

ADVISORY SERVICES

OPERATIONS AND RESULTS

IFC paves the way for sustainable development by advising businesses and governments on how to remove obstacles to private enterprise and improve business standards in emerging markets.

IFC's advisory operations constitute one of our fastest-growing businesses. In FY08, we approved 299 advisory services projects in 75 countries. This funding, in which IFC is joined by an array of donor partners, represents an increase of more than 50 percent over FY07.

IFC is addressing a strong appetite in developing countries for advice on how to build a robust private sector. Our advisory work is a unique competitive advantage for IFC—no other multilateral financial institution offers client companies such a range of financing and business advice. We also advise governments on how to spur development through partnerships between the public and private sectors.

IFC increasingly integrates advisory services with investments. The work includes advising national and local governments on how to improve the investment climate, strengthen basic infrastructure, and raise social and environmental standards. We also help investment clients sharpen their competitive edge, improve corporate governance, and become more sustainable.

In FY08, IFC had advisory projects in 29 conflict-affected countries. Because such countries often seem too risky for private investors, our advisory work plays an important role in laying the foundation for future investment.







AN INTEGRATED APPROACH

IFC paves the way for sustainable development by promoting a healthy business and regulatory environment. We advise clients on how to develop successful business models. We develop international standards for lowering the environmental and social costs of private sector growth. We improve access to finance in the poorest countries and help make financial services affordable.

Issac Murenzi, a 48-year-old farmer from Rwanda's Gitarama Province, knows the back-breaking pain involved in hauling 50-kilogram bags of freshly picked coffee beans. So he is delighted with the bicycle he obtained under an IFC-designed lease-to-own program. "The coffee bike has changed my life," says Murenzi. "It has helped us farmers transport our coffee on the same day, improving the quality of coffee we deliver. This in turn has increased our earnings." The specially fitted bicycles are able to carry up to 200 kilograms of coffee, about four times what even the strongest farmers can move on their backs. The bikes allow farmers to get their harvest to distant washing stations much faster, so that beans are fresher and obtain a higher price at market. IFC teamed up with Vision Finance, the financial arm of World Vision International, to expand and commercialize the coffee bike program. About 1,200 Rwandan farmers are using the bikes.



PHOTO: An IFC program is helping Rwandan farmers obtain bicycles that can haul 200 kilograms of coffee.

BUSINESS ENABLING ENVIRONMENT

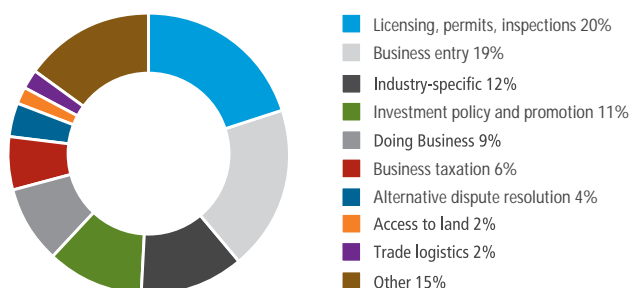
What We Do

IFC's advisory work is helping client countries create a more robust investment climate. We have organized our work around the following core products: simplifying regulatory barriers to business entry, operation, and taxation; rapid response to governments on reforms covered by the Doing Business report and benchmarking at the subnational level; alternative dispute resolution; and investment policy and promotion. During FY08, we were active in 65 countries through 224 advisory projects, with expenditures of \$35 million. Almost half our spending was in IDA countries, while 29 percent of our projects are in conflict-affected countries. We are also supporting reforms in specific sectors, such as agribusiness and tourism, and facilitating cross-border trade by addressing administrative barriers.

How We Do It

We have integrated business enabling environment programs that involve FIAS—the multidonor investment climate advisory service of the World Bank Group—with field-based teams in all IFC regional advisory services. Client demand, whether national or subnational, is generated through such vehicles as Doing Business, a joint IFC–World Bank initiative that has inspired more than 170 legal and regulatory reforms across 68 countries, as well as through investment climate assessments and other diagnostic work. We also exchange information with partner institutions on international good practices.

