Innovation, Influence
Demonstration, Impact
IFC brings a distinctive set of comparative advantages to help the private sector reduce poverty and foster inclusive economic growth.
We’re helping to...

Bring satellite-based Internet to millions in Africa · Ease volatility in the food market · Provide access to water for 100 million people · Provide health care to 100,000 low-income residents of the Indian state of Andhra Pradesh · Lead the G-20 Financial Inclusion Initiative · Establish global standards for development finance institutions · Create a €150 million fund to purchase carbon credits and promote green industries · Mobilize up to $2 billion from investors for vocational training in the Middle East and North Africa · Provide $400 million for telecommunications infrastructure in Iraq · Sponsor a competition to find the best commercial lenders for small businesses · Bring mobile communications to millions in Madagascar, Malawi, and Nigeria...

Here’s how.

**INNOVATION**
Tackling problems, finding solutions

**INFLUENCE**
Shaping policy, raising standards

**DEMONSTRATION**
Mobilizing capital, setting an example

**IMPACT**
Improving lives, promoting development
It takes creativity to conceive and execute game-changing projects.

Money alone can’t address the needs of the developing world. We’re leveraging IFC’s expertise and global presence to find new approaches to the most pressing challenges—from food and water security to climate change to job creation.

In an increasingly complex global economy, the demand for private sector development—and IFC—is great. We’re meeting the demand with innovative initiatives that maximize the private sector’s capacity to create opportunity and promote inclusive growth.

As the world’s preeminent development institution devoted to the private sector, IFC’s work gives the poor a shot at high-quality medical care, links impoverished communities to the power of the Internet, supports the transition to renewable energy, and gives women entrepreneurs the backing they need to expand their businesses and hire new workers.
Bringing the Internet to the “Other 3 Billion”

O3b Networks will soon help lower Internet access costs in rural areas.

Broadband Internet is a crucial portal to the global economy. But traditional, land-based cables don’t reach much of the world, especially those individuals and businesses located in developing regions. In 2010, for example, fixed broadband subscriptions in Africa accounted for less than 1 percent of the global total, while estimated Internet users on that continent accounted for less than 4 percent.

By funding a satellite-based Internet development project, IFC is helping address that problem. O3b Networks, a company striving to bring Internet access to the “other 3 billion” potential users worldwide, will soon deliver broadband connectivity to underserved regions—from space. From a constellation of eight satellites in medium earth orbit, O3b will increase bandwidth capacity and lower Internet access costs for those rural areas between 45 degrees of latitude north and south of the Equator. The system has the potential to provide millions of people with connectivity to broadband networks.

Though initially backed by a number of high-profile investors—including Liberty Capital, HSBC, and Google—many commercial lending banks deemed the venture too risky because of volatility in credit markets and uncertainty resulting from the global economic downturn. IFC helped rally support from development finance institutions to bridge the investment gap. By pledging $70 million from its own account and mobilizing $170 million in parallel loans from other institutions, IFC helped fulfill the remainder of O3b’s investment goals.

Expanded Internet access aligns with a number of IFC’s strategic priorities. We’re tackling constraints to private sector growth by improving access to communications technology, addressing access gaps in telecommunications services, and supporting Internet-based business innovations.

In addition, the undertaking should lower costs for cellular operators. Mobile phone use is generally more common than Internet use in developing regions—lower costs here will also mean greater connectivity.

The first round of satellites will be launched in 2013.
Above: Construction workers build Bakhresa Group’s new wheat flour mill at the Kigali Industrial Park in Rwanda.

Bakhresa Group, an agricultural company and IFC client, was eager to scale up its wheat flour production operations in Rwanda with a new mill. But it faced a challenge not uncommon to agribusinesses in emerging market countries—how best to lock in stable, long-term financing in an environment fraught with foreign-exchange risk and commodity price volatility.

Rwanda does not have a swaps market that can enable long-term lending in local currency. IFC came up with a novel way to inject additional liquidity into the food supply chain, enhance agricultural productivity, and help develop a vibrant and efficient capital market. We provided the client a long-term loan that was partially disbursed in Rwandan francs.

The solution—a swap arrangement with the Rwandan Central Bank—is unique. It allows IFC to provide loans in local currency to Bakhresa and several other enterprises. In doing so, we helped them avoid the financial risks of borrowing in foreign currencies. These swaps are financial instruments that allow IFC to exchange a stream of future local-currency cash flows for U.S. dollar cash flows, assuring stable financing for local borrowers.

The Rwanda initiative marked the first time a multilateral financial institution has entered into a long-term swap with an African central bank to provide local-currency financing—a milestone where IFC filled a void in Rwanda and helped further the development of local capital markets there.

The arrangement helps pave the way for the development of a commercial swaps market in Rwanda. It also provides a successful template as IFC works with other central banks in developing countries to fashion similar programs—for example, we recently signed a similar agreement with the Central Bank of Paraguay.

This initiative also benefits the central banks of developing countries in several ways. It allows them to work directly with cross-currency swaps. As commercial swaps markets develop in these countries, central bankers with hands-on experience with swaps will be better positioned to oversee these markets and ensure their effective functioning.

IFC extended its first local-currency loan in Africa a decade ago. We have used cross-currency swaps to finance local-currency projects in several African currencies, including Ghanaian cedis, Kenyan shillings, Moroccan dirhams, Nigerian naïras, South African rand, Tunisian dinars, Tanzanian shillings, and Zambian kwacha. IFC also provides local-currency loans in Africa by issuing bonds in local currency and through structured financial products.

IFC has provided financing in 45 local currencies.
Confronting climate change is expensive and interlinked with some of the toughest development challenges—water, food, health, and conflict.

Within two decades, the cost of addressing global warming in developing countries could reach $275 billion a year, an investment that won’t be possible without the private sector, which is expected to pay for more than 80 percent.

