4 our internal standards and operations

where principles

IFC's commitment to alleviating poverty and creating opportunity for the developing world's most vulnerable people is reflected in our corporate culture. At a time of heightened demand for private sector development, our staff of 3,354 men and women around the world enhances IFC's impact by delivering innovative solutions to the toughest challenges.

meet practice

As the need grows for the private sector to take a greater role in spurring development, we think we can do more. To achieve greater development impact, we are adapting, leveraging our strengths, and sharpening our focus on efficiency under a comprehensive change program we call IFC 2013. We are working more closely with clients and partners, crafting new development goals, and finding new ways to mobilize capital.

Our history shows we learn from experience and take on new challenges. And our staff is better positioned than ever to maximize IFC's development impact. More than half of us are based in developing countries, close to the clients and communities we serve. We are also more diverse than ever—57 percent of our staff is from developing countries.

p87: development goals p88: our staff p90: measuring results p92: clients' development reach p94: compensation p96: our governance p97: donors, foundations, and IFIs
p100: IFC 2013 p102: sustainability framework / policy review p103: footprint commitment p104: investment cycle p106: working with civil society p107: accountability p110: web links

the IFC Way

The IFC Way is a way of being, defining, and solidifying IFC's culture and brand, and a process that engages staff at all levels and in all regions to inform management decision making. It includes our vision, our core corporate values, our purpose, and the way we work.

The initiative began in fiscal 2008 with the most extensive consultative process in IFC history—52 consultations involving more than 1,400 staff members in 31 countries. We learned that regular personal engagement with staff members led to new insights and specific ideas for putting them into practice. We also learned that these discussions, giving staff members the opportunity to share concerns and ideas with management, helped create a sense of commitment and community. IFC is building on that momentum, infusing our culture into all of our activities in ways that will help us be more client-focused and produce even stronger results.

A strong corporate culture is central to any organization's ability to succeed and adapt to new challenges. IFC's adaptive culture has encouraged our staff of more than 3,000 employees in more than 80 countries to find creative ways to meet the challenges posed by the global crisis.

By identifying the shared values of our diverse staff, and by establishing forums for regular dialogue and discussion among staff members and managers, *The IFC Way* is enhancing our ability to tackle new challenges.

OUR VISION
that people should have the opportunity to escape poverty and improve their lives

OUR CORE VALUES
Excellence, Commitment, Integrity, Teamwork

OUR PURPOSE
to create opportunity for people to escape poverty and improve their lives by:
- —Promoting open and competitive markets in developing countries
- —Supporting companies and other private sector partners where there is a gap
- —Helping to generate productive jobs and deliver essential services to the underserved
- —Catalyzing and mobilizing other sources of finance for private enterprise development

In order to achieve our purpose, IFC offers development impact solutions through firm-level interventions (direct investments, Advisory Services, and the Asset Management Company), standard setting, and business-enabling environment work.

OUR STRATEGY PROCESS
IFC has a structured and inclusive approach to strategy setting, sharing a common process and language:
- —We first consider the external environment to see how we can help clients succeed
- —We then draw on the global knowledge and local know-how of IFC staff
- —We work in a unified way to achieve our goals
- —We look for partnership opportunities to maximize development impact

THE WAY WE WORK
- —We help our clients succeed in a changing world
- —Good business is sustainable, and sustainability is good business
- —One IFC, one team, one goal
- —Diversity creates value
- —Creating opportunity requires partnership
- —Global knowledge, local know-how
- —Innovation is worth the risk
- —We learn from experience
- —Work smart and have fun
- —No frontier is too far or too difficult

IFC development goals

We are changing the way we do business, finding innovative ways to help more people escape poverty. It begins by setting a series of specific development goals to provide a forward-looking road map to guide IFC's strategy and operations.

This is a pioneering approach, and represents a significant shift from the past. Until now, we have primarily measured development impact as we go, setting broad priorities and then evaluating each investment or advisory project based on its expected impact.

The development goals now being put in place will give us a broad framework to set our development-driven strategy, coupled with credible measures of our progress.

The effort is a work in progress. Our initial set of goals includes targets to expand access to financial, infrastructure, health and education services, and to expand opportunities for micro, small, and medium enterprises, and for farmers. Based on early experience, methodologies will be refined, and progress against the goals will become an important tool for management.

who we are

IFC's employees are based in about 100 offices in 86 countries, including 42 of the poorest countries—those served by IDA.

We represent 137 countries, including 59 IDA nationalities. Today, 54 percent of our staff is based in the field, up from 43 percent in FY04.

We are diverse. Our diversity enriches our perspectives, allowing for innovative and local solutions for local clients and stakeholders while capturing best practices that can be applied globally. Employees from developing countries represent 66 percent of all staff and 57 percent of those at officer level and higher.

where we work

location	fy04	fy10
Washington, D.C.	1,291 (57%)	1,544 (46%)
Field offices	963 (43%)	1,810 (54%)
Total IFC staff	2,254	3,354

gender (all full-time staff)

gender	fy04	fy10
Male staff	1,121 (50%)	1,571 (47%)
Female staff	1,133 (50%)	1,783 (53%)
Total	2,254	3,354

national origins (all full-time staff)

national origins	fy04	fy10
Developed countries	963 (43%)	1,145 (33%)
Developing countries	1,291 (57%)	2,209 (67%)
Total	2,254	3,354

gender (all staff at officer level and higher)

	fy04	fy10
Male staff	844 (69%)	1,238 (60%)
Female staff	387 (31%)	827 (40%)
Total	1,231	2,065

national origins (all staff at officer level and higher)

national origins	fy04	fy10
Developed countries	647 (53%)	892 (43%)
Developing countries	584 (47%)	1,173 (57%)
Total	1,231	2,065

our place in the World Bank Group

The World Bank Group is a vital source of financial and technical assistance to developing countries. Established in 1944, its mission is to fight poverty with passion and professionalism, for lasting results.

IFC is one of five members of the Bank Group, and carries out the mission by working with the private sector to create opportunity where it's needed most. Since our founding in 1956, we have committed more than $86 billion of our own funds for private sector investments in developing countries, and we have mobilized billions more from others.

In working toward a world free of poverty, we collaborate closely with other members of the Bank Group, including:

— *The International Bank for Reconstruction and Development*, which lends to governments of middle-income and creditworthy low-income countries.

— *The International Development Association*, which provides interest-free loans, called credits, to governments of the poorest countries.

— *The Multilateral Investment Guarantee Agency*, which provides guarantees against losses caused by noncommercial risks to investors in developing countries.

— *The International Centre for Settlement of Investment Disputes*, which provides international facilities for conciliation and arbitration of investment disputes.

measuring results

Development effectiveness is the guiding principle of IFC's work. Through our Development Outcome Tracking System, which measures the development effectiveness of our investment and advisory work, we have established ourselves as a leader in development-results measurement. DOTS gives IFC a key competitive advantage, and is critical to understanding how well our strategy is working and whether we are reaching the people and industries that most need our help.

IFC was the first multilateral development bank to report on development results for our entire portfolio, beginning with our 2007 Annual Report, and to have an external firm review the application of our methodology and reported results, as part of assurance for these aspects of our reporting.

Since 2008, we have been reporting on changes in development results for investments compared with the previous year and, for advisory services, on the results of in-depth evaluations. We also launched a development results portal (www.ifc.org/results) to supplement information in the printed report.

In FY09, IFC's Independent Evaluation Group evaluated IFC's systems and processes for monitoring and evaluating development results, including DOTS. The evaluation found that the tracking system provides current, unbiased assessments of the development results of our investments. It also highlighted the significance of mechanisms introduced to link incentives to project results through performance awards. "In so doing," the report said, "IFC has been at the forefront of performance measurement related to private sector development among multilateral development banks."

In FY10, we launched DOTS-2, which improves the way development results data are captured and tracked through the system, fully integrating with IFC's investment project cycle and other information systems. This year, we report for the first time on the development results of our investments, using data generated by DOTS-2.

IFC's evaluation framework for investments reflects good practice standards agreed on by multilateral development banks for private sector results. Our tracking system is built on this foundation.

DOTS

DOTS allows for real-time tracking of development results throughout the project cycle. IFC staff members identify clear, standardized, and verifiable indicators, with baselines and targets, at the outset of a project. They track progress throughout supervision, which allows for contemporaneous feedback into operations.

For investments, the overall development outcome score is a synthesis of four performance categories that are informed by achievement of industry-specific indicators. To obtain a positive rating, a project must make a contribution to the host country's development—a contribution that is assessed according to good practice standards agreed on by multilateral banks for evaluating private sector investment operations. For Advisory Services, the rating is a synthesis of the overall strategic relevance, effectiveness (as measured by project outputs, outcomes, and impacts), and efficiency of the services.

This report provides the DOTS score—the percentage of projects that have achieved a high rating (in the top half of the rating scale)—for IFC overall and by region and industry. Data for total development reach are provided by IFC's active portfolio clients, and presented regardless of IFC's investment size. Given that IFC is always a minority investor, these results cannot be attributed solely to IFC. IFC does not claim attribution for these reach figures. However, IFC has created specific attribution rules to be applied in measuring and reporting development achievements. These rules, designed to capture the extent to which incremental reach of a client company should be attributed to IFC, will be monitored in department scorecards, starting in FY11.

WHAT DOTS COVERS

IFC's tracking system covers all active projects in our portfolio, for both investments and Advisory Services. The tracking process starts by setting initial objectives, using standard indicators by industry or business line, and tracking achievements throughout the project cycle until closure.

For **Investment Services**, DOTS covers—after certain exclusions—almost all 1,513 companies under supervision. This report focuses on the 493 out of 535 investments approved between 2001 and 2006 that are mature enough to be rated. Every year the cohort of investments we report on shifts by one year. Newer investments are not mature enough to be evaluated, while older ones are less relevant for today's operations and have often already closed. We also address the current reach of all active investments in IFC's portfolio. Reach indicators measure the number of people reached by goods and services provided by IFC clients, or the dollar benefit to particular stakeholders affected by the activities of IFC clients.

For **Advisory Services**, DOTS covers all projects that are active, completed, or on hold, dating back to FY06. At the end of FY10, the supervision portfolio included 562 active projects. This report highlights results achieved between 2006 and 2009, and those of 111 (of 153) projects for which project completion reports were done in FY09 and for which development effectiveness could be assessed. The time periods for which these results are reported differ by Advisory Services business lines and product lines.

Some types of projects are not tracked in the DOTS systems. By number, the most important exclusions were projects at early stages of the project cycle, projects that are expansions to existing ones, projects that are split into several investments, small projects that typically form parts of larger programs, and certain financial products such as swaps and rights issues.

