

Leadership Perspectives

Letter from the IFC EVP and CEO—Lars Thunell

This is the year of the client. Our clients in the private sector make IFC's work real. Their partnership with us promotes development and helps create opportunity for the poor—and they deserve special recognition for it.

They are innovators as much as entrepreneurs. They create jobs where you would not think possible. They pioneer renewable energy projects. They provide food for millions. They take one-room shops and transform them into thriving international firms. In short, they make lives better. They are our clients—but more, our partners in development. They are individuals who, through their entrepreneurship, embody the imaginative ways in which we expand opportunity in developing countries and across the globe.

Our clients help us achieve the full impact of our investments. Over the past year, our investment clients provided employment to about 2.4 million people—a record. They made nearly 10 million loans totaling about \$140 billion to micro, small, and medium enterprises. They helped bring health care to 7.5 million patients. Our advice helped strengthen the capacity of over 9,000 farmers and businesses in 71 countries.

During my travels this year, I saw firsthand how IFC, together with its clients, is turning volume into value and value into impact. Our investment clients contributed about \$20 billion to government revenues and \$36 billion to purchases in local economies. Considering that total global aid flows are about \$100 billion, it is clear that the work of IFC and our clients is having a giant impact in developing countries.

In the past year, we mobilized more money than ever for development—\$6.5 billion. New commitments reached \$18.7 billion, which is more than double the size of our investments just five years ago and reflects an estimated project value of nearly \$100 billion.

IFC Asset Management Company, a wholly owned subsidiary, invested \$682 million in IFC projects during the year—more than double the previous year's tally. AMC, which is a fund manager for governments, pension funds, sovereign wealth funds, and others, now has about \$4 billion under management.

A vibrant and sustainable private sector needs more than just investment. To support our clients, we offer over 25 years of experience in providing advisory services that improve the investment climate; foster vital public-private partnerships; raise environmental, social, and corporate governance standards; build inclusive supply chains; and strengthen expertise.

In FY11, Advisory Services project expenditures reached a record of over \$200 million, about two-thirds of which was attributable to clients in IDA countries.

We have updated our Sustainability Framework after an extensive, 18-month consultation process with numerous stakeholders. We have also adopted a new strategy for the palm oil industry.

Political leaders around the world increasingly recognize the leadership role IFC can play supporting clients in private sector development. IFC is prominent in the Group of 20's Financial Inclusion Initiative and is working to promote price hedging in the food market, which G-20 agricultural ministers agree can reduce volatility. We recently struck a deal with JPMorgan Chase to provide \$4 billion in price-risk management for agricultural commodities. This will enable farmers to promote food security.

Events across the Middle East and North Africa are reminders that we are living in a world of heightened political, social, and economic volatility. They are also reminders of the importance of the private sector and job creation for equitable growth. These are countries with high youth populations, but also high unemployment.

IFC and the Islamic Development Bank have suggested one innovative solution to this problem through the Education for Employment program, or e4e. We're bringing together governments and companies to match education with necessary job skills. We look to mobilize \$1.5 billion

to \$2 billion for the program over the next three to five years, funds that will support job creation across the region.

IFC's strategy is working. And our strong corporate values and vision position us well for 2012 and beyond.



Lars H. Thunell
IFC Executive Vice President
and Chief Executive Officer



HIGHLIGHTS
FROM
THE IFC ANNUAL
REPORT 2011

IFC At a Glance



We invested nearly \$19 billion in more than 500 projects in 102 countries, of which \$12.2 billion was for our own account. In addition, we mobilized nearly \$6.5 billion from other investors. Our Advisory Services project expenditures totaled \$206.7 million.

Half our investment projects—totaling \$4.9 billion in commitments—and about two-thirds of our Advisory Services project expenditures were in the poorest countries, those served by the International Development Association. We committed about \$3 billion for our own account in Latin America and the Caribbean. We also committed about \$2.7 billion in Europe and Central Asia, about \$2.2 billion in Sub-Saharan Africa, \$1.6 billion in the Middle East and North Africa, \$1.9 billion in East Asia and the Pacific, and \$742 million in South Asia.

