their/our story

CREATING OPPORTUNITY WHERE IT'S NEEDED MOST™

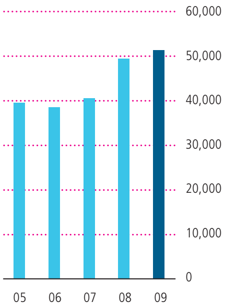
IFC 2009 ANNUAL REPORT

IFC
International Finance Corporation
World Bank Group

IFC *at a* GLANCE

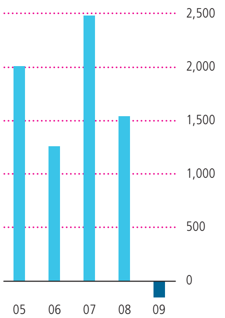
TOTAL ASSETS

Dollars in millions



NET INCOME

Dollars in millions



IFC'S FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS ARE AVAILABLE ONLINE AT: WWW.IFC.ORG/ ANNUALREPORT.

FINANCIAL HIGHLIGHTS

AS OF AND FOR THE YEARS ENDED JUNE 30

Dollars in millions	2009	2008	2007	2006	2005
Net (loss) income	(151)	1,547	2,490	1,264	2,014
Grants to IDA	450	500	150	–	–
Total assets	51,483	49,471	40,599	38,547	39,583
Loans, equity investments and debt securities, net	22,214	23,319	15,796	12,787	11,489
Return on average assets [1]	(0.3)%	3.4%	6.3%	3.2%	5.6%
Return on average capital [2]	(0.9)%	9.6%	19.8%	12.1%	22.9%
Cash and liquid investments as a percentage of next three years' estimated net cash requirements	75%	62%	85%	112%	142%
External funding liquidity level [3]	163%	96%	95%	N/A	N/A
Debt to equity ratio [4]	2.1:1	1.6:1	1.4:1	1.6:1	1.9:1
Capital to risk-weighted assets ratio [5]	44%	48%	57%	54%	50%
Total reserves against losses on loans to total disbursed loan portfolio [6]	7.4%	5.5%	6.5%	8.3%	9.9%

Certain financial ratios are calculated excluding the effects of net gains and losses on other non-trading financial instruments and accumulated other comprehensive income.

[1] Return on average assets is defined as net income for the fiscal year as a percentage of the average of total assets at the end of such fiscal year and the previous fiscal year.

[2] Return on average capital is defined as net income for the fiscal year as a percentage of the average of total capital (excluding payments on account of pending subscriptions) at the end of such fiscal year and the previous fiscal year.

[3] Beginning June 30, 2007, IFC's liquidity policy was revised so that IFC is to maintain a minimum level of liquidity, consisting of proceeds from external funding to cover at least 65% of the sum of (i) 100% of committed but undisbursed straight senior loans; (ii) 30% of committed guarantees; and (iii) 30% of committed client risk management products.

[4] Debt to equity ratio is defined as the ratio of outstanding borrowings plus outstanding guarantees to subscribed capital plus undesignated retained earnings (less cumulative unrealized gains and losses on loans, equity investments, and other non-trading financial instruments accounted for at fair value in net income) at the end of the fiscal year.

[5] Capital to risk-weighted assets ratio is defined as the ratio of capital (including paid-in capital, retained earnings, and portfolio (general) loan loss reserve) to risk-weighted assets, both on- and off-balance sheet. The ratio does not include designated retained earnings reported in total capital on IFC's consolidated balance sheet.

[6] Total reserves against losses on loans to total disbursed loan portfolio is defined as reserve against losses on loans as a percentage of the total disbursed loan portfolio at the end of the fiscal year.