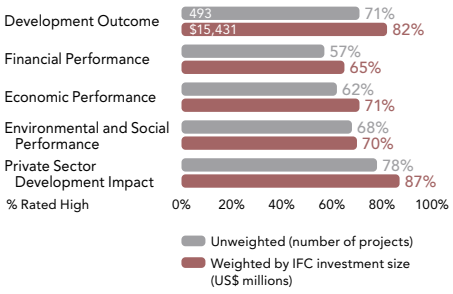
development outcome: investments

performance category	general indicators and benchmarks	examples of specific indicators assessed against targets
Financial performance	Returns to financiers, e.g., financial returns at or above weighted-average cost of capital	Return on invested capital, return on equity, project implemented on time and on budget
Economic performance	Returns to society, e.g., economic returns at or above 10 percent	Numbers of connections to basic services, loans to small enterprises, people employed, tax payments
Environmental and social performance	Project meets IFC's Performance Standards	Improvements in environmental and social management, effluent or emission levels, community development programs
Private sector development impact	Project contributes to improvement for the private sector beyond the project company	Demonstration effects (other firms replicating a new approach, product, or service), linkages to other private companies, corporate governance improvements

development outcome: advisory services

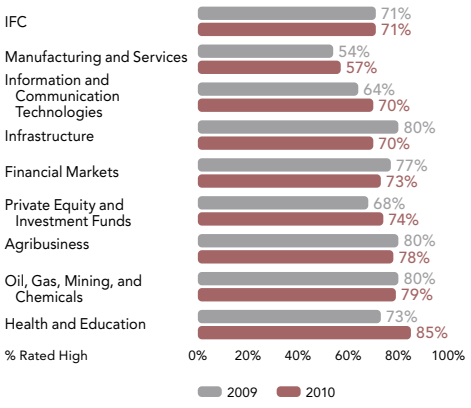
performance category	general indicators and benchmarks	examples of specific indicators assessed against targets
Strategic relevance	Potential impact on local, regional, national economy	Client contributions, alignment with country strategy
Efficiency	Returns on investment in advisory operations	Cost-benefit ratios, project implemented on time and budget
Effectiveness	Project contributes to improvement for the client, the beneficiaries, and the broader private sector	Improvements in operations, investments enabled, jobs created, increase in revenues for beneficiaries, cost savings from policy reforms

IFC's development results for investments



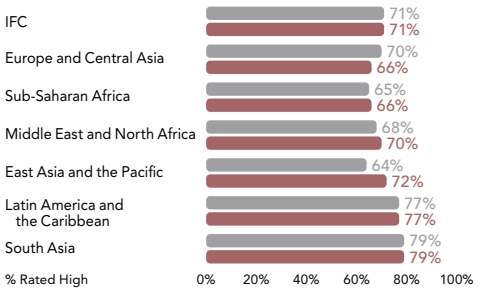
DOTS data as of June 30, 2010, for projects approved in calendar years 2001–2006.

IFC's development results by industry fy09 vs. fy10



FY10: DOTS data as of June 30, 2010, for projects approved in calendar years 2001–2006. FY09: DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005.

IFC's development results by region fy09 vs. fy10



FY10: DOTS data as of June 30, 2010, for projects approved in calendar years 2001–2006. FY09: DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005.

INVESTMENT RESULTS

IFC's development-outcome scores remained stable compared with the past two years, with 71 percent of investments rated high in FY10. Results among industries were mixed, reflecting different sensitivities to the adverse effects of the global crisis. Among regions, only Europe and Central Asia deteriorated, but this was offset by improvement in East Asia and the Pacific.

Our Health and Education department showed the biggest performance improvement—the percentage of investments rated high rose by 12 points to 85 percent, although the number of department operations is relatively small. The DOTS scores of our Private Equity and Investment Funds and Information and Communication Technologies departments climbed by six points to 74 and 70, respectively.

The score for the Manufacturing and Services department rose three points to 57. That is encouraging because the department continues to be IFC's weakest performer. Having traditionally suffered from difficult investment climates and poor infrastructure, the Manufacturing and Services department is beginning to benefit from its recent shift away from direct support to small businesses and toward indirect support through financial intermediaries, and also from IFC's strategic focus—often jointly with the World Bank—on improving business climates and infrastructure in the countries of our clients.

Performance improvements in several sectors reflected the fact that newer projects entering the reporting cohort performed better than older projects that dropped out. In the Information and Communication Technologies sector, many companies were located in Asia, which recovered more quickly from the crisis and continued to show strong performance. The performance of our Private Equity and Investment Funds department rebounded partly from last year's drop, as equity markets recovered some of the losses suffered at the peak of the financial crisis—with the exception of investments in Eastern Europe and Latin America.

The performance of our Oil, Gas, Mining, and Chemicals; Agribusiness; and Financial Markets departments remained relatively stable compared with last year (within four percentage points). But the DOTS score of our Infrastructure department deteriorated 10 percentage points, and results that previously were very strong are now in line with the IFC average. With the exception of Latin America and East Asia, the development performance of infrastructure operations deteriorated across the board—particularly in Eastern Europe and Sub-Saharan Africa. By sector, power and utilities projects confirmed their solid performances, while transport operations continued to be the weaker component of our infrastructure portfolio.

As in prior years, results weighted by IFC's investment volume proved to be stronger (projects accounting for 82 percent of investment volume rated high, compared with 71 percent by number). This indicated that, on average, larger investments and companies tend to perform better. In part, this is due to a higher risk profile for small businesses and investments. Moreover, larger companies have economies of scale, and often have better management and corporate governance that make it easier for them to overcome difficult business environments and external shocks. IFC's weighted results were higher for all industries and regions, especially in the Information and Communication Technologies and in the Middle East and North Africa departments, which DOTS scores increased by 18 and 17 points, respectively, when considering weighted results.

Compared with industry departments, IFC's regional departments had smaller fluctuations in their development results scores between FY09 and FY10. The DOTS score for the Europe and Central Asia region, where the impact of the crisis remains pronounced, deteriorated by four percentage points to 66 percent in FY10, marking a decline of 18 percentage points since FY08. The deterioration was driven by weaker financial and economic performance, and to a much lesser extent by lower private sector development impacts. This pattern is similar to that experienced by the European Bank for Reconstruction and Development.

The Europe and Central Asia region, as a result, was among the weakest-performing regions in FY10, with a DOTS score of 66 percent that put it on par with Sub-Saharan Africa. IFC's financial-markets investments in the region clearly suffered from the crisis. Non-performing loans have risen substantially and are expected to continue to rise for some time. Infrastructure investments

development reach by IFC's client companies

	portfolio cy08	portfolio cy09	new business expectations fy10
Investments:			
Employment provided (million)	2.1	2.2	0.3
Microfinance loans			
Number (million)	8.5	8.5	11.7
Amount ($ billion)	$9.32	$10.79	$10.31
SME loans			
Number (million)	1.3	1.5	2.0
Amount ($ billion)	$90.63	$101.32	$54.21
Customers reached with services:			
Power generation (million)	153.4	132.2	14.3
Power distribution (million)	28.5	29.4	5.0
Water distribution (million)	21.6	34.6	31.0
Gas distribution (million)	12.5	15.7	0.1
Phone connections (million)	220.1	169.3	25.4
Patients reached (million)	5.5	7.6	4.7
Students reached (million)	1.2	1.4	1.0
Farmers reached (million)	1.8	2.1	0.6
Payments to suppliers and governments:			
Domestic purchases of goods and services ($ billion)*	$48.57	$38.02	$12.51
Contribution to government revenues or savings ($ billion)	$22.24	$20.08	$9.58

CY08 and CY09 data are not strictly comparable, because they are based on a changed portfolio of IFC clients. Indicator definitions and reporting periods vary somewhat across industries. Some CY08 data have been revised. New Business Expectations timelines vary by department. Please see footnotes to industry tables on our Web site at www.ifc.org/results_industry.

*Only from Manufacturing and Services and Oil, Gas, Mining, and Chemicals Departments.

learning and using results

deteriorated significantly, mainly because of the poor performance of transport-sector investments in Russia. Still, the performance of clients in the general manufacturing sector improved, and regional investments in the oil, gas, and mining sector achieved high development results.

The East Asia and the Pacific region registered the biggest improvement in DOTS scores in FY10—an increase of eight percentage points that raised the region's score to 72 percent, which is above the IFC average of 71 percent. The improvement was broad based, reflecting better performance across the portfolio, and particularly strong performance in newer investments in private equity and investment funds, financial markets, and agribusiness. This improvement also reflects better selection of projects over time. East Asia and the Pacific was one of only two regions where the development results of IFC's financial-markets investments improved (Sub-Saharan Africa being the other). Results of private equity and information-technology investments also improved. Development outcomes for China, which accounted for 60 percent of the total number of rated companies in the region, continued to improve. Indonesia achieved a perfect DOTS score of 100 percent.

Results of the Sub-Saharan Africa region remained about the same as in FY09 despite the global crisis, at 66 percent in FY10 (up from 65 percent in FY09). Investments that entered this year's reporting pool did substantially better than those that exited. Investments in financial markets and in oil, gas, and mining performed strongly—with scores above 80 percent. On the other hand, the region continued to be one of the weakest performers, with results dragged down by very poor performance of manufacturing and infrastructure investments. IFC has made improving the investment climate a focus of its activities in the region. A poor investment climate hampers smaller manufacturing investments and also makes implementing successful infrastructure investments more difficult.

The performance of three other regions—Latin America and the Caribbean, the Middle East and North Africa, and South Asia—also remained relatively stable.

ADVISORY SERVICES RESULTS

Fifty-eight percent of IFC Advisory Services projects that closed in fiscal year 2009 and could be assessed for development effectiveness were rated positively as of June 30, 2009. The results are based on a review of 153 completion reports filed between July 1, 2008, and June 30, 2009. Of those, 111 could be assessed for development effectiveness.

Projects that could not be assessed for development effectiveness were excluded from the analysis. These 42 projects included 30 non-client-facing projects that are not subject to development-effectiveness ratings, 10 Grassroots Business Initiative projects that are no longer managed by IFC, and two projects that were deemed too early to judge because their outcome and/or impact results had not been achieved by June 30, 2009.

Development effectiveness varied by business line: In Access to Finance, 64 percent of projects were rated positively; in Infrastructure Advice, 50 percent; in Corporate Advice, 53 percent; in Environmental and Social Sustainability, 75 percent; and in Investment Climate, 52 percent. Performance also varied by region. In East Asia and the Pacific, 53 percent of projects were rated positively; in Europe and Central Asia, 68 percent; in Latin America and the Caribbean, 82 percent; in the Middle East and North Africa, 41 percent; in Sub-Saharan Africa, 50 percent; and in South Asia, 62 percent.