FY08 EXPENDITURES



RAMPING UP TAX REFORM

In Madagascar, our work in simplifying business taxation mechanisms has substantially streamlined the administrative hurdles that business face. The country has eliminated some taxes, including the professional tax and tourism-related fees, while merging others into a single income tax at a lower rate. In South Africa, FIAS helped the government continue reforms of the economic system. A cut in the corporate tax rate from 30 to 29 percent brought tax relief of \$255 million; secondary taxes on companies were lowered from 12.5 to 10 percent and are slated to be replaced with a dividend tax. We are also introducing wide-ranging programs to improve tax systems in Sierra Leone and Yemen, including their legal framework, administrative procedures, and capacity. Knowledge to strengthen the product is being shared by a group of staff from across the World Bank Group and from external partners including the IMF, OECD, and bilateral donors who have expertise in tax issues.

DEVELOPMENT RESULTS

Product	Time frame	Results
Business entry	2007	In Ecuador, average number of days to obtain a business license in municipalities helped by IFC was reduced by 93 percent
Investment policy and promotion	2007-2008	In Colombia, \$140 million in FDI (in hotels, call center, and manufacturing) facilitated through IFC-sponsored Bogota investment promotion agency
Public-private dialogue	2003-2007	\$310 million aggregate private sector savings from recommended changes in Cambodia, Lao PDR, and Vietnam
Alternative dispute resolution	2006-2008	2,030 mediations completed in Bosnia and Herzegovina and in Serbia; \$65 million released through mediation in Albania, Bosnia and Herzegovina, Pakistan, and Serbia

ACCESS TO FINANCE

What We Do

Over 3 billion people in developing countries have little or no access to financial services. IFC's access to finance advisory work helps increase the availability and affordability of financial services, focusing particularly on micro, small, and medium enterprise clients. At the end of June 2008, 235 projects and programs were active in 59 countries, with about 60 percent in IDA countries and 14 percent in conflict-affected countries. Altogether these projects represent \$37 million in expenses.

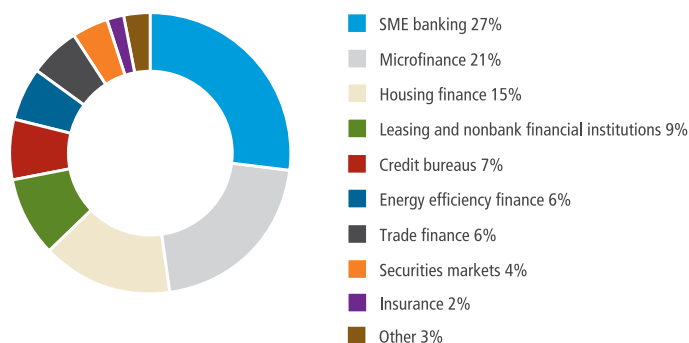
How We Do It

IFC delivers access to finance advisory services mainly through regional departments, with more than 120 dedicated staff. We also coordinate these services with the World Bank to deliver policy advice and joint interventions. IFC focuses in three key areas:

- ▶ Building bank and nonbank financial institutions, with emphasis on SME banking, microfinance, housing finance, leasing, trade finance, insurance, and energy efficiency finance.
- ▶ Improving financial infrastructure, such as credit bureaus and securities markets, as well as collateral registries, payment, and remittance systems.
- ▶ Improving the legal and regulatory framework to help develop the leasing, credit reporting, and housing markets.

IFC is also developing new products including mobile banking, sustainability finance, and index-based weather insurance for farmers.

FY08 EXPENDITURES



EXPANDING ACCESS TO FINANCE THROUGH CREDIT BUREAUS

Credit bureaus help small businesses get financing. They offer timely, credible, and objective information on borrowers, allowing financial institutions to reduce loan processing time and cost by 25 percent or more and cut default rates by 40 to 80 percent. These savings can mean lower interest rates, making credit more affordable and available to those in need. IFC has promoted credit bureau development in over 45 emerging markets, providing legal and regulatory advice, feasibility studies, direct assistance to credit bureaus, research, public awareness projects, and long-term coaching and advice. We have set up or significantly strengthened credit bureaus in 10 countries: Bosnia and Herzegovina, Bulgaria, Costa Rica, Guatemala, Honduras, Nicaragua, Pakistan, Panama, Romania, and South Africa. In 2007 alone, these bureaus received 34.7 million inquiries and supported an estimated \$17 billion in financing to retail and small borrowers.

