



their/our story

CHAPTER ONE:

creating opportunity

where it's needed most™

Across the world, the need for jobs and a chance at a better life has never been more urgent.

As many as 50 million people could lose their jobs in 2009 amid the biggest economic crisis since the Great Depression. Extreme poverty is expected to retain its hold on more than 50 million people who otherwise might have escaped it.

IFC, the largest global development institution focused on the private sector, is playing a central role in efforts to build the foundation for a durable recovery. We help businesses in developing countries create and preserve jobs—by providing loans and investment that allow them to grow quickly and sustainably, and by offering advice that helps them innovate, raise standards, and mitigate risks.

IFC is finding creative ways to make our resources—and our partners' resources—go farther than before. This year we helped launch new microfinance institutions in Africa, cofinanced the expansion of the Panama Canal, and expanded wind power in several markets. Working through local banks, we helped increase home ownership in Azerbaijan, the West Bank and Gaza, and other locations.

In helping our clients succeed, we are carrying out a vital mission—to create opportunity for people to escape poverty and improve their lives.

How IFC works with clients and partners to improve the lives of people in developing countries.

the FIVE STRATEGIC PILLARS

IFC strives to deliver what cannot be obtained elsewhere. We offer clients a unique combination of investment and advice designed to promote sustainable private sector development in emerging markets. We call that special edge our “additionality.” Using it to maximize our development impact is a cornerstone of our strategy. Our activities are guided by five strategic priorities that allow us to help where we are most needed, and where our assistance can do the most good.

PILLAR

01.

Strengthening the Focus on Frontier Markets

IFC goes where we are needed most, reaching the underserved wherever they are—in the poorest countries, in the poorer regions of middle-income countries, in conflict-affected and fragile states, and in industries that have the broadest potential to spur development and improve lives. Our priorities in these areas—the frontier markets—include devising innovative solutions to develop the private sector in the poorest areas and revive it in fragile and conflict-affected countries, introducing Advisory Services to help improve the investment climate in specific sectors and enhance the capacity of local entrepreneurs by promoting access to finance and skills, and stepping up our collaboration with other institutions in the World Bank Group and other partners to serve the poorest countries.



PILLAR

02.

Building Enduring Partnerships with Emerging Market Players

IFC's experience has shown that we achieve better development outcomes when we form long-term relationships with our clients. These partnerships allow us to guide our clients' development and extend the benefits of economic growth by helping them invest in other developing countries. They also allow us to help raise standards and strengthen the overall business climate. Our priorities in this arena include financing South-South investment, which increases the flow of capital, skills, and technology across the developing world; helping our clients integrate smaller local businesses into supply chains; improving corporate governance; and helping smaller enterprises improve their business management skills so they become more competitive and can gain access to finance.

PILLAR

03.

Addressing Climate Change and Ensuring Environmental and Social Sustainability

The least-developed countries face long-term obstacles to sustained prosperity. Climate change poses a particularly high risk for their people, many of whom depend on agriculture, forestry, and fisheries for their livelihoods and have a limited or unreliable supply of water and energy. Social inequities also limit many people's economic potential. IFC's priorities for addressing these challenges include developing new business models and financing instruments for clean energy, setting and improving environmental and social standards for the private sector, leveraging labor and social capital, and preventing the loss of biodiversity.



PILLAR

04.

Promoting Private Sector Growth in Infrastructure, Health, Education, and the Food Supply Chain

Economic growth is easier to achieve when people's basic needs—food, water, shelter, energy, transportation—are met. It happens faster when people have good access to education and health care. But governments in many developing countries face serious constraints in investing in infrastructure, education, health care, and the food supply, while private investors could do more to help fill the gap. IFC works to increase access to basic services by financing landmark infrastructure projects; expanding investment and Advisory Services in health, education, and the agribusiness value chain; and working with the other World Bank Group institutions to maximize our development impact.

PILLAR

05.

Developing Local Financial Markets

A shortage of financial services presents a key obstacle to people and private enterprises in many developing countries. Businesses, both large and small, are often denied loans because they are considered a high credit risk. IFC has made it a priority to broaden access to finance and deepen capital markets by expanding the availability of microfinance and credit for small and medium enterprises; by introducing new products that help lower financial risks, especially through local currency financing, our Global Trade Finance Program, and private equity funds; by strengthening the financial infrastructure, including payment systems, credit information, and the development of local securities markets; and by mobilizing finance from international banks and other investors.