ENHANCING RESULTS MEASUREMENT

In FY10, we improved our Development Outcome Tracking System with the launch of DOTS-2.

The new system allows us to measure our development performance and reach more quickly and accurately. DOTS-2 further standardizes indicators across regions and industries, and significantly enhances the indicators themselves. We are now able to compare actual results against the original baselines and expectations—and do it faster and more accurately, which allows us to apply the findings to new operations sooner.

With DOTS-2, IFC has an interactive module that enables tracking, monitoring, and reporting on IFC's additionality in projects in terms of risk mitigation, policy setting, knowledge and innovation, and standard-setting. This will allow us to better analyze and articulate the value and unique benefits we provide through our activities. Faster feedback to management will better inform strategy, operations, and incentives.

We have streamlined and harmonized our reporting across IFC, as performance indicators and data are systematically incorporated into project documents throughout the project life cycle.

We constantly share our experience with the broader development community, including other multilateral development banks, foundations, and donors. Since 2005, we have fostered the improvement and harmonization of development-results measurement among multilateral development banks through the Common Performance Assessment System, an annual self-assessment exercise led each year by a different multilateral development bank.

empowering our people

DELIVERING TO CLIENTS IN CHALLENGING TIMES

IFC's staff focuses on supporting our clients in a challenging environment and developing products to reduce the impact of the global economic crisis on the private sector in developing countries.

Our people are deeply committed to IFC's mission of creating opportunity for people to escape poverty. They offer IFC clients a powerful combination of global expertise and local know-how that allows us to respond rapidly to changing needs.

Leveraging Our Talent

IFC's business has grown significantly over the past five years. Our operating model, as a result, has evolved to respond to market demands.

In FY10, IFC's Management Team adopted IFC 2013, a comprehensive program to ensure that IFC continues to adapt the way we work and deliver more effectively on our strategic priorities. In that context, we are launching a new performance-management approach, to further strengthen talent and leadership management across the organization. Our organizational structure will emphasize clarity of roles and career paths.

To properly organize and deploy the global knowledge generated by our specialists, client teams will be strengthened by the creation of Global Industry Groups to enhance knowledge sharing, and Operations Centers to facilitate decision making closer to the client through the co-location of critical resources. By increasing client proximity to IFC experts and managers through the Operations Centers, we will deliver a higher level of responsiveness locally while leveraging global insight.

People are IFC's most important asset. As we decentralize our organization, we are also intensifying our effort to build a global cadre of professionals who bring the full spectrum of global, local, and technical expertise to our clients. Attracting and nurturing the best talent is an important element of IFC 2013 and key to the way we work. For more information on IFC 2013, see page 100.

Compensation

IFC's compensation guidelines are part of the World Bank Group's framework. The international competitiveness of compensation is essential to our capacity to attract and retain a highly qualified, diverse staff. The salary structure of the World Bank Group for staff recruited in Washington is determined with reference to the U.S. market, which historically has been globally competitive. Salaries for staff hired in countries outside the United States are based on local competitiveness, determined by independent local market surveys. Based on the World Bank Group's status as a multilateral organization, staff salaries are determined on a net-of-tax basis.

Executive Compensation

The salary of the President of the World Bank Group is determined by the Board of Directors. The salary structure for IFC's Executive Vice President and CEO is determined by positioning a midpoint between the salary structure of staff at the highest level, as determined annually by independent U.S. compensation market surveys, and the salary of the World Bank Group President. The compensation of our executive leadership is transparent. IFC's Executive Vice President and CEO, Lars Thunell, receives a salary of $347,050, net of taxes. There are no executive incentive compensation packages.

Variable Pay Programs

IFC's variable-pay and retention programs were suspended in FY09 in response to the change in market conditions and for IFC's own financial prudence. Recognizing that outstanding work by individuals and teams remains important to IFC and to our high-performance culture, the temporary suspension of IFC's variable pay programs was lifted for FY10.

Benefits Programs

IFC provides a competitive package of benefits, including medical insurance and a retirement plan. Washington-based employees are covered by Aetna, contracted through an open procurement process. Other staff members are covered by La Garantie Médicale et Chirurgicale, an international health care provider. Medical insurance costs are shared—75 percent is paid by IFC and 25 percent by the insured.

IFC's pension is part of the World Bank Group plan, based on two benefit components—the first: years of service, salary, and retirement age; the second: a cash savings plan, which includes a mandatory contribution of 5 percent of salary, to which IFC adds 10 percent annually. Legacy pension benefits from earlier World Bank Group pension plans include termination grants and additional cash payouts.

Staff Salary Structure* (Washington, D.C.)

During the period July 1, 2009, to June 30, 2010, the salary structure (net of tax) and average salaries and benefits for World Bank Group staff was as follows.

grade	representative job titles	minimum $	market reference $	maximum $	staff at grade level (%)	average salary / grade	average benefits**
GA	Office Assistant	24,420	31,740	41,250	5.8%	34,640	18,605
GB	Team Assistant, Information Technician	31,190	40,550	56,770	0.8%	41,277	22,170
GC	Program Assistant, Information Assistant	38,520	50,090	70,130	10.4%	52,056	27,959
GD	Senior Program Assistant, Information Specialist, Budget Assistant	44,530	57,880	81,040	8.5%	63,683	34,204
GE	Analyst	58,100	75,520	105,720	9.5%	74,384	39,952
GF	Professional	76,950	100,030	140,050	18.4%	95,323	51,198
GG	Senior Professional	104,050	135,270	189,370	31.3%	131,476	70,616
GH	Manager, Lead Professional	143,600	186,700	241,260	17.7%	181,374	97,416
GI	Director, Senior Advisor	190,390	249,070	285,580	2.8%	238,283	127,982
GJ	Vice President	256,760	287,570	322,000	0.4%	286,638	153,953
GK	Managing Director, Executive Vice President	282,010	319,810	351,740	0.1%	338,403	166,329

Note: Because World Bank Group staff, other than U.S. citizens, usually are not required to pay income taxes on their World Bank Group compensation, the salaries are set on a net-of-tax basis, which is generally equivalent to the after-tax take-home pay of the employees of the comparator organizations and firms from which WBG salaries are derived. Only a relatively small minority of staff will reach the upper third of the salary range.

* These figures do not apply to the U.S. Executive Director and Alternate Executive Director, who are subject to U.S. congressional salary caps.

**Includes annual leave, medical, life and disability insurance; accrued termination benefits; and other nonsalary benefits

our governance

From left to right (standing): Merza Hasan, Abdulrahman Almofadhi, Dante Contreras, Konstantin Huber, Alexey Kvasov, Toru Shikibu, Ambroise Fayolle, Sid Dib, Susanna Moorehead, Rudolf Treffers, Michael Hofmann, Toga McIntosh, James Hagan, Samy Watson, Pulok Chatterji, Philippe Ong Seng. *Seated:* Jose Rojas, Sun Vithespongse, Giovanni Majnoni, Carolina Renteria, Ian Solomon, Anna Brandt, Shaolin Yang, Michel Mordasini.

IFC is an international organization established in 1956. We are part of the World Bank Group, although IFC is a legal entity separate and distinct from the other Bank Group institutions, with separate Articles of Agreement, share capital, financial structure, management, and staff.

Membership in IFC is open only to member countries of the World Bank. As of June 30, 2010, IFC's share capital of $2.45 billion was held by 182 member countries. These countries guide IFC's programs and activities. Each country appoints one governor and one alternate. Corporate powers are vested in the Board of Governors, which delegates most powers to a board of 24 directors. Voting power on issues brought before them is weighted according to the share capital each director represents.

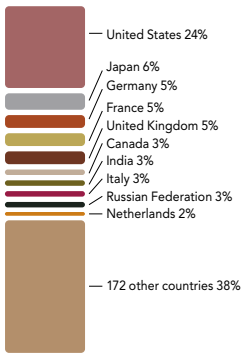
The directors meet regularly at World Bank Group headquarters in Washington, D.C., where they review and decide on investments and provide overall strategic guidance to IFC management. Robert B. Zoellick is President of IFC and the other World Bank Group institutions; he also serves as Chairman of the Boards. Lars H. Thunell is IFC's Executive Vice President and Chief Executive Officer, and oversees IFC's overall strategy and operations.

EXECUTIVE DIRECTORS (ALTERNATIVE)

Abdulrahman M. Almofadhi (Abdulhamid Alkhalifa)
Anna Brandt (Jens Haarlov)
Pulok Chatterji (Kazi M. Aminul Islam)
Dante Contreras (Felix Alberto Camarasa)
Sid Ahmed Dib (Javed Talat)
Ambroise Fayolle (Anne Touret-Blondy)
James Hagan (Do-Hyeong Kim)
Merza H. Hasan (Ayman Alkaffas)
Michael Hofmann (Ruediger Von Kleist)
Konstantin Huber (Gino Alzetta)
Alexey Kvasov (Eugene Miagkov)
Giovanni Majnoni (Nuno Mota Pinto)
Toga McIntosh (Hassan Ahmed Taha)
Susanna Moorehead (Stewart James)
Michel Mordasini (Michal Krupinski)
Louis Philippe Ong Seng (Agapito Mendes Dias)
Carolina Renteria (Rogerio Studart)
Jose A. Rojas (Marta Garcia Jauregui)
Toru Shikibu (Yasuo Takamura)
Ian H. Solomon (vacant)
Rudolf Treffers (Tamara Solyanyk)
Sun Vithespongse (Irfa Ampri)
Samy Watson (Kelvin Dalrymple)
Shaolin Yang (Junhong Chang)

Strong Shareholder Support from Member Countries

Capital Stock by Country



forming productive partnerships

IFC works with governments, businesses, and foundations to foster innovative donor partnerships to reduce poverty and improve people's lives through private-sector development. Our approach to donor relations emphasizes the power of long-term partnerships, maintains a focus on results measurement and efficiency, and provides appropriate visibility for donor partners.

Our donor partners are vital in helping us deliver greater development impact. The financial support they provide not only leverages IFC's own contributions to Advisory Services but also enhances the impact of IFC's investment operations through strengthened collaboration and shared mutual priorities.

IFC's partnership with our donors often extends beyond a funding relationship to one that is based on mutual understanding and knowledge sharing. We foster this by convening donors around thematic issues such as climate change and food security. In so doing, we strive to be thought leaders and stimulate coordinated action.

