

HOW IFC CREATES OPPORTUNITY

INNOVATION, INFLUENCE, DEMONSTRATION, IMPACT

IFC brings a distinctive set of comparative advantages to help reduce poverty and foster inclusive economic growth—by leveraging the power of the private sector.

Consider the scale of the challenge:

- » Across the world, 1.2 billion people struggle on less than \$1.25 a day.
- » About 600 million jobs must be created within a decade—just to accommodate young people entering the workforce.
- » Nearly 1 billion people go hungry each day.
- » \$1 trillion a year in financing is needed to modernize infrastructure in developing countries.

These are needs that can't possibly be filled without tapping the capital and creativity of the private sector. Private enterprises create nine out of every 10 jobs in developing countries. They spur innovation, produce the goods and services people need to improve their lives, and generate most of the tax revenue that governments need to provide essential services for their citizens.

The private sector, in short, provides the most time-tested means of ending poverty quickly and sustainably.

But private sector development doesn't occur in a vacuum. It happens only when governments and the private sector can work together to ensure that businesses operate and grow in ways that promote prosperity for all.

This is what we do best.

We work in more than 100 developing countries, connecting clients and using our expertise to help them achieve sustainable growth—by financing private sector investment, mobilizing capital in international financial markets, and providing advice to businesses and governments.

This work enables companies to grow and create jobs, improve corporate governance and environmental performance, and contribute to their local communities.

We go wherever we are needed most, and deploy our resources wherever they will achieve the greatest impact. In everything we do, we ask ourselves four questions:

- » Are we helping reduce poverty and promoting shared prosperity?
- » Are we achieving maximum impact?
- » Are we doing the type of things that no one else is able or inclined to?
- » Are we doing so profitably and efficiently?

1.2

billion people subsist on less than \$1.25 a day—nearly one out of every five people on the planet.

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How IFC Creates Opportunity

PARTNERING FOR

It takes creativity to address the most urgent challenges of development—to end poverty, to tackle the dangers of climate change, to introduce modern healthcare to remote corners of the world.

For more than half a century, IFC has innovated to strengthen private sector development wherever it's needed most. We have helped businesses in developing countries create and preserve jobs—by providing loans and investment to enable them to grow quickly and sustainably, and by providing advice that helps *them* to innovate, raise standards, and mitigate risks.

INNOVATION



Healthcare

IMPROVING SERVICES IN THE MOST CHALLENGING AREAS

We are bringing together governments, the private sector, and civil society organizations in innovative ways to help the poor.

17.2

million patients received healthcare through our clients in 2012.



Outside the Hospital do Subúrbio in the Brazilian city of Salvador, all seems tranquil: white stucco buildings, manicured lawns, and palm trees swaying in the gentle breeze. Inside, it's another story. The state-of-the-art hospital—which serves some of the city's poorest neighborhoods—has conducted more than 1.8 million medical procedures since it opened three years ago. It also has created 1,200 jobs under a public-private partnership that IFC helped the government set up. Last year, the hospital was named one of the world's 100 most innovative projects by KPMG, a consulting firm.

Hospital do Subúrbio's success illustrates what can be achieved when government authorities join forces with the private sector to address a major development challenge. Brazil and other developing countries have achieved remarkable health advances in recent years. Yet significant obstacles remain. The benefits often don't reach people who need them most—the poor.

The private sector is an essential part of the solution. In sub-Saharan Africa, where public resources remain scarce, the private sector provides about 60 percent of the financing available for healthcare. A poor woman with a sick child is just

as likely to go to a private hospital or clinic as to a public facility.

In some of the world's most challenging markets, IFC is helping bring together governments, the private sector, and civil society organizations to improve the quality of healthcare. Since we launched our Health in Africa Initiative in 2007, we have supported legal, regulatory, and institutional reforms to improve patient safety and the quality of private health services in eight countries.

Our advice led to the enactment of the Kenya Health Bill of 2012, which creates equal opportunity for public and private healthcare providers and is expected to result in expanded coverage for up to 20 million Kenyans. In South Sudan—where the maternal mortality rate is one of the world's highest—our advice helped the government set up the Drug and Food Control Authority, which will help improve the quality of medicines available in the country.

We also see significant opportunity to improve the quality of healthcare in India's low-income states. In the state of Meghalaya, where health insurance is limited, we helped the government arrange a public-private partnership that makes health insurance available to all 3 million of the state's residents, regardless of income.

Left: A patient is treated at Hospital do Subúrbio. Brazil's first public-private partnership in health has dramatically improved emergency hospital services for 1 million people in the state of Bahia.

Above: A road show in the Indian state of Meghalaya encourages low-income households to enroll in the state's universal health insurance program, which IFC supported jointly with the World Bank.



Climate Change

ADDRESSING GLOBAL WARMING

IFC is providing financing and advice to help countries mitigate and adapt to a formidable global threat.

The science is unequivocal: without concerted action to reduce greenhouse emissions, the world could grow warmer by 4 degrees Celsius within this century.

The consequences could be devastating—unprecedented heat waves, drought, and floods that put prosperity out of reach for millions of people in developing countries and roll back decades of progress in development.

Combating the dangers of climate change will be costly: up to \$100 billion a year for developing countries. But it can be done if the resources and creativity of the private sector are tapped.

IFC is finding ways to unlock private capital for climate-smart projects. We're helping finance the development of innovative technologies and encouraging a shift toward energy efficiency and renewable energy. We also provide financing and advice to help countries mitigate and adapt to climate change.