HOW IFC CREATES OPPORTUNITY WHERE IT'S NEEDED MOST

IFC-supported firms make a wide range of contributions in developing countries. Their success can have ripple effects across the economy, giving the poor a chance to better their lives.

These firms benefit employees and their families, local communities, suppliers, investors, and the customers who buy what they produce. They also generate significant tax revenues for national and local governments, freeing up resources available for assisting the poor. They can use IFC's funding and advice to upgrade environmental performance, strengthen corporate governance, and improve their management systems and adherence to industry standards.



In 2008, IFC's clients provided some 2.1 million jobs, including more than 520,000 in manufacturing and services and almost 320,000 in infrastructure, information technology, and telecommunications. In addition, businesses supported indirectly through IFC-supported investment funds provided close to 740,000 jobs, about 300,000 of which were added after the funds started investing.

— IFC invested in a denim garment-making facility in rural Pakistan, providing direct and indirect jobs to more than 6,400 people.

— In South Africa, IFC invested in a mining company that employs 24,000 people around the country and is emerging as a national model of private-public partnership for the enterprise and the local communities.



In 2008, IFC's clients:

- Provided 9.8 million loans to micro, small, and medium enterprises and had outstanding portfolios totaling almost \$100 billion. Of these, 8.5 million loans were for microfinance.
- Provided basic utilities to almost 200 million customers. This included water distribution to 20.5 million customers, power generation and distribution to more than 165 million, and gas distribution to 12.5 million.
- Provided 220 million phone connections, 48 million of which were new.
- Provided health services to 5.5 million patients and education to more than 1 million students. For example, an IFC-supported private university in South America had almost 25,000 students, including nondegree students and students in distance learning programs. New student enrollment at the university has increased by 11 percent since 2007, and scholarships or discounts have been provided to approximately 1,300 students.



INVESTORS



Profits are essential for private companies to be sustainable and to attract more investment—to the company itself and to other companies in developing countries.

—IFC invested in a Latin American fund, which, despite the financial crisis, posted an internal rate of return of more than 600 percent in 2008, sending a strong signal that profitable investments can be made in emerging markets—even during a time of crisis.

—IFC partnered with an SME private equity fund to provide \$1.1 million in financial assistance to its African portfolio companies for them to achieve internationally recognized environmental standards.



In 2008, IFC's clients purchased goods and services worth almost \$47 billion from local suppliers, including \$32.8 billion in manufacturing and services and \$14.2 billion in oil, gas, and mining. Agribusiness clients reached well over 1.6 million farmers.

—An agribusiness client engaged more than 58,000 Asian grape farmers through its supply chain.

—A client in Ghana partnered with IFC Advisory Services to promote local economic development and awarded \$3.7 million in contracts to predominantly local SME suppliers during FY09.

SUPPLIERS



GOVERNMENT

Last year, IFC's clients generated about \$22.7 billion in government revenues. This includes \$11.5 billion from oil, gas, mining, and chemicals; \$4.3 billion from manufacturing and services; and \$4.3 billion from infrastructure.

—IFC recently helped a Brazilian energy company become one of the first of its kind listed on the New York Stock Exchange. The company has contributed \$2 billion in taxes to the Brazilian government.

—In Africa, IFC invested in an oil company that has paid the government over \$1.9 billion in royalties and taxes since the project began.

—In Bangladesh, our recommendations for improving the investment climate helped the government reduce the time required to register a business from 35 days to one.

LOCAL COMMUNITIES



IFC's policies, processes, and performance standards help our clients enhance their positive impact on local communities while avoiding or mitigating negative effects.

—Last year our clients in oil, gas, mining, and chemicals spent \$165 million on community development programs.

—An African mining client spent over \$7 million on community development programs, including skills training, agricultural assistance, and funding for a foundation that will support community development over the long term.

—IFC's investment supports a company in Peru—now considered a model for environmental and social performance for toll roads in the country—that completed all resettlement and archeological rescue activities according to international best practices.



