Financial year 2007 was a remarkable one for IFC. We delivered strong, measurable development impact and continued to show how the private sector creates opportunities in emerging markets—especially for the poor people who most need help. We also achieved the strongest financial position in our history.

IFC’s market is evolving. Today, nearly two-thirds of our client firms are based in emerging markets, and there is wide acknowledgment that the private sector plays a critical role in addressing the needs of people in these countries. Many firms we invest in are expanding into other emerging markets: we finance more than 20 such “South-South” transactions each year.

We are also transforming IFC’s operations. Today just over half our workforce is based in field offices, close to local clients. Beyond financing, we continue to increase our advisory services, more and more of which lead to IFC investments or are delivered alongside financing. This work allows us to provide comprehensive solutions to our clients’ business needs.

The challenges in emerging markets drive IFC’s strategy. Millions of people in smaller, less developed markets and conflict-affected countries have not yet shared in the benefits of growth. Poor infrastructure impairs such basic services as water, electricity, and health care. Smaller businesses, often the major source of employment, struggle to obtain financing and face burdensome regulations. Throughout the developing world, the environment, corporate governance, and social issues pose challenges to a private sector seeking to become competitive and meet international standards.

In FY07, IFC invested over $8 billion for its own account and mobilized nearly $4 billion more. In Sub-Saharan Africa our investments reached $1.4 billion, double the previous year’s commitments. Investments also topped $1 billion for the first time in the Middle East and North Africa. About a third of our investments and over half of advisory services spending went to frontier and IDA countries.

IFC is able to play a bigger role because we have made a strategic decision to take a larger number of well-managed risks. We are increasing our equity and quasi-equity investments, especially in markets where others are unable or reluctant to bear the risk. We are using innovative products, such as local currency financing that lets companies concentrate on building a business rather than worrying about exchange rate volatility.

Our priority markets are what IFC calls the “frontier”: countries eligible for interest-free, public sector loans from the World Bank’s International Development Association as well as countries that have high risk ratings for private sector investment. The frontier also includes low-income or high-risk regions in middle-income countries, such as northeast Brazil and western China.

Measuring results is critical to understanding how well our strategy is working. Our new tracking system gives insights into the number of people we are reaching. In 2006, for example, 4 million people received hospital treatment, 9.5 million customers received electricity, 5 million loans helped smaller businesses, and 40,000 entrepreneurs received training and advice through engagements supported by IFC. We are committed to achieving broader development impact as we implement our strategy.

IFC can leverage the expertise of the larger World Bank Group to ensure that the foundations for private sector development are in place, with World Bank assistance to governments on policy frameworks preceding advice and investments from IFC. The joint Doing Business report, for example, helps streamline business regulations worldwide.

IFC has made progress, and opportunities to do more are tremendous. We have the strategy, mandate, and resources to deliver greater impact. We also bring a commitment to measuring results. With ongoing support and cooperation from stakeholders, partners, and Bank Group colleagues, IFC will continue to create opportunities for millions of people to escape poverty and improve their lives.

Lars H. Thunell, Executive Vice President and CEO

Adapted from the IFC Annual Report, which includes the full text of this message and a letter from World Bank Group President Robert B. Zoellick.
**IFC AT A GLANCE**

**OUR MEMBER COUNTRIES**

**STRONG SHAREHOLDER SUPPORT**

Largest country exposures (June 30, 2007)

<table>
<thead>
<tr>
<th>Global rank</th>
<th>Country name</th>
<th>Portfolio ($ millions)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Russian Federation</td>
<td>2,238</td>
<td>9%</td>
</tr>
<tr>
<td>2</td>
<td>India</td>
<td>2,117</td>
<td>8%</td>
</tr>
<tr>
<td>3</td>
<td>China</td>
<td>1,680</td>
<td>7%</td>
</tr>
<tr>
<td>4</td>
<td>Brazil</td>
<td>1,618</td>
<td>6%</td>
</tr>
<tr>
<td>5</td>
<td>Turkey</td>
<td>1,342</td>
<td>5%</td>
</tr>
<tr>
<td>6</td>
<td>Mexico</td>
<td>1,228</td>
<td>5%</td>
</tr>
<tr>
<td>7</td>
<td>Argentina</td>
<td>768</td>
<td>3%</td>
</tr>
<tr>
<td>8</td>
<td>Colombia</td>
<td>756</td>
<td>3%</td>
</tr>
<tr>
<td>9</td>
<td>Indonesia</td>
<td>743</td>
<td>3%</td>
</tr>
<tr>
<td>10</td>
<td>Nigeria</td>
<td>684</td>
<td>3%</td>
</tr>
</tbody>
</table>