IFC OPERATIONAL HIGHLIGHTS	2011	2010	2009	2008	2007
Dollars in millions, as of and for the years ended June 30					

New Investment Commitments

Number of projects	518	528	447	372	299
Number of countries	102	103	103	85	69
For IFC's own account	\$12,186	\$12,664	\$10,547	\$11,399	\$ 8,220

Mobilization

Syndicated loans ¹	\$ 4,680	\$ 1,986	\$ 1,858	\$ 3,250	\$ 1,775
Structured finance	\$ 0	\$ 797	\$ 169	\$ 1,403	\$ 2,083
IFC initiatives & other	\$ 1,340	\$ 2,358	\$ 1,927	n/a	n/a
Asset Management Company	\$ 454	\$ 236	\$ 8	n/a	n/a
Total mobilization	\$ 6,474	\$ 5,377	\$ 3,962	\$ 4,653	\$ 3,858

Investment Disbursements

For IFC's own account	\$ 6,715	\$ 6,793	\$ 5,640	\$ 7,539	\$ 5,841
Syndicated loans ²	\$ 2,029	\$ 2,855	\$ 1,958	\$ 2,382	\$ 1,615

Committed Portfolio

Number of firms	1,737	1,656	1,579	1,490	1,410
For IFC's own account	\$42,828	\$38,864	\$34,502	\$32,366	\$25,411
Syndicated loans ¹	\$12,387	\$ 9,302	\$ 8,299	\$ 7,525	\$ 5,543

Advisory Services

Number of projects	642	736	872	862	1,018
Approved value	\$ 820	\$ 859	\$ 941	\$ 919	\$ 846
Advisory Services project expenditures	\$ 207	\$ 188	\$ 183	\$ 152	\$ 118

¹ Includes B-Loans, Parallel Loans, and A-Loan Participations.

² Includes B-Loans and Agented Parallel Loans.

Development Results

FY11 DEVELOPMENT OUTCOME BY INDUSTRY

Oil, Gas, & Mining	23 (\$1,119)	83%
Infrastructure	74 (\$2,798)	77%
Agribusiness & Forestry	64 (\$2,781)	70%
Funds	63 (\$829)	68%
Financial Markets	196 (\$15,123)	66%
Telecommunications & Information Technology	25 (\$692)	64%
Manufacturing	69 (\$2,447)	59%
Consumer & Social Services	68 (\$1,396)	59%
IFC Total	582 (\$27,184)	67%

Numbers at the left end of each bar are the total number of companies rated. Numbers in parentheses represent total IFC investment (\$ millions) in those projects.

FY11 DEVELOPMENT OUTCOME BY REGION

East Asia and the Pacific	86 (\$4,024)	76%
Latin America and the Caribbean	131 (\$7,975)	74%
South Asia	64 (\$2,118)	72%
Sub-Saharan Africa	92 (\$3,450)	63%
Europe and Central Asia	134 (\$6,582)	60%
Middle East and North Africa	66 (\$2,853)	56%
IFC Total	582 (\$27,184)	67%

Numbers at the left end of each bar are the total number of companies rated. Numbers in parentheses represent total IFC investment (\$ millions) in those projects.

DEVELOPMENT REACH BY IFC'S INVESTMENT CLIENTS

	Portfolio CY09	Portfolio CY10	New Business Expectations FY11 ⁴
Investments			
Employment (millions of jobs)	2.2	2.4	0.2
Microfinance loans¹			
Number (million)	8.5	8.0	24.7 ⁵
Amount (\$ billions)	10.79	12.62	13.73 ⁵
SME loans¹			
Number (million)	1.5	1.7	1.0
Amount (\$ billions)	101.32	127.82	49.12
Customers reached with services (millions)			
Power generation ²	57.4	41.9	12.8
Power distribution	29.4	32.0	0.3
Water distribution ³	26.6	20.1	0.4 ⁶
Gas distribution	15.7	17.2	n/a
Phone connections	169.3	179.7	7.4
Patients reached	7.6	7.5	2.6
Students reached	1.4	1.0	0.5
Farmers reached	2.1	2.5	1.2
Payments to suppliers and governments			
Domestic purchases of goods and services (\$ billions)	38.02	39.51	7.47
Contribution to government revenues or savings (\$ billions)	20.08	20.28	6.44

¹ In many cases, results also reflect contributions from IFC Advisory Services.

² IFC has revised its methodology for estimating residential power customers served. Estimates for past years have been revised accordingly.

³ CY09 water figure has been corrected. It included 7 million customers of sewage services.

⁴ New Business figures for all reach indicators other than infrastructure or telecom are reported as targets and not increments.