During FY10, IFC and our donor partners worked together to address the highest-priority challenges on the development agenda—including employment, food security, climate change, infrastructure, and fragile and conflict-affected countries. In a time of limited resources and global financial strains, such partnerships are essential for maximizing our development impact. IFC makes it a priority to convey to donors how their funds are used and what results are achieved through their contributions.

WORKING WITH THE DONOR COMMUNITY

In FY10, a year of severe financial constraints, 19 donor governments and several institutional and private partners helped finance the expansion of IFC's Advisory Services operations through $181.19 million in new commitments.

In response to the global crisis, we expanded the Advisory Services Crisis Response Initiative, which has already raised $18.3 million with the financial support of Austria, Japan, Luxembourg, the Netherlands, and Switzerland.

The Global Trade Liquidity Program is a compelling example of innovating partnership building to ensure an effective response to global financial crisis (see page 14). The program has benefited from the support of a number of partners, including the African Development Bank, Canada, China, Japan, the Netherlands, the OPEC Fund for International Development, the Saudi Fund for Development, Sweden, and the United Kingdom.

In FY10, IFC partnered with many donors to address climate change, reduce biodiversity loss, and leverage social capital.

For instance, through the Netherlands-IFC Renewable Energy partnership, which is expected to provide $20.3 million of funding over four years, the Netherlands has provided new financing for projects in India, Indonesia, Kenya, and Pakistan, ranging from clean-energy finance to wind and hydro power projects.

IFC promotes the use of geothermal resources around the world through a partnership with Japan and Iceland, and supports the development of a carbon-efficient index in a partnership with the United Kingdom.

To scale up investments addressing climate change and biodiversity loss, IFC managed over $320 million from the Global Environment Facility and the Climate Investment Funds, used in the form of concessional investments and grants for Advisory Services. IFC also held its first high-level consultation with the European Commission and the European Investment Bank to explore better ways to work together to tackle issues such as energy efficiency.

IFC and our donor partners also work through public-private partnerships to expand access to basic services: water, electricity, transport, food, health, and education. Over 29 donor partners contribute to IFC's advisory work in public-private partnerships in 86 countries. The Infrastructure Development Collaboration Partnership Fund is supported by Austria, the Netherlands, Sweden, the United Kingdom, and the United States.

With donor support, IFC also promotes job creation and business opportunities in conflict-affected countries. Our Conflict-Affected States in Africa Initiative is supported by Ireland, the Netherlands, and Norway (see page 52). In addition, our Conflict-Affected Countries partnership with the Netherlands has provided $5.4 million in funding for Advisory Services globally.

Since this year's earthquake, our work in Haiti has received critical support from Austria, the Netherlands, Sweden, the United Kingdom, and the United States (see page 51).

PRINCIPLES OF PARTNERSHIPS

Through partnerships with donor and host country governments, other development institutions, philanthropies, and clients, IFC seeks to achieve maximum development impact. These partnerships are especially important in a resource-constrained environment as the world grapples with the fallout from an unprecedented financial and economic crisis. IFC formulated Key Principles of Partnerships to spell out how we engage with our donor partners and how we ensure that the partnerships are mutually complementary and strengthening:

—IFC and our donor partners pool their respective resources to achieve a common goal of promoting sustainable private sector development in emerging markets.

—IFC and our donor partners create opportunities to share knowledge and views about the strategies and approaches to be adopted in Advisory Services managed by IFC. The opportunities for strategic consultations are multiple, sometimes formalized in agreement, sometimes ad hoc based on ongoing interactions.

—IFC provides our donor partners with regular operational and financial updates that allow the donors to understand how IFC is spending their funding, assess project progress, and provide timely feedback.

—Beneficiaries, as well as other stakeholders in both donor partner and client countries, are interested in the impacts and efficiencies of Advisory Services programs managed by IFC. IFC is therefore enhancing results measurement, knowledge sharing and dissemination, and donor partner visibility.

financial commitments to IFC advisory services ($ millions equivalent)

Summary	fy10	fy09
Governments	152.05	185.81
Institutional/Multilateral Partners	19.54	64.52
Private Partners/ Foundations	9.60	0.71
Total	181.19	251.04

financial commitments to IFC services by institutional and private donors ($ millions equivalent)

Institutional and Private Donors	fy10	fy09
Caribbean Development Bank	0	0.4
European Commission	2.25	31.13
Gates Foundation	8	0
GEF, CTF	17.24	32.94
Islamic Development Bank	0	0.04
UN Agencies	0.05	0.02
Various Private Donors	1.6	0.71

financial commitments to IFC advisory services by donor government ($ millions equivalent)

Governments	fy10	fy09
Australia	8.84	5.58
Austria	10.08	16.46
Canada	12.63	17.66
Denmark	0.39	5.34
Finland	5.44	2.28
France	2.92	3.25
Germany	0.04	1.39
Iceland	0.2	0
Ireland	1	7.94
Italy	0	0.74
Japan	9.19	2.62
Luxembourg	2.25	1.9
Netherlands	25.61	44.75
New Zealand	0.58	4
Norway	10.86	15.44
Portugal	0	0.7
South Africa	0.71	0
Spain	0	6.79
Sweden	1.62	1.28
Switzerland	15.33	27.13
United Kingdom	42.52	19.24
United States	1.85	1.34
Total	152.05	185.81

WORKING WITH FOUNDATIONS AND CORPORATE PHILANTHROPIES

Foundations and corporate philanthropies are important allies in the effort to reduce poverty and promote development.

IFC seeks long-term strategic partnerships with innovative foundations that are active in our client countries. Foundations and corporate philanthropies value working with IFC because of our global presence, our relationships with the private sector, our ability to combine investment and advice, and our links to the World Bank Group.

In partnership, IFC and philanthropies implement hands-on programs that mitigate market inefficiencies and foster economic growth in developing countries. In the past, philanthropy focused on grant making as its primary means of contributing to development work; more recently, philanthropic organizations have become interested in the use of innovative investment vehicles to support sustainable private sector development.

IFC's top private donors in FY10 were the Bill & Melinda Gates Foundation and the Rockefeller Foundation. Here are a few examples of our partnership work during the year:

—The Bill & Melinda Gates and Rockefeller Foundations supported IFC's effort to mobilize up to $1 billion to strengthen private health care delivery in Africa and advance socially responsible health care.

—The Kauffman Foundation sponsored Global Entrepreneurship Week to highlight the efforts and challenges of bringing entrepreneurship to scale in emerging markets and frontier countries.

—Visa International supported the expansion of IFC's Small and Medium Enterprise Toolkit curriculum to include financial-literacy content that benefits both small and medium enterprises and financial providers.

WORKING WITH OTHER INTERNATIONAL FINANCE INSTITUTIONS

As demand for IFC's services intensifies and the fiscal constraints on our shareholders and clients mount, effective partnerships with other international organizations are more important than ever.

We are teaming up with a host of multi- and bilateral private sector development institutions, pooling resources to expand our reach and maximize the impact of our investments and advisory services. Through collaboration, we can share knowledge and design more efficient programs to confront the thorniest development issues. Our partners, in turn, benefit from IFC's leadership position—we account for about 30 percent of the financing committed by international financial institutions to the private sector in developing countries.

Collaboration has been critical in our response to the global economic crisis, allowing us to swiftly launch new initiatives to boost trade finance, recapitalize banks, and spur infrastructure investment. More broadly, IFC and other IFIs participate together on individual projects, provide joint financing, and cooperate on best practices and standards.

Through the Master Cooperation Agreement, we have expanded our formal co-financing arrangements with other IFIs. The agreement, which details how IFIs work together to co-finance projects led by IFC, supplements the commercial finance made scarce by the crisis.

IFC senior management also meets periodically with counterparts from more than 20 other private sector development institutions to review the progress of joint initiatives. More than 15 working groups have been created to share best practices and harmonize activities in areas including corporate governance, off-shore financial centers, and development results.

Collaboration has been critical in IFC's response to the global economic crisis, allowing us to swiftly launch new initiatives.

ensuring an effective and sustainable business model

IFC 2013

A Comprehensive Change Program

IFC 2013 is a comprehensive change process to create a more effective, sustainable business model that allows us to achieve greater development impact. This process builds on earlier decentralization efforts designed to help us do more in the least developed countries and regions of middle-income countries while building on our track record as a leader in private sector development—and on our core corporate values of excellence, commitment, integrity, and teamwork.

As part of this process, we looked at ways to update our business delivery model, simplify how we work, and put decision making closer to our clients so we can respond more quickly to their needs. We are introducing a set of development goals to guide long-term strategy. We are strengthening our industry expertise to extend our global franchise and find better ways to put our global knowledge to work for our clients. We are continuing to sharpen the focus of our advisory services, and strengthening the alignment between our Advisory and Investment Services, to expand our impact. Measures of success will include increased client satisfaction and greater development impact.

To ensure the sustainability of our business model, we have also increased our focus on financial results. Because of our sound financial position, we were able to respond to our clients' needs during the global financial crisis. Going forward, a critical element of our strategy will remain safeguarding our financial position and ensuring that our business model continues to be sustainable as our clients' needs and financial conditions change.

We are strengthening our financial position by growing our equity investments, generating management and mobilization fees, and securing additional stakeholder contributions. The establishment of IFC Asset Management Company in 2009 creates a new platform for mobilizing third-party investment for development (see page 74).

THE NEW OPERATIONS CENTERS

A hallmark of IFC's success over the years has been our ability to deliver global expertise to meet the needs of our clients in different parts of the world.

To improve that delivery, we have periodically adjusted our organizational structure. Previously, we established specialized industry departments. We also increased our presence in field offices in developing countries. Under IFC 2013, we are taking an important next step, establishing Operations Centers to serve our clients in different time zones.

IFC 2013 calls for the establishment of several regional Operations Centers, each led by an IFC Vice President. These centers will concentrate decision making, execution capacity, and support functions closer to our clients, facilitating more efficient investment and portfolio risk-management activities. The centers also will support further integration of our investment and advisory work, increasing the benefits for our clients.

IFC's first Operations Center outside Washington is in Istanbul, serving IFC operations in Central and Eastern Europe, Central Asia, Southern Europe, the Middle East, and North Africa. The establishment of this center will be followed by a phased rollout of other Operations Centers globally, incorporating lessons learned from the Istanbul center. We are coordinating with the World Bank on the location of these centers, and the approach we take to the regions they serve.

MANAGING RISKS

Portfolio Management

Portfolio management plays a key role in ensuring that IFC investments result in successful, environmentally sustainable private sector enterprises. In an uncertain economic environment, the role of portfolio management is even more important. Since the global economic crisis began, IFC portfolio staffers have worked proactively with client companies to assess vulnerabilities and risk exposures both for clients and for IFC. Additional resources have been allocated to portfolio processes, and more staff members have been active in portfolio work. We have conducted portfolio stress testing and have continued to review and adjust our product mix to maximize development impact as well as financial returns.