Since 2005, IFC has invested \$10.5 billion in climate-related investments, including \$2.5 billion just in FY13. We issued the world's largest "green" bond this year, raising \$1 billion specifically for climate-related investments—an achievement that



\$10.5

*billion has been
channeled to climate-
related investments
since 2005.*



Above: IFC is supporting the construction of South Africa's first concentrated-solar-power plants, which will use mirrors to reflect and concentrate sunlight to heat steam that can power turbines.

underscored the private sector's growing demand for triple-A-rated green bonds. We also launched the IFC Catalyst Fund—an innovative fund of funds, managed by IFC Asset Management Company, focused on climate-related investments.

In South Africa, we provided an innovative financing package—which included \$225 million in funds mobilized through loan syndications and \$41.5 million in donor funds—to support the construction of the region's first concentrated-solar-power plants. The Khi Solar One and KaXu Solar One projects, which use mirrors to reflect and concentrate rays of sunlight to heat steam that can power turbines, will help diversify South Africa's energy generation away from coal-fired power.

We are working to address the environmental challenge posed by expanding cities. Buildings account for 15 percent of global greenhouse emissions—a number that is expected to climb in coming decades as more people in developing countries migrate to cities in search of work.

We see a significant opportunity to make a difference by helping construction companies adopt more affordable, energy-efficient designs. Through

our Excellence in Design for Greater Efficiencies—or EDGE—tool, we have established an international green-building standard that is helping our clients save money while reducing emissions.

In FY13, we made our first investments through financial intermediaries in new green buildings—including mortgages for energy-efficient homes in India. Along with the World Bank, we have also advised Russian policymakers on ground-breaking legislation that will enable millions of homeowners to obtain new financing for energy-efficiency improvements.

Above top: The Real Solare housing development in Mexico was one of IFC's first projects to receive EDGE certification by achieving a 20 percent reduction in energy, water, and materials.

Above bottom: IFC's investment in the South African solar-power plants will help diversify energy generation away from coal-fired plants.

Access to Finance

REACHING THE POOR THROUGH FINANCIAL INSTITUTIONS

Through more than 900 financial institutions, IFC has increased access to finance for small and medium enterprises—and for millions of people.

Constance Adae's small shop burned to the ground in Accra. Seeing her business wiped out overnight, she feared the worst—not knowing how to recover her lost income or repay her loans.

Adae didn't know it then, but she had insurance built into the loan that financed her business.

Modest payouts arranged by IFC client MicroEnsure enabled Ghana's Vanguard Assurance to send Adae a rapid settlement. She was able to reopen her shop—which sells plastic containers—after only a brief interruption.

Innovative solutions have the potential to narrow the access-to-finance gap in emerging markets, which is still large. More than 2 billion adults don't have access to savings accounts or credit, and 200 million small and medium businesses lack access to credit.

Backed by financing from us, MicroEnsure is now partnering with mobile operator Telenor to use its technology platforms as distribution channels to take financial services to even more low-income individuals in Africa and Asia. Its client base is expected to reach 11 million people by 2017, up from 4 million today.

To establish and maintain inclusive financial systems, IFC has built up a network of intermediaries—more than 900 financial institutions operating in over 100 developing countries. It allows us to support far more micro, small, and medium enterprises than we would be able to on our own. It also enables us to reach sectors that are





2

*billion adults don't
have access to savings
accounts or credit.*

200

*million small and
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lack access to credit.*



Above: Constance Aday's small shop burned to the ground, but payouts arranged by IFC client MicroEnsure helped her reopen her business after only a brief interruption.

strategic priorities but often lack private sector capital—for example, women-owned businesses or underserved regions such as conflict-affected states.

In 2012, our financial-intermediary clients provided more than \$265 billion in loans to micro, small, and medium enterprises.

In Haiti, we joined forces with the Microinsurance Catastrophe Risk Organisation, or MiCRO, in a \$2 million project that is expected to provide affordable insurance to help 70,000 women micro entrepreneurs protect their livelihoods against earthquakes, hurricanes, floods, and other natural disasters.

Beyond direct investments in financial intermediaries, IFC has also played a catalytic role in expanding access to financial services—by improving access to credit information, promoting best practices in risk management, and introducing environmental and social standards.

We helped Vietnam develop an online registration system that tracks which movable collateral—such as machinery or vehicles—has been pledged by borrowers to secure their loans. As a result, banks can better assess lending risks, allowing small enterprises without land to obtain loans more easily.

