This is the story of 2.5 billion people living in poverty.
The global economic crisis has opened an uncertain chapter, especially for the 2.5 billion people who live on less than $2 a day. Many of them lack access to electricity, or clean water, or basic health care. For at least a decade, economic growth in developing countries helped expand the availability of basic necessities while steadily reducing the number of people in poverty.

But this year, the number of people in extreme poverty is expected to be much higher than was predicted before the crisis. Unemployment is rising. Yet many countries lack the domestic resources needed to speed up development.

IFC has responded swiftly and creatively to improve the lives of the most vulnerable people by working with the private sector to create conditions for sustainable prosperity, wherever the need is greatest.
IFC invested nearly $1.2 billion in countries across East Asia and the Pacific in FY09.

this is hanh’s story
We believe in the crucial role of private sector investment in development.

HANH VN’S STORY

Four years ago, Hanh Vu gave up a government job to become an entrepreneur. She dreamed of going into business for herself, and wanted to open a bridal-gown shop in Hanoi. She had only enough capital for a small shop with two sewing machines.

HANH VN’S ROLE

IFC officer Hanh Nam helped to expand the business through IFC client Techcombank, which gave Vu one of its first loans for small businesses. Vu now runs a thriving business that employs 125 workers. She plans to export her products.

See details on page 41.
this is the story of a global crisis
A crisis in the U.S. banking sector quickly became the biggest global downturn since the Great Depression. Falling U.S. home prices triggered a credit crisis that led to a steep drop in private capital flows to developing countries, shrinking trade and sparking a global recession.

IFC moved quickly to devise ways to maximize our development impact in adverse market conditions. As a result, we have been at the forefront of the global crisis response.

2.1 million JOBS PROVIDED BY IFC CLIENTS IN 2008

We are making smart choices during these extraordinary times.
this is the story of maintaining stability
this is the story of expanding access to finance

We foster entrepreneurship by continuing the flow of credit.

Bolstering a Bank’s Ability to Grow Amid the Crisis
Banco Continental became Paraguay’s largest locally owned bank through innovation, sound management, and a strong balance sheet. But the global crisis threatened its ability to expand services to small and medium enterprises among its customers.

Sending a Signal of Confidence
We mobilized one of our many crisis-response initiatives to strengthen Continental’s ability to grow and compete. The IFC Capitalization Fund invested $20 million in Continental, sending a strong signal of confidence in the bank and its prospects for growth.

See details on page 37.
$110 billion: estimated value of infrastructure projects facing delays because of the crisis

NATORE, BANGLADESH
Nasima Khatun was able to increase her income.
See page 110 for details.

CAMPINAS, BRAZIL
Sonia Camargo was able to get a better job.
See page 67 for details.

TBILISI, GEORGIA
George Sabanadze was able to repair his home.
See page 72 for details.

this is the story of getting business moving again
Our investments helped contribute to a better quality of life for vulnerable people.

The story of getting business moving again

Developing and emerging economies are expected to be the engine of growth once the current crisis ends. For now, however, the crisis has set back private sector development in many emerging markets, freezing credit and stalling many important initiatives.

The story of providing liquidity

In fiscal 2009, IFC provided $14.5 billion in financing to businesses in developing countries. In doing so, we supported jobs and broadened access to education, energy, and financial services, giving the most vulnerable people in developing countries the tools they need to improve their lives.
this is the story of creating opportunity

In 2008, IFC clients provided 3.6 million loans totaling nearly $1 billion to small and medium enterprises.
this is oscar’s story

Supporting micro, small, and medium enterprises is a strategic priority for IFC, because they account for a major share of jobs around the world. Financing and advice we provided to MSMEs have allowed budding entrepreneurs like Oscar Kimani to pursue their dreams.

Oscar’s Internet-based travel business nearly folded when riots halted tourism in Kenya in 2007. IFC helped him by providing mentoring and introducing him to new opportunities. Today, Oscar’s business is prospering, offering a broad menu of services—including Web design and corporate training.

See details on page 38.

We are rapidly increasing our support for small businesses.