On an ongoing basis, IFC monitors compliance with investment agreements, visits sites to check on project status, and helps identify solutions to address potential problem projects. We also track the development outcomes of projects with respect to environmental and social performance. These supervision processes are performed by portfolio units largely based in field offices. IFC management oversees supervision by reviewing the entire investment portfolio on a quarterly basis. The portfolio management process is supported by a credit-risk rating system. Banks participating in IFC loans are kept regularly informed of project developments. IFC consults or seeks their consent as appropriate.

When financial difficulties arise, management determines specific reserves against loan losses on the basis of portfolio reviews and recommendations by portfolio management units and in accordance with policies and methods approved by IFC's external auditors. For projects with severe problems, the Special Operations Department determines the appropriate remedial actions. It seeks to negotiate agreements with all creditors and shareholders to share the burden of restructuring so problems can be worked out while the project continues to operate. In exceptional cases, when the parties reach an impasse, IFC takes all necessary and appropriate measures to protect our interests.

Before making any investment, IFC carries out broad due diligence, including integrity due diligence on the sponsors and principals, to ensure that the project meets all IFC standards in a number of areas—including social and environmental, combating money laundering and the financing of terrorism, anti-corruption, corporate governance, and tax transparency. IFC also applies heightened scrutiny of projects involving offshore financial centers, in order to assess the legitimacy of the proposed structures. Such broad due diligence has long been standard for IFC projects.

Capital Adequacy and Financial Capacity

We assess our capital adequacy by measuring our growth needs and the risk profile of current and projected investments against the established minimum capital adequacy for these needs. The minimum capital requirement is determined using IFC's Capital, Pricing, and Risk, or CAPRI, economic capital approach, which differentiates assets based on statistical measures of risk.

According to CAPRI, IFC needs to maintain a minimum level of total available resources (including paid-in capital, retained earnings net of designations and certain unrealized gains, and total loan loss reserves) equal to total potential losses for all on- and off-balance-sheet exposures estimated at levels IFC believes to be consistent with maintaining a triple-A rating.

Our economic capital-based method of calculating capital adequacy, taking into account our unique mandate of private sector development and our countercyclical nature, is in line with industry best practices and is configured to provide adequate capital backing for a triple-A rating.

Even with the more demanding capital adequacy that a triple-A rating requires, we have historically exceeded our minimum capital requirements by a wide margin.

As of the end of FY10, the total resources required were $12.8 billion, while total resources available were $16.8 billion. IFC's debt-to-equity ratio was 2.2:1, well within the limit of 4:1 prescribed by our financial policies.

IFC's paid-in capital, retained earnings net of designations and certain unrealized gains, and total loan-loss reserves constitute our total resources available. This financial capacity serves to support existing business, accommodate medium-term growth opportunities and strategic plans, and provide a buffer to withstand shocks or crises in some client countries or more general global market downturns, while retaining the capacity to preserve our triple-A rating and play a countercyclical role.

Tackling corruption is an essential element of IFC's effort to promote sustainable private sector development.

IFC and Anticorruption

Corruption undermines public trust in open markets and the rule of law, and adds to the cost of doing business in most developing nations. Tackling corruption is an essential element of IFC's effort to promote sustainable private sector development. Our initiatives to enhance openness and competition, and to promote stronger corporate governance and integrity systems, have proven to be effective tools in combating corruption.

IFC's due-diligence processes and procedures are the first line of defense against corruption in our projects. They aim to ensure the integrity of our potential partners and prevent unethical or illegal practices. Relying on intelligence on the ground and leveraging information through other sources, such as publicly available databases, IFC inquires into the background of potential partners and their stakeholders—including sponsors, management, and owners.

Our anticorruption stance is incorporated into the legal framework governing our investments. Acts of fraud or corruption by a client in an IFC project give us the right to cancel disbursements or terminate a facility. Sanctions are also a possibility for persons or entities found—under the World Bank Group's sanctions process—to have engaged in corrupt, fraudulent, coercive, collusive, or obstructive practices in connection with an IFC project. Sanctions include publishing the name of the company or person on a public Web site, and may include debarment from World Bank Group engagements.

The World Bank Group's investigative unit, the Integrity Vice Presidency, is responsible for investigating allegations of fraud and corruption in IFC projects. IFC's Business Risk Department acts as a liaison between the Vice Presidency and IFC. The Vice Presidency's annual report can be found on the World Bank's Web site.

IFC is also participating in the Cross-Debarment Accord signed in April between the World Bank Group and four leading multilateral banks. Under the agreement, entities sanctioned by one participating development bank may be cross-debarred by the others for the same misconduct. The accord helps ensure a level playing field for all firms competing for multilateral development bank projects. A list of debarred firms is available on the World Bank's Web site.

Further reforms to the sanctions process were made by the World Bank Group Governance on Anti-Corruption Forum. These include early temporary suspension, debarment with conditional release, settlements, and revised sanctioning guidelines. These reforms are being implemented together with updated legal agreement templates. In FY10, a new internal Web site was launched to improve staff access to information on anti-corruption. It includes tools on the World Bank Group's sanctions process and access to mandatory e-Learning programs.

working responsibly

IFC'S APPROACH TO SUSTAINABILITY

IFC's approach to sustainability is founded on the belief that sound economic growth, driven by private sector development, is crucial to poverty reduction. In our investments, operations, and advisory services across the globe, we consider four dimensions of sustainability—financial, economic, environmental, and social.

—The financial sustainability of IFC and our clients ensures that together we can make a long-term contribution to development.

—The economic sustainability of the projects and companies IFC finances means they are contributing to host economies.

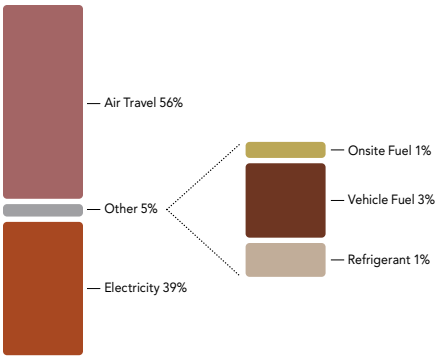
—Environmental sustainability in our clients' operations and supply chains helps protect and conserve natural resources, mitigate environmental impacts, and address the global imperative of climate change.

—Social sustainability is supported through improved living and working standards, poverty reduction, concern for the welfare of communities, and respect for key human rights.

IFC is committed to ensuring that the benefits of economic development are shared with those who are poor or vulnerable, and that development takes place in an environmentally sustainable manner. We also see sustainability as an opportunity to transform markets, drive innovation in new areas, and add value to our clients by helping them improve their business performance.

43,591 Metric Tons of $tC0_2e$

fy09 carbon emissions inventory for IFC's global internal business operations



IFC's FY09 carbon emissions totaled 43,591 metric tons of carbon dioxide equivalent (tCO_2e), which includes emissions from carbon dioxide, methane, and nitrous oxide.

IFC'S SUSTAINABILITY FRAMEWORK AND POLICY REVIEW

IFC's sustainability framework reflects our longstanding commitment to sound environmental management and social development. It gives private sector clients an understanding of their requirements and performance expectations well before they finalize a transaction with IFC. It is designed to address the concerns of people who are affected by our projects, and boost our development impact.

The framework consists of three components: the Policy on Social and Environmental Sustainability, which defines our responsibility in supporting project performance in partnership with clients; the IFC Performance Standards (see page 76), and the Policy on Disclosure of Information. When it approved the current framework in 2006, IFC's Board of Directors asked us to review our experience in implementation after three years.

The resulting report concluded that clarifications and modifications were needed to adapt to a changing business environment and address the evolution of IFC's products. We launched a review in September 2009 and began consultations with stakeholders in November.

So far, IFC has engaged with a wide variety of stakeholder groups, including civil society, industry representatives, academics and technical experts, our Board, the Compliance Advisor/Ombudsman, the Independent Evaluation Group, the IFC's Sustainability Framework External Advisory Group, and internal peer groups.

Stakeholders identified a number of areas where more attention or clarification was needed. Key cross-cutting themes included climate change, ecosystem services, and gender and human rights. Other issues of interest to stakeholders: the implications of "consent" versus "consultation" with indigenous people, biodiversity protection, environmental and social categorization, and contract transparency.

Proposed changes expand the scope of our clients' greenhouse gas emissions reporting, add requirements on water and energy efficiency, ensure projects take a gender-responsive approach, and address trafficking of women and children. IFC committed to expand disclosure of information on our development impact and project performance.

More information on the process is available at http://www.ifc.org/policyreview.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

IFC has calculated an environmental and social risk rating for our investments since 2000. We rate investments that have some degree of risk, as reflected by their environmental and social categorization as A, B, or FI. The rating is given and updated, usually once a year, by our environmental and social specialists, based on reports provided by clients and site visits. The frequency of visits depends on an investment's risk rating and its performance against agreed action-plan items.

Research at IFC shows a positive correlation between environmental and social risk and credit risk in IFC's investments. Our most recent research, completed in 2010, indicated that around 35 percent of loan investments with the highest environmental and social risk also carry a high IFC credit-risk rating. Similarly, only about 5 percent of investments with low environmental and social risk ratings have a high credit risk. In the case of equity investments, research has shown that IFC investments assessed to have less environmental and social risk also yield significantly higher rates of return on investment.

To further strengthen IFC's environmental and social risk management, we continued to focus in FY10 on reducing the environmental and social knowledge gap in IFC's portfolio. The gap refers to the percentage of companies in IFC's portfolio for which we have not received updated information on environmental and social performance within the last two years. The knowledge gap was reduced from 6.4 percent in FY09 to 4.4 percent in FY10.

IFC INVESTMENT PROJECT CATEGORIES

A	Expected to have significant adverse social or environmental impacts that are diverse, irreversible, or unprecedented.
B	Expected to have limited adverse social or environmental impacts that can be readily addressed through mitigation measures.
C	Expected to have minimal or no adverse impacts; includes certain financial intermediary investments.
FI	Investments in financial intermediaries that have no adverse social or environmental impacts but that may finance subprojects with potential impacts.

OUR FOOTPRINT COMMITMENT

Helping our clients address environmental challenges is central to IFC's strategy. Aligning this strategy with how we run our business is an important day-to-day effort.

This year, IFC received the "Environmental Excellence" award from District of Columbia Mayor Adrian Fenty. The annual competition recognizes environmental stewardship, innovative best practices, pollution prevention, and resource conservation by businesses in Washington, D.C.