OPERATIONAL HIGHLIGHTS

AS OF AND FOR THE YEARS ENDED JUNE 30

Dollars in millions	2009	2008	2007	2006	2005
Investment commitments					
Number of projects [1]	447	372	299	284	236
Number of countries	103	85	69	66	67
Total commitments signed [2]	12,405	14,649	9,995	8,275	6,449
For IFC's own account [3]	10,547	11,399	8,220	6,703	5,373
Total resources mobilized [4]	3,964	4,752	3,887	2,817	2,125
Investment disbursements					
Total financing disbursed	7,606	9,921	7,456	5,739	4,011
For IFC's own account	5,640	7,539	5,841	4,428	3,456
Total resources mobilized	1,966	2,382	1,615	1,311	555
Committed portfolio					
Number of firms	1,579	1,490	1,410	1,368	1,313
Total committed portfolio	42,498	39,891	30,954	26,706	24,536
For IFC's own account [3]	34,502	32,366	25,411	21,627	19,253
Syndication [2]	7,996	7,525	5,543	5,079	5,283
Advisory Services					
Number of projects	782	862	1,018		
Approved value ($ millions)	940.8	919.1	846.3		
AS Expenditures	290.9	268.7	196.9	151.5	122.5

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

[2] From FY06, includes loan and guarantees participations.

[3] Includes loan guarantees and risk management products.

[4] Includes syndications, structured and securitized products, and IFC new initiatives.

IFC responded to the global economic crisis with speed, agility, and innovation—helping businesses in developing countries with a broad package of targeted investments and Advisory Services.

The initiatives helped companies in challenging times: preserving and creating employment, supporting supply chains, and providing much-needed credit.

PROVIDING LIQUIDITY SUPPORT

TRADE

The global crisis steered private capital away from emerging markets and into lower-risk markets. Vital commercial trade finance lines were cut, creating a need for new funding in previously well-financed sectors. IFC has two complementary programs to support trade finance:

—We expanded our Global Trade Finance Program to $3 billion from $1 billion, guaranteeing risks that commercial banks will not take—especially for smaller companies in the poorest countries—and allowing support for an additional $18 billion in trade over three years. Now active in more than 70 countries, the program expects to add more in the coming year.

—A new Global Trade Liquidity Program is working on a larger scale, teaming IFC with multilateral institutions, national governments, and major international banks to provide liquidity for trade-related transactions through banks across the developing world. The program is designed to support $50 billion in trade over three years.

INFRASTRUCTURE

The crisis also threatens many upcoming emerging-market infrastructure projects that are expected to play an important development role.

—IFC's new Infrastructure Crisis Facility supports viable private sector or public-private-partnership projects that face financial distress because of the crisis. Debt and equity will provide short- to medium-term financing, and Advisory Services will help governments design or redesign public-private partnership projects. Plans include:

- —Ensuring a minimum level of continued new project activity where restarting project-development plans could otherwise take several years.
- —Investing up to $300 million in the facility's equity fund, with other investors expected to provide at least $2 billion.

MICROFINANCE

Although commercial microfinance as a whole continues to perform well, the private capital it had started attracting in recent years is now virtually unavailable. To help this critical industry rebuild market confidence and maintain its momentum in the fight against poverty:

—IFC and German development bank KfW created the Microfinance Enhancement Facility. Three of the industry's leading private fund managers—BlueOrchard Finance, responsAbility Social Investments AG, and Cyrano Management—serve as investment managers, ensuring rapid deployment and cost efficiency.

- —More than 100 microfinance institutions will receive needed refinancing.
- —The initiative potentially could benefit 60 million low-income borrowers in the world's poorest countries.

REBUILDING FINANCIAL INFRASTRUCTURE

INVESTING IN LEADING LOCAL BANKS

Strong banking systems are essential for resuming the flow of credit in emerging markets, so businesses can expand again and economies can rebound. Working with partners, IFC has moved to strengthen local banks that play a critical role in the economic health of developing countries.

—The IFC Capitalization Fund will provide additional capital for major banks in developing countries so they can keep lending and supporting economic recovery and job creation through the crisis.

- —The fund will make subordinated loans to and equity or equity-linked investments in major private banks or in state-owned banks on a clear path to privatization.
- —The $3 billion fund consists of a $1 billion IFC investment and $2 billion from the Japan Bank for International Cooperation.
- —We are also exploring expanding the reach of the IFC Capitalization Fund by developing parallel funds dedicated to investment banks in Africa and Eastern Europe in the short term.

ENHANCING ADVISORY SERVICES

IFC has quickly ramped up its advisory efforts and mobilized its donor partners to help governments, clients, and markets cope with the crisis and recover speedily. Priorities include:

—Helping financial institutions better manage their risks and their nonperforming loans.

—Complementing our investment efforts in banking for small and medium enterprises, microfinance, and housing finance with advice to financial institutions.

