

CREATING OPPORTUNITY

In developing and transition countries around the world, as many as 2.6 billion people live on less than \$2 a day. Economic growth at the national level, often strong in recent years, has barely altered the circumstances they face. Most of these people have no bank accounts, and many lack telephones. Access to clean water, electricity, and basic health care remains unattainable for many.

Their plight illustrates the uneven progress of the global drive to reduce poverty. Regional disparities abound: the number of impoverished people has dropped sharply in East Asia but climbed in Sub-Saharan Africa. Even in the more prosperous middle-income countries, more than a billion people still live on the economic fringes, struggling for basic necessities.

IFC aims to help people at the bottom of the economic pyramid. We recognize that they constitute an important, often untapped market and that a strong, sustainable private sector can play a critical role in improving their lives. Our investments and advice also help tackle the social and environmental problems that impose a particularly high burden on the poor. IFC's activities are guided by five strategic principles...





1 STRATEGIC PILLARS

Strengthening the Focus on Frontier Markets

IFC goes where we are needed most, reaching the underserved wherever they are—in the poorest countries, in the poorer regions of middle-income countries, and in industry sectors that have the broadest potential to spur development and improve lives. Our priorities in these areas—the frontier markets—include strengthening *small and medium enterprises*; intensifying our effort to promote *agribusiness*; devising innovative solutions to revive the private sector in *conflict-affected countries*; and stepping up our *collaboration with other World Bank Group entities* to serve the poorest countries.



2 STRATEGIC PILLARS

Building Enduring Partnerships with Emerging Market Players

IFC's experience has shown that we achieve better development outcomes when we form long-term relationships with our clients. These partnerships allow us to guide our clients' development and extend the benefits of economic growth by helping them invest in other developing countries. They also allow us to help raise standards and strengthen the overall business climate. Our priorities in this arena include *financing South-South investment*, which increases the flow of capital, skills, and technology across the developing world; helping our clients in *integrating smaller local businesses into supply chains*; and *improving corporate governance and tackling HIV/AIDS and other challenges* to development.



IFC CLIENT LEADERSHIP AWARD

Each year IFC presents an award to recognize a highly successful corporate client that, in line with our vision and purpose, has made a significant contribution to sustainable development. This year's recipient, CPFL Energia, is Brazil's largest private electricity company. Since it became an IFC client in 2003, CPFL has brought electricity to a million new customers and created more than 7,000 jobs, while making exemplary efforts to reduce energy losses and mitigate climate change. In 2007, it spent \$36 million on reforestation and other environmental programs. The energy efficiency of its small hydroelectric plants is allowing it to sell a growing number of carbon credits. CPFL's corporate governance practices are among the best in Latin America. Its achievements have been accompanied by consistent financial success, with earnings rising more than 20 percent a year. IFC's financing helped CPFL restructure and prepare for an initial public offering in 2004. Its success has helped attract investment to the power sector in Brazil, a country that as recently as 2001 had needed to ration electricity.





3 STRATEGIC PILLARS

Addressing Climate Change and Ensuring Environmental and Social Sustainability

The least developed countries face long-term obstacles to sustained prosperity. Climate change poses a particularly high risk for their people, many of whom depend on agriculture, forestry, and fisheries for their livelihoods and have a limited or unreliable water supply. Social inequities also limit many people's economic potential. IFC priorities for addressing these challenges include *developing new business models and financing instruments for clean energy; setting and improving environmental and social standards for the private sector; and promoting economic inclusion* by increasing opportunities for women entrepreneurs, people in rural areas, and disadvantaged groups.

IFC'S CLIMATE CHANGE STRATEGY

Tackling climate change is a priority for IFC; our efforts complement and support the World Bank Group's overall strategy. We are helping direct private investment to opportunities in emerging markets and are developing sound business models for clients. We also are working with donors to provide seed funding for innovations in clean energy.

In FY08, we significantly expanded this focus, supporting 44 investments that involve energy efficiency and renewable energy. Together these mobilized an overall investment above \$10 billion. IFC directly provided \$1.4 billion, 60 percent of it for hydroelectric projects. In keeping with the Bank Group's pledge to increase funding for clean energy by 20 percent annually, IFC's investments in this area grew by 64 percent in FY08.

