

4

PART 4

OUR BUSINESS & EXPERTISE

***Investment Services, Advisory Services,
IFC Asset Management Company***

As the largest global development
finance institution focused on the
private sector, IFC operates in more
than 100 developing countries.

Where We Work

Our experience—in every region of the world, and in nearly every industry—allows us to provide a unique set of advantages to our clients.

We are able to apply lessons learned in one region to solve problems in another. We help local companies make better use of their own knowledge, by matching it to opportunities in other developing countries.

IFC Country Office Locations



As of June 30, 2011

Our Three Businesses

IFC's three businesses—Investment Services, Advisory Services, and IFC Asset Management Company—are mutually reinforcing, delivering global expertise to clients in developing countries. They give us a special advantage in helping the private sector create opportunity in these countries—our investment and advice can be tailored to a client's specific needs, and in innovative ways that add value.

Our product menu is as varied as our clients' needs. We provide both immediate and long-term financing, and we combine it with advice that helps companies grow quickly and sustainably—by innovating, raising standards, mitigating risk, strengthening the investment climate, and sharing expertise across industries and regions.

Our three businesses also allow us to mobilize resources from our many partners, expanding the pool of capital and expertise available to improve lives in developing countries. As a result, low-income families are gaining better access to schools and hospitals. Residents of remote villages are gaining connections to urgently needed water and power sources. And small farmers are improving their ability to sell their goods by tapping into the global supply chain.

IFC INVESTMENT SERVICES

Our investment services provide a critical reminder that private investors can advance development in emerging economies, help reduce poverty, and make a profit at the same time.

Our broad suite of financial products and services can ease poverty and spur long-term growth by promoting sustainable enterprises, encouraging entrepreneurship, and mobilizing resources that wouldn't otherwise be available. Our financing products are tailored to meet the needs of each project. We provide growth capital, but the bulk of the funding comes from private sector owners, who also bear leadership and management responsibility.

In FY11, we invested \$12.2 billion in 518 projects, of which \$4.9 billion went to projects in IDA countries. We also mobilized an additional \$6.5 billion to support the private sector in developing countries.

PRODUCT LINES

LOANS

IFC finances projects and companies through loans from our own account, typically for seven to 12 years. We also make loans to intermediary banks, leasing companies, and other financial institutions for on-lending.

While IFC loans traditionally have been denominated in the currencies of major industrial nations, we have made it a priority to structure local currency products. IFC has provided financing in more than 45 local currencies, including Colombian pesos, Indonesian rupiahs, Kazakhstani tenge, Moroccan dirhams, Peruvian nuevos soles, Philippine pesos, Rwandan francs, and Zambian kwacha.

In FY11, we made commitments for nearly \$5 billion in new loans.

EQUITY

Equity investments provide developmental support and long-term growth capital that private enterprises need. They also provide opportunities to support corporate governance and enhance social responsibility.

We invest directly in companies' equity, and also through private equity funds. In FY11, equity investments accounted for nearly \$2 billion of the commitments we made for our own account.

IFC generally invests between 5 and 20 percent of a company's equity. We encourage the companies we invest in to broaden share ownership through public listings, thereby deepening local capital markets. We also invest through profit-participating loans, convertible loans, and preferred shares.

TRADE FINANCE

The IFC Global Trade Finance Program guarantees trade-related payment obligations of approved financial institutions. The program extends and complements the capacity of banks to deliver trade finance by providing risk mitigation on a per-transaction basis for over 200 banks across more than 80 countries.

In FY11, IFC issued over 3,100 guarantees totaling \$4.6 billion. More than half of the volume of guarantees issued went to IDA countries.

Separately, our Global Trade Liquidity Program, an award-winning crisis-response initiative, has provided liquidity for trade in developing countries. It has supported more than \$15 billion in trade since it was established in 2009.

