OUR BUSINESS + EXPERTISE

OUR EXPERIENCE—IN EVERY REGION OF THE WORLD, AND IN NEARLY EVERY INDUSTRY—ALLOWS US TO PROVIDE A UNIQUE SET OF ADVANTAGES TO OUR CLIENTS.
Where We Work

As the largest global development institution focused on the private sector, IFC operates in more than 100 developing countries.

We are able to apply lessons learned in one region to solve problems in another. We help local companies make better use of their own knowledge, by matching it to opportunities in other developing countries.
Our Three Businesses

IFC’s three businesses—Investment Services, Advisory Services, and IFC Asset Management Company—are mutually reinforcing, delivering global expertise to clients in developing countries.

They give us a special advantage in helping the private sector create opportunity in these countries—our investments and advice can be tailored to a client’s specific needs, and in innovative ways that add value. Our ability to attract other investors to our projects brings additional benefits, introducing our clients to new sources of capital and better ways of doing business.

IFC INVESTMENT SERVICES

Our investment services provide a critical reminder that private investors can advance development in emerging economies, help reduce poverty, and make a profit at the same time.

Our broad suite of financial products and services can ease poverty and spur long-term growth by promoting sustainable enterprises, encouraging entrepreneurship, and mobilizing resources that wouldn’t otherwise be available. Our financing products are tailored to meet the needs of each project. We provide growth capital, but the bulk of the funding comes from private sector owners, who also bear leadership and management responsibility.

In FY12, we invested about $15.5 billion in about 576 projects, of which nearly $6 billion went to projects in IDA countries. In addition, we mobilized nearly $5 billion to support the private sector in developing countries.

PRODUCT LINES

LOANS

IFC finances projects and companies through loans from our own account, typically for seven to 12 years. We also make loans to intermediary banks, leasing companies, and other financial institutions for on-lending.

While IFC loans traditionally have been denominated in the currencies of major industrial nations, we have made it a priority to structure local-currency products. IFC has provided local-currency financing in more than 50 local currencies, including Colombian pesos, Indonesian rupiah, Kazakhstani tenge, Moroccan dirhams, Peruvian nuevos soles, Philippine pesos, Rwandan francs, and Zambian kwachas.

In FY12, we made commitments for nearly $6.7 billion in new loans.

EQUITY

Equity investments provide developmental support and long-term growth capital that private enterprises need. They also provide opportunities to support corporate governance and enhance social responsibility.

We invest directly in companies’ equity, and also through private-equity funds. In FY12, equity investments accounted for nearly $2.3 billion of commitments we made for our own account.

IFC generally invests between 5 and 20 percent of a company’s equity. We encourage the companies we invest in to broaden share ownership through public listings, thereby deepening local capital markets. We also invest through profit-participating loans, convertible loans, and preferred shares.
TRADE FINANCE

The IFC Global Trade Finance Program guarantees trade-related payment obligations of approved financial institutions. The program extends and complements the capacity of banks to deliver trade finance by providing risk mitigation on a per-transaction basis for more than 200 banks across more than 80 countries.

In FY12, trade finance accounted for about $6 billion—more than a third of the commitments we made for IFC’s own account. Our Global Trade Liquidity Program has supported $21 billion in trade in developing countries since it was launched in 2009.

SYNDICATIONS

IFC’s Syndicated Loan Program, the oldest and largest syndicated lending program among multilateral development banks, is an important tool for mobilizing capital to serve development needs. Since its establishment in 1957, the program has mobilized over $40 billion from more than 550 financial institutions—for more than 1,000 projects in more than 110 emerging markets.

In FY12, IFC syndicated $2.7 billion in loans. This included B-loans and parallel loans, 38 percent of which went to borrowers in IDA countries and frontier regions. Borrowers in the infrastructure sector received 41 percent of the total volume mobilized. We expanded our investor base, adding 11 emerging-market banks, three development-finance institutions, a western European fund, and a Middle Eastern commercial bank. IFC’s syndicated-loan portfolio totaled $11.2 billion in FY12.

IFC INVESTED $15.5 BILLION IN ABOUT 580 PROJECTS.

