. Our Development Outcome Tracking System allows us to make changes during the life of an investment or advisory project. Our overall strategy has taken on many recommendations from IFC’s Independent Evaluation Group, which called on us to adopt tailored country-specific strategies and collaborate more intensively across the World Bank Group. The expertise and versatility of our staff also play an indispensable role in our ability to meet clients’ rapidly changing needs. Our employees’ dedication to sustainable development is the cornerstone of our success—in 2008 and always. I am proud to be part of such a diverse and talented team, and I thank our staff for achieving another year of strong results.

Strong and sustainable economic growth depends, ultimately, on the ability of governments and private enterprises to harness productive capacities throughout a society. It involves creating jobs and entrepreneurship opportunities for women, for people in rural areas, and for groups on the economic and social margins. This means reaching communities—even in countries that are making rapid economic progress—that prosperity has bypassed. And it means giving the billion people who still live in severe poverty a chance at a better life.

Creating opportunity for people is at the core of our business. At IFC we will continue to do our part—and seek ways to expand our contribution—for an inclusive and sustainable world.

Much more remains to be done.

Lars H. Thunell
IFC Executive Vice President and CEO
OUR MANAGEMENT GROUP

IFC’s strategy and policies are shaped by a team of executives who bring a rich diversity of knowledge, skills, experience, and cultural perspectives to our work. The Management Group—consisting of our chief executive and vice presidents—leads the way in managing IFC’s growth and ensuring that we maximize our development impact while responding swiftly to clients’ needs. It is working to expand our capacity to serve the poorest countries and regions by decentralizing operations, empowering IFC staff, and making our business processes more efficient. This year, a member of the group became the first vice president to be based outside our Washington, D.C., headquarters. Our top executives are also helping foster a corporate culture that will reinforce IFC’s ability to serve clients, adapt to their changing needs, and increase our contribution to the sustainable development of emerging markets.