—Supporting governments' efforts to keep trade flowing with advice on trade logistics.

—Helping governments facing larger deficits widen their tax base.

—Encouraging governments to simplify their bankruptcy systems to allow indebted companies to recover faster.

—Advising boards of directors on risk management and crisis intervention.

—Helping governments redesign public-private infrastructure projects that face crisis-related difficulties.

IFC'S VISION is that people should have the opportunity to escape poverty and improve their lives

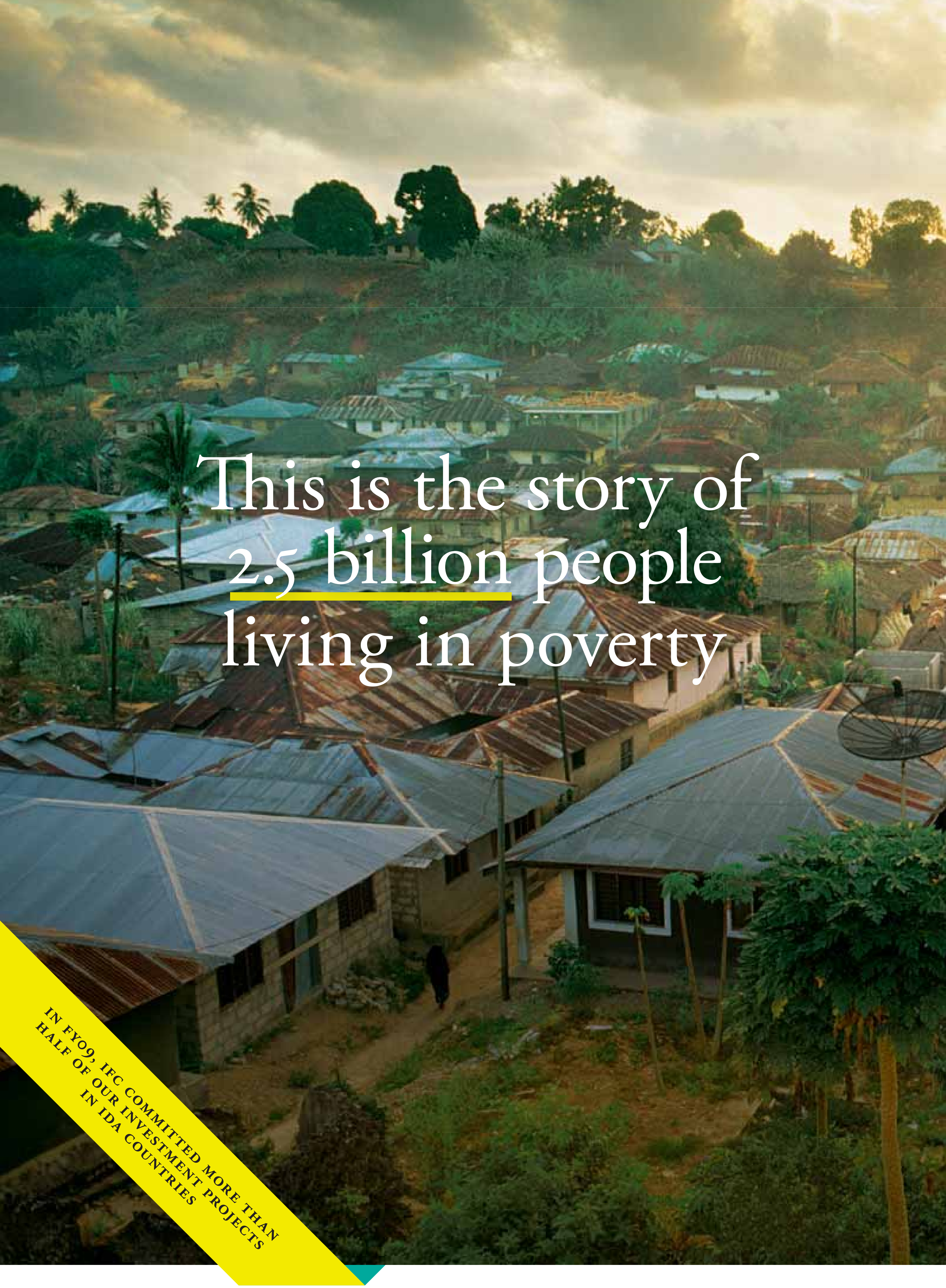
our vision

IFC'S PURPOSE is to create opportunity for people to escape poverty and improve their lives by:

— Promoting open and competitive markets in developing countries
— Supporting companies and other private sector partners where there is a gap
— Helping to generate productive jobs and deliver essential services to the underserved

our purpose

FLIP OPEN TO VIEW OUR CRISIS-RESPONSE INITIATIVES



This is the story of 2.5 billion people living in poverty

IN FY09, IFC COMMITTED MORE THAN HALF OF OUR INVESTMENT PROJECTS IN IDA COUNTRIES

this is their/our story

IFC creates opportunity where it's needed most.™

THEIR / OUR STORY

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.

2.5 BILLION PEOPLE LIVE ON LESS THAN

$2/DAY

this is hanh's story

IFC INVESTED NEARLY $1.2 BILLION IN COUNTRIES ACROSS EAST ASIA AND THE PACIFIC IN FY09

this is our role

We believe in the crucial role of private sector investment in development.

HANH VU'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 NAM'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.

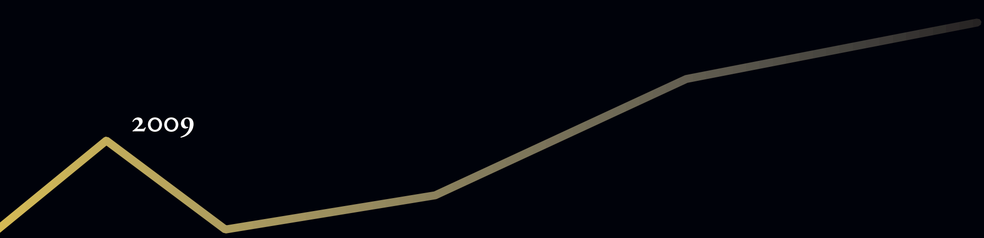
1,350

FAST LOANS HAVE BEEN PROVIDED BY IFC CLIENT TECHCOMBANK TO MICRO, SMALL, AND MEDIUM ENTERPRISES IN VIETNAM SINCE THE FALL OF 2008.

this is the story of a global crisis

$50 TRILLION: ESTIMATED DECLINE IN VALUE OF FINANCIAL ASSETS WORLDWIDE IN 2008

this is the story of our response



We are making smart choices during these extraordinary times.

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.

THE STORY OF OUR RESPONSE

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

this is the story of maintaining stability

PARAGUAY'S BANCO CONTINENTAL WAS THE FIRST FINANCIAL INSTITUTION TO RECEIVE FINANCING FROM THE NEW IFC CAPITALIZATION FUND

this is the story of expanding access to finance

We foster entrepreneurship by continuing the flow of credit.

THE STORY OF MAINTAINING STABILITY

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.

THE STORY OF EXPANDING ACCESS TO FINANCE

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.