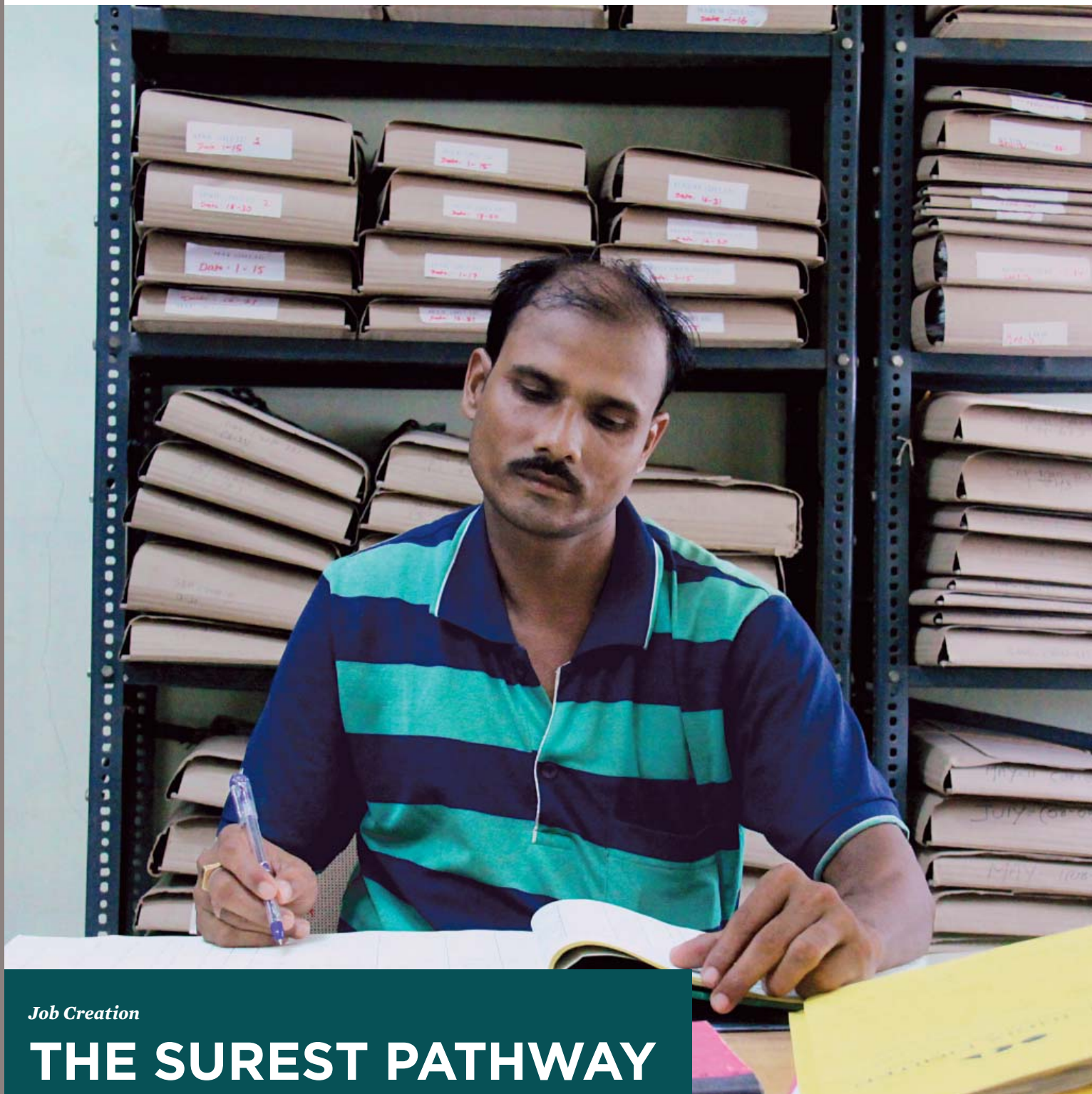
How IFC Creates Opportunity

PARTNERING FOR

As the world's largest development institution focused exclusively on the private sector, IFC plays a significant role in influencing the course of private sector development.

Our leadership position enables us to help shape the policy agenda. We are helping the Group of 20 advanced and developing economies on a variety of important development matters—ranging from food security to access to finance for small enterprises. And a growing number of development finance institutions are adopting our approach to creating jobs, measuring results, and raising corporate-governance standards.

INFLUENCE



Job Creation

THE SUREST PATHWAY OUT OF POVERTY

Our investment clients directly supported 2.7 million jobs last year—and that was only a small part of our overall effect on employment.

Above: Once unemployed, Ramu Rawat got a job with IFC client OCL. Today, he supervises 200 workers at his own construction firm in one of India's poorest states.



90%

of the jobs in the developing world are generated by the private sector.

Ramu Rawat used to spend his days idling around his village in Odisha, one of India's poorest states. With no experience to offer, he couldn't find a job.

Then he noticed the IFC-financed plant that local firm OCL India Ltd. had built in his area. Rawat went to the gate and asked for a job. The company hired him to do some manual work. Recognizing his drive and attitude, it put him on his way—not just to a job, but to a career. Today Rawat has his own contracting company, supervising 200 workers.

Jobs are the surest path out of poverty. They also are the cornerstone of development—boosting living standards, raising productivity, and fostering social cohesion.



Yet 200 million people are unemployed today, most of them women and young people in developing countries. Without work, they can't care for themselves or their families.

Addressing this challenge isn't possible without the private sector, which accounts for 90 percent of the jobs in developing countries. IFC is playing a leading role in identifying ways to help the private sector strengthen employment.

We conducted a study—with the support of our donor partners—that found that a weak investment climate; inadequate infrastructure; limited access to finance for micro, small, and medium enterprises; and insufficient training pose a particular threat to employment. Removing these obstacles would significantly increase job creation. Encouraged by our findings, nearly 30 leading international finance institutions pledged to work with us to address the job crisis.

In 2012, our investment clients directly supported 2.7 million jobs. Direct job creation, however, tends to be only a small fraction of our overall employment effects. Our study showed that indirect job effects—through the supply and distribution chains—can be large multiples of the direct effects.

We also supported financial institutions that provided about \$265 billion in loans to micro, small, and medium enterprises—which in turn employed over 100 million people.

This year, we provided \$285 million and mobilized an additional \$350 million to support Etileno XXI, Mexico's first major private sector petrochemicals project in more than 20 years. It is expected to create 9,000 jobs during the construction phase and 3,000 direct and indirect jobs when operations start in 2015.