IFC is working with the private sector to advance climate-friendly renewable energy projects in the poorest areas, where climate change has the potential to do the most harm. Our relationship with China WindPower Group shows how IFC is helping countries transition to low-carbon growth by supporting companies that are scaling up the use of clean technology and renewable energy sources.

China WindPower makes wind turbine towers, then designs, constructs, and maintains wind farms for itself and other developers. It’s already developed 12 midsize wind farms in China with large state-owned enterprises, and is now exploring opportunities for “South-South” investment in India and Africa.

In China, IFC is helping the company build a 201-megawatt plant in Gansu, a poor province whose Gobi Desert locations are favorable to wind projects. The new plant will allow China to avoid hundreds of thousands of tons of carbon-dioxide emissions, create jobs, and promote energy efficiency.

Projects like this are critical. China is the world’s fastest-growing wind market, but also the largest emitter of greenhouse gases. China’s wind-power capacity has doubled every year for the past four years and shows no sign of stopping—the country is committed to getting 15 percent of its power from renewable sources by 2020.

To fund China WindPower’s Xiehe plant, IFC is providing a $45 million loan, and mobilized $95 million more from commercial banks. This marks China’s first wind-power deal financed entirely through an international bank syndication. We’ve also taken a $10 million equity stake in the company to help it look for business outside China, where it can help other countries go green.

The investment is just part of our work in this area. In FY11, IFC invested $1.7 billion for our own account in climate-friendly projects. By FY13, at least 20 percent of our commitments will be in such projects, up from about 14 percent now.

To help the private sector better understand the risks involved with climate change, IFC is conducting research on its economic impact. A series of recently published climate risk studies provides insight into the implications of climate change for business—how it may affect companies’ financial, economic, environmental, and social performance. We also worked with the consulting firm Mercer on a report that shows how uncertainty around international climate policy will be a significant risk for institutional investors over the next two decades.

In FY11, we invested $1.7 billion in climate-friendly projects.
IFC’s first health-sector public-private partnership in India is lowering medical costs.
Medical problems that should be routine can turn catastrophic when families don’t have access to hospitals with modern technology. IFC is finding novel ways to make sure the poor get the care they need, and learning from our experience so productive projects can be duplicated elsewhere.

We helped Andhra Pradesh, a state on India’s southeastern coast, boost access to advanced diagnostics by developing a unique public-private partnership to upgrade radiology services at four teaching hospitals. A consortium of Wipro-GE Healthcare and Medall Healthcare will refurbish and build facilities, install equipment, and offer services. Scans provided by the consortium will cost around half the market rate—huge savings on a service that was previously unattainable for most people in the region.

The initiative, IFC’s first health-sector public-private partnership in India, is structured to maximize development impact by fusing the private sector’s expertise with public policy objectives. And it shows how PPPs can be effective beyond their traditional use in infrastructure projects. IFC’s role included the formulation of a comprehensive framework to provide direction for future PPPs, strengthening the delivery of health care services to low- and middle-income groups.

Thanks to the initiative—supported by the Dutch Technical Assistance Trust Fund—underprivileged patients in Kakinada, Kurnool, Vishakhapatnam, and Warangal will get advanced radiology services at no additional cost. We expect the initiative to serve 100,000 people a year, around 85 percent of whom live below the poverty line.

But it’s not only the patients who will benefit. Medical colleges will use the facilities to train doctors with state-of-the-art technology and techniques, helping Andhra Pradesh address its shortage of specialists, and putting it in a better position to retain skilled doctors.

The private sector has a significant role to play in health care in developing countries. In Sub-Saharan Africa, for example, private health care providers are often the only option for people living in rural areas and urban slums. Yet oversight of these providers is minimal, according to Healthy Partnerships, a report published in June by IFC and the World Bank.

We help governments forge partnerships with the private sector that can foster better funding of health care for the poor and promote more effective regulation. Healthy Partnerships, the first systematic assessment of the relationship between the public and private health sectors in 45 African countries, found that the region’s health care goals can be attained faster through the power of public-private partnerships.

**Left and above**

At the Kurnool Medical College training hospital, patients can get advanced radiology services at no additional cost.
STIMULATING TRADE FLOWS IN TOUGH MARKETS

When companies trade, they grow. And when they grow, they hire people.

But for small enterprises in the world’s poorest markets, joining the global trading system is easier said than done. Too often, large financial institutions are hesitant to enter into relationships with little-known companies and local banks in developing countries, a reluctance that dampens trade volume.

“When you are in Africa, no one wants to work with you without a confirmed letter of credit,” says Ashu Gulati, Group Finance Director at Synarge Group, an auto-parts importer in Dar es Salaam, Tanzania.

We are helping change that dynamic. By issuing credit guarantees where others won’t, IFC is providing essential liquidity for global trade flows. It’s a short-term, relatively low-risk endeavor that has a large development impact. And it supports transactions that typically wouldn’t be possible without an IFC guarantee.

Ask Safepak, a Kenyan company that manufactures plastic bottles for around 500 small and medium businesses and large multinationals. We’ve issued 57 guarantees totaling over $10 million for letters of credit to Safepak, facilitating imports of PET resin and heavy equipment. The company credits IFC’s guarantees for its impressive growth: CEO Tushar Shah says that over the past seven years, revenues have surged from $5 million to $40 million, while staffing has grown from 80 employees to 450.

Since its creation almost six years ago, our Global Trade Finance Program has helped many companies such as Safepak—particularly in IDA countries—serve SMEs. The results are significant. More than 9,600 guarantees with a median value of about $270,000 have been issued since 2005—without a single loss.

Equally important, the program has led the way for deeper IFC engagement in post-conflict and severely challenged countries, including Haiti, Rwanda, and Sierra Leone. Our Global Trade Liquidity Program, set up in the wake of the financial crisis, has a similar track record. It has supported more than $11 billion in trade without loss since 2009.