THE IFC GTLP HAS SUPPORTED $21 BILLION IN TRADE SINCE 2009.

IFC SYNDICATED $2.7 BILLION IN LOANS IN FY12.

STRUCTURED FINANCE

IFC uses structured and securitized products to provide cost-effective forms of financing that would not otherwise be readily available to clients. Products include partial credit guarantees, structured liquidity facilities, portfolio risk transfer, securitizations, and Islamic finance. We use our expertise in structuring—and our international triple-A credit rating—to help clients diversify funding, extend maturities, and obtain financing in their currency of choice.

CLIENT RISK-MANAGEMENT SERVICES

IFC provides derivative products to our clients to allow them to hedge their interest rate, currency, or commodity-price exposures. IFC mediates between clients in developing countries and derivatives market makers in order to provide clients with full market access to risk-management products.

BLENDED FINANCE

IFC combines concessional funds—typically from donor partners—with our own resources to finance initiatives and achieve development impact that would otherwise be unattainable. We have applied this approach in three areas of strategic priority: climate change, agribusiness and food security, and finance for small and medium enterprises. We have blended concessional funds alongside our own for more than 15 years. Since FY07, we have deployed more than $250 million of donor funds, catalyzing more than $3 billion of IFC and private sector financing.
Private sector development requires more than just finance. Experience shows the powerful role advisory services can play in unlocking investment and helping businesses expand and create jobs.

To help the private sector in emerging markets, IFC provides advice, problem solving, and training to companies, industries, and governments. Our experience shows that companies need more than financial investment to thrive—they need a regulatory environment that enables entrepreneurship, and advice on business best practices. Our work includes advising national and local governments on how to improve their investment climate and strengthen basic infrastructure. We also help investment clients improve corporate governance and become more sustainable.

We operate in 105 countries, with more than 630 active projects. Funding comes from donor partners, IFC, and clients. In FY12, advisory services program expenditures totaled nearly $200 million, up about 8 percent from FY11. In all, 65 percent of our program was in IDA countries, and 17 percent was in fragile and conflict-affected areas.

**BUSINESS LINES**

**ACCESS TO FINANCE**

IFC helps increase the availability and affordability of financial services for individuals and for micro, small, and medium enterprises. Our priorities are to help our clients provide broad-based financial services and to build the financial infrastructure necessary for sustainable growth and employment. At the end of FY12, we had an active portfolio of 245 projects—valued at $295.7 million—that promoted access to finance in 71 countries. In FY12, our advisory program expenditures totaled about $63 million, of which 64 percent was in IDA countries, and 16 percent was in fragile and conflict-affected areas.

**INVESTMENT CLIMATE**

We help governments implement reforms that improve the business environment and encourage and retain investment, thereby fostering competitive markets, growth, and job creation. Our priorities are to design and support regulatory reforms that support business- and trade-friendly environments while also helping resolve legal and policy weaknesses that inhibit investment. At the end of FY12, IFC had an active portfolio of 129 investment-climate projects in 60 countries, valued at $226.7 million. In FY12, our advisory program expenditures totaled $57 million, of which 77 percent was in IDA countries, and 25 percent was in fragile and conflict-affected areas.

**SUSTAINABLE BUSINESS**

We help companies adopt environmental, social, and governance practices and technologies that create a competitive edge. We seek the broad adoption of these practices to transform markets and improve people’s lives. We help advance women in business, strengthen small-scale farmers and small firms, and engage the private sector in climate-change solutions. At the end of FY12, we had an active portfolio of 173 sustainable-business projects in 59 countries, valued at $265.8 million. In FY12, our advisory program expenditures totaled $48 million, of which 59 percent was in IDA countries, and 10 percent was in fragile and conflict-affected areas.
IFC Asset Management Company, a wholly owned subsidiary of IFC, mobilizes and manages third-party funds for investment in developing and frontier markets. It was created in 2009 to expand the supply of long-term capital to these markets, enhancing IFC’s development goals as well as investing profitably for investors. AMC invests alongside IFC, and all AMC investments adopt IFC’s Performance Standards. It raises funds targeted at institutional investors who are looking to increase their exposure to emerging markets and who are interested in accessing IFC’s transaction pipeline, investment approach, and track record of superior returns. The average internal rate of return on IFC’s equity investments over the last 20 years has exceeded 20 percent a year.