SYNDICATIONS

IFC's Syndicated Loan Program, the oldest and largest syndicated lending program among multilateral development banks, is an important tool for mobilizing capital to serve development needs. Since its establishment in 1957, the program has mobilized over \$38 billion from more than 550 financial institutions for projects in more than 100 emerging markets.

In FY11, IFC syndicated a record \$4.7 billion in loans—more than twice as much as in the previous year. This included B-loans, parallel loans, and A-loan participation sales. About 29 percent of this amount was in IDA countries and frontier regions, and 67 percent was in the infrastructure sector. Through existing and new products, we expanded our investor base to include international commercial banks, local and regional banks in emerging markets, funds, insurance companies, and development finance institutions.

IFC ISSUED MORE THAN

3,100

TRADE-FINANCE GUARANTEES IN FY11.

IFC SYNDICATED A RECORD

\$4.7

BILLION IN LOANS IN FY11.

STRUCTURED FINANCE

IFC uses structured and securitized products to provide cost-effective forms of financing that would not otherwise be readily available to clients. Products include partial credit guarantees, structured liquidity facilities, portfolio risk transfer, securitizations, and Islamic finance. We use our expertise in structuring—along with our international triple-A credit rating—to help clients diversify funding, extend maturities, and obtain financing in their currency of choice.

CLIENT RISK-MANAGEMENT SERVICES

IFC provides derivative products to our clients to allow them to hedge their interest rate, currency, or commodity-price exposures. IFC mediates between clients in developing countries and derivatives market makers in order to provide clients with full market access to risk-management products.

TREASURY SERVICES

IFC funds lending by issuing bonds in international capital markets. We are often the first multilateral institution to issue bonds in the local currencies of emerging markets. Most of IFC's lending is denominated in U.S. dollars, but we borrow in a variety of currencies to diversify access to funding, reduce borrowing costs, and help develop local capital markets. IFC's borrowings have continued to keep pace with our lending. New borrowings in the international markets totaled \$9.8 billion in FY11.

LIQUIDITY MANAGEMENT

Liquid assets on IFC's balance sheet totaled \$24.5 billion as of June 30, 2011, compared with \$21 billion a

year earlier. Most liquid assets are held in U.S. dollars. The exposure arising from assets denominated in currencies other than U.S. dollars is hedged into U.S. dollars to manage currency risk. The level of these assets is determined with a view to ensure sufficient resources to meet commitments even during times of market stress.

FY11 BORROWING ON INTERNATIONAL MARKETS

Currency	Amount (USD equivalent)	Percent
U.S. dollar	5,780,537,791	59.0%
Australian dollar	1,943,565,660	19.8%
Turkish lira	497,982,830	5.1%
South African rand	451,624,765	4.6%
Brazilian real	406,278,029	4.2%
British pound	313,000,000	3.2%
Other	403,788,344	4.1%

IFC ADVISORY SERVICES

Private sector development requires more than just finance. Experience shows the powerful role advisory services can play in unlocking investment and helping businesses expand and create jobs.

To help the private sector in emerging markets, IFC provides advice, problem solving, and training to companies, industries, and governments. Our experience shows that companies need more than financial investment to thrive—they need a regulatory environment that enables entrepreneurship, and advice on business best practices. Our work includes advising national and local governments on how to improve their investment climate and strengthen basic infrastructure. Governments account for around half of our advisory projects. We also help investment clients improve corporate governance and become more sustainable.

We offer advice through nearly 1,100 Advisory Services staff in 85 offices across 73 countries. Funding comes from donor partners, IFC, and client contributions. In FY11, Advisory Services project expenditures totaled \$206.7 million. In all, about two-thirds of project expenditures attributable to clients in individual countries went to IDA countries.