IFC’s role is expected to increase further as the world adjusts to new capital requirements that make it more difficult—and more expensive—for businesses in lower-income countries to access trade finance. That’s one reason we’re launching new short-term finance initiatives, including the Global Trade Supplier Finance Program and the Global Warehouse Finance Program, and working on a framework to measure the development impact of trade finance.
Above Phool Pati Devi and her family at her grocery store in Uttar Pradesh, India.

Life changed for Phool Pati Devi when she took her first loan, for a little over $200, from Utkarsh Micro Finance, a start-up based in India’s low-income state of Uttar Pradesh. For 15 years she had struggled, earning a meager income selling food off a cart she pushed through her village. But when Utkarsh came on the scene in 2010, she achieved her dream—opening a small grocery store in her home, leaving the cart aside. The store’s sales have been brisk, allowing Phool to send her children to a better school and put $50 in the family savings account each month. Now she is planning her next investment: a refrigerated unit for cold drinks.

Phool Pati is one of nearly 60,000 women in rural parts of northern India who now have access to finance and increased credit thanks to a partnership between IFC and Utkarsh, which means “progress” in the local language. These small loans make it possible for women borrowers to start or expand their businesses. And there’s room to grow: the microfinance institution aims to reach 500,000 women over the next five years.

IFC’s $550,000 investment has helped Utkarsh expand access to financial services for women entrepreneurs in rural parts of India, while advisory services have helped establish a credit and risk-management system and strengthen monitoring. With IFC’s help, the company is instituting practices that avoid overindebtedness, encourage better credit appraisal policies, and promote transparent pricing.

“Very few bankers and private players want to take risks, especially in those markets that have typically not benefited from mainstream growth in the past,” said Govind Singh, Utkarsh Managing Director and CEO. “IFC’s support is helping us reach out to women who need access to financial services and have not been served traditionally.”

IFC is also supporting women’s access to financial services through a partnership with the Self-Employed Women’s Association of India. We recently provided funding to Shree Mahila SEWA Sahakari Bank, an all-women’s cooperative bank founded in 1974 with the specific goal to provide credit for self-employed women. SEWA Bank is pursuing a new business model, by making access to savings, pensions, and insurance—in addition to credit—available to the 1.3 million women who comprise the parent organization’s membership. With IFC’s assistance, SEWA intends to secure a national banking license and expand into previously underserved rural areas.
IFC’s advice and ideas shape policy in emerging markets.

We guide countries to a position where they can attract—and retain—the capital that creates jobs and improves lives. We use our influence with companies and governments to bolster corporate governance and raise performance standards, essential ingredients for a vibrant private sector. And we take advantage of our vast network of partners in the financial sector to ensure that the small businesses that employ hundreds of millions of people can access the investment they need.

Simply put, IFC’s work helps shape the policy agenda. Other development finance institutions are adopting our system for evaluating corporate governance risks, a shift with potentially far-reaching implications for emerging markets. The Group of 20 has sought our leadership on new approaches to finance for small and medium enterprises, a unique opportunity to give more people an entry into the global economy.
“Who puts all these pieces of the puzzle together?”

It is an essential question for policymakers and institutions grappling with the challenges of development. It was posed in 2010 by H.R.H. Princess Máxima of the Netherlands, UN Secretary General Ban Ki-moon’s Special Advocate for Inclusive Finance for Development. “A puzzle-maker is needed to ensure that all the different efforts talk to each other, and to help us identify remaining information gaps,” she said.

Heads of state from the G-20—the world’s foremost international economic policy coordination body—have asked IFC to take on this role to enhance access to finance for small and medium enterprises. The group cited IFC’s decades of experience as an international agenda-setter on SME finance development. That experience gives us a vast body of practical knowledge we can share, drawn from our extensive investment, advisory, policy, and research work in every region, and long-standing client relationships and partnerships with financial institutions, donor agencies, and others.

In Pittsburgh, the G-20 leaders launched a new Financial Inclusion Initiative, vowing to expand the world’s best work on SME finance as part of a broader mandate. To do so, they sought IFC’s support, in close collaboration with the World Bank, on three central tasks:

- **Advising the Financial Inclusion Experts Group**, a new high-level body that was tasked with sharing knowledge of successful models of financial services delivery for the poor and scaling up access to finance for SMEs. Our advice led to the creation of a new Global Partnership on Financial Inclusion.
- **Producing Scaling up SME Access to Financial Services in the Developing World**, a comprehensive report summarizing the SME finance gap

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H.R.H. Princess Máxima of the Netherlands
and its challenges, with summaries of 164 effective responses from governments, development finance institutions, and the private sector.

- Supporting the SME Finance Challenge, a global competition to produce innovative private sector proposals to strengthen SMEs, achieving large-scale results by making the most of limited amounts of public funding.

To help bring the benefits of financial inclusion to millions, IFC is working with Canada and other partners to facilitate the creation of an SME Finance Innovation Fund to implement winning proposals from the SME Finance Challenge by November.
Corporate Governance Methodology—a system for evaluating corporate governance risks and opportunities that is recognized as the most advanced of its kind. DFIs plan to use these guidelines to assess the quality of corporate governance at companies they invest in. They also will urge global financial institutions to consider these guidelines for their own investments in developing countries.

The working group included IFC, the Black Sea Trade & Development Bank, the Latin American development bank CAF, CDC of the U.K., the European Bank for Reconstruction and Development, the Islamic Development Bank, the Dutch development bank FMO, and the German development bank DEG. Some of the banks, such as FMO, have already begun to implement the new guidelines. Others are expected to adopt them later in 2011.

IFC and our partners in this initiative believe our expertise as providers of financing and advisory services allows us to play an important role in improving corporate governance. Adoption of a common approach by DFIs sets a standard for due diligence and helps establish common expectations among our clients, raising the bar for corporate governance in emerging markets.

In an era of rapid globalization, the fate of entire economies can depend on how individual businesses are governed. Well-run companies are better able to attract capital, respond to competitive challenges, and build conditions necessary for long-term success. They safeguard themselves—through sound corporate governance—against the perils of mismanagement and corruption. In doing so, they also help bolster national economies.