Above right: Etileno XXI is Mexico's first major private sector petrochemicals project in more than 20 years. It is expected to create 3,000 jobs, directly and indirectly.



World Bank Group

COLLABORATING TO REVITALIZE MYANMAR

Through joint initiatives, the World Bank and IFC are leveraging our comparative advantages and enhancing the impact of our work.

Six decades of conflict and economic isolation have impoverished Myanmar—three quarters of its people go without electricity, half its roads are impassable when it rains, and large numbers of children are malnourished.

The future, however, looks brighter. In 2011, the country began a transition to a more democratic form of government and a market-oriented economic system. Those developments offer the potential for a major change: restoring one of the world's poorest countries to its historic role as one of Asia's most dynamic economies.

That is a complex undertaking—and it will take time. Despite Myanmar's ample natural resources, the country faces significant obstacles to development. To achieve its potential, it must strengthen economic governance, rebuild infrastructure, modernize its legal and regulatory frameworks, and find ways to bring prosperity to all its people.

Those are areas in which IFC and the World Bank can play a critical role, leveraging the distinctive capabilities of each institution. Working under a joint strategy, our institutions began this year by helping

Myanmar clear its arrears to the World Bank's International Development Association, or IDA.

The World Bank is providing \$165 million in zero-interest loans to the country to help it address its most urgent needs. This is in addition to an \$80 million grant for community-driven development that enables villagers to improve schools, clinics, roads, and the water supply.

At the same time, IFC is working to improve the investment climate and expand access to finance in Myanmar, in order to support the growth of the domestic private sector, attract world-class foreign investors, and stimulate job creation. We also are working with the Bank and the Multilateral Investment Guarantee Agency to promote the country's essential infrastructure services, with an initial focus on the electricity and telecommunications sectors.

IFC also began to invest in Myanmar for the first time. We provided a \$2 million loan to help our Cambodian client ACLEDA Bank set up a new microfinance institution in the country. The new institution aims to provide loans to more than 200,000 people—most of them women entrepreneurs—by 2020.

In addition to the loan, IFC is strengthening the institution's capacity to deliver microfinance services, enhancing its risk management practices, and helping it to develop a responsible finance strategy.



Small and Medium Enterprises

HELPING BUSINESSES THRIVE

IFC supports the development of small and medium enterprises by improving the investment climate, building managerial skills, and expanding access to finance.

Above: Egyptian entrepreneurs such as Nabil al Jabari are attracting new customers, thanks to an electronic payment system developed by IFC client Fawry.

Above right: Manoj Kumar, owner of a small watch-shop in the Indian state of Bihar, has benefited from tax-policy reforms that encourage small businesses to join the formal economy.

Nabil al Jabari and his family have run a small grocery store in downtown Cairo for the past six decades. It has a group of devoted customers, but al Jabari wanted to bring in new business.

So he installed an electronic payment system developed by IFC client Fawry, which allows al Jabari's customers to make purchases with credit cards and to pay cell-phone bills.

That is crucial in a country where almost everyone relies on cash for transactions, a relatively inefficient way of doing business. The new system attracted dozens of new customers to his store, raising revenues by 15 percent, al Jabari says.

Small and medium enterprises, or SMEs, are a critical force for prosperity in developing countries, accounting for two-thirds of employment. IFC plays a prominent global role in expanding opportunities for these businesses—through our partnership with the Group of 20 leading economies and through our own investment and advisory initiatives.

That is why we invested \$6 million in Fawry this year. Our financing will help the firm expand its network of 20,000 payment terminals—potentially stimulating the growth of many small businesses across Egypt.

We serve as a technical adviser to the G-20 on a variety of initiatives to expand access to finance for SMEs. For



example, IFC supports the G-20's Global Partnership for Financial Inclusion and manages the SME Finance Innovation Fund announced by U.S. President Barack Obama in 2010. We also manage the Women's Finance Hub, a G-20 initiative to share knowledge and best practices on ways to expand access to finance for women entrepreneurs.

We provide investment and advisory services to such enterprises in about 80 countries, focusing on every phase of their development: improving the investment climate, building management skills, and expanding access to finance and markets. In 2012, our clients provided 5.8 million loans to small and medium enterprises, totaling \$241 billion.

In India, we advised the state of Bihar in implementing reforms to its tax regime to encourage formalization for small businesses. We also helped it strengthen an online filing and payment system. The changes increased tax revenues and allowed more small companies to enjoy the benefits of joining the formal economy.

In Sri Lanka, we worked with Nation Trust Bank to open the first business-training center in the country's Eastern Province. Through our SME Toolkit, an online resource that provides training and management tools for small businesses, we are helping up to 30,000 small-business owners become more competitive and reach new markets.



Food Security

EXPANDING OPPORTUNITY FOR SMALL FARMERS

*We help our clients raise agricultural productivity in developing countries
and work to ensure food is available to people who need it most.*

More than 2 billion people—a third of mankind—depend on food produced by small farmers. Such farmers tend to be the norm in regions of the world where hunger is greatest.

Helping these farmers increase their productivity and linking them to markets is an essential way to feed the nearly 1 billion people in the world who go hungry every day. It's essential for managing food stocks at a time when global demand for higher-quality food is rising and when climate change poses risks that could hurt agricultural productivity.

Strengthening agribusiness is a priority for IFC—because it is essential for food security and because it is essential for raising incomes for the poor, three-quarters of whom live in rural areas.