⁵ For FY11, expected Microfinance reach includes one project in South Asia that accounts for 12 million loans and \$4.2 billion of outstanding portfolio, by March 2016.

⁶ In FY11, in addition to water distributed, we also expect to reach 1.6 million sewerage and wastewater customers.

FY11 COMMITMENTS BY ENVIRONMENTAL AND SOCIAL CATEGORY

Category ¹	Commitments (\$ millions)	Number of Projects
A	554	10
B	2,975	133
C	5,445	246
FI	3,212	129
Total	12,186	518

¹ See category descriptions on p. 97 of the FY11 Annual Report.

Our Vision

That people should have the opportunity to escape poverty and improve their lives.

Our Values

Excellence, commitment, integrity, and teamwork.

Our Purpose

To create opportunity for people to escape poverty and improve their lives by catalyzing the means for inclusive and sustainable growth, through:

- Mobilizing other sources of finance for private enterprise development.
- Promoting open and competitive markets in developing countries.
- Supporting companies and other private sector partners where there is a gap.
- Helping generate productive jobs and deliver essential services to the poor and vulnerable.

To achieve our purpose, IFC offers development-impact solutions through firm-level interventions (direct investments, advisory services, and the IFC Asset Management Company); by promoting global collective action; by strengthening governance and standard-setting; and through business-enabling-environment work.

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FY11 COMMITMENTS

Dollar amounts in millions

Total	\$12,185.69 (100.00%)	
By Industry		
Agribusiness & Forestry	\$512.10 (4.20%)	
Consumer & Social Services	\$445.29 (3.65%)	
Financial Markets	\$3,088.03 (25.34%)	
Funds	\$434.49 (3.57%)	
Infrastructure	\$1,620.87 (13.30%)	
Manufacturing	\$830.20 (6.81%)	
Oil, Gas, & Mining	\$229.27 (1.88%)	
Telecommunications & Information Technology	\$337.21 (2.77%)	
Trade Finance	\$4,653.44 (38.19%)	
Other Sectors	\$34.77 (0.29%)	

Industry sectors have been aligned to the new IFC organization structure implemented in FY11. Prior years reported throughout this Annual Report have also been converted to ensure accurate comparability.

By Region

East Asia and the Pacific	\$1,925.92 (15.80%)	
Europe and Central Asia	\$2,682.45 (22.01%)	
Latin America and the Caribbean	\$3,031.13 (24.87%)	
Middle East and North Africa	\$1,603.26 (13.16%)	
South Asia	\$742.45 (6.09%)	
Sub-Saharan Africa	\$2,150.15 (17.64%)	
Global	\$50.32 (0.41%)	

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

COMMITTED PORTFOLIO

For IFC's own account as of June 30, 2011

Total	\$42,828 (100%)	
By Industry		
Agribusiness & Forestry	\$3,095 (7%)	
Consumer & Social Services	\$3,071 (7%)	
Financial Markets	\$14,095 (33%)	
Funds	\$3,137 (7%)	
Infrastructure	\$7,490 (17%)	
Manufacturing	\$5,095 (12%)	
Oil, Gas, & Mining	\$2,169 (5%)	
Telecommunications & Information Technology	\$1,635 (4%)	
Trade Finance	\$2,424 (6%)	
Other	\$615 (1%)	
By Region		
East Asia and the Pacific	\$6,188 (14%)	
Europe and Central Asia	\$11,064 (26%)	
Latin America and the Caribbean	\$10,144 (24%)	
Middle East and North Africa	\$4,750 (11%)	
South Asia	\$4,353 (10%)	
Sub-Saharan Africa	\$5,900 (14%)	
Global	\$429 (1%)	

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

FY11 ADVISORY SERVICES PROJECT EXPENDITURES

(dollar amounts in millions)

Total	\$206.66 (100.00%)	
By Business Line		
Access to Finance	\$63.27 (31%)	
Investment Climate	\$55.87 (27%)	
Public Private Partnerships	\$27.75 (13%)	
Sustainable Business	\$59.78 (29%)	
By Region		
East Asia and the Pacific	\$26.80 (13%)	
Europe and Central Asia	\$34.80 (17%)	
Latin America and the Caribbean	\$19.33 (9%)	
Middle East and North Africa	\$16.29 (8%)	
South Asia	\$22.69 (11%)	
Sub-Saharan Africa	\$51.12 (25%)	
Global	\$35.63 (17%)	