IFC's activities help companies and other private sector partners in developing countries address constraints to private sector growth.

—IFC invested in an oil company in South Asia that enhanced private sector involvement in the Indian oil and gas industry, and developed infrastructure now available to other private users in the country.

—IFC supported an Egyptian port by financing a well-managed and efficient container cargo facility. IFC's investment is helping reallocate trade from ports on the Mediterranean coast to the Red Sea and is stimulating industrial development along the Red Sea coast.

—IFC invested in a Russian energy company that received an award from the Association for the Protection of Investors' Rights. Because of its strong performance, the project has helped generate competition and attract the interest of potential entrants in the energy sector.

—In Madagascar, an IFC-supported project helped fruit exporters get international certification and double their exports to the European Union, resulting in earnings of some \$42 million in a year.

PRIVATE COMPANIES

ENVIRONMENT



Several IFC clients are helping address climate change and advance environmental and social sustainability.

—An efficient lighting program led to a 20-fold increase in annual sales of compact fluorescent bulbs in Peru from 250,000 to 5 million and an 87 percent drop in the price of such bulbs in Argentina.

THE WORLD BANK GROUP'S STRATEGIC DIRECTIONS

The vision of the World Bank Group is to contribute to an inclusive and sustainable globalization—to overcome poverty, enhance growth with care for the environment, and create individual opportunity and hope.

At IFC we are doing our part on the World Bank Group's six strategic themes, each of which has an important private sector component.

POOREST COUNTRIES

Helping overcome poverty and spur sustainable growth in the poorest countries, especially in Africa. IFC investments and advisory work in the 79 poorest countries served by IDA accounted for more than half of all IFC projects in FY09. Our investments in these countries totaled \$4.4 billion.

FRAGILITY AND CONFLICT

Addressing the special challenges of states that are emerging from conflict or seeking to avoid the breakdown of the state. IFC launched the \$25 million Conflict-Affected States in Africa initiative to spur development in once-unstable countries by helping rebuild financial markets, strengthen small and medium enterprises, and foster private participation in infrastructure improvements.

MIDDLE-INCOME COUNTRIES

Developing a competitive menu of development solutions for middle-income countries, involving customized services as well as finance. During the global crisis, IFC helped finance key infrastructure projects in middle-income countries, such as the expansion of the Panama Canal. We also helped promote carbon finance in several countries.

GLOBAL PUBLIC GOODS

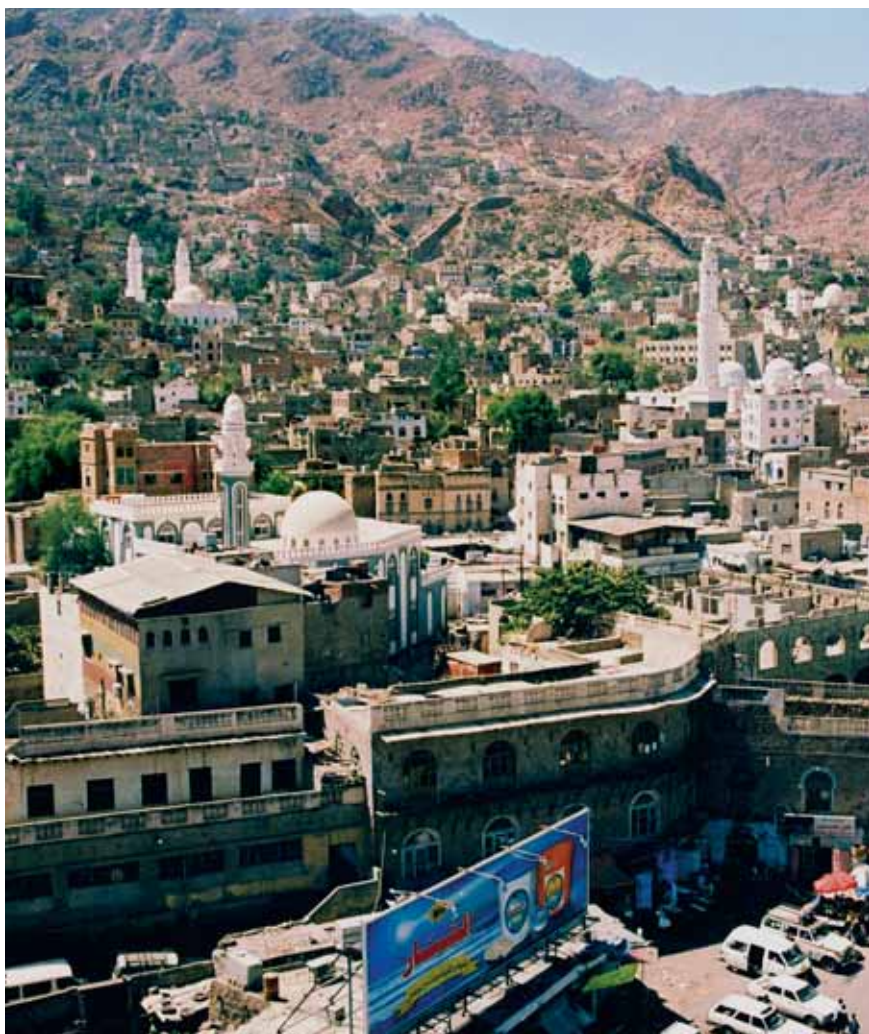
Playing a more active role with regional and global public goods on issues crossing national borders, including climate change and aid for trade. IFC is defining standards in the world financial community as more banks adopt the Equator Principles, a set of guidelines promoting social and environmental sustainability in project finance.