We launched the carbon delivery guarantee, a new product that allows companies producing and selling carbon credits to access more buyers by mitigating risk (see p. 37). With resources provided by the Global Environment Facility and other donors, we oversee a diverse portfolio of more than \$200 million that is helping make climate-friendly innovations commercially viable by reducing costs and removing barriers to market development.

IFC requires clients to inform us when their carbon emissions exceed 100,000 tons a year, and this leads to productive discussions on how they can improve energy efficiency and adopt cleaner technologies. We are also helping identify sector-based opportunities for climate-friendly investment, beginning with a study in China.



4 STRATEGIC PILLARS

Promoting Private Sector Growth in Infrastructure, Health, and Education

Economic growth is easier to achieve when people's basic needs—energy, transportation, housing, access to clean water—are met. It occurs faster when people have good access to education and health care. But governments in many developing countries invest far less than they need to in infrastructure, education, and health care, while private investors could do more to help fill the gap. IFC helps increase access to basic services by *financing landmark infrastructure projects; expanding investment and advisory services in the health and education sectors; and collaborating across the World Bank Group to maximize our development impact.*

5 STRATEGIC PILLARS

Developing Local Financial Markets

A shortage of sophisticated financial services presents a key obstacle to people and private enterprises in many developing countries. Businesses, both large and small, are often denied loans because they are considered a poor credit risk. IFC has made it a priority to broaden access to finance and deepen capital markets by expanding the availability of *microfinance and credit for small and medium enterprises*; introducing new products that help lower financial risks, especially through *local currency financing*; and *mobilizing finance from international banks and other investors*.



DOING OUR PART:**IFC'S CONTRIBUTION TO THE WORLD BANK GROUP'S PRIORITIES**

The vision of the World Bank Group is to contribute to an inclusive and sustainable globalization—to overcome poverty, enhance growth while caring for the environment, and create individual opportunity. At IFC we are doing our part on all six of these themes, each of which has an important private sector component.

The Poorest Countries

Helping overcome poverty and spur sustainable growth in the poorest countries, especially in Africa. IFC investments and advisory work in countries served by IDA now account for 40 percent of our projects. We aim to increase the proportion to 50 percent over the next three years.

Fragility and Conflict

Addressing the special challenges of countries that are emerging from conflict or seeking to avoid the breakdown of the state. IFC has 250 ongoing investment and advisory projects in 36 conflict-affected countries, including Afghanistan, Liberia, and Sierra Leone. We have nearly 200 staff based in 21 of these countries.

Middle-Income Countries

Building a competitive menu of development solutions for middle-income countries, involving customized services as well as finance. IFC's advice is strengthening the business climate in many middle-income countries, and we have initiated innovative projects involving housing finance and public-private partnerships.

Global Public Goods

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

The Arab World

Supporting those who are advancing development and opportunity in the Arab world. IFC's investments in the Middle East and North Africa have more than doubled over the last two years, and we are helping to modernize infrastructure and expand affordable housing across the region.

Knowledge and Learning

Fostering a knowledge and learning agenda across the World Bank Group to support its role as a brain trust of applied development experience. IFC's system for monitoring and evaluation is helping set best practice standards for assessing the results of private sector engagement in emerging markets.



WHERE WE WORK

IFC helps the private sector do its part to create opportunity and improve lives in emerging markets around the world.

- ▶ **In the poorest countries**, we work with a wide array of partners to provide the advisory services and financing that allow private enterprises to develop and grow.
- ▶ **In middle-income countries**, where the majority of the world's poor people live, we help the private sector extend its reach to people and regions that have not yet shared in the benefits of economic growth.
- ▶ **In all developing markets** we help companies and financial institutions raise operating standards, improve their sustainability, and become more globally competitive.

DEEPENING IFC'S PARTNERSHIP WITH IDA

IFC has stepped up cooperation with the International Development Association, the World Bank Group's lead agency for assisting the world's poorest countries, which together with the International Bank for Reconstruction and Development forms the World Bank. During FY08 we began a net transfer of \$1.75 billion to IDA's current three-year funding cycle; IFC's funding matches IBRD's contribution for the first time. Our greater stake in IDA reflects growing awareness of the role the private sector plays in helping the poorest countries reduce poverty and improve people's lives—and recognition that IFC is uniquely positioned to galvanize private investors in these markets. While IDA will continue to focus primarily on public sector projects, a new IDA/IFC Secretariat has been created to pursue opportunities for increasing joint Bank Group efforts that support private sector development in the countries IDA serves.