IFC has played an important role in promoting good corporate governance in developing countries for decades. Our broad experience spurs investors to look to us for leadership. Today, we are also working with leading development finance institutions to develop a common framework to improve the governance of companies we work with.

In FY11, a working group representing more than 30 development finance institutions agreed to adopt a set of standards based in part on IFC’s Corporate Governance Methodology.
Our Post-2012 Carbon Facility can help ensure the continuation of climate-friendly projects.

The lack of a global climate agreement could harm the environment—but it’s already hurting markets. Countries and companies need certainty to make investment decisions. Without a global framework, financing for climate-friendly projects is jeopardized and uncertainty prevails in carbon markets.

To mitigate these risks and promote low-carbon growth, IFC launched the Post-2012 Carbon Facility in February 2011. The fund closed, fully subscribed, in June 2011. It will purchase Certified Emission Reductions—or CERs, a type of carbon credit governed under the Kyoto Protocol—through 2020, long after the first commitment period for the protocol expires in 2012.

Without a new international framework, the market for carbon credits is uncertain. As a result, funding for carbon-reduction projects in emerging markets has been, and will continue to be, limited.

The IFC facility can help address some of this uncertainty by purchasing carbon credits directly from companies with projects that reduce greenhouse emissions. This will provide a much-needed revenue stream that will enable the continuation of climate-friendly projects.

IFC has committed €15 million for our account to the fund, and we have mobilized an additional €135 million from European energy groups. These forward-looking investors see a significant business opportunity in post-2012 emissions reductions.

As part of the World Bank Group, IFC has also partnered with the Carbon Disclosure Project—the world’s largest database of corporate climate change information—in which member organizations voluntarily disclose emissions information to attract funding from potential investors.

Reducing the effects of climate change on developing countries is a top priority for us. At the same time, the largest growth in demand for energy is coming from the world’s fastest-developing countries. That’s why we aim to make at least 20 percent of our investment commitments climate-friendly by FY13, an increase from the current level of about 14 percent.
ENCOURAGING FINANCIAL INTERMEDIARIES TO REACH THE POOR

IFC can reach the poor quickly and sustainably through a network of financial institutions.
In developing countries, about 400 million businesses lack the credit they need to grow. These enterprises typically employ fewer than 250 people, yet they account for nearly half the jobs created in the developing world.

In all, their unmet financing needs total more than $2 trillion—an amount equal to the gross domestic product of some of the world’s wealthiest countries. It is a sum far beyond the capacity of any one institution to provide. It’s a challenge that can be met only by a wide network of financial institutions.

IFC plays a critical role here. In the six decades since our founding, we have built one of the largest networks of financial intermediaries operating in developing countries. We work with more than 750 financial institutions that command more than 30,000 distribution points in nearly every corner of the developing world.

This is a powerful network for reaching the poor quickly and sustainably. We make the most of it—to provide financing to micro, small, and medium enterprises, to support women entrepreneurs, to encourage climate-friendly investments, to promote responsible finance, and to broadly improve social and environmental standards in developing countries.

In FY11, nearly half of our investments in financial intermediaries went to the poorest countries served by the International Development Association. Working with such institutions has helped us improve access to credit for micro, small, and medium enterprises. In calendar year 2010, financial intermediary clients for which we have data provided nearly 10 million loans totaling more than $140 billion to such enterprises. It has also allowed us to help local banks improve their capacity to serve the poor and the vulnerable—for example, by advising them on diversifying their financial products.

We want financial institutions to act responsibly when we invest in them. We require them to comply with our Performance Standards (see page 72) on environmental and social assessments and management systems, and on labor and working conditions. We instruct them to observe IFC’s Exclusion List, which prohibits them from investing in projects that we ourselves would not invest in (see page 100). We have also updated our Sustainability Framework (see page 96) in a way that requires these institutions to rate their own portfolio risks more clearly, and have actively engaged with civil society groups on these issues.

Over the past few decades, financial intermediaries in emerging markets have provided access to finance to hundreds of millions of people. But much more needs to be done to close the credit gap. We believe there is no more efficient way to do so than to harness the power of our network of trusted partners to help the poor and the vulnerable.
Investment sparks growth and increases the incentive for peace.

Conflict creates economic instability, which in turn can spur further conflict. For developing countries emerging from war, it can be a self-reinforcing cycle.

IFC helps such countries attract investment, reduce barriers to entry for businesses, and expand credit for small and medium enterprises—all of which can spark economic growth, thereby increasing the incentive for peace.

Post-conflict development is a priority for us. As the 2011 World Development Report noted, about 1.5 billion people live in countries afflicted by repeated cycles of political and criminal violence. Not one low-income country coping with such challenges has managed to achieve even a single Millennium Development Goal.

South Sudan—a country where millions have been affected by violence—is trying to end that cycle. Since its recent declaration of independence from the North, it has taken important steps toward political stability. Economic development must come next, and quickly. Over the past six years, IFC and its partners—including Denmark, Ireland, the Netherlands, Norway, and the United States—have committed $9 million to help South Sudan craft legislation on regulatory and business reform.

As a result of reform efforts, including the establishment of a new business registry, more than 11,000 businesses have been registered in the country since 2006. According to the World Bank Group’s Doing Business in Juba 2011 report, business start-up time is now 15 days—close to the average for the major developed countries.

The work we do can be transformative for entrepreneurs such as Peter Atem, a former soldier whose company became one of the first beneficiaries of the new business registry. Atem’s company has built more infrastructure in South Sudan than any other local enterprise, handling over $8 million in contracts for roads, bridges, water lines, schools, and government buildings.

We are quick to assist countries emerging from conflict. This year, within months of the end of hostilities in Côte d’Ivoire, we invested $1 million in Advans Côte d’Ivoire to help the microfinance institution expand lending.