As of June 30, 2012, AMC had approximately $4.5 billion in assets under management. It manages funds on behalf of a wide variety of institutional investors, including sovereign funds, pension funds, and development finance institutions. Its current fund portfolio is as follows:

**AMC FUNDS**

**IFC CAPITALIZATION FUND**

The $3 billion IFC Capitalization Fund consists of an equity fund of about $1.3 billion and a subordinated debt fund of about $1.7 billion. Launched in 2009, the capitalization fund helps strengthen systemically important banks in emerging markets, bolstering their ability to cope with financial and economic downturns. The fund is jointly supported by a $2 billion investment from the Japan Bank for International Cooperation and a $1 billion investment from IFC. From its inception through the end of FY12, the fund made investment commitments totaling $1.3 billion in 11 commercial banks in Bahrain, Honduras, Malawi, Mongolia, Oman, Papua New Guinea, Paraguay, the Philippines, Serbia, and Vietnam, and in one regional African bank.

**IFC AFRICAN, LATIN AMERICAN, AND CARIBBEAN FUND**

The $1 billion IFC ALAC Fund was launched in 2010 and has commitments from IFC, the Dutch pension fund manager PGGM, Korea Investment Corporation, State Oil Fund of the Republic of Azerbaijan, United Nations Joint Staff Pension Fund, the Abu Dhabi Investment Authority, and a Saudi government fund. The fund co-invests with IFC in equity investments across a range of sectors in Sub-Saharan Africa, Latin America, and the Caribbean. From its inception through the end of FY12, the fund made investment commitments totaling $361 million.

**THE AFRICA CAPITALIZATION FUND**

The $182 million Africa Capitalization Fund was established in FY11 to invest in systemically important commercial banking institutions in northern and Sub-Saharan Africa. Its investors include the African Development Bank, European Investment Bank, OPEC Fund for International Development, Abu Dhabi Fund for Development, Sumitomo Mitsui Banking Corporation, and Commonwealth Development Corporation. As of the end of FY12, it had made two investment commitments totaling $11.5 million, in Ghana and Malawi.

**IFC RUSSIAN BANK CAPITALIZATION FUND**

The $275 million IFC Russian Bank Capitalization Fund was established in June 2012 to invest in licensed commercial banks, bank holding companies, and other bank-related investment vehicles in Russia, either privately owned or government-owned and on a clear path to privatization. The fund currently has commitments from IFC, the Russian Ministry of Finance, and Russia’s Vneshekonombank.
Our Industry Expertise

IFC’s leadership role in sustainable private sector development reflects a special advantage—the depth and breadth of expertise we have acquired over more than 50 years of helping emerging-market firms succeed and grow.

We have moved to leverage our global industry knowledge to tackle the biggest development challenges of the coming years—including climate change, unemployment, and food and water security.

**AGRICULTURE AND FORESTRY**

Agribusiness has an important role to play in poverty reduction. The agricultural sector often accounts for at least half of GDP and employment in many developing countries. For that reason, it is a strategic priority for IFC.

We help the private sector address rising demand and escalating food prices in an environmentally sustainable and socially inclusive way. We also support global initiatives for sustainable production of agricultural commodities. To help clients finance inventories, seeds, fertilizers, chemicals, and fuel for farmers, IFC offers working-capital facilities.

To facilitate trade and lower costs, we pursue investments in infrastructure such as warehouses and cold-storage facilities. To bring land into sustainable production, we work to improve productivity by transferring technologies and making the best use of resources.

IFC helps companies set benchmarks for responsible production, in line with industry best practices. In FY12, our new commitments in agribusiness and forestry totaled slightly more than $1 billion, accounting for about 7 percent of commitments for IFC’s own account.

**CONSUMER AND SOCIAL SERVICES**

Private health care and education are fundamental to human and economic development—health care plays a key role in improving the quality of life, while education is a powerful instrument for reducing poverty and growing human capital.