Joint projects typically involve an IDA credit or guarantee, alongside an investment or advisory services from IFC, in the context of a shared strategy. So far, 10 projects have been identified for focused support from a pipeline of potential collaboration. These include the financial sector throughout Africa; rural electrification in India; access to energy in Liberia, Rwanda, Senegal, and Zambia; hydropower in the Lao PDR; and infrastructure in the Pacific islands. IFC has already collaborated with IDA in a number of ways, notably to support micro, small, and medium enterprises in Sub-Saharan Africa.

For more about IDA, visit www.worldbank.org/ida.



CONNECTING MORE PEOPLE TO A GROWING ECONOMY

Brazil's economy is thriving, but the benefits have yet to reach many parts of the country. In the northeastern state of Ceara, one of Brazil's poorest, fewer than seven in 100 people had fixed-line telephones until recently in the small towns of Aracati, Quixada, Quixeramobim, and Russas. Service was simply too expensive. IFC is helping change that. In 2008, we financed the expansion of Ruralfone Inc., which focuses on markets that others have considered unprofitable: towns and villages of fewer than 30,000 people. Using wireless technology, Ruralfone provides fixed-line service at one of the world's lowest rates—as little as \$2 a month. In the four towns it serves so far, this has sharply increased the percentage of people with fixed lines. IFC's investment of up to \$6 million is expected to help Ruralfone expand service to 10 more towns in Ceara over the next year.

IFC AT A GLANCE

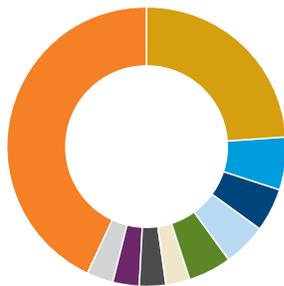
This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgement on the legal status of any territory, or any endorsement or acceptance of such boundaries.

● IDA ● Middle-income countries with frontier regions ● Other client countries

IFC fosters sustainable private sector growth in developing countries.

• OUR MEMBER COUNTRIES

STRONG SHAREHOLDER SUPPORT



- United States 24%
- Japan 6%
- France 5%
- Germany 5%
- United Kingdom 5%
- Canada 3%
- India 3%
- Italy 3%
- Russia 3%
- 170 other countries 43%

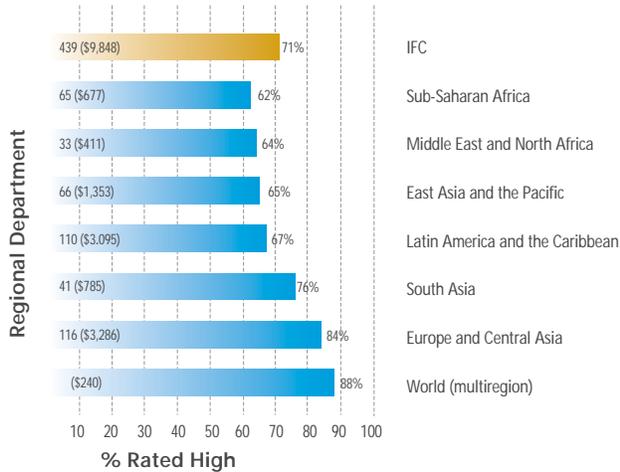
LARGEST COUNTRY EXPOSURES (JUNE 30, 2008)

Global Rank	Country	Portfolio (\$ millions)	Percent
1	India	2,876	9
2	Russian Federation	2,718	8
3	Brazil	2,487	8
4	China	2,150	7
5	Turkey	1,806	6
6	Mexico	1,000	3
7	Argentina	998	3
8	Philippines	898	3
9	Colombia	877	3
10	Indonesia	830	3