Typically, our involvement begins with advisory services—especially in the area of investment climate, which helps rebuild and open up markets. This year, an independent evaluation of our investment-climate work in Burkina Faso, Liberia, Rwanda, and Sierra Leone—all of which have a recent history of conflict—found that reforms we helped implement led to the establishment of nearly 12,000 businesses, generated private-sector investments of as much as $90 million, and created more than 50,000 jobs.

In addition, our joint work with the World Bank helped result in a breakthrough for the 16 countries that make up the Organization for the Harmonization of Business Law in Africa, several of which are conflict-affected. We helped OHADA harmonize key commercial laws for the first time. That will help these countries attract investment and open up opportunities for local entrepreneurs.

Right: Peter Atem, director of the construction company Rhino Stars, has built roads, schools, and government buildings in South Sudan.
IFC’s development impact is greatest when our clients operate sustainable businesses. Our Sustainability Framework helps them do just that. It promotes sound environmental and social practices, broadens our development impact, and encourages transparency and accountability.

This year—after an 18-month consultation process with stakeholders—we updated the Sustainability Framework to reflect the rapid evolution in best practices for sustainability and risk mitigation. The update addresses challenging issues such as supply-chain management, climate change, and business and human rights. Key changes include:

- Reducing the threshold for clients to report greenhouse emissions—from the equivalent of 100,000 tons of carbon dioxide per year to just 25,000 tons. This will allow IFC to better understand the footprint of our portfolio and expand the scope of our energy-efficiency analysis.
- Addressing human trafficking and forced evictions, and allowing communities’ continued access to cultural heritage sites on purchased land.
- Ensuring more robust consultations for projects with potentially adverse effects on indigenous peoples through the principle of “Free, Prior, and Informed Consent.”
- Expanding requirements for clients with regard to sensitive habitats.
- Increasing transparency—namely, through our Access to Information Policy (see page 100) as regards the environmental and social performance and development impact of IFC’s projects and investments, including with financial intermediaries and in advisory services.
- The Sustainability Framework’s influence extends beyond IFC. Our Performance Standards (see page 72), which define clients’ responsibilities for managing environmental and social risks, are the basis for the Equator Principles, a voluntary risk-management framework used by 71 financial institutions worldwide.

Increasingly, companies are incorporating these standards into their policies and investors are viewing them as an indication of quality. In addition, 15 European development finance institutions and 32 export credit agencies from countries belonging to the Organisation for Economic Co-operation and Development refer to the Performance Standards in their operations. Governments now use IFC’s Standards as a reference point in their policy guidance. Bangladesh, Canada, China, Norway, and Vietnam, to name a few, refer or plan to refer to IFC Standards in an effort to guide companies—particularly those in the financial and extractive sectors—toward sustainability.

Private enterprises are increasingly adopting IFC’s environmental and social standards.

Influence
DEMO

ATIO
Creating opportunity is contagious.

Our involvement in challenging markets encourages the private sector to follow our lead. By succeeding in places that have been neglected by traditional investors, IFC sets an important example—boosting access to finance in developing countries and making them more competitive and resilient in the face of crises. At the same time, our Advisory Services demonstrate that by improving the investment climate and shoring up domestic financial markets, poor countries can attract even more of the private sector capital they need, strengthening the case for sustainable business practices.

IFC’s work shows how the private sector can catalyze South-South investment in countries struggling to break free from years of conflict. It shows how poor countries can harness the power of cutting-edge technologies, opening new markets along the way. It shows the capacity of women-owned businesses to propel growth and job creation and remake their communities. Most importantly, it shows that there is opportunity in the least developed markets—not just for IFC, but for all investors.
Countries emerging from years of conflict face enormous development challenges. The need for jobs, investment, and infrastructure is urgent. IFC arranged a $400 million, seven-year debt facility for Iraq’s largest mobile phone operator, Zain Iraq, highlighting our unique ability to meet an array of development goals in the most challenging places.

The facility supports South-South investment, provides financial support for a war-torn country, mobilizes international capital, mitigates political risk, and enhances a long-term relationship with a strategic IFC partner. It does so while expanding telecommunications services and promoting job creation in a nation that has endured decades of conflict and is regarded by investors as highly risky.

Zain Iraq is a subsidiary of Kuwait-based Zain Group, a longtime IFC partner and a leading mobile telecommunications operator with 72.5 million subscribers across the Middle East, North Africa, and Sub-Saharan Africa. Zain Iraq’s acquisition of Iraqna transformed it into Iraq’s leading mobile operator.

The Zain Iraq facility is IFC’s first investment in Iraqi infrastructure and our largest in Iraq to date. The facility consists of an IFC loan of $155 million, plus a $50 million B-loan by Ahli United Bank and four syndicated parallel loans totaling $195 million by other development financial institutions—$245 million in total mobilization. This is the first time several of them have invested in Iraq in this way. Zain will use the funds to improve network coverage and capacity, cover license fees, and repay loans related to the acquisition of Iraqna.

IFC’s support for the project, early and ahead of other lenders, sent a positive signal to potential investors that it is possible to finance infrastructure projects in Iraq despite the challenging environment. The project extends mobile phone coverage to poor and underserved areas of Iraq, boosts direct and indirect employment in a key non-oil sector, supports delivery of social services, and advances our strategy of supporting fragile and conflict-affected countries.

Zain Iraq has over 50 percent of Iraq’s mobile phone market and expects to add more than 4 million Iraqi mobile phone users in the next five years, to bring its Iraq customer base close to 20 million.
Vietnam’s Viettel to Haiti’s TELECO to upgrade communications systems.

IFC’s combined investment and advisory projects are supporting the creation of 5,000 new jobs in Haiti, and safeguarding 5,000 existing jobs. Through Advisory Services, IFC has also trained more than 1,500 managers of small and medium enterprises across Haiti, improving their growth capacity and potential to create jobs.

The E-Power plant is majority-owned by local investors and will produce electricity for the state-owned utility company under a 15-year purchase agreement. IFC provided $17 million in debt financing, and mobilized $12 million from the Netherlands FMO and $28 million from local banks and investors. The total project cost was $57 million.