Our approach is comprehensive. We work with the private sector to increase the supply of affordable food and to ensure it is available to people who need it most. We also work with financial institutions, commodity trading firms, companies, and civil society organizations to help large and small farmers overcome obstacles to higher productivity and become part of the agriculture supply chain.

Across East Asia and the Pacific, for example, IFC has worked with major coffee buyers—such as Ecom Coffee—to help farmers achieve the quality and sustainability certifications they need to sell coffee in international markets. These certifications have helped thousands of farmers increase productivity and boost revenues.

IFC plays a prominent role in global initiatives to strengthen food security. We manage the private sector window of the Global Agriculture and Food Security Program (GAFSP), a multilateral fund set up to help the Group of 20 leading economies deliver on its food-security commitments. The private sector part of this fund enables IFC to reach even the smallest farmers and rural enterprises, by blending donor financing with commercial credit.



Above: Haitian farmer Hermilus Lovana has benefited from affordable insurance provided by IFC client Microinsurance Catastrophe Risk Organisation..

This year, IFC and GAFSP's private sector window jointly invested \$10 million in Root Capital, a social investment fund, to help it expand access to working capital and markets for 300,000 small farmers over the next four years.

Weather, pests and crop disease, land degradation, and market failures can make farming a risky enterprise. Through our innovative Global Index Insurance Facility—which we launched with the World Bank and several donor partners—we helped about 119,000 small-scale farmers in seven countries in Sub-Saharan Africa and in Sri Lanka to insure their crops and livestock against risks of severe weather events such as floods and drought.

3.1

million farmers were supported by IFC clients in 2012.

Left: A farmer in Vietnam harvests coffee for Ecom, a global commodity trading company that uses inclusive business models, helping producers increase productivity and boost revenues.

How IFC Creates Opportunity

PARTNERING FOR

We have a long history of setting a good example.

We were investing in “emerging markets” decades before they became a popular asset class for global investors. In fact, we coined the phrase. In the mid-1980s, we launched the world’s first global investment fund to channel capital toward listed companies in developing countries. The new capital flows lifted many local businesses to international prominence, creating jobs that reduced poverty in countless cities and villages.

Today, we continue to demonstrate the rewards of investing in challenging markets.

DEMONSTRATION



Infrastructure

PROMOTING PROSPERITY IN AFRICA

IFC delivers landmark projects with high impact on the poor—notably in frontier countries and regions, where our services are most needed.

Above: Expansion of the Azito Thermal Power Plant, in Côte d'Ivoire, will improve access to electricity for Ivoirians and help sustain the country's economic growth.



About 1.2 billion people—nearly a fifth of humanity—live without electricity. An estimated 880 million people lack access to safe water, and more than 1 billion people don't have access to either an all-weather road or telephone services.

Infrastructure shortages in the developing world are a key constraint to economic growth. With more efficient infrastructure, millions can benefit from access to clean water and safe sanitation. Companies can take their goods to market more quickly and cheaply. Countries with a modern infrastructure are better able to attract foreign investment.

Expanding and modernizing infrastructure are priorities for IFC—particularly in Africa, and particularly in the transport and power sectors. We invest in projects that can promote prosperity in some of the poorest countries, and help governments design and implement public-private partnerships.

In Sub-Saharan Africa—where the need for infrastructure improvement is most urgent—IFC is taking the lead to support the expansion of energy generation. In FY13, we invested more than \$1 billion in infrastructure projects in the region, including funds mobilized from other investors. Our work included several innovative solar-power projects (see page 37).

In Côte d'Ivoire, which is emerging from years of political turmoil, we arranged a \$345 million package to modernize the Azito Thermal Power Plant. Modernization will enable the plant to generate 50 percent more energy without using any additional gas. The plant will become one of the largest independent power generators in the region, helping ease power shortages and producing significant savings for Ivoirians who now have to rely on expensive backup electricity systems.

We provided \$125 million for our own account for the Azito project. Acting as lead arranger, we mobilized the balance from five European development finance institutions and the West African Development Bank.

In areas of Sub-Saharan Africa that are not yet connected to the grid, we're stepping up our *Lighting Africa* project with the World Bank and our donor partners. We are helping people switch from inefficient and expensive fuel-based lighting sources such as kerosene lamps to more affordable and climate-smart alternatives—such as solar lamps and dynamo-powered lights similar to those used on bicycles.

The program has already improved access to clean lighting for 6.9 million people in the African continent, avoiding the emission of over 138,000 tons of greenhouse gases—equivalent to taking 26,000 cars off the road. We are leading a similar initiative in Asia, aiming to provide off-grid lighting products to 2 million people in rural areas of India by 2015.

6.9

million have improved access to clean lighting because of the World Bank's Lighting Africa project.

Above center: An Azito plant technician performs a check on gas pipes.

Above right: A young girl breaks into a smile on seeing her house well-lit after sunset. IFC's *Lighting Asia* program in India is expected to bring lighting to 2 million people.



Mobilization

OPENING NEW MARKETS FOR PRIVATE INVESTMENT

By bringing together other investors, we combine knowledge and expertise—and maximize the development impact of our projects.

Foreign investments in the capital markets of developing countries have increased in recent years. But only a fraction of these investments go to the smallest and poorest countries. Eighty percent of total portfolio flows into developing countries go to just 14 of the largest emerging-market countries. Investors continue to have little interest in smaller countries, where capital markets tend to be less liquid and more risky as a result.