NURTURING BUDDING ENTREPRENEURS

SUCCEEDING BY SEIZING NEW OPPORTUNITIES

161,329

NUMBER OF LOANS PROVIDED BY IFC CLIENTS TO MICRO, SMALL, AND MEDIUM ENTERPRISES IN SUB-SAHARAN AFRICA IN 2008
this is saleh’s story
Cataracts in both eyes almost blinded Saleh Khalifa and rendered him unable to work and provide for his family. The 49-year-old Egyptian blacksmith could not afford the $370 needed for an operation to correct his vision. Help came from the IFC-supported Magrabi Hospital in Cairo, which arranges low-cost eye exams for people in poor areas. Magrabi’s staff informed Saleh that doctors would operate on him. He is expected to regain his sight. “It means I will be able to support my family again,” he says. See details on page 47.
In 2008, IFC clients provided more than $4.4 billion in loans to 5.3 million microenterprises.

- **$4.4 billion** in IFC FY09 commitments in IDA countries.
- **17.1 million** power customers served in Latin America and the Caribbean.
- **2.1 million** patients cared for in South Asia.
- **500,000** women borrowers served in the Middle East and North Africa.
- **602,000** jobs provided in East Asia and the Pacific.
- **$6 billion** in housing finance loans provided in Europe and Central Asia.
- **4 million** rail passengers served in Sub-Saharan Africa.
- **$4.1 billion** in microfinance loans made in Latin America and the Caribbean.
- **149 million** phone connections provided in South Asia.
- **1.4 million** loans made to micro, small, and medium enterprises in the Middle East and North Africa.
- **147 million** rail passengers served in East Asia and the Pacific.
- **2.1 million** rail passengers served in Sub-Saharan Africa.

In 2008, IFC clients provided more than 5.3 million microenterprises.
We remained committed to supporting the private sector in developing countries even as capital flows to these countries declined sharply. We stayed true to our commitment to do more to help the world’s poorest countries, initiating half of all FY09 projects in IDA countries.

In doing so, we improved the lives of people in tangible ways. In 2008, IFC’s clients provided 2.1 million jobs, cared for 5.5 million patients, and helped educate more than 1 million students. Seventy-one percent of our investment projects achieved high development-outcome ratings, matching the high level in FY08.
CHAPTER 1: CREATING OPPORTUNITY
22–33

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

THE FIVE STRATEGIC PILLARS / HOW IFC CREATES OPPORTUNITY WHERE IT'S NEEDED MOST / THE WORLD BANK GROUP'S STRATEGIC DIRECTIONS / DEEPENING OUR ENGAGEMENT IN IDA COUNTRIES / IFC'S MANAGEMENT GROUP / THE IFC WAY

CHAPTER 2: SMART CHOICES
34–53

IFC's thinking and planning in response to the current crisis.

IFC'S CRISIS RESPONSE INITIATIVES / Maximizing our development impact / Addressing immediate and long-term risks / Maintaining a sustainable business model / Looking ahead—a long-term platform for development / A historic step—IFC Asset Management Company

CHAPTER 3: SIGNIFICANT IMPACT
54–101

IFC results by region, industry cluster, and Advisory Services.

IFC'S GLOBAL IMPACT / RESULTS BY REGION / RESULTS BY INDUSTRY CLUSTER / RESULTS BY ADVISORY SERVICES

CHAPTER 4: HOW WE WORK
102–121

IFC culture, product lines, and staff, based in 102 cities in 86 countries.

OUR PEOPLE / GOVERNANCE / ACCOUNTABILITY / WORKING RESPONSIBLY / PERFORMANCE STANDARDS / PRODUCT LINES / TREASURY SERVICES / PORTFOLIO MANAGEMENT / CAPITAL ADEQUACY AND FINANCIAL CAPACITY / WORKING WITH PARTNERS AND MOBILIZING RESOURCES / DEVELOPMENT RESULTS
2008 has been a time of testing for the World Bank Group and our ability to respond to the needs of clients. The financial crisis has spiraled into an economic crisis, an unemployment crisis, and events could next become a social and human crisis with political implications. In this fast-moving and uncertain environment, the World Bank Group is leaning forward to serve our clients with flexibility, speed, innovation, and attention to results.

IFC is playing a vital part in that effort. I am pleased to introduce an Annual Report this year that captures IFC’s achievements as a catalyst for action, working with partners to mobilize resources to support the projects and people who need them quickly, and thinking creatively to get business moving again in developing countries.