IFC is the world’s largest multilateral investor in these sectors. We work to increase access to high-quality health and education while also helping strengthen job-creating sectors such as tourism, retail, and property.

We help improve standards of quality and efficiency, facilitate the exchange of best practices, and create jobs for skilled professionals. We focus on helping client companies increase their development impact.

In addition to making direct investments in socially responsible companies, our role includes sharing industry knowledge and expertise, funding smaller companies, raising medical and education standards, and helping clients expand services to lower-income groups. In FY12, our new commitments in consumer and social services totaled about $1.4 billion, or nearly 9 percent of IFC’s commitments for its own account.

**FINANCIAL MARKETS**

Sound financial markets are vital to development—they ensure efficient resource allocation, create jobs, and spur economic growth.

The global economic crisis underscored the need for IFC in financial markets. Small and medium enterprises, which account for more than half of employment worldwide, saw lines of credit reduced or eliminated. Investors shied away from capital markets. We stepped in to fill the gap.

We focus on small and medium enterprises, microfinance, trade, and climate change, among others. IFC is a leading investor in microfinance. We create innovative products to help the poor and address important development challenges. We are rebuilding our investments in housing finance and are supporting the development of capital markets in light of the global financial crisis. In FY12, our commitments in financial markets totaled about $3.4 billion, about 22 percent of commitments for IFC’s own account.
We focus on manufacturing clients that are—or can be—strong players in their local markets. In middle-income countries, we increasingly support local second-tier companies and cross-border investments. As these industries represent some of the most carbon-intensive sectors, we are helping clients develop and undertake investments that help reduce carbon emissions and energy consumption.

In FY12, our new commitments in the manufacturing sector totaled slightly more than $1 billion, or nearly 7 percent of commitments for IFC’s own account.

**Manufacturing**

Modern infrastructure spurs economic growth, improves living standards, and can play a vital role in addressing emerging development challenges, including rapid urbanization and climate change.

It is also an area in which the private sector can make a significant contribution, providing essential services to large numbers of people, efficiently, affordably, and profitably. This is IFC’s focus: supporting private infrastructure projects whose innovative, high-impact business models can be widely replicated.

We help increase access to power, transport, and water by financing infrastructure projects and advising client governments on public-private partnerships. We add value by devising innovative projects and public-private partnerships in difficult markets. We mitigate risk and leverage specialized financial structuring and other capabilities. In FY12, our new commitments in this sector totaled about $1.4 billion, or about 9 percent of commitments for IFC’s own account.

**Oil, Gas, and Mining**

Industries that can harness natural resources are vital for many of the world’s poorest countries. They are a key source of jobs, energy, government revenues, and a wide array of other benefits for local economies. In Africa, in particular, large-scale sustainable investments in these industries can create equally large-scale gains in economic development.

IFC’s mission in the oil, gas, and mining sector is to help developing countries realize these benefits. We provide financing and advice for private sector clients. We also help governments adopt effective regulations and strengthen their capacity to manage these industries across the value chain.

In FY12, our new commitments in the manufacturing sector totaled slightly more than $1 billion, or nearly 7 percent of commitments for IFC’s own account.

**Telecommunications and Information Technology**

Modern information and communication technologies make it easier for the poor to obtain access to services and resources. They expand opportunity and make markets and institutions more efficient.

IFC works to extend the availability of such technologies to promote sustainable economic growth and good governance, enhance social inclusion, and reduce poverty. We channel investments toward private companies that build modern communications infrastructure and information-technology businesses, and develop climate-friendly technologies.

IFC increasingly helps clients move beyond their own national borders and into other developing markets. In FY12, our new commitments in this sector totaled about $247 million.
Standard Setting

IFC PERFORMANCE STANDARDS

Rising demand for natural resources. Population growth. Economic disparity. Climate change. These are just some of the challenges that require a long-term, strategic response from the private sector.

IFC believes that doing business sustainably drives positive development outcomes while helping companies find opportunities for growth and innovation in a fast-changing world. Our Performance Standards define our clients’ roles and responsibilities for managing their projects in a sustainable way.