Even before the 2010 earthquake, only 25 percent of Haiti’s population had access to electricity, with the best-served areas rarely receiving more than eight hours a day. Restoring basic public services is the first step toward restarting growth.

To mitigate acute power shortages and support a nascent industry, IFC led the financing of the construction of a 30-megawatt power plant outside the nation’s capital. Inaugurated in January 2011, the new plant, E-Power, immediately increased the energy supply capacity in the Port-au-Prince metropolitan area by approximately 35 percent.

The facility uses a cleaner technology and produces electricity at a lower cost than existing thermal plants—15 to 17 cents per kilowatt hour as compared to 22 to 26 cents for other installations in the country. That should reduce energy costs and improve air quality in the city by reducing the need for personal generators that burn diesel fuel. In a full production year, this will save the Haitian government $20 million.

Beyond these immediate benefits, the initiative is also intended to demonstrate that successful development projects are possible—and, indeed, necessary—in fragile post-disaster situations. The large influx of foreign aid was needed and encouraging; but it’s also important to spark domestic private enterprise and promote reconstruction-linked investment opportunities.

IFC responded swiftly to Haiti’s earthquake by investing $15 million in projects focused on job creation in the garment, finance, mining, and hospitality sectors. IFC’s portfolio of investments amounts to $47.7 million for seven operations in the country. Through IFC advisory services, we also structured a public-private partnership that generated the largest foreign direct investment since the earthquake: $100 million from

**RESTORING POWER, SETTING AN EXAMPLE**

We’re helping E-Power increase access to electricity in post-earthquake Haiti.

Above: Workers complete the last stage of construction at the E-Power facility in Port-au-Prince.
Accurate, timely information helps small farmers boost their incomes and improve food security.

Just ask Susogn Poatab, a smallholder farmer in Chamba, Ghana. Once unable to get information on prices outside his local market, Poatab now receives text messages that show where he can get the most money for his yams. The SMS price alerts from Esoko, a Ghanaian firm whose products allow different parties in the agricultural value chain to exchange real-time market information, are making a difference.

Without them, Poatab would not have known that his harvest of 100 tubers was worth nearly three times more in the community of Ejura than in his local market. The profit covered the salaries of five laborers working on his farm.

IFC is helping bring that technology to more farmers in the world’s poorest countries. We invested $1.25 million in Esoko, whose system stabilizes input prices, making food more secure.

Just by glancing at their mobile phones, farmers can tell the demand and prices for crops, and the location of seeds and fertilizers. Businesses can use the same system to see how their products are used and market themselves to new customers. For associations and governments, bulk text messaging can transmit information to thousands of people.

The smooth flow of information is essential for well-functioning markets, making countries more resilient in the face of crises and more open to investment and giving the poor a better shot at prosperity. IFC invested in Esoko, alongside the Soros Economic Development Fund, because we believe rapid growth in the use of mobile phones in Africa provides an opportunity to address development challenges with innovative technology. We can also set an example that inspires investors who aren’t typically interested in developing markets.
The Middle East and North Africa have the highest rates of youth unemployment in the world—over 25 percent. Two-thirds of the region’s people are younger than 30, implying an enormous need for job creation.

Over the next generation, the workforce will need to accommodate an additional 55 million people. Clearly, the status quo is not sustainable. Young people across the region are demanding change and calling for better job opportunities, as recent events have shown.

IFC and the Islamic Development Bank are seizing this historic opportunity to invest in Arab youth, by launching a program that over five years could mobilize up to $2 billion to promote Education for Employment, or e4e. Through a combination of investment and advisory services, the initiative will support vocational education, training, work-readiness programs, and university education throughout the region.

Governments in the region have traditionally provided the funding for education, but e4e will also encourage greater roles for private institutions and student self-financing. Across the region, only 15 to 20 percent of students receive private post-secondary education, yet 36 percent of students answered that they would pay for post-secondary education if it helped them get a job.

In the words of Queen Rania of Jordan, Honorary Chairwoman of the e4e initiative: “Governments must create an enabling environment for the private sector. The private sector must bridge gaps between schools and job markets.” To read the full e4e report, please visit: www.e4earabyouth.com.

To better understand the needs of both students and employers, and to craft education programs that better meet those needs, IFC also funded a 3,000-person survey across nine countries in the region.

As we discovered, a majority of employers in five MENA countries think that recent graduates lack the appropriate skills for their workplace. In a separate World Bank study, 80 percent of Algerian firms reported recruiting problems because of a lack of qualified labor. At the same time, a university education does not guarantee a job—in some countries, the unemployment rate is higher for university graduates than other young people.

In other words, there is a serious disparity between the education provided in existing institutions and the skills demanded by businesses. By fostering collaboration between employers and educators and providing targeted training, the e4e initiative is attempting to shrink the skills gap.
It’s the largest-ever capital expansion program by the private sector in the Turkish electricity sector.

With Turkey’s demand for electricity expected to grow by 8 percent per year over the next decade, the Enerjisa plants will provide needed relief to the country’s power sector. But the benefits will extend beyond narrowing the gap between supply and demand. The demonstration effect of the project will instill confidence in lenders and developers, supporting the government’s effort to attract private sector investment. Through its hydro and wind plants, the project will also help reduce the carbon intensity of Turkey’s power sector.

By working with Enerjisa, a joint venture between Turkish financial conglomerate H.O. Sabanci Holding and Austrian utility Verbund AG, IFC is supporting the government of Turkey’s effort to reform the electricity sector and ensuring the implementation of best-practice environmental and social standards.

Turkey’s power sector needs private investment.

Without it, the country’s energy supply will be less secure, and the threat of electricity shortages more intense. Over the next five years, Turkey is expected to need around $2 billion from the private sector to meet the growing demand for efficient and sustainable energy.