As the crisis spread to emerging markets this year, IFC has worked with partners to quickly establish initiatives that ensured the availability of financing for vital development needs: strengthening local banks; supporting micro, small, and medium enterprises; bolstering trade; and advancing essential infrastructure projects. IFC’s crisis initiatives are expected to provide significant financing over the next few years, including contributions mobilized from governments, international financial institutions, and other sources.

In 2009, IFC took a historic step to channel investment into developing countries by establishing IFC Asset Management Company — a wholly owned subsidiary that will mobilize capital from outside IFC’s traditional investor pool. This is a great innovation. The company is managing the new $3 billion IFC Capitalization Fund to strengthen banks in smaller emerging markets. It also will manage a new general private equity fund that will invest in Africa, Latin America, and the Caribbean.
“As emerging and developing markets begin to emerge from today’s crisis, they will need the unique package of investment and advice that IFC provides.”

ROBERT B. ZOELLICK
WORLD BANK GROUP PRESIDENT

The poorest countries—those served by the International Development Association—have a particularly urgent need for a dynamic private sector. IFC has significantly expanded its contributions in this arena: more than half of IFC’s 447 projects were in IDA countries in FY2009. New commitments in these countries totaled more than $4.4 billion, or nearly 42 percent of IFC’s total. In December 2008, IFC made an additional $450 million contribution to the 15th Replenishment of IDA as part of a $1.75 billion commitment over three years.

IFC has also been working more closely with other parts of the World Bank Group, helping to make the best use of the Bank Group’s diverse areas of expertise, products, and services while tackling the most pressing development challenges. In FY09, there are 15 joint investment projects and 104 joint advisory projects in IDA countries.

As emerging and developing markets begin to emerge from today’s crisis, they will need the unique package of investment and advice that IFC provides. Public-sector funds alone will not be enough to ensure a sustainable recovery; private enterprise, and the capital needed for it to thrive, will be essential.

IFC is an ideal platform for advancing private sector development in these markets, as they both cope with the crisis and address broader challenges. For example, IFC has recognized that the private sector can make a useful contribution to reducing greenhouse emissions, and is boosting investments in energy efficiency and renewable energy.

I want to thank IFC’s staff for their hard work this year. They have stepped up to the new challenges we face, and are helping to transform the World Bank Group into a more dynamic, flexible, and innovative institution. IFC’s accomplishments also reflect the strong and effective leadership of Lars Thunell, who guides an excellent team with judgment, experience, and a drive for results. I also thank our Board of Directors, the Governors, and our many contributors and partners.

Robert B. Zoellick
World Bank Group President
The current global economic crisis is broad—touching all corners of the world. It is also deep, the most severe contraction in over 50 years, and has forced tens of millions more people into poverty.

At a time when private capital flows to developing countries have dropped by half, IFC’s mission of promoting the private sector in developing countries is more relevant than ever. Private sector development remains the most effective way to create jobs and help people escape from poverty.

In contrast to the sharp drop in private flows, IFC investments held up well at $14.5 billion, compared with the record $16.2 billion last year. Mobilization of public and private funds, including syndications and structured finance, was $4.0 billion, a level similar to the prior year. In this way, IFC fulfilled its countercyclical role and provided help when and where it was needed most. Despite the impact of the crisis on financial markets, IFC earned income of $299 million for the year, before a $450 million transfer to the International Development Association.

The needs are vast. We set priorities and made smart choices to ensure resources were used to help improve lives. We have been innovative, developing new ways to mobilize funding for development. We moved quickly, engaging with clients to help them adapt to the new economic environment.

During my travels to developing countries around the world, I saw how IFC Investment Services and IFC Advisory Services are contributing to a better quality of life for the most vulnerable people. Our results are not just about investment volume or financial returns. More importantly, our results are about development impact.

Our results are about reaching poor people.

In 2008, our clients provided 2.1 million jobs, served 5.5 million patients, and helped educate 1.2 million students. Our clients reached over 200 million water, power, and gas customers, provided phone connections to 220 million people, and provided 9.8 million loans to micro, small, and medium enterprises.

I also saw how the effects of the crisis on the world’s poorest countries and regions called for a rapid response. IFC adjusted its short-term strategy to meet immediate needs generated by the crisis.

We created an array of initiatives to address immediate needs and to mobilize funding for critical sectors, like infrastructure, banking, trade finance, microfinance, as well as new Advisory Services programs. Meanwhile, we created a fund to draw private investment into Africa’s health sector.