**OUR DEVELOPMENT IMPACT**

**DEVELOPMENT RESULTS BY REGION**

IFC fosters sustainable private sector growth in developing countries.

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.
**SUSTAINABILITY**

**CUMULATIVE COMMITMENTS BY ENVIRONMENTAL AND SOCIAL CATEGORY**

<table>
<thead>
<tr>
<th>Category*</th>
<th>Commitments ($ billions)</th>
<th>Number of investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>4.7</td>
<td>132</td>
</tr>
<tr>
<td>B</td>
<td>27.9</td>
<td>1,677</td>
</tr>
<tr>
<td>C</td>
<td>8.1</td>
<td>792</td>
</tr>
<tr>
<td>FI</td>
<td>14.1</td>
<td>796</td>
</tr>
<tr>
<td>N**</td>
<td>7.5</td>
<td>1,196</td>
</tr>
<tr>
<td>U**</td>
<td>2.0</td>
<td>299</td>
</tr>
</tbody>
</table>

*See category descriptions on p. 20.

**FY07 COMMITMENTS BY ENVIRONMENTAL AND SOCIAL CATEGORY**

<table>
<thead>
<tr>
<th>Category*</th>
<th>Commitments ($ millions)</th>
<th>Number of investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>593.2</td>
<td>8</td>
</tr>
<tr>
<td>B</td>
<td>3,522.6</td>
<td>112</td>
</tr>
<tr>
<td>C</td>
<td>1,462.9</td>
<td>94</td>
</tr>
<tr>
<td>FI</td>
<td>2,640.9</td>
<td>85</td>
</tr>
</tbody>
</table>

**FY07 Investments in Renewable Energy and Energy Efficiency:**

$450 million


**INVESTMENT PORTFOLIO**

**COMMITTED PORTFOLIO BY REGION**

**COMMITTED PORTFOLIO BY INDUSTRY**

For IFC’s own account as of June 30, 2007: $25.4 billion
FY07 INVESTMENTS
For IFC’s own account as of June 30, 2007: $8.2 billion

BY REGION

- Latin America and the Caribbean 22%
- East Asia and the Pacific 11%
- Sub-Saharan Africa 17%
- South Asia 13%
- Middle East and North Africa 15%
- Europe and Central Asia 22%
- Global <1%

FY07 ADVISORY SERVICES

EXPENDITURES BY BUSINESS LINE

Value Addition to Firms 29%
Access to Finance 21%
Environment and Social Sustainability 13%
Business Enabling Markets 16%
Markets 41%
Sub-Saharan Africa 23%
East Asia and the Pacific 19%
South Asia 6%
Middle East and North Africa 10%
Latin America and the Caribbean 9%
World 14%
Europe and Central Asia 20%

EXPENDITURES BY REGION

- East Asia and the Pacific 14%
- South Asia 10%
- Sub-Saharan Africa 17%
- Middle East and North Africa 10%
- Latin America and the Caribbean 9%
- World 14%
- Europe and Central Asia 20%
- Sub-Saharan Africa 23%
- East Asia and the Pacific 19%
- South Asia 6%

IFC’S REACH
Reach indicators give an indication of the people touched by IFC’s activities.

INVESTMENTS, 2006
- Hospital patients treated: 4 million
- Students educated: 350,000
- Electricity customers served: 9.5 million
- Water customers served: 15.3 million
- MSME loans: 5 million
- New phone connections: 53 million
- Local purchases by IFC clients: $31 billion
- Community development spending by clients: $250 million

ADVISORY SERVICES, 2002-2006
- Assisted 1,768 banks
- Assisted 40,000 entrepreneurs

IFC also mobilized $3.9 billion in FY07 through structured finance, loan participations, and parallel loans.