As part of the World Bank Group, IFC became the first multilateral development bank to report our greenhouse emissions—starting with IFC/World Bank headquarters operations—in the Carbon Disclosure Project, the world's largest database of primary corporate information on climate change.

This year, IFC's headquarters building—our largest office—was awarded the U.S. Green Building Council's Leadership in Energy and Environmental Design Platinum Certification for Existing Buildings. This is the highest rating given to existing buildings for maximizing operational efficiency and minimizing environmental impacts—by reducing water and energy consumption, for example.

More than half of IFC's carbon footprint is from air travel. We are working to reduce corporate air travel by increasing the use of video conferences, e-meetings, and online training. Since FY08, our use of video conferencing has more than doubled. In addition, more staff training has been moved to an e-learning platform.

The other significant part of IFC's carbon footprint is electricity use—IFC's headquarters electricity use accounts for 22 percent of the overall FY09 carbon footprint. In FY10, we reduced electricity use per workstation at IFC headquarters by 10 percent to 6,394 kilowatt hours, achieving the electricity reduction target we set for the years FY08 through FY13. We will be readjusting this target in FY11 to encourage even more energy-efficient operations.

In FY10, we began using a new Web-based data management system, instituted in FY09, for the collection and calculation of our global carbon emissions inventory from internal operations. Because of the complexity and detail of IFC's carbon inventory methodology, transition to the new system has posed several challenges—including data inconsistencies and issues concerning data calculation, which we are working to resolve. In FY09, carbon emissions from IFC's global internal business operations totaled 43,591 metric tons of carbon dioxide equivalent.

IFC continues to be carbon-neutral for all global business operations. We purchase carbon credits from a portfolio of five projects. Working with ClimateCare, IFC chose projects that bring clear and tangible benefits to the development of the communities in which they take place.

The IFC Investment Cycle

The following cycle shows the stages a business idea goes through to become an IFC-financed project:

1: BUSINESS DEVELOPMENT

Guided by IFC's strategic goals, our investment officers and business development officers identify suitable projects. The initial conversation with the client is critical in helping us understand their needs and determining whether there is a role for IFC.

2: EARLY REVIEW

The investment officer prepares a description of the project, IFC's role, the anticipated contribution to development and benefits to stakeholders, and any potential deal-breakers. Lessons from previous projects are considered and, in some cases, a pre-appraisal visit is conducted to identify any issues in advance. IFC senior management then decides whether to authorize project appraisal.

3: APPRAISAL (DUE DILIGENCE)

The investment team assesses the full business potential, risks, and opportunities associated with the investment through discussions with the client and visits to the project site. The following questions are asked: Is the investment financially and economically sound? Can it comply with IFC's social and environmental Performance Standards? Have lessons from prior investments been taken into account? Have the necessary disclosure and consultation requirements been met? How can IFC help the client further improve the sustainability of the project or enterprise?

4: INVESTMENT REVIEW

The project team makes its recommendations to IFC departmental management, which decides whether to approve the project. This is a key stage in the investment cycle. The project team and departmental management must be confident that the client is able and willing to meet IFC standards and work with us to improve the sustainability of their enterprise.

5: NEGOTIATIONS

The project team starts to negotiate the terms and conditions of IFC's participation in the project. These include conditions of disbursement, performance and monitoring requirements, agreement of action plans, and resolution of any outstanding issues.

6: PUBLIC DISCLOSURE

Upon completion of environmental and social, or E&S, due diligence, review summaries and action plans are issued. These documents describe key findings and list actions to be taken by the client to close any significant E&S compliance gap. The documents, as well as a Summary of Proposed Investment, are posted on IFC's Web site before being submitted to the Board for review. The length of the disclosure period is determined by the category of the project.

7: BOARD REVIEW AND APPROVAL

The project is submitted to IFC's Board of Directors for consideration and approval through regular or streamlined procedures. "Streamlined'' means that the members of the Board review the documents but don't meet to discuss the project. This option is available to low-risk projects. Certain small projects can be approved by IFC management under delegated authority. The due diligence process and public disclosure remain the same in all cases. The Board demands that each investment have economic, financial, and development value and reflect IFC's commitment to sustainability.

8: COMMITMENT

IFC and the company sign the legal agreement for the investment. This includes the client's agreement to comply with the requirements of IFC's Sustainability Framework, to immediately report any serious accident or fatality, and to provide regular monitoring reports. The legal agreement also formalizes the client's E&S Action Plan.

9: DISBURSEMENT OF FUNDS

Funds are often paid out in stages or upon completion of certain steps documented in the legal agreement.

10: PROJECT SUPERVISION AND DEVELOPMENT OUTCOME TRACKING

We monitor our investments to ensure compliance with the conditions in the loan agreement. The company submits regular reports on financial and social and environmental performance, as well as information on factors that might materially affect the enterprise. Project site visits are scheduled to verify that E&S requirements are met. Ongoing dialogue allows IFC to help clients to solve issues and identify new opportunities. We also track the project's contribution to development against key indicators identified at the start of the investment cycle.

11: EVALUATION

To help improve our operational performance, annual evaluations are conducted based on a random sample of projects that have reached early operating maturity.

12: CLOSING

We close our books on the project when the investment is repaid in full or when we exit by selling our equity stake. In some cases, we may decide to write off the debt. Our goal is to help the client develop practices and management systems that support a project's sustainability and that will continue long after our involvement has ended.

COMMITMENT TO TRANSPARENCY

As a global, multilateral finance institution with operations in many regions and sectors, IFC has an impact on a diverse range of stakeholders.

We believe that transparency and accountability are fundamental to fulfilling our development mandate, and to strengthening public trust in IFC and our clients. IFC makes information concerning our investments and advisory services publicly available, enabling our clients, partners, and stakeholders to better understand our activities and engage in informed discussion about them.

We frequently solicit feedback to identify issues of importance to stakeholder groups. Feedback includes an annual client survey and ongoing engagement with stakeholders, including representatives of civil society, local communities affected by our projects, industry associations, governments, international finance institutions, and academia.

Such feedback has prompted us to consider how we can disclose more information. In September 2009, we began a review of our Disclosure Policy, in conjunction with the review of IFC's Sustainability Framework. Through this process, IFC will seek to increase reporting on project performance and development impact while also ensuring consistency with the World Bank's new Access to Information Policy, where appropriate.

We are also providing updated information on the development impact of our projects. Working with our clients, and on an experimental basis, IFC this year produced several reports containing updated development results of selected projects. We will use lessons learned from producing these reports, as well as feedback from stakeholders, to inform our decisions as we develop a new disclosure framework.

IFC'S DISCLOSURE PORTAL AND PROJECT MAPPING

IFC continues to improve our Internet-based Disclosure Portal, which serves as a central location for corporate information, policies and standards, proposed investments, and stakeholder feedback. The portal provides links to a project database containing client information, summaries of proposed investments, environmental and social reviews and mitigation measures, and expected development impact. The database was expanded last year to include IFC Advisory Services projects. The portal encourages stakeholder feedback, allowing users to ask questions or provide comments about specific projects.

This year, to improve access to IFC's project information and development impact, IFC introduced a project-mapping Web tool. Using satellite images hosted by Google, the tool allows visitors to see the global distribution of our projects, in a color-coded map that includes information about the environmental and social risk associated with each project. Clicking on specific icons on the map allows readers to access broader project information contained in IFC's Disclosure Portal. In addition, readers can search IFC projects by sector, region, and country.

For members of the public who feel that an initial request for information has been unreasonably denied or that our policy has been incorrectly applied, we have established a complaints mechanism. Complaints are reviewed by the Disclosure Policy Advisor, who reports directly to IFC's Executive Vice President and CEO.

For full information, see www.ifc.org/disclosure.

IFC makes information concerning our investments and advisory services publicly available, enabling our clients, partners, and stakeholders to better understand our activities and engage in informed discussion about them.

WORKING WITH CIVIL SOCIETY

IFC engages with civil society, including nongovernmental organizations, both institutionally and in project implementation. We maintain an ongoing dialogue about many aspects of our operations, strategy, and policies, and we are collaborating on a variety of initiatives.

IFC works with the World Bank Group's Civil Society Team to reach out to civil society on a regular basis. For example, senior IFC staffers have held roundtable meetings with civil society representatives to discuss the financial crisis and its effect on the poor. IFC also has several advisory groups that provide feedback and make recommendations on our strategies and policies in various areas. The Compliance Advisory/Ombudsman, in collaboration with IFC project teams, also maintains close contact with local communities, civil society organizations, and other stakeholders through its work.

IFC is making a concerted effort to engage with civil society in the context of the review of its Policy and Performance Standards on Social and Environmental Sustainability and its Policy on Disclosure of Information. The review of these policies began in September 2009, and IFC has since engaged with stakeholders, including civil society organizations, using a combination of Web tools (such as e-mails, a blog, live Web chats, and the Policy Review Web site), teleconferences, and face-to-face consultations to receive input. We will continue these consultations globally throughout the review period.

We seek to improve and initiate more strategic partnerships with nongovernmental organizations at the operational level, improving projects and enhancing our development impact. For example, we work with the World Wildlife Fund's Global Forest Trade Network to promote sustainable forestry, with the Rainforest Alliance to assist coffee growers in Central America and southern Mexico, and with Oxfam Hong Kong to develop sustainable tourism in Cambodia and the Lao People's Democratic Republic. IFC has also collaborated with the World Wildlife Fund to promote better agricultural management practices in such industries as cotton, palm oil, soybeans, and sugar cane.

BRAZIL: CONTAINING DEFORESTATION IN THE AMAZON

John Carter felt "a sorrow" as he watched the Amazon forest disappear before his eyes.

In hundreds of flights, piloting his single-engine Cessna over Brazil's Mato Grosso, he saw bulldozers and massive fires tear through one of the world's most important ecosystems. There were laws and environmental strategies, but none seemed to contain the deforestation.

"I thought, if we could support landowners and create economic incentives for responsible production, that might work where other conservation efforts have failed," Carter said.

In 2004, he founded Aliança da Terra, a nongovernmental organization that seeks market-based solutions to deforestation in the Amazon. Its Registry for Socio-environmental Responsibility helps ranchers and soybean producers enhance social and environmental practices. When Carter needed help growing his organization, he turned to IFC.

"We were a small, grassroots organization oriented toward operations in the field, but we didn't have a view toward capitalizing on what we were building," he said.

IFC Advisory Services helped strengthen Carter's NGO and add 2 million hectares to its registry, bringing the total to 3.5 million hectares. In addition, IFC is helping develop a carbon monitoring system that could help bring new streams of revenue for farmers that follow responsible environmental practices.