DEVELOPMENT RESULTS

Product	Time frame	Results
SME banking	2008*	Helped clients mobilize \$24.6 billion in financing to 175,221 SMEs
Microfinance	2008*	Helped clients mobilize \$1.6 billion in financing to 2.1 million microfinance institutions
Housing finance	2008*	Helped clients mobilize \$2.5 billion in housing finance loans to 69,558 homeowners
Leasing	2008*	Helped clients mobilize \$1.7 billion in lease financing for 19,715 micro, small, and medium leasing enterprises
Credit bureaus	2008**	Helped create or significantly improve credit bureaus in 10 countries, resulting in 34.7 million credit inquiries and helping generate about \$17 billion in financing

* Portfolio outstanding reported by clients for 2007 calendar year

** Cumulative results as of 2008 fiscal year.

CORPORATE ADVICE

What We Do

IFC offers corporate advice to existing and potential investment clients. The business line consists of four major products:

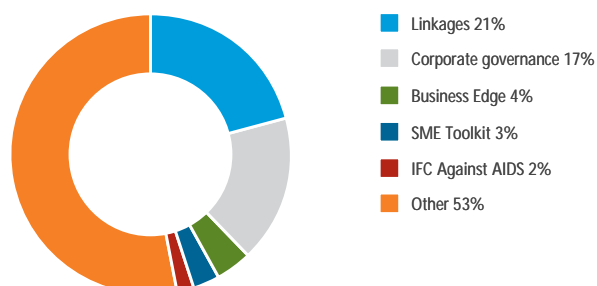
- **Linkages:** IFC helps large companies in extractive industries, telecoms, agribusiness, and manufacturing industries reach small businesses as suppliers of goods and services.
- **Corporate governance:** IFC helps strengthen board and management supervisory practices in corporates and banks.
- **HIV/AIDS and other diseases:** IFC offers mitigating plans against diseases that pose a risk to clients' business operations.
- **IFC Business Edge and IFC SME Toolkit:** IFC's training tools help SMEs improve their management practices, become more competitive, and gain access to finance.

Through 242 projects, IFC is reaching SMEs in 63 countries, including 36 IDA countries. Our expenditures in FY08 were \$41 million, with 47 percent of spending in IDA countries, and 17 percent in conflict-affected countries. We are working on a number of innovations, including measurement of the carbon footprint of supply chains, supply chain financing, and farmer finance in Africa.

How We Do It

IFC collaborates with global and local entities to broaden impact and ensure the sustainability of our engagements. We have joined with IBM and local partners, such as ICICI in India, to scale up the *IFC SME Toolkit*. IFC's SME management training solution—*IFC Business Edge*—builds the capacity of local trainers. We have set up the Linkages Business Roundtable in collaboration with Harvard's Kennedy School and the International Business Leaders Forum, facilitating the sharing of successful implementation models among corporates. IFC is working with the World Business Council for Sustainable Development on an impact measurement framework. This year about 30 development finance institutions joined with IFC to sign the Corporate Governance Approach Statement.

FY08 EXPENDITURES



GHANA'S COMMUNITIES BENEFIT FROM IFC'S PARTNERSHIP WITH NEWMONT MINING

In 2007, IFC joined our client, Newmont Mining, to launch a program that offers sustainable economic opportunities to communities affected by Newmont's operations in Ahafo, Ghana. As of June 2008, results include around 670 new supplier contracts worth \$6.5 million that have been awarded to 142 local MSMEs. Other income-generating opportunities have been identified and developed in egg production, vegetable farming, and pottery and brick production. Our efforts have strengthened the local business association and built the capacity of local trainers; and activities for women's economic participation, HIV/AIDS awareness, and other health-related education will soon be launched. While communities benefit from the supplier contracts, local governments report a 35 percent increase in their tax revenues from small businesses and an overall 20 percent increase in their revenue base over previous years. This program highlights the opportunities for communities when companies like Newmont join IFC in social and economic development programs.