BUSINESS LINES

ACCESS TO FINANCE

IFC helps to increase the availability and affordability of financial services for individuals and micro, small, and medium enterprises. Our priorities are to help our clients provide broad-based financial services to individuals (such as credit, savings, payments, and insurance products) and to promote growth and employment generation by supporting sustainable lending to SMEs. We also help build the necessary financial infrastructure, such as credit bureaus and collateral registries. At the end of FY11, we had an active portfolio of 244 access-to-finance projects in 67 countries, valued at almost \$294 million. Our FY11 project expenditures totaled \$63.3 million. In all, 67 percent of project expenditures attributable to clients in individual countries went to IDA countries and 10 percent to fragile and conflict-affected countries.

INVESTMENT CLIMATE

We help governments implement reforms that improve the business environment and help encourage and retain investment, thereby fostering competitive markets, growth, and job creation. Our priorities are to design and encourage regulatory reforms that support business and trade-friendly environments while also helping resolve legal and policy weaknesses that inhibit investment. At the end of FY11, IFC had an active portfolio of 132 investment-climate projects in 57 countries, valued at about \$204 million. Our project expenditures totaled \$55.9 million. In all, 79 percent of project expenditures attributable to clients in individual countries went to IDA countries and 25 percent to fragile and conflict-affected countries.

1,100

ADVISORY SERVICES STAFF WORK IN 73 COUNTRIES.

2/3

OF ADVISORY SERVICES PROJECT EXPENDITURES WERE IN IDA COUNTRIES.

PUBLIC-PRIVATE PARTNERSHIPS

We help governments design and implement public-private partnerships in infrastructure and other basic public services. Our advice helps governments achieve long-term economic growth and better living standards by harnessing the potential of the private sector to increase access to public services such as electricity, water, health, and education while enhancing their quality and efficiency. At the end of FY11, we had an active portfolio of 67 projects in 41 countries, valued at about \$91 million. Our project expenditures totaled \$27.8 million. In all, half of project expenditures attributable to individual countries went to IDA countries, and 16 percent to fragile and conflict-affected countries.

SUSTAINABLE BUSINESS

We support the development of markets that are inclusive, sustainable, and efficient. Building on IFC's environmental and social performance standards, we promote sustainable business practices in such sectors as agribusiness; infrastructure; oil, gas, and mining; and manufacturing and services. Our programs promote good corporate governance practices, build the capacity of small firms and small-scale farmers, advance women entrepreneurs, and engage the private sector in climate-change solutions. At the end of FY11, we had an active portfolio of 199 projects in 70 countries, valued at \$231.6 million. Our project expenditures totaled \$59.8 million. In all, 56 percent of project expenditures attributable to clients in individual countries went to IDA countries and 11 percent to fragile and conflict-affected countries.

IFC ASSET MANAGEMENT COMPANY

IFC Asset Management Company, a wholly owned subsidiary of IFC, mobilizes and manages third-party funds for investment in developing and frontier markets. It was created in 2009 to expand the supply of long-term capital to these markets, enhancing IFC's development goals as well as investing profitably for others.

AMC invests alongside IFC, and all AMC investments adopt IFC's Performance Standards. It raises funds targeted at large institutional investors who are looking to increase their exposure to emerging markets and who are interested in accessing IFC's transaction pipeline, investment approach, and track record of superior returns. The average internal rate of return on IFC's equity investments over the past 20 years has exceeded 20 percent a year.

AMC helps IFC achieve one of its core development mandates—mobilizing additional capital resources for investment in productive private enterprise in developing countries. It also enhances IFC's development impact by increasing both the size and number of investments IFC can transact.

As of June 30, 2011, AMC had approximately \$4.1 billion in assets

under management. It manages funds on behalf of a wide variety of institutional investors, including sovereign funds, pension funds, and development finance institutions.

AMC FUNDS

IFC CAPITALIZATION FUND

The \$3 billion IFC Capitalization Fund consists of an equity fund of about \$1.3 billion and a subordinated debt fund of about \$1.7 billion. Launched in 2009, the capitalization fund helps strengthen systemically important banks in emerging markets, bolstering their ability to cope with financial and economic downturns. The fund is jointly supported by a \$2 billion investment from the Japan Bank for International Cooperation and a \$1 billion investment from IFC. From its inception through the end of FY11, the fund made investment commitments totaling \$960.1 million in nine commercial banks in Bahrain, Honduras, Malawi, Papua New Guinea, Paraguay, the Philippines, Serbia, Vietnam, and in one regional African bank.