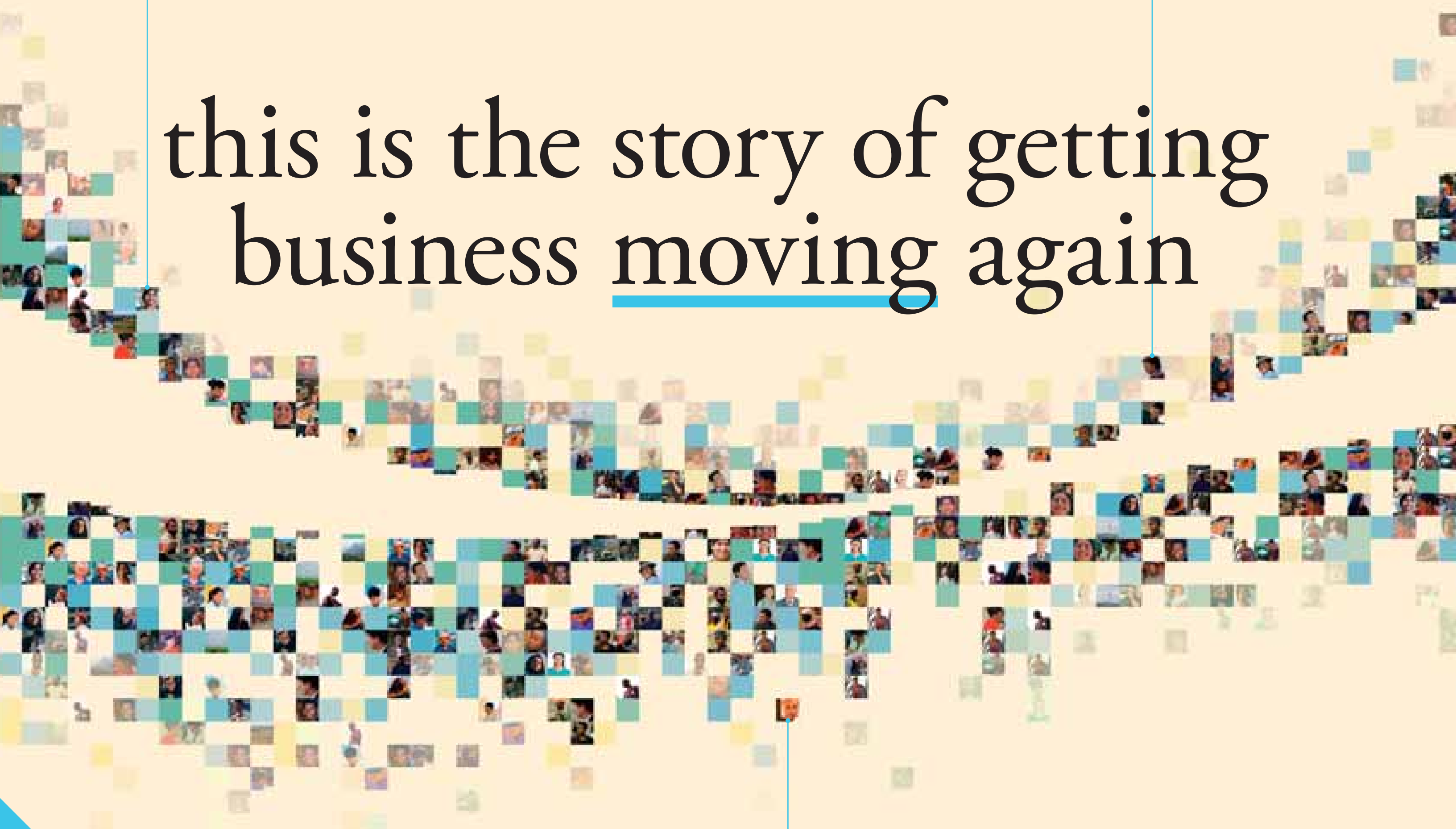
40,000

NUMBER OF CUSTOMERS SERVED BY BANCO CONTINENTAL

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

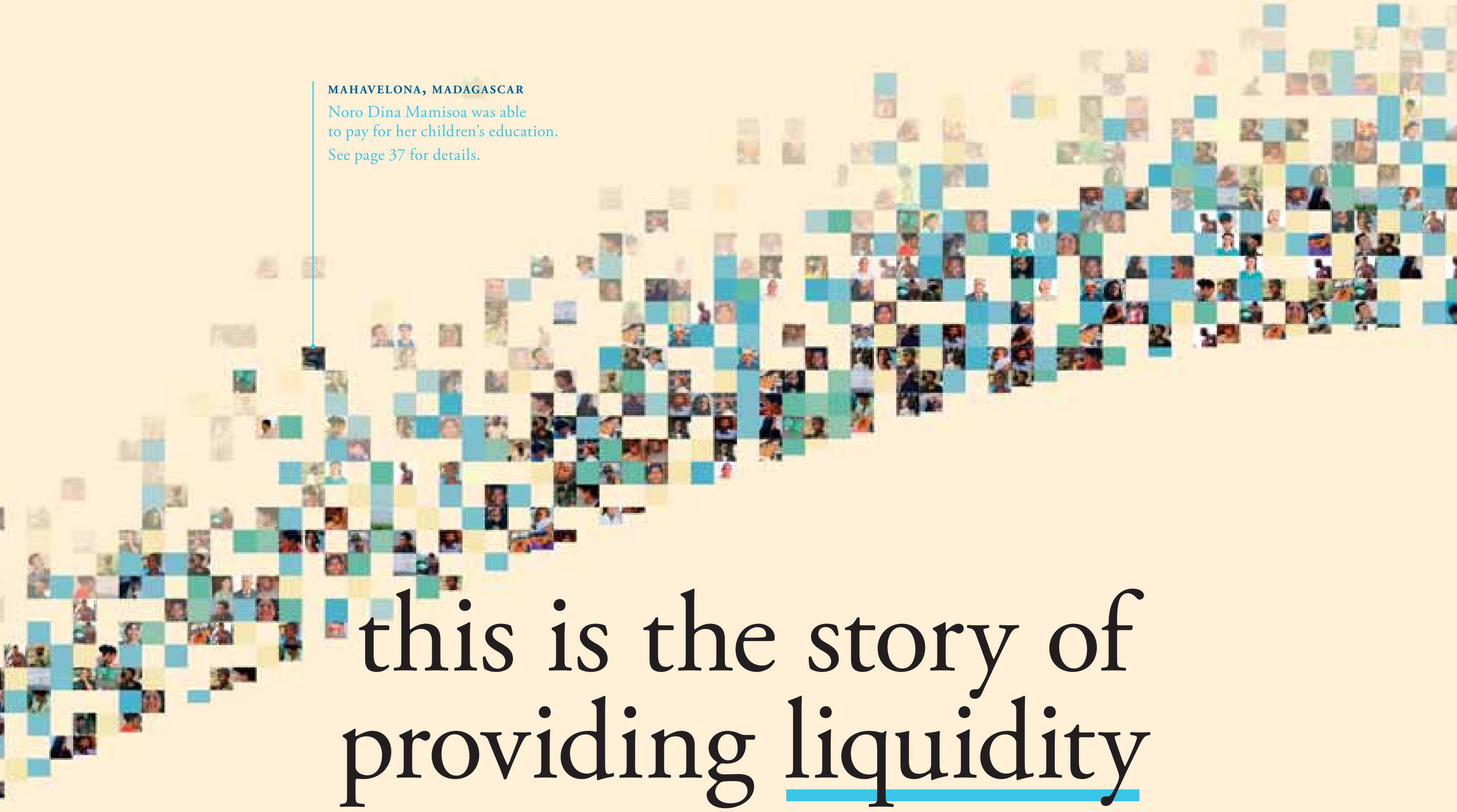
CAMPINAS, BRAZIL
Sonia Camargo was able to get a better job.
See page 67 for details.

this is the story of getting business moving again



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

$110 BILLION: ESTIMATED VALUE OF INFRASTRUCTURE PROJECTS FACING DELAYS BECAUSE OF THE CRISIS



MAHAVELONA, MADAGASCAR
Noro Dina Mamisoa was able to pay for her children's education.
See page 37 for details.

this is the story of providing liquidity

LUSAKA, ZAMBIA
Wisdom Mababe was able to double crop production.
See page 95 for details.

ABYAN, YEMEN
Yasmine Al Matari became a successful entrepreneur.
See page 69 for details.

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.

14%

PERCENTAGE OF FY09 IFC INVESTMENT COMMITTED TO THE INFRASTRUCTURE SECTOR

this is the story of creating opportunity

IN 2008, IFC CLIENTS PROVIDED 1.3 MILLION LOANS TOTALING NEARLY $91 BILLION TO SMALL AND MEDIUM ENTERPRISES

this is oscar's story

We are rapidly increasing our support for small businesses.

NURTURING BUDDING ENTREPRENEURS

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.

SUCCEEDING BY SEIZING NEW OPPORTUNITIES

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.

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

in 2008, ifc clients reached 5.5 million patients

this is the story of improving lives

We help the private sector expand local, high-quality health care.

THE GIFT OF SIGHT FROM MAGRABI HOSPITAL'S OUTREACH

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.

RESTORING A BLACKSMITH'S LIVELIHOOD

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.

$45 MILLION

FINANCING PROVIDED BY IFC TO MAGRABI HOSPITAL TO HELP IT EXPAND IN EGYPT AND YEMEN

$4.4 BILLION

VALUE OF IFC'S 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

IN 2008, IFC CLIENTS PROVIDED MORE THAN $9.3 BILLION IN LOANS TO 8.5 MILLION MICROENTERPRISES

this is the story of results...