THE ARAB WORLD

Supporting those who are advancing development and opportunity in the Arab world. IFC investments in the Middle East and North Africa have quadrupled in the last five years, helping advance key infrastructure projects and expanding the availability of financing for housing and education.

KNOWLEDGE AND LEARNING

Fostering an agenda of knowledge and learning across the World Bank Group to support its role as a brain trust of applied experience. IFC evaluations system identified strengths and weaknesses in our past responses to financial crises, deriving lessons we applied to respond more effectively to the current crisis.





DEEPENING OUR ENGAGEMENT IN IDA COUNTRIES

IFC's activities in countries served by the International Development Association are central to our efforts to improve the lives of the poorest. Many of these countries have borne the brunt of the crisis in terms of its effects on poverty. They also have had the least access to international finance to support them through the crisis.

One of IFC's main roles in these challenging markets is to help counter continuing risk aversion through our investments, advice, and mobilization of resources, channeling finance to areas where development impact will be greatest. Over the last few years, we have sharply increased the number of our field staff in IDA countries and expanded our projects and investment volumes there, particularly in Sub-Saharan African countries.

Between FY05 and FY09, our investment volumes in IDA countries quadrupled to \$4.4 billion. The number of our projects in these countries grew to 225, accounting for more than half of all IFC projects in FY09. Countries in Sub-Saharan Africa, where our investment commitments totaled \$1.8 billion for 92 projects, accounted for 40 percent of our investment in IDA countries.

IFC has also been contributing significant resources directly to IDA since 2007. The increase in resources from both IFC and the World Bank creates an opportunity for a more coordinated response in these challenging times. The joint deployment of IFC's and the World Bank's expertise, products, and resources has been shown to contribute to growth and lead to better outcomes for the world's poor.

Our greater stake in IDA countries reflects a growing awareness of the role the private sector plays in helping the poorest countries reduce poverty and improve people's lives, and recognition that IFC is uniquely positioned to galvanize private investors in these markets. IFC and the World Bank, through the IDA-IFC Secretariat, are pursuing opportunities for increasing joint World Bank Group efforts to support private sector development in IDA countries.

Significant progress has been made this year. In FY09, 15 joint investment projects in IDA countries were committed. An additional 33 joint projects are in the pipeline or in early stages of development. IFC staff also collaborated on 104 joint advisory projects in IDA countries during the year, up from 78 in FY08.

The joint projects are producing results: in Yemen, IFC's business-simplification project helped the country move from a ranking of 128 to 50 in the "starting a business" category of the *Doing Business* report. An IDA-IFC pilot project for micro, small, and medium enterprises in seven countries in Africa enabled our clients to provide 711,066 loans to MSMEs, technical training for 44,800 MSMEs, 66 new laws or regulations drafted or amended, and 124 new products or services introduced by providers of business-development services.