IFC AFRICAN, LATIN AMERICAN, AND CARIBBEAN FUND

The \$1 billion IFC ALAC Fund was launched in 2010 and has commitments from IFC, the Dutch pension fund manager PGGM, Korea Investment Corporation, State Oil Fund of the Republic of Azerbaijan, United Nations Joint Staff Pension Fund, the Abu Dhabi Investment Authority, and a Saudi government fund. The fund co-invests with IFC in equity investments across a range of sectors in Sub-Saharan Africa and Latin America and the Caribbean. From its inception through the end of FY11, the fund made investment commitments totaling \$172.4 million in Brazil, Mexico,

AMC HAD

\$4.1

BILLION IN ASSETS
AT THE END OF
FY11.

IFC'S EQUITY
INVESTMENTS
HAVE GENERATED A

20%

INTERNAL RATE OF
RETURN.

Nigeria, Trinidad and Tobago, and in two regional African companies—one in cement and one in banking.

THE AFRICA CAPITALIZATION FUND

The Africa Capitalization Fund was established in FY11 to invest in systemically important commercial banking institutions in northern and Sub-Saharan Africa. As of the end of FY11, it had made one investment commitment, in Malawi.

Our Industry Expertise

IFC's leadership role in sustainable private sector development reflects a special advantage—the depth and breadth of expertise we have acquired over more than 50 years of helping emerging-market firms succeed and grow.

We leverage our global industry knowledge to tackle the biggest development challenges of the coming years—including climate change, unemployment, and food and water security.

AGRIBUSINESS AND FORESTRY

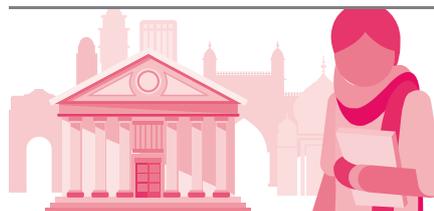


Agribusiness is a strategic priority for IFC because of the sector's broad development impact and strong role in poverty reduction. The agricultural sector often accounts for half of GDP and employment in many developing countries.

IFC helps the private sector address higher demand and escalating food prices in an environmentally sustainable and socially inclusive way. We support global initiatives for sustainable production of agricultural commodities. To help clients finance inventories, seeds, fertilizers, chemicals, and fuel for farmers, IFC offers working-capital facilities. To facilitate trade and lower costs, we pursue investments in infrastructure such as warehouses and cold-storage facilities. We work to bring land into sustainable production, improve productivity by transferring technologies, and make the best use of resources.

IFC helps companies set benchmarks for responsible production, in line with industry best practices. In areas such as sequestering carbon, managing watersheds, preserving biodiversity, and producing renewable energy, IFC can help generate new income through our environmental services.

FINANCIAL MARKETS



Sound financial markets are vital to development—they ensure efficient resource allocation, create jobs, and spur economic growth.

At IFC, investments in this sector account for a significant share of our new commitments—more than 25 percent in FY11.

We focus on small and medium enterprises, microfinance, trade, and climate change, among others. IFC is a leading investor in microfinance. We create innovative products to help the poor and address important development challenges—such as tools to help farmers hedge commodity price risks (see page 53).

We are rebuilding our investments in housing finance and are supporting the development of capital markets in light of the global financial crisis. The crisis underscored the need for IFC in financial markets. Small and medium enterprises, which account for more than half of employment worldwide, saw lines of credit reduced or eliminated. Investors shied away from capital markets. IFC stepped in to fill the gap.

To maximize our impact, we work with financial intermediaries to extend financial products and best practices to more businesses and microfinance entrepreneurs than we could on our own (see page 36).