IFC is playing an important role in addressing that imbalance. This year we committed \$100 million to a \$500 million global fund that brings together large, institutional investors to invest primarily in listed equity securities of private sector firms in these smaller markets—the so-called Next 50.

Mobilizing capital from other investors is a key component of IFC's business model. Encouraging additional private sector investment to leverage our activities allows us to achieve more than we could on our own. It also enables us to pool knowledge and expertise.

In FY13, we worked with banks, international financial institutions, sovereign funds, pension funds, and other partners to mobilize \$6.5 billion for investment in developing countries. We did that through several programs—including our Syndicated Loan Program (see page 73)—and also through our subsidiary, IFC Asset Management Company, which has \$5.5 billion in assets under management across six funds focused on specific sectors or regions.

In Sri Lanka, this approach allowed us to increase funding for small and medium enterprises—which are critical to rebuilding the economy after decades of conflict. We provided a \$75 million long-term loan to Commercial Bank of Ceylon, the country's largest private sector bank.

The investment was made through IFC Capitalization Fund—a \$3 billion global equity and subordinated debt fund established in

2009 by IFC and Japan Bank for International Cooperation. The fund is managed by IFC Asset Management Company.

The investment is expected to increase access to finance for up to 16,000 small businesses and generate about 170,000 jobs—both directly and indirectly—by 2017.

In Bangladesh, we led a consortium of investors to provide about \$345 million in financing—including \$190 million from our own account—to telecommunications operator Grameenphone. The investment will help the company extend mobile services to remote areas of the country.

IFC also mobilizes capital through syndicated loans, which allows other investors to participate in the loans we make. In FY13, syndicated loans totaled \$3.1 billion, accounting for nearly half of the funds we mobilized.

\$3.1

billion in syndicated loans were issued in FY13, accounting for nearly half of the funds we mobilized.

Above: An employee at a small business supported by Sri Lanka's Commercial Bank of Ceylon, which received a \$75 million loan from IFC and IFC Asset Management Company.



South-South Investment

A VITAL FORCE FOR DEVELOPMENT

Our projects encourage the transfer of technology from one country to another—boosting regional integration and job creation.

For all their economic achievements in recent years, the needs of developing countries remain vast.

Sub-Saharan Africa alone will need investments of over \$90 billion per year over the next decade to meet infrastructure demands such as roads, rail networks, power, and water and sanitation projects. The Middle East and North Africa will need up to \$100 billion a year to boost economic competitiveness and sustain recent economic growth rates.

These needs represent significant opportunities for private enterprises from other developing countries—which have shown a robust appetite to expand into untapped emerging markets. Developing countries now account for more than a third of foreign direct investment in emerging markets.

Leveraging our global reach, IFC has been an important facilitator of South-South investment—which we see as an important way to stimulate regional integration, job creation, and economic development. In FY13, our investments in such projects climbed to nearly \$1.7 billion, accounting for nearly 10 percent of IFC commitments for our own account.

By supporting such projects, we help stimulate the transfer of knowledge and technology from one developing country to another, and expand the availability of previously hard-to-obtain goods

Above: A worker at a factory in South Africa operated by a subsidiary of India's Apollo Tyres. IFC's investment will help increase production by a third.

and services. We also enable regional companies to develop into transnational corporations that can compete on a global level.

We also mobilize funds from other investors to promote South-South investment. In FY13, our syndications program contributed significantly in this area. Emerging-market financial institutions increased their participation in our loan syndications—doubling their commitments from the previous year and accounting for 29 percent of the \$3.1 billion in IFC syndicated loans for the year.

This year, IFC and two funds managed by IFC Asset Management Company bought a \$204 million equity stake in Morocco's Banque Centrale Populaire to help the bank expand across sub-Saharan Africa—where access to finance, especially for smaller firms, remains a challenge.

We also invested \$11 million in a subsidiary of India's Apollo Tyres to help the company expand production at one of its tire factories in South Africa. The company makes tires for cars, buses, and trucks. Our financing will help Apollo Tyres produce about 13,000 tires a day at its factory in the city of Ladysmith—an increase of about a third.



Local Capital Markets

AN EFFECTIVE WAY TO SPUR GROWTH

As the first international issuer of local-currency bonds in many countries, IFC often provides a model for other issuers.

Strong local capital markets are the foundation for a prosperous private sector. They reduce countries' dependence on foreign debt, protecting economies from sudden swings in international capital flows.

Such markets create access to long-term local-currency finance and help mobilize funds to finance infrastructure and other areas essential for the growth of the private sector—the key engine of job creation in developing countries.

IFC is a global advocate for efficient local capital markets, and we play an important role in their development in emerging countries. We often are the first international issuer of local-currency bonds in these countries. In issuing bonds, we work closely with regulators and investors to help improve the regulatory framework, encourage greater participation in the local markets, and provide a model for other international issuers.



\$10

billion in local-currency financing has been provided by IFC.

Over the years, IFC has issued bonds in 12 local currencies—including the Brazilian real, the Russian ruble, the Nigerian naira, the Malaysian ringgit, and the Chinese renminbi. We have provided over \$10 billion in local-currency financing across 58 currencies—more than any other international finance institution.

In Nigeria this year, we were the first foreign institution to issue a naira-denominated bond, raising the equivalent of \$75 million that will be used to support IFC's development program in the country. All investors were Nigerian pension funds, asset managers, and banks looking to diversify their portfolios. We worked with the Nigerian government and regulators to help them develop a framework that encourages more corporate issuances in the local markets. In addition, we issued the first inflation-indexed bond by a foreign issuer in Russia.