IFC AT A GLANCE

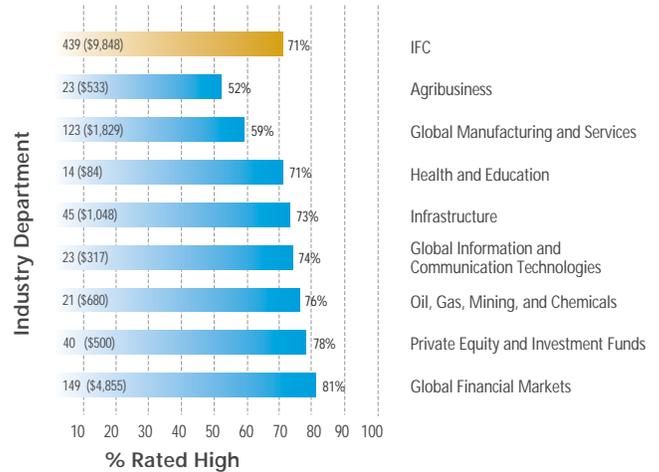
• OUR DEVELOPMENT RESULTS

DEVELOPMENT RESULTS BY REGION



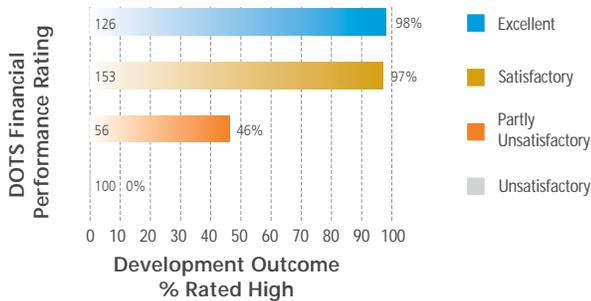
DOTS data as of June 30, 2008, for projects approved in calendar 1999-2004. Bars at top include the number of projects rated and total IFC investment in them (in \$ millions).

DEVELOPMENT RESULTS BY INDUSTRY



DOTS data as of June 30, 2008, for projects approved in calendar 1999-2004. Bars at top include the number of projects rated and total IFC investment in them (in \$ millions).

FINANCIAL PERFORMANCE AND DEVELOPMENT OUTCOME



DOTS data as of June 30, 2008, for projects approved in calendar 1999-2004. Bars include the number of projects with this financial performance rating.

FY08 Investments in Energy Efficiency and Renewable Energy: **\$1.4 billion**

• SUSTAINABILITY

FY08 COMMITMENTS BY ENVIRONMENTAL AND SOCIAL CATEGORY

Category*	Commitments (\$ millions)
A	\$814
B	\$4,904
C	\$1,841
FI	\$3,642
N**	\$197

*See category descriptions on p. 38.

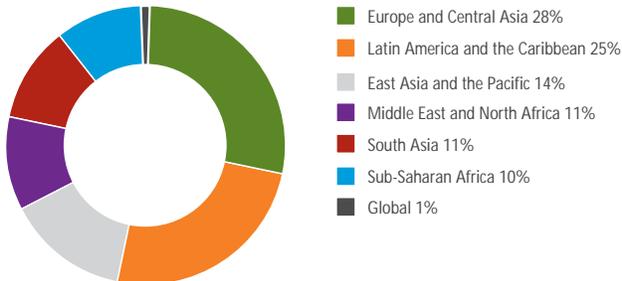
**N refers to increased commitments on existing projects or swaps and rights issues

Visit www.ifc.org/annualreport for more information on sustainability, including a Global Reporting Initiative index.