CONSUMER AND SOCIAL SERVICES



IFC is the world's largest multilateral investor in private health care and education in emerging markets. We invest in these sectors because they are fundamental to human and economic development—health care plays a key role in improving the quality of life, while education is a powerful instrument for reducing poverty and growing human capital.

We work to increase access to high-quality health and education while also helping strengthen job-creating sectors such as tourism, retail, and property. We help improve standards of quality and efficiency, facilitate

the exchange of best practices, and create jobs for skilled professionals. IFC also works closely with the World Bank and developing-country governments to tailor strategies for countries that lack adequate resources.

We focus on helping partner companies increase development impact. In addition to making direct investments in socially responsible companies, our role includes sharing industry knowledge and expertise, funding smaller companies, raising medical and education standards, and helping clients expand services to lower-income groups.

INFRASTRUCTURE



About 2.5 billion people lack proper sanitation facilities in developing countries. At least 1.6 billion have no electricity. And 884 million can't get clean water.

IFC helps increase access to power, transport, and water by financing infrastructure projects and advising client governments on public-private partnerships.

We add value by devising innovative projects and public-private partnerships in difficult markets. We mitigate risk and leverage specialized financial structuring. A significant part of our advisory work is supported by other parts of the World Bank Group and donor partners.

MANUFACTURING



The manufacturing sector plays a vital role in creating opportunity and reducing poverty in

developing countries. IFC's manufacturing clients tend to create or maintain more employment than those in any other sector.

We have increased our activities in the sector, which includes construction materials, energy-efficient machinery, chemicals, and solar and wind power. We invest in companies that are developing new products and markets, and restructuring and modernizing to become internationally competitive.

We focus on clients that are, or can be, strong players in their local markets. In middle-income countries, we increasingly support local second-tier companies and cross-border investments. We aim to play a strong role in developing local companies in the poorest countries. As these industries represent some of the most carbon-intensive sectors, we are helping clients develop and undertake investments that help reduce carbon emissions and energy consumption.

OIL, GAS, AND MINING



IFC's mission in the oil, gas, and mining sector is to help developing countries realize sustainable economic benefits from natural resources. We provide financing and advice for private sector clients. We also help governments put in place regulatory frameworks and strengthen their capacity to manage these industries across the value chain—from resource extraction to revenue management and spending.

Fossil fuels such as natural gas play a role as a transition fuel to a less carbon-intensive economy. In addition to fossil fuels, our energy investments support a mix of traditional and alternative energy sources, including wind, solar, and thermal energy.

We support private sector investment in extractive industries by working to ensure that communities enjoy concrete benefits

such as jobs, improved infrastructure, and economic opportunities. We also help develop capacity among small and local companies, engage with communities to improve projects' long-term development benefits, and foster transparency and good governance to combat corruption.

TELECOMMUNICATIONS AND INFORMATION TECHNOLOGY



Modern information and communication technologies make it easier for the poor to obtain access to services and resources. They expand opportunity and make markets and institutions more efficient.

IFC works to extend the availability of such technologies to promote sustainable economic growth and good governance, enhance social inclusion, and reduce poverty. We channel investments toward private companies that build modern communications infrastructure and information-technology businesses, and develop climate-friendly technologies.

IFC has the ability to raise additional funds through its syndications and guarantee program. We typically bring co-investors into projects, providing comfort and encouraging other private investors to enter markets often considered too risky.

Standard Setting

IFC PERFORMANCE STANDARDS

Since they became effective in 2006, IFC's Performance Standards have become globally recognized as a leading benchmark for environmental and social risk management in the private sector. They are often prerequisites for companies to raise funds, particularly from international markets.

The Equator Principles, a voluntary environmental and social risk-management framework developed by private sector banks based on IFC's Performance Standards, are now used by 72 financial institutions worldwide. In addition, 32 Export Credit Agencies from the Organisation for Economic Co-operation and Development rely on the Performance Standards as a benchmark. European Development Finance Institutions use the Performance Standards in their operations, and in 2008 the European Bank for Reconstruction and Development modeled its own Performance Requirements on IFC's Performance Standards. In addition, several private sector companies and business associations use IFC's Performance Standards as a benchmark for environmental and social-risk management.