In China, we have made a total of six local-currency investments so far to expand access to finance, promote food safety, and help increase the availability of high-quality and affordable drugs. Those investments reflected an earlier achievement—our 2011 agreement with Chinese banks to swap U.S. dollars into Chinese renminbi to provide local-currency loans. We were the first multilateral institution to sign such an agreement.

Smaller enterprises often face the greatest difficulty in obtaining local-currency financing, a challenge IFC is helping them overcome. In the Dominican Republic this year, we issued the first local-currency bond by an international finance institution, raising \$10 million that we invested in two microfinance institutions—Fondesa, which tends to make small loans of less than \$1,000; and La Nacional, which finances low-income mortgages with an average home value of about \$30,000.

How IFC Creates Opportunity

PARTNERING FOR

IFC plays a leading role in development—by leveraging the power of the private sector to create opportunity in emerging countries, in ways that promote prosperity for all.

We achieve development impact by venturing where other investors often hesitate to go: in the poorest countries and regions of the world, and in places torn by conflict and instability. We achieve it by helping our clients find ways to create opportunity across the entire supply chain. We achieve it by rigorously tracking our results against the goals we set for ourselves.

IMPACT



Conflict-Affected Areas

GENERATING CONDITIONS FOR SUSTAINABLE GROWTH

Our projects in fragile and conflict-affected areas aim to create jobs and help governments rebuild infrastructure.

Broadband Internet is a revolutionary technology — capable of empowering individuals, unlocking business opportunities, and boosting economies. In war-torn Afghanistan, however, it's a technology beyond the reach of virtually the entire population.

IFC is working to change that by helping the country's largest mobile-phone operator extend high-speed broadband services to 80 percent of the population in key cities. The \$65 million in long-term financing we provided this year to the company, Roshan, will help it acquire a 3G license and strengthen its broadband network.

That will also help Roshan expand the array of innovative services it offers to improve the lives of ordinary Afghans. One of them is M-Paisa, a mobile-banking service that gives people without bank accounts a quick, safe, and secure way to send and receive money — through their phones. Another



\$577

million was invested in conflict-affected areas during FY13.

is Roshan's Telemedicine project, which helps bring better healthcare services to isolated areas of the country.

Conflict and instability are a leading cause of poverty across the world. Recognizing that most of the world's poor will live in fragile and conflict-affected areas in coming decades, we are intensifying our focus on creating opportunity in these areas.

In FY13, we invested about \$580 million in fragile and conflict-affected areas. Our advisory expenditures in these areas totaled approximately \$40 million, or 18 percent of our advisory program.

Our goal is to create jobs, remove constraints to sustainable business growth, and help governments rebuild infrastructure. To do so, we aim to expand the availability of power and credit. We are also helping strengthen the business environment for local enterprises while enabling them to reach new markets.



Our work in fragile and conflict-affected countries often begins with advisory work to lay the foundation for investment. Working with the World Bank and our donor partners, we supported the adoption of over 60 investment-climate reforms in 22 conflict-affected states between 2010 and 2012. More than 40 of these reforms were in Africa.

In Burundi, for example, we helped the country implement reforms that doubled the number of businesses registered—to nearly 1,350 in 2012 from 674 in 2010. As the country's business climate has improved, foreign investment has grown.

Trade finance can also make a critical difference for conflict-affected states, which tend to be locked out of international trade. Since FY10, IFC has supported trade in 24 of these countries, enabling more than \$510 million in trade amid challenging conditions.

Above top: IFC is helping Roshan, Afghanistan's largest mobile-phone operator, to expand its network, bringing cellular and Internet services to many people long left off the grid.

Above bottom: A street vendor serves food in Yangon, Myanmar.



Gender

BOOSTING DEVELOPMENT THROUGH EQUALITY

Addressing obstacles to women's empowerment is an important way to promote shared prosperity and poverty reduction.

Women's participation in the workforce has grown over the past decades. Yet women remain significantly underrepresented.

This inequality is not only unfair. It's also bad economics. Failing to tap the economic potential of women puts a brake on poverty reduction and limits growth and opportunity. Expanding women's participation can raise productivity and improve a variety of development outcomes.

IFC works to strengthen women's roles as leaders, entrepreneurs, employees, consumers, and stakeholders. We provide a combination of investment and advice to help our clients expand access to finance for women, deliver business-skills training for women entrepreneurs, and recognize the business case for creating opportunities for women. We also work with our clients to improve working conditions and to dismantle barriers to women's participation in business.

This year, we teamed up with The Coca-Cola Company in a \$100 million, three-year project to provide access to finance for thousands of women entrepreneurs in Africa and other emerging markets. IFC will work through its network of local and regional banking institutions to provide financing

and business-skills training to small and medium enterprises that are owned or operated by women across the Coca-Cola value chain. The first step was a \$50 million IFC investment in Access Bank Nigeria to help it increase lending to women entrepreneurs.

We also arranged and syndicated a \$130 million financing package to support the expansion of Peru's Belcorp, a door-to-door sales cosmetics company that employs close to 9,000 people—74 percent of them women. The investment will also help the building of a new plant in Mexico and the firm's expansion to new markets in Latin America.

In China, we stepped up our financing to support the growth of Chindex, a leading private healthcare network that has been instrumental in raising the quality of local health services. Founded by two women, the company is dedicated to empowering its female staff through leadership and training initiatives. Women make up 75 percent of Chindex's workforce.