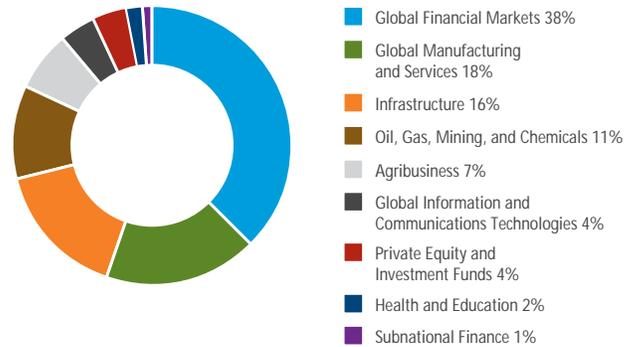
• INVESTMENT PORTFOLIO

For IFC's own account as of June 30, 2008: \$32.4 billion

COMMITTED PORTFOLIO BY REGION



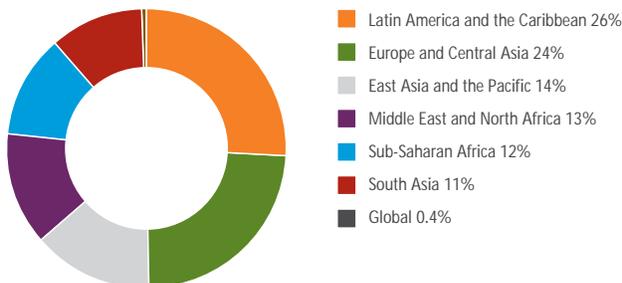
COMMITTED PORTFOLIO BY INDUSTRY



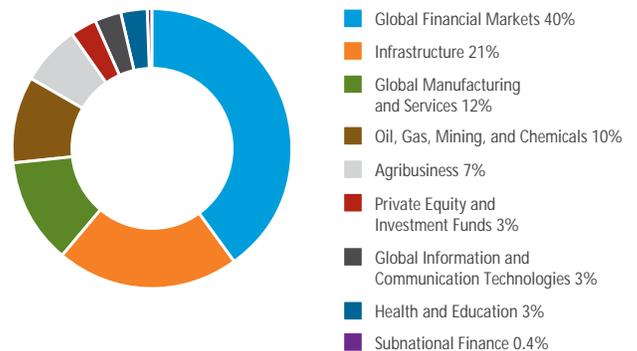
• FY08 INVESTMENTS

For IFC's own account as of June 30, 2008: \$11.4 billion

INVESTMENTS BY REGION



INVESTMENTS BY INDUSTRY



Some amounts include regional shares of investments that are officially classified as global projects. See regional sections for details.

INVESTMENTS BY PRODUCT



* Includes loan-type, quasi-equity products
 ** Includes equity-type, quasi-equity products

IFC also mobilized \$4.8 billion in FY08 through syndications, structured and securitized products, sales of IFC loans, and parallel loans.

IFC AT A GLANCE

• IFC INVESTMENT OPERATIONS AND RESOURCES

\$ millions

	FY04	FY05	FY06	FY07	FY08
Investment commitments					
Number of projects [†]	217	236	284	299	372
Number of countries	64	67	66	69	85
Total commitments signed	5,632	6,449	8,275	9,995	14,649
For IFC's own account	4,753	5,373	6,703	8,220	11,399
Syndication mobilization [‡]	879	1,076	1,572	1,775	3,250
Structured finance mobilization*	480	1,049	1,245	2,083	1,403
Investment disbursements					
Total financing disbursed	4,115	4,011	5,739	7,456	9,921
For IFC's own account	3,152	3,456	4,428	5,841	7,539
Syndication mobilization [‡]	964	555	1,311	1,615	2,382
Committed portfolio**					
Number of firms	1,333	1,313	1,368	1,410	1,490
Total committed portfolio	23,460	24,536	26,706	30,954	39,923
For IFC's own account	17,913	19,253	21,627	25,411	32,366
Syndication mobilization [‡]	5,546	5,283	5,079	5,543	7,525

[†]Includes first commitment to projects in the fiscal year. Projects involving financing to more than one company are counted as one commitment.

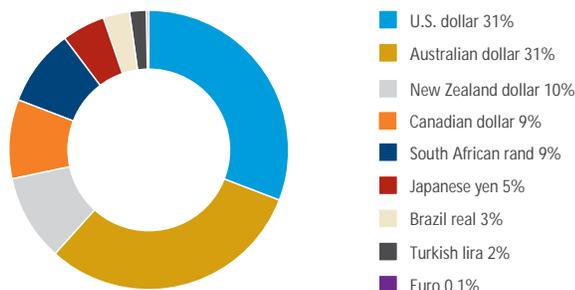
[‡]Includes syndicated loans and guarantees. For FY08 only, commitments and portfolio include participation sales for IFC's own account.

*This financing is not included on IFC's balance sheet.

**Total committed portfolio and syndication mobilization include securitized loans.

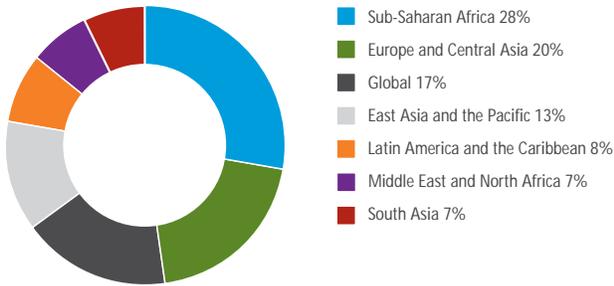
IFC's FY08 Financial Statements and Management's Discussion and Analysis are published online at www.ifc.org/annualreport.