"This is a new model of agriculture happening in the eye of the hurricane, the area of the Amazon which has had the largest deforestation," Carter said.

ACCOUNTABILITY

Independent Evaluation Group

IFC emphasizes learning from experience. The Independent Evaluation Group, which reports to IFC's Board of Directors, contributes to IFC's learning agenda and is a vital part of its accountability structure.

Each year, IEG independently evaluates or validates the performance of a representative sample of IFC investment and advisory projects. This year, IEG evaluated IFC activities concerning agribusiness, the response to the global financial crisis, environmental and social performance standards, climate change, energy efficiency, and the Chad-Cameroon cluster of projects. For the first time, IEG also evaluated IFC's country operations in Peru along with those of the World Bank and MIGA, providing a comprehensive view of the World Bank Group's contribution to Peru's development. Such an approach encourages cross-institutional learning.

This year's evaluation findings show that during fiscal years 2007–09 over 74 percent of IFC's investment projects achieved satisfactory or higher development outcome ratings. Ratings declined slightly in FY09, reflecting the initial impact of the global crisis. The performance of IFC's financial-sector projects declined, although their environmental and social impact ratings improved, reversing a three-year downward trend. Infrastructure, still among IFC's best-performing sectors in development outcomes, has seen an almost 40 percent decline in activities since the crisis began.

In-depth analysis shows that project development outcomes appear to hinge on two groups of factors: those external to IFC—such as a change in a country's business-climate risk, sponsor risk, market risk, or project type risk—and those internal to IFC, such as the quality of IFC's work in project appraisal and structuring, project supervision, and additionality. This year's findings indicate that IFC's overall work quality has continued its recent upward trend, with some decline in supervision quality. IEG also has recommended that IFC intensify its focus on Africa, where development outcomes have lagged behind those of other regions.

To encourage learning from its reports, IEG makes frequent presentations for IFC staff in Washington, D.C., and in the field. IEG's reports are available at www.ifc.org/IEG.

Compliance Advisor/Ombudsman

The Compliance Advisor/Ombudsman is the independent accountability mechanism for IFC and the Multilateral Investment Guarantee Agency. Reporting to the President of the World Bank Group, CAO responds to complaints from people affected by IFC and MIGA projects, with the goal of enhancing the social and environmental outcomes of these projects.

CAO has three roles. CAO's Ombudsman team works to identify the causes of conflict and helps stakeholders resolve concerns through dialogue and assisted negotiation. CAO Compliance specialists conduct appraisals and audits of IFC's social and environmental performance to ensure adherence to its policies and guidelines. In its advisory role, CAO provides independent guidance to the President and management of IFC on social and environmental concerns related to policies, systemic issues, and emerging trends. CAO does not give project-specific advice.

In FY10, CAO worked on 22 cases related to 28 IFC projects in 16 countries. Of these, eight were new complaints accepted by CAO for further assessment, and 14 were carried over from previous years. CAO closed six cases, facilitated seven agreements through its ombudsman team, and released six compliance appraisals and one audit of IFC.

The audit was prompted by a complaint from civil society in 2007 regarding IFC's investments in Wilmar Group, which relate to palm oil in Indonesia. CAO facilitated settlements between the company and affected communities in FY08 and FY09 and released an audit of IFC's involvement with Wilmar in early FY10. In response, IFC is conducting a strategic review of its engagement in the global palm oil sector (see page 67). CAO continues to monitor the settlements, and the audit remains open.

In May 2010, CAO completed an advisory review of IFC's Sustainability Framework (see page 102). It focused on issues relevant to communities affected by IFC projects and assessed IFC's implementation of the framework.

CAO reaches out to civil society and other stakeholders to raise awareness about accountability and recourse at IFC. In FY10, CAO met with about 300 civil society organizations from over 20 countries. CAO works with IFC staff at headquarters and in the field to share lessons from its work.

Visit www.cao-ombudsman.org for more information.

Internal Auditing

The Internal Auditing Department helps the World Bank Group achieve its mission by providing objective assurance and advice to add value; enhancing risk management, control, and governance; and improving accountability for results. The department conducts its work in all organizational activities (including trust-funded operations) in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

Auditing work primarily focuses on determining whether the Bank Group's risk management, control, and governance processes provide reasonable assurance that significant financial, managerial, and operating information is accurate, reliable, and timely; resources are acquired economically and used efficiently; assets are safeguarded; the organization's actions are in compliance with policies, procedures, contracts, and applicable laws and regulations; and business objectives are achieved.

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independent assurance report on a selection of sustainable development information

Further to the request made by IFC, we performed a review on a selection of sustainable development information for the financial year ended June 30, 2010 in the Annual Report, including quantitative indicators ("the Indicators") and qualitative statements ("the Statements"), related to the following material areas:

MATERIAL AREAS	STATEMENTS	INDICATORS
Environmental and Social Performance of projects	"What We Do: Standard Setting: IFC Performance Standards" (p. 76), "The Equator Principles" (p. 77), and "Corporate Governance" (p.77)	• Commitments by Environmental and Social Category (p. 10): **Category** / **Commitments ($ millions)** / **Number of projects** A: 825 / 10 B: 3,975 / 147 C: 4,516 / 254 F1: 3,348 / 117 N: 0 / 0
Development effectiveness of investments and advisory services	"Measuring results" (pp. 90 and 91), "Investments Results" (p. 92, excluding the table "Development Reach by IFC's Client companies"), and "Advisory Services Results" (p. 93)	• Development Effectiveness scores of Investments (pp. 10, 11 and 91): 71% "rated high"[1] • Development Effectiveness score of Advisory Services (p. 93): 58% "rated positively"
Financial inclusion: microfinance loans and loans to small and medium enterprises		• Number and amounts of microfinance loans and SME loans (p. 92) **Type of loans** / **Number of loans (millions)** / **Amount ($ billions)** Microfinance: 8.5 / 10.79 SMEs: 1.5 / 101.32
Climate change	Climate Change section (pp. 28–37)	• Amount committed in renewable energy and energy efficiency investments (p. 17): $1,644 millions
Corporate footprint, social responsibility, and sustainable business model	"IFC 2013" (p. 100), "IFC and Anticorruption" (p. 101), and "Working Responsibly" (pp. 102–103)	• Carbon footprint (p. 102): 43,591 tCO_2 equivalent in financial year 2009
Water	"Water and Urbanization: Focus" (p. 56), "Innovation and Impact (p. 57), "Our Approach to Water Security" (p. 60), "Cleaner Water and a Healthier future" (p. 62) and "Impact around the World" (pp. 64 and 65)	
Engagement in IDA[2] countries	"Expanding role in IDA countries and focus on the poor" (pp. 82 and 83)	
Partnerships	"Forming Productive Partnerships"(p. 97)	
Accountability	"Independent Evaluation Group" and "Compliance Advisor/ Ombudsman" (p. 107)	

[1] FY10 Development Results for investments (% rated high):

Overall Portfolio (% rated high)	Unweighted (number of projects)	Weighted by investment size
Development Outcome	71%	82%
Financial Performance	*57%*	*65%*
Economic Performance	*62%*	*71%*
Environmental and Social Performance	*68%*	*70%*
Private Sector Development impact	*78%*	*87%*

Development Outcome by industry	(% rated high)
IFC (total)	71
Oil, Gas, Mining & Chemicals	*79*
Infrastructure	*70*
Agribusiness	*78*
Global Financial Markets	*73*
Health & Education	*85*
Private Equity & Investment Funds	*74*
Information & Communication Technologies	*70*
Manufacturing & Services	*57*

Development Outcome by region	(% rated high)
IFC (total)	71
South Asia	*79*
Latin America & the Caribbean	*77*
Europe and Central Asia	*66*
Middle East & North Africa	*70*
Sub-Saharan Africa	*66*
East Asia & the Pacific	*72*

Our review aimed at obtaining limited assurance[3] that:

1. the Indicators were prepared in accordance with the reporting criteria applicable in 2010 (the "Reporting Criteria"), consisting in IFC instructions, procedures, and guidelines specific for each indicator, a summary of which is provided in the comments next to the Indicators presentation (pp.10, 11, 17, 91, 92, 93 and 102) in the Annual Report or on IFC's website; and

2. the Statements have been presented in accordance with "IFC's Policy on Disclosure of Information" and principles of relevance, completeness, neutrality and clarity, and reliability as defined by international standards.[4]

It is the responsibility of IFC to prepare the Indicators and Statements, to provide information on the Reporting Criteria, and to compile the Annual Report.

It is our responsibility to express a conclusion on the Indicators and the Statements on the basis of our review. Our review was conducted in accordance with the ISAE 3000, International Standard on Assurance Engagements from IFAC.[5] Our independence is defined by IFAC professional code of ethics.

NATURE AND SCOPE OF OUR REVIEW

We performed the following review to be able to express a conclusion:

- We assessed the Reporting Criteria, policies and principles, with respect to their relevance, their completeness, their neutrality, and their reliability.
- We reviewed the content of the Annual Report in order to identify key statements regarding the sustainability areas listed above. We selected statements that were deemed to be committing, of particular stakeholder interest, of potential reputation risk to IFC, together with statements on corporate responsibility management and performance.
- At group level, we conducted interviews with people responsible for reporting in order to assess the application of the Reporting Criteria or to substantiate the Statements.
- At group level, we implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the Indicators.
- We collected supporting documents of Indicators or Statements, such as reports to the board of directors or other meetings, loan contracts, internal and external presentations and reports, studies or results of survey.
- We reviewed the presentation of the Information in the Annual Report and the associated notes on methodology.

LIMITATIONS OF OUR REVIEW

Our review was limited to the Statements and Indicators identified in the table above and did not cover other disclosures in the Annual Report.

Our tests were limited to document reviews and interviews at IFC's headquarters in Washington, DC. We did not participate in any activities with external stakeholders, clients, or local IFC offices.

INFORMATION ABOUT THE REPORTING CRITERIA AND THE STATEMENT PREPARATION PROCESS

With regards to the Reporting Criteria and the Statement preparation policies and principles, we wish to make the following comments:

RELEVANCE

IFC publishes an integrated Annual Report and, for the first time, involved stakeholders in an effort to improve the identification of key sustainability issues that should be included in the Annual Report.

IFC presents sustainability information on its own impact and the environmental and social risks, impacts, and outcomes of projects financed directly or through financial intermediaries that are comparable to other multilateral development banks. A specific effort is made by IFC to assess its development results, notably through its Development Outcome Tracking System (DOTS).