Since 2010, our *Banking on Women* program has invested more than \$600 million in support of women-owned small enterprises in developing countries. That included a \$470 million investment in Brazil's Banco Itau—the program's largest investment, and its first in Latin America. We provided \$100 million from our own account and mobilized \$370 million through loan syndications.

IFC also is a lead sponsor of the Global Banking Alliance for Women, an initiative that brings together about 30 financial institutions committed to leveraging the women's market around the world.

Above: Beatriz Cortez, a beauty consultant affiliated with IFC client Belcorp in Peru, enjoys a light moment with her daughter. Belcorp's expansion is expected to create significant jobs and entrepreneurial opportunities for women.



Middle-Income Countries

PROMOTING PROSPERITY FOR ALL

Our work in middle-income countries helps them tackle challenges such as urbanization, rural development, and climate change.

Above: Students learn at a Plato training center in Istanbul. IFC's investment in the education firm will help it expand vocational training in Turkey and other Middle Eastern and Central Asian countries.

More than two-thirds of the world's poorest people—who survive on less than \$1.25 a day—live in middle-income countries. These countries also are home to large numbers of people without access to clean water, reliable power, or decent health and education services.

IFC focuses on the needs of the poor, regardless of their location. Our approach is to help middle-income countries find creative ways to ensure that their rising prosperity is shared by all citizens. We also work to strengthen rural development and address the challenges of unemployment, urbanization, and climate change.

Supporting companies that adopt inclusive business models is an important element of our work. Over the past nine years, we have invested more than \$9 billion in businesses that provide goods, services, and jobs to people at the base of the economic pyramid—by integrating the working poor into their supply chains. We have worked with more than 350 inclusive-business clients in more than 80 countries.

This year, we provided a \$15.6 million loan to finance the construction or renovation of 47 preschool facilities in Chuvashia Republic, a predominantly rural province in Russia. The project will open up spaces for more than 7,000 students and create jobs for teachers—many of whom will be women.

In Turkey, we provided financing and advice to help introduce a technology that will enable one of the country's largest paper companies to expand production without increasing the consumption of water—a key input for the paper industry. Our \$8 million loan to cardboard maker Modern Karton will help it build a wastewater-recovery system to conserve and reuse water.

Thriving private enterprises in middle-income countries can set an important example for others—not only by venturing into less-developed areas of their own country but also by stepping out into poorer countries. IFC helps make that happen.

This year, we invested \$6 million in an Istanbul-based education firm, Plato, to help it expand vocational training in Turkey and several Middle Eastern and Central Asian countries. The investment was our first under our E4E Initiative for Arab Youth, which aims to strengthen job skills in a region where youth unemployment is high. Plato is expected to strengthen employment opportunities for up to 6,000 students.



IDA Countries

CREATING OPPORTUNITY FOR THE POOREST

We focus on improving lives in the world's most challenging areas. In FY13, nearly half of our projects were in the poorest countries.

Above: IFC's investment in Kenya Tea Development Agency is financing a new warehouse that is expected to raise farmers' incomes, create jobs, and provide stability in a sector that benefits over 4 million Kenyans.



In the poorest countries, the need to improve lives is urgent. Unable to attract investment, many of these countries have no option but to rely on official aid—which often is not sufficient. These are the 82 countries eligible to borrow from the International Development Association, or IDA—the World Bank’s fund for the poorest. For IFC, they represent an opportunity to make a critical difference where we are needed most.

Our investments in IDA countries have grown nearly tenfold over the past decade, totaling \$6.6 billion in FY13 alone. Of this amount, a record \$1.2 billion was mobilized through loan syndications. IDA countries accounted for about half of all IFC investment projects and over 60 percent of advisory projects in recent years. In addition, we’ve contributed more than \$2.5 billion to IDA’s general fund since 2007—including \$340 million in FY13.

Through our Global Trade Finance Program, we have provided more than \$13 billion in guarantees to businesses in IDA countries since 2005—\$3.3 billion in FY13 alone. This enabled small and medium enterprises to obtain much-needed finance to expand and join the global trading system.

We aim to invest wherever we can do the most good. In Kenya—where tea exports generate more than \$1 billion a year in earnings, benefiting 10 percent of the population—we helped the country’s largest producer of black tea, the Kenya Tea Development Agency. Our \$12 million investment financed a 200,000-square-foot facility that is expected to raise farmers’ income and provide stability in a sector that accounts for two-thirds of the region’s jobs.

We are helping Lao People’s Democratic Republic develop its hydropower sector as a way to promote economic growth and alleviate poverty. We are supporting the revision of the country’s water law after launching a program to increase the share of new hydro projects that follow high social and environmental standards.

In small IDA countries where the local banking systems tend to be underdeveloped, IFC works with local financial institutions to strengthen their capabilities and help them grow.

Our work with Bai Tushum and Partners, in the Kyrgyz Republic, has enabled it to develop into the country’s first microfinance bank, serving more than 25,000 customers.

In landlocked Bhutan, we invested \$28 million this year in Bhutan National Bank—the country’s largest-ever foreign direct investment—to strengthen its capacity to serve micro, small, and medium enterprises and help it adopt international best practices in banking and corporate governance.



\$13

billion has been committed to IDA countries through IFC’s Global Trade Finance Program since 2005.



Above top: In the Kyrgyz Republic, a loan from IFC client Bai Tushum enabled Adalat Murzuraimova to buy cattle and lease land. She has used her farm income to educate her daughter.

Above bottom: Kenya Tea Development Agency obtains its tea from small-scale farmers such as this couple.