IFC Advisory Services are often our first offering in the more challenging IDA countries, because our advice on improving the investment climate can help pave the way for investments. In Lao PDR, a recent initiative of the Investment Climate Advisory Services of the World Bank Group helped highlight international best practices in investment promotion laws, supporting the government's efforts to develop a new clear and predictable regulatory regime for domestic and foreign investment.

PARTNERSHIPS

IFC's Client Leadership Award

IFC values corporate clients that share our commitment to socially and environmentally sustainable development. Since 2004, we have presented an annual Client Leadership Award to honor an IFC client that reflects our values and demonstrates innovation, operational excellence, and strong corporate governance.

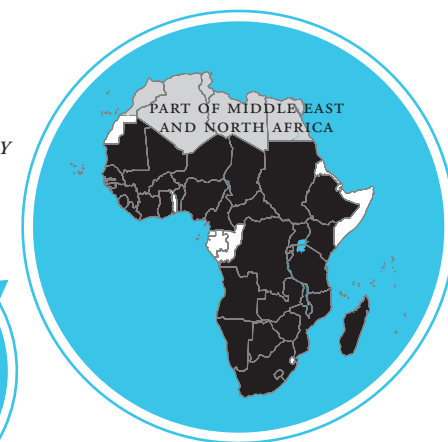
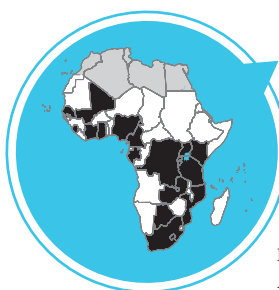
This year, for the first time, there were two winners:

Brazil's Anhanguera Educacional, S.A., is a private higher-education provider that offers vocational training and job skills to large numbers of middle- and lower-income working adults (see page 67). Graduates generally find they are able to earn two to three times their previous income. Anhanguera's innovative business model has also led to consistent financial success: between 2005 and 2008, revenues increased eightfold to \$280 million.

Ecobank is an African bank holding company with full-service operations in 27 Sub-Saharan countries and a growing micro- and small-business lending portfolio, including a significant focus on women entrepreneurs (see page 59). A consistent emphasis on providing high-quality financial services to the underserved has helped Ecobank achieve strong and steady growth. Revenues have quadrupled since 2004, with profits nearly tripling.

IFC'S BUSINESS ACTIVITIES GROWTH IN AFRICA (INCLUDES BOTH INVESTMENT AND ADVISORY SERVICES)

FY09:
BUSINESS ACTIVITY
IN 37 COUNTRIES



FY02:
BUSINESS ACTIVITY
IN 21 COUNTRIES

IFC'S MANAGEMENT GROUP

Our strategy and policies are shaped by a seasoned team of executives who bring a rich diversity of knowledge, skills, experience, and cultural perspectives to IFC's work, sharpening our agility in times of rapid change. The Management Group—consisting of our chief executive and vice presidents—makes the careful choices necessary to ensure that we respond swiftly to clients' needs while maximizing our development impact.

It is working to expand our capacity to create opportunity for poor people in developing countries, by decentralizing operations, empowering IFC staff, and making our business processes more efficient. Our top executives are also helping foster a corporate culture of performance, accountability, and engagement that will allow IFC to increase our contribution to sustainable development in emerging markets.



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NINA SHAPIRO

Vice President,
Finance and Treasurer



KRISTALINA GEORGIEVA

■ Vice President and
Corporate Secretary

DOROTHY BERRY

■ Vice President,
Human Resources,
Communications,
and Administration

MICHEL MAILA

■ Vice President,
Risk Management

THIERRY TANOI

■ Vice President,
Sub-Saharan Africa,
Western Europe, and
Global Manufacturing

RACHEL ROBBINS

■ Vice President and
General Counsel

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. In fiscal 2009, IFC conducted 47 "Continuing the Dialogue" consultations involving staff and management concerning a variety of corporate initiatives and staff concerns.

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.

THE IFC WAY



OUR VISION

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

OUR CORE CORPORATE 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

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