People should have the opportunity to escape poverty and improve their lives.

IFC MADE A DIFFERENCE AT A TIME OF GREATEST NEED

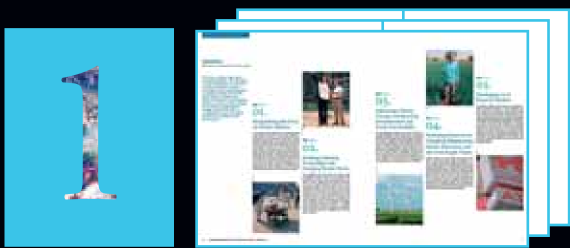
We remained committed to supporting the private sector in developing countries even as capital flows to these countries declined sharply. We stayed true to our commitment to do more to help the world's poorest countries, initiating half of all FY09 projects in IDA countries.

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.

$4.4 BILLION

VALUE OF IFC'S FY09 COMMITMENTS IN IDA COUNTRIES

how to READ THIS BOOK



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

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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

message from
WORLD BANK GROUP PRESIDENT

ROBERT B. ZOELLICK
WORLD BANK GROUP PRESIDENT

IFC has worked with partners to quickly establish initiatives that ensured the availability of financing for vital development needs.

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

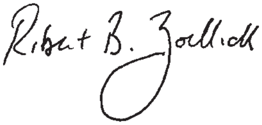
The poorest countries—those served by the International Development Association—have a particularly urgent need for a dynamic private sector. IFC has significantly expanded its contributions in this arena: more than half of IFC's 447 projects were in IDA countries in FY2009. New commitments in these 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

LARS H. THUNELL
IFC EXECUTIVE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Helping People When They Need It Most

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.

"Well after the crisis is over, IFC's private sector financing will be needed greatly in all but the most optimistic economic scenarios."

LARS H. THUNELL
IFC EXECUTIVE VICE PRESIDENT
AND CHIEF EXECUTIVE OFFICER

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.

Lars H. Thunell
IFC Executive Vice President
and Chief Executive Officer

INTRODUCTION:
EXTRAORDINARY TIMES

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.

53M

MORE PEOPLE

EXPECTED TO BE LIVING ON LESS THAN $1.25 A DAY IN 2009[1]

[1] World Bank, "World Bank Group Response to the Financial Crisis," March 24, 2009.

their/our story

CHAPTER ONE:

creating opportunity

where it's needed most™

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

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

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

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

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

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

the FIVE STRATEGIC PILLARS

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

PILLAR

01.

Strengthening the Focus on Frontier Markets

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

PILLAR

02.

Building Enduring Partnerships with Emerging Market Players

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

PILLAR

03.

Addressing Climate Change and Ensuring Environmental and Social Sustainability

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

PILLAR

04.

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

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

PILLAR

05.

Developing Local Financial Markets

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

HOW IFC CREATES OPPORTUNITY WHERE IT'S NEEDED MOST

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

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

EMPLOYEES

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

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

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

CUSTOMERS

In 2008, IFC's clients:

—Provided 9.8 million loans to micro, small, and medium enterprises and had outstanding portfolios totaling almost $100 billion. Of these, 8.5 million loans were for microfinance.

—Provided basic utilities to almost 200 million customers. This included water distribution to 20.5 million customers, power generation and distribution to more than 165 million, and gas distribution to 12.5 million.

—Provided 220 million phone connections, 48 million of which were new.

—Provided health services to 5.5 million patients and education to more than 1 million students. For example, an IFC-supported private university in South America had almost 25,000 students, including nondegree students and students in distance learning programs. New student enrollment at the university has increased by 11 percent since 2007, and scholarships or discounts have been provided to approximately 1,300 students.