Our Performance Standards define our clients' roles and responsibilities for managing their projects, and the requirements for receiving and retaining IFC support. They are designed to help clients avoid, mitigate, and manage environmental and social risk as a way of doing business sustainably. All IFC investments are assessed for consistency with the applicable Performance Standards. Clients indicate that our expertise in these areas is an important reason for choosing to work with IFC.

We have eight performance standards. More information on each is available at <http://www.ifc.org/performancestandards>. These standards are part of IFC's Sustainability Framework (see page 96), which has been updated following extensive consultations with IFC's clients, affected communities, the financial sector, multi and bilateral financial institutions, trade unions, civil society organizations, think tanks, United Nations agencies, and governments.

Our Performance Standards

1

ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

2

LABOR AND WORKING CONDITIONS

3

RESOURCE EFFICIENCY AND POLLUTION PREVENTION

4

COMMUNITY HEALTH, SAFETY, AND SECURITY

5

LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT

6

BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES

7

INDIGENOUS PEOPLES

8

CULTURAL HERITAGE

AGRICULTURAL COMMODITY ROUNDTABLES

Global agricultural production already consumes vast quantities of the world's fresh-water. As it expands, it also poses a risk to forests and biodiversity.

This change in land use exacerbates climate change. It could result in new patterns of rainfall and increase uncertainties about agricultural productivity, hampering food security.

To strengthen food security, agricultural production needs to become more productive, efficient, and sustainable. IFC is helping build global consensus on sustainable production. We do so by supporting agricultural commodity roundtables, which include key players in the agricultural supply chain, banks, and civil society groups. They work together to define principles of sustainable production for a variety of commodities.

The first of these, the Roundtable for Sustainable Palm Oil, was established in 2004. Through collaboration by the Indonesia Palm Oil Producers Association, Unilever, HSBC, WWF, Oxfam, IFC, and many others, the first certified sustainable palm oil became available in November 2009. Since then, more than 4 million metric tons have been certified.

With financial support from the Global Environment Facility and other donors, IFC is active in several such initiatives, including the Roundtable for Responsible Soy and the Union for Ethical BioTrade.

CORPORATE GOVERNANCE

Good corporate governance helps our clients perform better.

It strengthens their decision making, encourages effective succession planning, and improves their chances for long-term prosperity—regardless of the type of company and its sources of finance. It also increases their access to capital, enhances their value in the market, and contributes broadly to sustainable economic development.

Improving corporate governance—among our clients and across the private sector in developing countries—is a priority for IFC. We provide advice on improving board practices, strengthening shareholder rights, and enhancing risk management and corporate disclosure. We also advise regulators, stock markets, and others with an interest in improving corporate governance.

Our experience allows IFC to tailor global principles to the realities of the private sector in developing countries. As a result, development banks and other investors working in emerging markets now look to IFC for leadership on corporate governance.

We provide this in a variety of ways—including through the IFC Corporate Governance Methodology, a system for evaluating risks and opportunities that is recognized as the most advanced of its kind among development finance institutions. This methodology is the basis for a common approach to corporate governance now being contemplated by leading DFIs (see page 34).

Through the Global Corporate Governance Forum, a multidonor trust-fund facility, IFC also drives the corporate governance agenda among policymakers, regulators, leading corporate directors' organizations, and the business media. We bring together international portfolio investors and prominent business leaders to discuss what governance changes are needed to attract more capital.

Within IFC, we train our investment officers to identify five areas of risk and opportunity—the commitment of a client's leadership to strong corporate governance, the structure and function of its Board of Directors

with respect to oversight and strategy, the quality of its risk-management framework, the extent of its transparency and disclosure, and its treatment of minority shareholders, such as IFC.