COMPLETENESS

The Indicators reporting perimeters aim to cover all relevant IFC's activities. An effort has been made this year to formalize the definitions, perimeters, and exclusion rules for the Indicators, especially related to "Development effectiveness of advisory services" and the "Microfinance and SME loans". The perimeters actually covered by each indicator have been indicated in the comments next to the data in the Annual Report.

NEUTRALITY AND CLARITY

IFC provides information on the methodologies used to establish the Indicators in the comments next to the published data, in particular for indicators related to "Carbon footprint", "Investments in renewable energy and energy efficiency", "Microfinance and SME loans", "Development Results" in the related sections and on the IFC website (links listed p.110).

RELIABILITY

The reporting tools and internal controls for the Indicators related to "Investments in renewable energy and energy efficiency" and "Development effectiveness of advisory services" need to be strengthened and formalized in order to be more adapted to their complexity and the significant reliance on professional judgments of people entering or validating the data.

The improvement of the Statements preparation processes should be continued to ensure that the Statements rely on the most up-do-date and accurate information.

CONCLUSION

For the Indicator related to "carbon footprint", IFC implemented methodological changes and a new reporting tool this year. We identified significant gaps between the carbon footprint calculated with this new tool and the requirements of the Reporting Criteria. Due to time constraints, it was not possible to check if all the inconsistencies were corrected.

Based on our review, and except for the above qualification, nothing has come to our attention that causes us to believe that:

- the Indicators were not established, in all material aspects, in accordance with the Reporting Criteria;
- the Statements were not presented, in all material aspects, in accordance with "IFC's Policy on Disclosure of Information" and the principles of relevance, completeness, neutrality and clarity, and reliability as defined by international standards.

Paris-La Défense, France, August 25, 2010

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The Independent Auditors
ERNST & YOUNG et Associés

Eric Duvaud
Partner, Climate Change and
Sustainability Services

[2] International Development Association.

[3] A higher level of assurance would have required more extensive work.

[4] ISAE 3000 from IFAC, Global Reporting Initiative (GRI), or AA1000 Accountability Principles.

[5] ISAE 3000: "Assurance Engagement other than reviews of historical data", International Federation of Accountants, International Audit and Assurance Board, December 2003.

acronyms

AGRA	Alliance for a Green Revolution in Africa
CAO	Compliance Advisor/Ombudsman
CAPRI	Capital Pricing and Risk (economic capital approach)
CY	calendar year
DEG	private sector arm of German development agency KfW
DFI	development finance institution
DFID	Department for International Development of the United Kingdom
DOTS	Development Outcome Tracking System
EBRD	European Bank for Reconstruction and Development
FMO	Netherlands Development Finance Company
FY	Fiscal Year
GBF	Grassroots Business Fund
GTLP	Global Trade Liquidity Program
IBRD	International Bank for Reconstruction and Development (World Bank)
ICF	Infrastructure Crisis Facility (IFC crisis-response facility)
IDA	International Development Association
IEG	Independent Evaluation Group
IFI	International Financial Institution
ILO	International Labour Organization
KfW	Kreditanstalt für Wiederaufbau (German development agency)
LNG	Liquefied Natural Gas
MIGA	Multilateral Investment Guarantee Agency
MSMEs	micro, small, and medium enterprises
OeEB	Oesterreichische Entwicklungsbank AG (Austrian Development Bank)
PPP	Public-Private Partnership
PROPARCO	Promotion et Participation pour la Coopération Economique (development finance institution of France)
SMEs	small and medium enterprises
UNESCO	United Nations Educational, Scientific and Cultural Organization

letter to the Board of Governors

The Board of Directors of IFC has had this annual report prepared in accordance with the Corporation's bylaws. Robert B. Zoellick, President of IFC and Chairman of the Board of Directors, has submitted this report with the audited financial statements to the Board of Governors.

The Directors are pleased to report that for the fiscal year ended June 30, 2010, IFC expanded its sustainable development impact through private sector investments and Advisory Services.

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Pages 112–113: Jason Florio

web resources

IFC's Web site, www.ifc.org, provides comprehensive information on every aspect of our activities. It includes contact information for offices worldwide, news releases and feature stories, data on results measurement, disclosure documents for proposed investments, and key policies and guidelines affecting IFC and our client companies.

The online version of the IFC Annual Report 2010 provides downloadable PDFs of all materials in this volume and translations as they become available. It is available at www.ifc.org/annualreport. The Web site also provides more information on sustainability, including a Global Reporting Initiative index.

For more information on several key topics, please visit the following Web Resources:

IFC's crisis-response initiatives
http://www.ifc.org/issuebriefs

Creating opportunity at the Base of the Pyramid
http://www.ifc.org/TOS_baseofthepyramid

IFC's Women in Business Program
http://www.ifc.org/gem

Supporting women in business in Africa
http://www.ifc.org/womenentrepreneursinafrica

Gender dimensions of investment climate reform
http://www.ifc.org/GenderIC

Embedding gender in sustainability reporting
http://www.ifc.org/genderreporting

IFC's June 2010 Corporate Responsibility Forum
http://www.ifc.org/CorporateResponsibilityForum

Addressing climate change
http://www.ifc.org/TOS_climatechange

IFC's transportation strategies
http://www.ifc.org/TransportationStrategies

IFC's project mapping tool
http://www.ifc.org/projectmappingtool

IFC's Better Work Program in Haiti
http://www.ifc.org/betterworkhaiti

IFC Performance Standards and human rights
http://www.ifc.org/IBHRandIFCPoliciesPS

Food security
http://www.ifc.org/foodsecurity

Charting our Water Future
http://www.ifc.org/charting waterfuture

IFC in conflict-affected countries
http://www.ifc.org/conflictaffectedcountries

Performance Standards
http://www.ifc.org/performancestandards

World Bank list of debarred firms
www.ifc.org/WBDebarredFirms

IFC footprint commitment
http://www.ifc.org/footprint

stakeholder review panel on 2010 Annual Report

IFC regularly engages with stakeholders on a variety of issues. This year, we convened our first stakeholder review panel on the 2010 Annual Report. The panel was asked to assess IFC's identification of material issues in the first draft. IFC found the feedback constructive, and is committed to continuing our engagement with stakeholders in order to receive more substantive commentary on future reports. What follows is a summary of the meeting, which panelists agree accurately describes the process and outcomes.

Engagement Process

We retained a neutral facilitator to manage the engagement process. There were two goals: to advance mutual learning; and to assess IFC's identification of material issues in the first draft of the report. "Materiality" was defined as those aspects of IFC's strategy, initiatives, and performance that are important to communicate to IFC's stakeholders and to demonstrate our development impact. Panelists participated in a four-hour meeting for a facilitated discussion with senior managers of IFC. Panelists subsequently reviewed changes IFC made to the Annual Report based on their feedback. However, neither the panel nor any individual member endorsed or approved the 2010 Annual Report. This engagement was neither an audit nor verification.

Panelists

IFC and the facilitator jointly selected the panelists by considering the following: understanding of IFC's work; expertise in areas of importance to IFC; and geographic, gender, and issue diversity. IFC reimbursed the panelist's expenses. The panel consisted of the following experts:

—Arvind Ganesan, Director, Business and Human Rights, Human Rights Watch
—Frank Mantero, Director, Corporate Citizenship, General Electric
—Carol Peasley, President and CEO, Centre for Development and Population Activities (CEDPA)
—Kavita Ramdas, President and CEO, Global Fund for Women
—Ruth Rosenbaum, Executive Director, Center for Reflection, Education and Action (CREA)
—Ken Wilson, Executive Director, The Christensen Fund
—Simon Zadek, Visiting Senior Fellow, Harvard University's Kennedy Center

Panelists' Suggestions and IFC's Response

The panel suggested several areas where the report could be strengthened in terms of its format, including clarifying the unique role of IFC, and providing greater transparency about the challenges and dilemmas we face. Additionally, some panelists offered recommendations that require further discussion and examination. We will explore ways to address that feedback in future reports. The panel appreciated IFC's forthrightness at the meeting and the changes IFC made in this year's report. The following summarizes key themes and IFC's responses.

Panelists' Feedback	IFC's Response
Discuss dilemmas of private sector development (such as palm oil), emphasizing context, learning, and need to manage risks.	Addressed in introductory essays; "Lessons Learned" section expanded and moved forward; text strengthened on examples, e.g., "The Financial Crisis—Shaping IFC's Strategy," "IFC's Approach to Palm Oil."
Discuss IFC's unique role and impact.	Addressed in introductory essays; text strengthened, e.g., "Despite Crisis, IFC Clients Expanded Jobs."
Clarify what IFC means by "sustainability."	Sustainability definition provided.
Provide more information on policy work and normative impact of standard-setting, including an analysis of the relationship with external standards such as human rights covenants.	Addressed in introductory essays; expanded discussion of the IFC Sustainability Framework Policy Review; added details on Better Work program; added Web link to human-rights impact analysis and examples of impact.
Provide greater clarity about outcome-oriented approach to development.	Addressed in introductory essays; strengthened text on development results, including Advisory Services results.
Strengthen discussion about gender.	"Focusing on Opportunities for Women" section revised and expanded to highlight women, business, and the law; other text strengthened.
Discuss IFC's efforts to build "resilience."	Addressed in introductory essays; new examples added, e.g., "Easing Poverty, Fostering Stability with Insurance."
Address role of new market players in Africa.	Focus of section changed to "Helping New Global Players Invest In Infrastructure;" text on Mwalimu Nyerere Foundation project strengthened.
Discuss youth.	Story on "Helping Young Adults Gain Productive Jobs" strengthened to discuss challenge of youth unemployment.
Provide information on debarred companies.	Web link provided to list of debarred companies.
Adopt a sound approach to placing content on the Web, providing links to more detailed information on the Web.	About a dozen Web links were added, offering more details about the issues raised here, provided as a box.
Emphasize IFC's venture capital work to strengthen discussion of Base of Pyramid work.	Strengthened text to "Inclusive Business—Opportunities At The Base Of The Pyramid;" added Web link to "Telling our Story" on Creating Opportunity at the Base of the Pyramid, but this work cannot be characterized as "venture capital."
Use investment cycle chart to tell the story of a deal.	New text and chart provides more detail on 12 steps of the IFC investment cycle.

where challenges meet solutions

We focus the power of the private sector to tackle poverty and other development challenges, improving lives through sustainable investment.

where values meet purpose

As the world's largest private sector development institution, IFC offers a distinctive combination of financing and advice to create opportunity where it's needed most.

where principles meet practice

IFC's global expertise, local presence, and standard-setting capabilities provide value for money in a time of rising demand for private sector development.

where innovation meets impact

Our innovation, advice, and growing mobilization of resources—targeted at the poorest countries—are giving millions the opportunity to escape poverty.