By mobilizing capital, we’re doing our part—ensuring that Turkey can expand its generation capacity and develop environmentally friendly projects, and giving the private sector comfort to deal with commercial risks and regulatory uncertainty. In FY11, we arranged our biggest syndication ever—a €700 million financing package—for Enerjisa Enerji Uretim to build a series of power plants in Turkey with total capacity of 1 gigawatt.

The loan package, IFC’s second with Enerjisa, underscores the value of our work with partners in the financial sector to bring capital where it is needed most. Arranged in coordination with UniCredit Corporate and Investment Banking and WestLB, the funds will support the construction of a large natural-gas-fired thermal power plant in Bandırma, two hydroelectric plants in Yamanlı and Dogancay, and one wind-power plant in Mersin.
How IFC Creates Opportunity
Creating opportunity for people to escape poverty and improve their lives.

It’s the reason IFC came into being, and it’s what motivates us to this day.

Achieving an impact requires a careful balance between initiatives that directly address the needs of the poor and projects that promote more broad-based growth. We focus our investments and advice on the poorest countries and regions because that’s where we can have the biggest impact. The results are impressive—more jobs, higher incomes, safer food and water, and better access to finance.

In an era of tight budgets, we’re putting even more emphasis on development impact, selecting projects that allow us to extend our reach into areas where we are needed most. We also are ramping up our effort to count the beneficiaries of our work—particularly the poor and the vulnerable.
Arrive in Papua New Guinea’s lush tropical hinterland and you’ll find trading posts, market vendors, and handicraft stalls. But you’ll be hard-pressed to spot a bank branch anywhere in the villages dotting the landscape.

Just 10 percent of Papua New Guineans have access to banking services. In all of the Pacific island nations, more than three-quarters of the population never sees a teller or has the opportunity to keep money in a bank account.

With investment and advice, IFC looks to support inclusive businesses—firms that offer goods and services to the poor and help raise their economic standing. Enabling people to save money, transfer funds, take out loans, and grow their businesses by investing is a good way to do just that.

A recent surge in gold, copper, and gas development has fueled a boom in Papua New Guinea. But to realize opportunities for many, IFC is helping the country’s transformation by supporting firms that target customers and suppliers at the base of the economic pyramid.

To that end, IFC and Bank South Pacific Rural agreed to provide banking services to individuals and tiny businesses in Papua New Guinea’s highlands by helping set up electronic terminals in local shops. The terminals enable people to deposit and transfer funds in even the remotest corners of the country.

IFC investments are supporting this emerging business at the base of the pyramid. About 150 IFC clients are currently using inclusive business models to provide direct benefits to the underserved population at the base of the pyramid, creating high development impact in financially sustainable and scalable ways.

IFC launched a dedicated Inclusive Business Group to create the tools, resources, and events that will help

**GLOBAL**

**CREATING OPPORTUNITY AT THE BASE OF THE ECONOMIC PYRAMID**

Inclusive business models provide benefits to underserved populations.

**JUST**

**10%**

**OF PAPUA NEW GUINEANS HAVE ACCESS TO BANKING SERVICES**

With IFC’s support, Bank South Pacific Rural is providing financial services to the underserved in Papua New Guinea’s Western Highlands region.
investment and advisory staff develop new ways to support IFC clients entering the base of the pyramid.

Ecom Agroindustrial Corporation Ltd., one of the world’s biggest coffee traders, is one. We’re working with Ecom to create benefits for the firm and its suppliers.

The collaboration led to the launch of Vietnam’s first training center for coffee farmers. Over three years, it will build the skills of 4,000 small-scale farmers in sustainable agriculture, helping them meet international certification standards, improve the sustainability and productivity of their crops, and increase their earnings, as they will be able to charge more for the certified coffee beans.
Our Work in IDA Countries

We invested in 251 projects in 56 of the world’s poorest countries in FY11.

About 2.5 billion people—half the population of the developing world—live in the 79 countries eligible to borrow from the International Development Association, the World Bank Group’s Fund for the Poorest. Here, where most people live on less than $2 a day, the need to create opportunity is greatest.

But investing in these countries can be difficult. Corruption, lax regulation, and weak institutions often frustrate development efforts. Government resources are often inadequate to people’s needs, making private investment critical.

The reach and decentralization of IFC offices make us an important contributor to development in IDA countries. IFC employees are based in 48 IDA countries. In FY11, IFC invested in 251 projects in 56 IDA countries.

IDA countries are priorities for IFC. Since fiscal year 2000, our investments in these countries have grown tenfold, totaling $4.9 billion in FY11 alone. Nearly half of our investment projects and 66 percent of our advisory project expenditures were in IDA countries last year. In addition, IFC has contributed $1.9 billion to the association’s general fund.

On many projects, we’ve partnered with the World Bank to bring complementary skills to clients in IDA countries. In FY11, we launched seven joint investment projects with the World Bank and 105 joint advisory projects.

As we expand our work, we are also broadening the range of IDA countries in which we operate.

We strive to find opportunities in unfamiliar markets, like Mongolia, which are too often overlooked by international investors. Our $2 million investment in the country’s leading dairy processor, Suu JSC, will expand economic opportunities, diversify an economy that has historically relied on natural resources, and bolster food safety. The funds will help Suu install new equipment to test milk quality and expand its network of raw milk herders from 2,500 to around 4,000.

Above: Our $2 million investment in Mongolia’s leading dairy processor will help expand economic opportunities.
We’re giving farmers new tools to mitigate price risk.

In developing countries, the consequences of soaring food prices are devastating. Millions are hungry, malnourished, or forced to spend an increasing share of their income feeding their families. That hardship can destabilize economies and trigger social unrest.

IFC’s response to the food crisis, which began in 2008, targets every link in the agribusiness supply chain—from increasing land productivity and investing in logistics infrastructure to improving water efficiency and increasing economies of scale. We’re also developing financial instruments to help the food sector cope with volatile prices.