Mobilization and Partnerships

THE POWER OF MOBILIZATION

In poor countries, the private sector needs far more than IFC alone can provide. That's why mobilization is a central aspect of our strategy. By mobilizing money from other investors, we can more effectively spur the private sector and conserve our own capital.

In FY11, we did more of it than ever, working with banks, international financial institutions, sovereign funds, foundations, and other partners to mobilize \$6.5 billion for development. That's more than twice the amount we mobilized in FY06. It allowed us to save \$1.3 billion in capital.

Every dollar that IFC invested in FY11 leveraged more than 50 cents from others, money that was channeled into developing countries to boost inclusive and sustainable growth. Those funds also help IFC by giving us the breathing room to maintain a disciplined budget and work within our capital constraints.

There are a number of ways we can bring third-party resources to bear. Traditionally, it has happened through our syndicated lending program, an avenue for investors to join IFC through B-loans, parallel loans, or A-loan participations. For local and regional banks in developing countries, our syndications are increasingly seen as a way to venture into new markets. That opens up new funds for IFC clients.

We also link up with other international financial institutions through the IFI Cooperation Program, and we've spearheaded a Master Cooperation Agreement that provides a framework for IFIs to co-finance projects efficiently.

Syndications, however, are by no means the only way to co-invest with IFC. IFC Asset Management Company is our latest innovation in mobilization. The subsidiary, launched in FY09, lets investors benefit from our expertise,

while delivering equity returns and development impact. It's essential to our purpose and it's essential for private sector development.

FORMING PRODUCTIVE PARTNERSHIPS

IFC works with governments, businesses, other multilateral organizations, and foundations to foster innovative donor partnerships to reduce poverty and improve lives.

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 to stimulate coordinated action.

During FY11, 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.

EVERY DOLLAR
IFC INVESTED
LEVERAGED
MORE THAN

50¢

FROM OTHERS.

IN FY11, WE
MOBILIZED

\$6.5

BILLION FOR
DEVELOPMENT.

WORKING WITH THE DONOR COMMUNITY

Nineteen donor governments and several institutional and private partners made new commitments to IFC in FY11, providing \$203.7 million for IFC's Advisory Services.

During FY11, with generous support from the Austrian Federal Ministry of Finance and the Development Bank of Austria, OeEB, IFC advanced private sector development in Central and Eastern Europe and Sub-Saharan Africa. Our partnership was strengthened this year on the investment side through the signing of a Master Cooperation Agreement with the OeEB. In addition, the Republic of Korea became a new IFC donor.

IFC has launched various projects with Austrian support to improve access to finance, enhance food security, address crises, and strengthen the business environment throughout Central and Eastern Europe. In FY11, Austria contributed over \$20 million to IFC. In addition, Austria is one of the strongest sponsors of the Foreign Investment Advisory Services program, with key investment climate operations conducted from IFC's Vienna office.

Our relationship with Canada also has grown. In FY11, Canada pledged funding to support IFC programs. These programs are expected to provide innovative approaches to mitigate climate change, increase access to finance for small and medium enterprises, raise agricultural productivity, and reduce vulnerability to food shocks.

IFC's relationship with the Islamic Development Bank has deepened over the past several years, moving from general collaboration in the Middle East and North Africa toward more focused initiatives, such as the Arab Financing Facility for Infrastructure initiative and Education for Employment.

In FY11, IFC and the Islamic Development Bank conducted a

study on the relationship between education and employment in MENA. This study, known as Education for Employment, or e4e, examined skills training and labor-market needs and made recommendations for addressing the gap between them.

With a commitment to reducing poverty and making an impact on the livelihoods of people in developing countries, IFC and the Gates Foundation are working together to seek creative solutions in agribusiness, private health care, water and hygiene, and access to finance.

In FY11, the Gates Foundation contributed to an analysis of payments in selected health programs in India. The ensuing report, issued in July 2011, identified ways to improve the efficiency and transparency of payment systems, and provided recommendations to the government for outsourcing health-benefit payments in the state of Bihar.