DEVELOPMENT RESULTS

Product	Time frame	Results
Corporate governance	2000-2007	Reached over 8,500 companies and banks and clients raised \$2.7 billion in investment that they attribute to better corporate governance
IFC Against AIDS	2004-2007	Reached over 1.2 million people including 104,000 employees of IFC client companies in Africa and India
Linkages	2004-2007	Enabled small businesses to win contracts from IFC clients worth an estimated \$307 million

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

What We Do

IFC focuses on sustainability to drive innovation, increase our development results, and add value to clients by helping them improve their business performance. Products include:

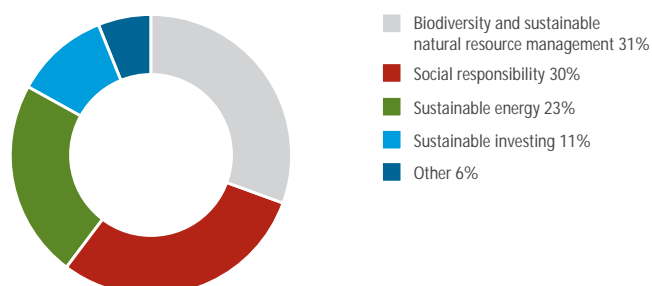
- ▶ **Biodiversity:** Helping businesses blend biodiversity protection with better overall management.
- ▶ **Carbon finance:** Delivering innovative financial products and helping partners meet their commitments to mitigate climate change.
- ▶ **Cleaner technologies:** Supporting environmentally friendly business initiatives that must overcome uncertainties associated with new markets and technologies.
- ▶ **Gender entrepreneurship:** Helping women increase their access to finance and reducing gender barriers in the business environment.
- ▶ **Social responsibility:** Supporting proactive management of social, environmental, and labor dimensions of a company's business practices.
- ▶ **Sustainable energy:** Transforming markets for clean energy through investments and capacity building.
- ▶ **Sustainable investing:** Increase the sustainability of emerging market investment, while helping investors capture the potential for superior long-term returns.

During FY08, IFC's business line portfolio totaled \$146 million, and we were active in 32 countries. Our activities included 50 projects in IDA countries and 18 projects in conflict-affected countries. Some 25 percent of our expenditures were in IDA countries and 16 percent in conflict-affected countries.

How We Do It

IFC believes sustainability is good business. We train financial institutions in structuring loan portfolios to achieve social and environmental benefits, and we work with consulting firms in clean production and energy efficiency. We promote preservation of biodiversity, particularly where it links to sustainable forestry, agriculture, and ecotourism. We are also promoting the adoption of labor standards (see p. 104). IFC's efforts include advice to firms, collaboration at the industry or sector level, support for research and assessments, and investments in firms that are applying innovative business models.

FY08 EXPENDITURES



ECO-ENTERPRISE FUND

IFC has worked since 2001 with the Eco-Enterprise Fund, which supports innovative, biodiversity-friendly business practices in Latin America and the Caribbean. IFC provides guidance and channels a Global Environmental Facility grant of \$1 million for advisory services that accompany a \$9 million investment from the Inter-American Development Bank. The effort has helped protect 65,000 hectares of land in vulnerable areas with fragile ecosystems, and more than 11,000 suppliers have increased their [economic benefits and livelihood]. Income generated by new business models and financial products supported by the fund totals more than \$150 million.