• FY08 BORROWING ON INTERNATIONAL MARKETS

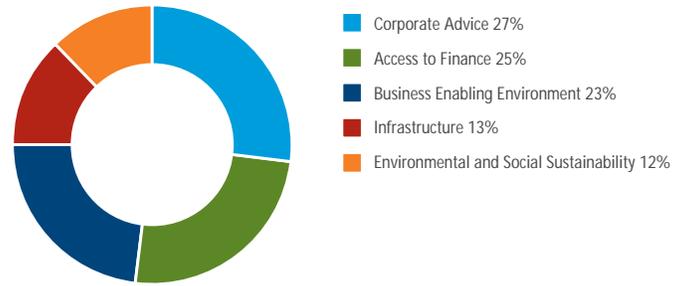


• FY08 ADVISORY SERVICES

EXPENDITURES BY REGION

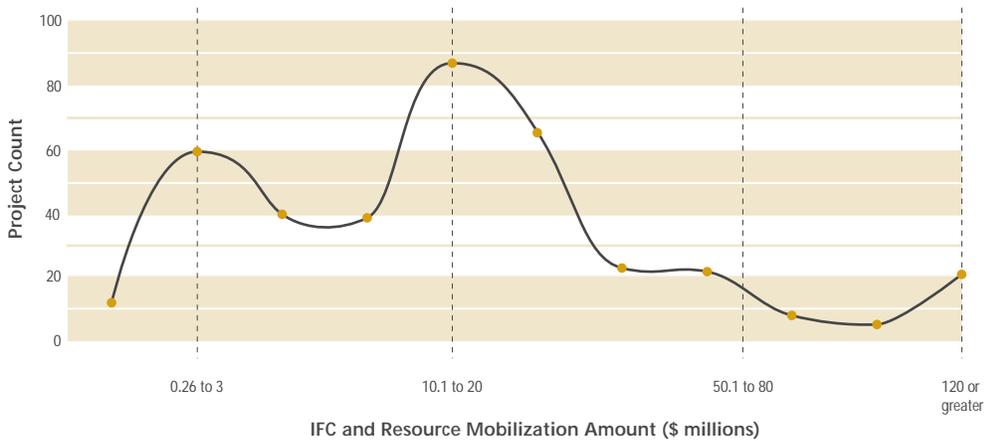


EXPENDITURES BY BUSINESS LINE



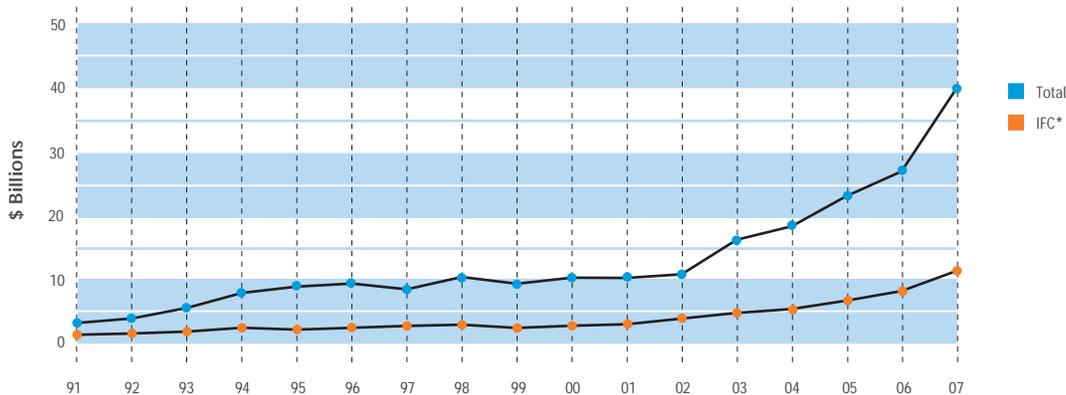
• FY08 INVESTMENTS BY SIZE

IFC'S ACCOUNT AND RESOURCE MOBILIZATION



• PRIVATE SECTOR INVESTMENT VOLUMES

FOR IFC AND OTHER MULTILATERALS



*IFC's data is by fiscal year; other institutions' data is by calendar year. For example, IFC's FY08 financing is compared to others' for calendar year 2007.