In total, IFC raised over $5 billion in funding for crisis initiatives this past year, an affirmation of IFC’s strong brand and reputation. We expect to raise even more over the coming year, and we believe it will encourage significantly more private investment.

Moreover, IFC laid the foundation for future mobilization of private capital for development with the historic launch of a subsidiary to manage commercial funds, IFC Asset Management Company. It will implement IFC’s Sovereign Fund Initiative and the IFC Capitalization Fund, the latter aimed at strengthening banks in the smallest and poorest countries.

Meeting with clients — micro-entrepreneurs and emerging regional multinationals — as well as investors and ministers from around the world, reinforced to me that IFC has built a reputation and brand as a trusted long-term partner for future collaboration. We are the leading private sector development finance institution in the world, and one of the few financial institutions whose brand strengthened in the wake of the crisis.

This positions us to play a convening role, bringing together other development finance institutions that share our goals. Our collaboration with other development institutions in joint regional crisis-response financing packages for Eastern Europe, Latin America, and Africa showed how working together can leverage more resources and increase impact.
The worsening plight of 2.5 billion people living in poverty intensifies our long-term commitment to do more to help the world’s poorest countries and to concentrate on frontier regions of middle-income countries. Just over half of all IFC projects were in IDA countries, where a shortage of capital is a long-standing problem. IFC’s own investments in Africa, home to the largest concentration of IDA countries, increased almost 30 percent to a record $1.8 billion.

This impressive performance was possible because we are global and local, with a dedicated and professional staff representing 135 nationalities working in 102 offices, empowered through delegated authority to focus on client solutions. Our global knowledge and local presence has enhanced our ability to react quickly to changing economic conditions.

We are looking ahead to the next chapter of our story, recognizing that those hardest hit by the crisis will continue to need help long after the economic recession is officially over.

We are guided by our strategic pillars. IFC is focused on the poorest countries and regions, local financial markets, long-term partners, and sustainable development. We are concentrating our efforts in health and education and infrastructure.

Demand for IFC services will remain strong in the near term, as the global economic recovery remains uncertain. Food and fuel prices are still elevated. Unemployment is high and life remains hard for the world’s most vulnerable people. Climate change is a global challenge imposing rapidly growing costs on developing countries.

Well after the crisis is over, IFC’s private sector financing will be needed greatly in all but the most optimistic economic scenarios. Financing needs will remain historically high whether the recovery follows a trajectory of slow growth, stagnation, or double-dip recession.

Developing countries account for an increasingly larger share of the global economy, governments are indebted, and the ongoing reduction of leverage in the global banking system will reduce financing availability for companies for quite some time, particularly the small and medium companies that are the engines of job creation.

A young and increasingly urban population in poor countries will need higher-quality health services, education, and better infrastructure. Demand from these emerging middle classes will drive growth in developing countries and can help offset the impact of higher savings in the industrialized world on global economic activity.

IFC will continue to adapt to meet these challenges and work toward a world where economic development is sustainable and inclusive. We will continue to decentralize, putting the right people in the right places. We will continue to leverage funding from partners and put new resources to work supporting small and medium businesses, promoting food security, and addressing climate change, especially in the least-developed countries, where investment is needed most.

Our ability to respond is constrained only by the amount of capital we have to invest.

I am proud to be part of a story of a strong team of professionals who are dedicated to a vision of creating opportunity for people to improve their lives when and where it is needed most.
It began in the summer of 2007, with losses in the U.S. subprime mortgage market. By the fall of 2008, it had turned into a far-reaching global crisis, shaking the confidence of bankers, investors, and households across the globe, and tipping the world economy into a prolonged recession.

For some of the poorest countries — especially in Africa — the crisis hit just as they were gaining traction in their efforts to fight poverty and achieve sustainable private sector development. Export earnings fell, foreign investment declined, and vital infrastructure projects were jeopardized. The ability of governments to mobilize domestic resources to alleviate poverty was compromised.

Given the magnitude of the crisis and the extent of its effects on human development, repairing the damage will take time. IFC, the only multilateral development bank focused exclusively on the private sector, is uniquely placed to make a difference — by helping the private sector in developing countries resume its role as the engine of sustainable economic growth.