They help companies identify risks and potential impacts. They help them devise solutions that are good for business, good for investors, and good for the environment and communities. This can include reducing costs through improved energy efficiency, increasing revenue and market share through environmentally and socially sound products and services, or forging better stakeholder relations through robust engagement.

These standards help improve the lives of people in developing countries—from safer working conditions to cleaner water to more effective community engagement.

In IFC’s own portfolio, we have seen how good environmental and social performance correlates with long-term financial performance. Our clients also appreciate and see the difference. In a recent survey, 93 percent of our clients said they believed that IFC’s environmental and social requirements were helpful to their long-term business interests.

Since they became effective in 2006, IFC’s Performance Standards have become globally recognized as a leading benchmark for environmental and social risk management in the private sector.

In addition, 15 European development-finance institutions and 32 Export Credit Agencies from countries belonging to the Organisation for Economic Co-operation and Development refer to the Performance Standards in their operations. Governments such as Bangladesh, Canada, China, and Vietnam use IFC’s standards to help inform their thinking on how companies—particularly in the financial and extractive sectors—can move toward sustainable practices.

IFC’s eight Performance Standards are part of IFC’s Sustainability Framework (see page 36), which has been updated following an 18-month consultation process. Updates became effective on January 1, 2012. More information is available at http://www.ifc.org/performancestandards.

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CORPORATE GOVERNANCE

Improving corporate governance—among our clients and across the private sector in developing countries—is a priority for IFC. We provide advice on best practices for improving board practices, strengthening shareholder rights, and enhancing risk management and corporate disclosure. We also advise regulators, stock markets, and others with an interest in improving corporate governance. We are ramping up our corporate governance programs in underserved areas of the world—especially in Africa, Latin America, and South Asia.

Our experience allows IFC to tailor global principles to the realities of the private sector in developing countries. As a result, development banks and other investors working in emerging markets now look to IFC for leadership on corporate governance.

We provide this in a variety of ways—including establishing the IFC Corporate Governance Methodology, a system for evaluating corporate governance risks and opportunities that is recognized as the most advanced of its kind among development finance institutions. This methodology is the basis for a common approach to corporate governance now implemented by 29 development finance institutions working in some of the most challenging markets.

Through the Global Corporate Governance Forum, a multi-donor trust-fund facility, and regional projects in developing countries, IFC also helps drive the corporate governance agenda among policymakers, regulators, leading corporate directors’ organizations, and the business media. We also develop corporate governance tools and products to address our clients’ needs.

SUSTAINABLE AGRICULTURE

How companies make use of land, water, and other natural resources, while providing jobs and food to meet the needs of a growing population, can have profound impacts for future generations.

IFC works with our clients and partners to promote sustainable agriculture. We’re helping to build a global consensus for sustainable production, improving the standards under which a variety of commodities are produced, processed, and traded.

We support agricultural commodity roundtables, such as the Roundtable for Sustainable Palm Oil, established in 2004. Through a collaboration with the Indonesia Palm Oil Producers Association, Unilever, HSBC, WWF, Oxfam, and others, the first certified sustainable palm oil became available in November 2009. Since then, more than 5.7 million metric tons—about 11 percent of the global supply of palm oil—have been certified.

Our environmental and social standards help companies produce responsibly while improving their performance. For example, we worked with TechnoServe, a nongovernmental organization, to help thousands of Ethiopian coffee farmers raise their incomes by increasing the quality and quantity of coffee they produce.

With our help, Ethiopian coffee cooperatives reduced their water consumption and improved wastewater management. All 49 cooperatives supported by TechnoServe received sustainable-coffee certification that allows them to become Starbucks suppliers. Higher sustainability standards enabled the cooperatives to access new markets and earn premium prices for their coffee.

IFC works with agricultural clients to strengthen supply chains, particularly with regard to labor, safety, and biodiversity issues. We are building a global map that will help flag country-specific environmental and social risks for 150 commodities.

The Equator Principles

The Equator Principles, an environmental and social risk-management framework used by 77 financial institutions worldwide, are based on IFC’s standards.