Price volatility makes it harder for farmers and agribusiness intermediaries to address the needs of a hungry—and rapidly growing—global population and head off potential crises. Risk-management products, such as futures and options, simply aren’t available or are too costly for most of the developing world’s farmers.

By giving growers new tools to mitigate price risk, IFC is improving access to finance and opening the way for much-needed agricultural investment. The world needs a lot of it: the Food and Agriculture Organization estimates that agricultural investment needs will rise 50 percent to $83 billion a year by 2050.

We’re partnering with JPMorgan Chase to overcome the market constraints that keep banks from underwriting more price-hedging products, an approach we believe will result in an increased use of swaps and forward contracts for corn, wheat, and other commodities. Under a $200 million project, IFC will cover a portion of the credit risk assumed by JP Morgan Chase in hedging instruments.

The project will make more capital available for farmers and ease banks’ country risk and capital constraints, allowing them to meet heavy demand for agricultural-commodity price hedges in emerging markets. Combined, the product will provide up to $4 billion in price protection for farmers, producers, and consumers. It will also demonstrate the role the private sector can play in addressing the food crisis.

Over the past four years, the World Bank Group has increased its annual agriculture investment from $4.1 billion to $5.6 billion, more than a third of which comes from IFC. We are also managing the private sector window of the Global Agriculture and Food Security Program, a Group of 20 effort designed to channel donor funding to public and private initiatives that improve governance, productivity, and competitiveness in agribusiness in developing countries.

But we must do more to address food security. Our work with JPMorgan Chase builds on our strategy to expand our impact in agribusiness through wholesaling operations with financial intermediaries, and with large-scale, efficient producers that can influence supply chains.
REACHING THE POOR WITH RESPONSIBLE MICROFINANCE

We act on many fronts to ensure fairness in microfinance.
IFC has played a leading role in establishing and maintaining inclusive financial systems.

Partnering with more than 220 financial institutions that serve micro, small, and medium enterprises in 80 countries, we supported a combined outstanding portfolio of $8 billion microloans worth $12.6 billion in 2010. In some regions that lack financial services altogether, we have supported the creation of new microfinance institutions.

In Latin America and the Caribbean, 43 IFC financial intermediaries provided 2.9 million microloans, with a value of $5.2 billion in 2010. We’re also helping microfinance institutions broaden the mix of financial services they offer, including deposits and insurance. In Sub-Saharan Africa, our local-currency funding has allowed the Advans Group to expand credit to thousands of microentrepreneurs in Cameroon and Ghana. In the Pacific, IFC launched the $11.3 million Pacific Microfinance Initiative to tailor lending products to hard-to-reach communities.

We are not blind to the limitations of microcredit. Because of its rapid growth, the industry has, at times, let down the very clients it sought to lift up. Last year a crisis unfolded in India—frantic growth in microfinance contributed to increased competition, rising indebtedness, and, ultimately, default. IFC responded by engaging with industry, policymakers, think tanks, banks, and others to promote the development of codes of conduct, credit bureaus, social performance tracking, and consumer protection.

Nearly 3 billion people have no access to formal financial services. Microfinance provides the best framework in which to address that problem. As the Consultative Group to Assist the Poor noted recently: “The microcredit movement made a critical contribution in proving that it is possible to deliver financial services to poor people at scale, and in a sustainable way.”

Recognizing that the poor are especially vulnerable to unfair banking practices, IFC will continue to act on a number of fronts to ensure fairness in microfinance.

Domestic regulation and legal structures must also be in place. The absence of a credit bureau, for example, can also contribute to microcredit crises—banks can’t tell which borrowers have loans from multiple providers.

Through our Global Credit Bureau Program, IFC has created or improved credit bureaus in more than 14 countries and advocated for relevant laws in more than 30. We also take an active role in advising microfinance institutions.

Though short-term studies of microfinance outcomes may provide differing results, increasing the capital available to low-income entrepreneurs will, with the proper care, support long-term development. Microloans have allowed millions of people worldwide to signal their desire for opportunity and advancement—a signal IFC cannot ignore.
40 percent of the water produced is lost currently because of poor technology and simple measurement errors. CASAN believes it can address this problem while making its own operations more cost-effective. With help from IFC, the company intends to replace 300,000 outdated water meters and update the customer database by conducting household inspections. The latter step will enable CASAN to identify low-income residents who are often eligible for state water subsidies.

IFC and CASAN are hoping to demonstrate—to other utility companies, as well as other lenders—that in some cases environmental, development, and financial interests can converge.

In partnership with the World Bank, IFC has developed a financing program for well-run local governments and public entities—like CASAN—that do not require sovereign guarantees. The potential impact at the local level is greater because these programs avoid national-level bureaucracy.

The CASAN project fits within IFC’s broader goals for water security. By 2013, through our clients, we hope to provide access to water for 100 million people, to save or treat 20 billion cubic meters of water per year, and to invest $1 billion per year in water security projects.

Brazil possesses 14 percent of the world’s freshwater supply—and just 3 percent of the world’s population. Yet despite nature’s goodwill, millions of the country’s poor have no access to clean water. As Brazil’s economy expands, so does the demand for water in irrigation and as a coolant in energy production, diverting even more from household use.

The water crisis is only expected to get worse. “Charting our Water Future,” a study undertaken by IFC and its partners, anticipates a shortage of 2.6 billion cubic meters for Brazil by the year 2030—an ironic predicament for the country of the Amazon.

Brazil is an extreme example of a broader phenomenon. As the world’s population increases, so does demand for water-intensive agricultural and energy production. Water is the common denominator for those industries most basic to human welfare. But it need not be their limiting factor.

We can’t create new sources of freshwater, but we can make treatment and supply more efficient. IFC is taking a step in this direction by extending the equivalent of $22 million in Brazilian reais to Companhia Catarinense de Agua e Saneamento. CASAN provides water and sanitation services for 2.3 million people in southern Brazil, where between 23 and 56 percent of the water produced is lost currently because of poor technology and simple measurement errors.