DEVELOPMENT RESULTS

Product	Time frame	Results
Biodiversity and sustainable natural resource management	2006-2007	Public-private partnership established for managing a national park in Indonesia generated \$427,000 for a conservation fund between May 2006 and December 2007 and is becoming financially self-sustainable; similar approaches have been used in Peru and Mongolia
Social responsibility	2006-2007	In partnership with ILO, IFC launched \$4.7 million Better Work Jordan program to improve labor conditions for 54,000 workers in the country's apparel industry and boost international competitiveness of the sector
Sustainable energy	2005-2007	A renewable energy law was enacted in Mongolia and the first 50-megawatt wind park was launched there
Sustainable investing	2006-2007	\$100 million in funds being managed in the Brazilian sustainability index

INFRASTRUCTURE

What We Do

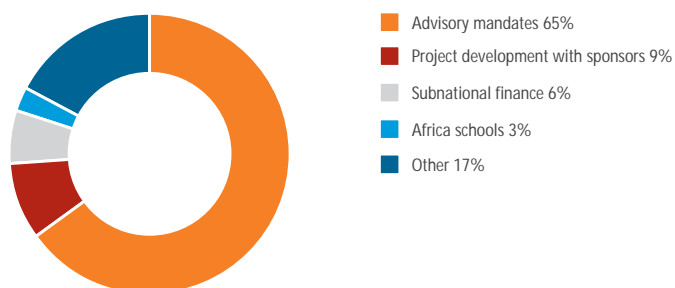
Infrastructure is essential to economic growth, better living standards, and broader development. Access to basic services, such as water, sanitation, and electricity, improves health and social welfare. It also underpins modern industry and commerce. IFC supports client countries' infrastructure development through advisory work as well as investments. Our advisory work seeks to increase private investment in infrastructure, help governments create public-private partnerships, and improve access to services, including health and education.

Product areas include:

- ▶ **Power:** We advise governments on design and implementation of projects, mobilizing private sector participation in electricity generation projects developed by independent power producers.
- ▶ **Water and municipal services:** We structure public-private partnerships in water, wastewater, and municipal services, designing concessions that help improve coverage, water quality, and customer service.
- ▶ **Transport:** We help governments structure and implement privatizations of state-owned assets in airlines, ports, railways, and urban transit. We have also undertaken concessions to rehabilitate, restructure, maintain, and operate assets such as roads and ports.
- ▶ **Social sectors:** We help governments develop and implement public-private partnerships for design, construction, financing, competitive tenders, or maintenance of educational and medical facilities.

During FY08, business line portfolio totaled \$121 million, and we were active in 40 countries. Our activities included 51 projects in IDA countries and 18 projects in conflict-affected countries. Some 50 percent of our expenditures were in IDA countries and 17 percent in conflict-affected countries.

FY08 EXPENDITURES



LESOTHO HOSPITAL GAINS FROM PUBLIC-PRIVATE PARTNERSHIP

Queen Elizabeth II Hospital in Maseru, Lesotho's only large hospital, has long needed an upgrade: staff and patients have faced shortages of hot water, medical supplies, and reliable equipment. The government, with limited resources to build a more modern facility, hired IFC to advise on design and implementation of a public-private partnership, drawing on our extensive experience with 100 such partnerships in more than 30 countries. In December 2007, the government announced that a regional consortium led by South Africa's Netcare had won the bidding to build and operate the new facility. The new National Referral Hospital will have 390 beds and provide much better services without increasing costs for patients. The consortium also will refurbish three semi-urban clinics that will serve as a regional health network.

How We Do It

IFC's most established advisory activity in infrastructure is our assistance to governments in structuring and implementing public-private partnerships. We have unique skills and experience, particularly in helping balance the needs of investors with public policy considerations. Our work is closely coordinated with other World Bank Group entities and partners such as the Private Infrastructure Development Group. We are undertaking more than 40 such mandates as of FY08. IFC's advisory work also supports broader access to health and education in Africa.

DEVELOPMENT RESULTS

Product	Time frame	Results
Advisory mandates and other projects	2000-2007	Helped mobilize \$10 billion in investment
		\$1.7 billion in concession fees and other fiscal benefits for governments
		Reached 6.4 million people with improved basic services



Infrastructure is a key area where IFC increasingly integrates investments and advisory services in our client countries. For an integrated view of this year's development results, see p. 43.