PRINCIPLES OF PARTNERSHIP

IFC's Key Principles of Partnerships detail how we engage with our donor partners and how we ensure that the partnerships are complementary and mutually reinforcing:

- IFC and donor partners pool their respective resources to achieve a common goal of promoting sustainable private sector development in emerging markets.
- IFC and 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 donor partners with regular operational and financial updates that allow the donors to

**DONOR
COMMITMENTS TO
IFC ADVISORY
SERVICES TOTALED
ABOUT**

\$204

MILLION.

**COMMITMENTS
FROM
GOVERNMENTS
INCREASED**

12.7%

IN FY11.

DONOR FINANCIAL COMMITMENTS TO IFC ADVISORY SERVICES (US\$ MILLION EQUIVALENT)

	FY11	FY10
Governments		
Australia	8.02	8.84
Austria	22.98	10.08
Canada	33.27	12.63
Denmark	4.47	0.39
Finland	2.27	5.44
France	0.20	2.92
Germany	0.00	0.04
Iceland	0.00	0.20
Ireland	1.07	1.00
Italy	10.00	0.00
Japan	8.95	9.19
Republic of Korea	2.00	0.00
Luxembourg	2.21	2.25
Netherlands	25.62	25.61
New Zealand	0.00	0.58
Norway	6.08	10.86
South Africa	0.78	0.71
Spain	2.68	0.00
Sweden	10.59	1.62
Switzerland	7.15	15.33
United Kingdom	16.20	42.52
United States	6.83	1.85
Total	171.36	152.05
Institutional and Private Donors		
CIF	5.87	4.94
European Commission	10.32	2.25
Gates Foundation	0.33	8.00
GEF	2.99	12.30
Islamic Development Bank	3.00	0.00
TMEA	9.42	0.00
UN Agencies	0.05	0.05
Various Private Donors	0.37	1.60
Total	32.34	29.14
Summary		
Governments	171.36	152.05
Institutional/ Multilateral Partners	31.64	19.54
Private Partners/ Foundations	0.70	9.60
Total	203.71	181.19

understand how IFC is spending their funding, to assess project progress, and to provide timely feedback.

Stakeholders in the countries of our donor partners and clients are interested in the effects and efficiencies of advisory programs managed by IFC. We are therefore enhancing results measurement, knowledge sharing and dissemination, and donor partner visibility.

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 development institutions are more important than ever.

We are teaming up with a host of multilateral 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 development finance 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. Under the Caribbean Joint Action Plan, IFC and five leading development finance institutions committed more than \$960 million in the past year to sustainable private and public sector projects in the region, surpassing a three-year pledge.

In the Middle East and North Africa, we are working with several

IFIs to address some of the region's biggest challenges. We and the Islamic Development Bank are engaging the private sector to create new opportunities for employment-based education through the Education for Employment initiative (see page 46).

IFC is also leading an initiative to enhance SME access to finance on a sustainable basis in collaboration with IBRD, the German development bank KfW, and the European Investment Bank.

More broadly, IFC and other development institutions 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 development finance institutions. The agreement, which details how IFIs work together to co-finance projects led by IFC, helps increase commercial finance in times of scarcity.

This year, OPIC, the U.S. government's development finance institution, adopted the Master Cooperation Agreement, making it easier for us to collaborate on private sector investments in emerging markets, particularly in the poorest countries. So far, 11 development finance institutions have signed the agreement, providing over \$1.5 billion in parallel loans to IFC's clients.

IFC senior management also meets periodically with counterparts from over 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 our approach to corporate governance, offshore financial centers, and development results.

WE ACCOUNT FOR

30%

OF FINANCING
COMMITTED TO THE
PRIVATE SECTOR
IN DEVELOPING
COUNTRIES BY DFIs.

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DFIs HAVE SIGNED
IFC'S MASTER
COOPERATION
AGREEMENT.