INVESTORS

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

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

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

SUPPLIERS

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

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

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

GOVERNMENT

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

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

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

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

LOCAL COMMUNITIES

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

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

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

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

PRIVATE COMPANIES

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

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

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

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

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

ENVIRONMENT

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

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

THE WORLD BANK GROUP'S STRATEGIC DIRECTIONS

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

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

POOREST COUNTRIES

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

FRAGILITY AND CONFLICT

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

MIDDLE-INCOME COUNTRIES

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

GLOBAL PUBLIC GOODS

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

THE ARAB WORLD

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

KNOWLEDGE AND LEARNING

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

DEEPENING OUR ENGAGEMENT IN IDA COUNTRIES

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

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

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

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

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

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

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

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

creating opportunity

PARTNERSHIPS

IFC's Client Leadership Award

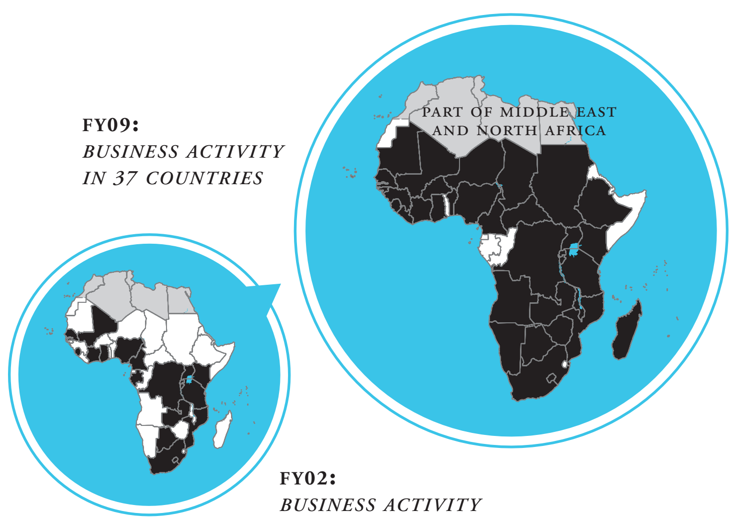
IFC values corporate clients that share our commitment to socially and environmentally sustainable development. Since 2004, we have presented an annual Client Leadership Award to honor an IFC client that reflects our values and demonstrates innovation, operational excellence, and strong corporate governance.

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

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

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

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



FY09: *BUSINESS ACTIVITY IN 37 COUNTRIES*

FY02: *BUSINESS ACTIVITY IN 21 COUNTRIES*

IFC'S MANAGEMENT GROUP

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

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

RACHEL KYTE
Vice President, Business Advisory Services

LARS H. THUNELL
IFC Executive Vice President and Chief Executive Officer

JYRKI KOSKELO
Vice President, Europe, Central Asia, Latin America and the Caribbean, and Global Financial Markets

RASHAD KALDANY
Vice President, Middle East and North Africa, East and South Asia, and Global Infrastructure

NINA SHAPIRO
Vice President, Finance and Treasurer

KRISTALINA GEORGIEVA

Vice President and Corporate Secretary

DOROTHY BERRY

Vice President, Human Resources, Communications, and Administration

MICHEL MAILA

Vice President, Risk Management

THIERRY TANOH

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

RACHEL ROBBINS

Vice President and General Counsel

THE IFC WAY

The IFC Way is a way of being, defining, and solidifying IFC's culture and brand, and a process that engages staff at all levels and in all regions to inform management decision making. It includes our vision, our core corporate values, our purpose, and the way we work.

The initiative began in fiscal 2008 with the most extensive consultative process in IFC history — 52 consultations involving more than 1,400 staff members in 31 countries. We learned that regular personal engagement with staff members led to new insights and specific ideas for putting them into practice. We also learned that these discussions, giving staff members the opportunity to share concerns and ideas with management, helped create a sense of commitment and community.

IFC is building on that momentum, infusing our culture into all of our activities in ways that will help us be more client-focused and produce even stronger results. In fiscal 2009, IFC conducted 47 "Continuing the Dialogue" consultations involving staff and management concerning a variety of corporate initiatives and staff concerns.

A strong corporate culture is central to any organization's ability to succeed and adapt to new challenges. IFC's adaptive culture has encouraged our staff of more than 3,000 employees in more than 80 countries to find creative ways to meet the challenges posed by the global crisis.

By identifying the shared values of our diverse staff, and by establishing forums for regular dialogue and discussion among staff members and managers, *The IFC Way* is enhancing our ability to tackle new challenges.

THE IFC WAY

OUR VISION

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

OUR CORE CORPORATE VALUES

Excellence, Commitment, Integrity, Teamwork

OUR PURPOSE

To create opportunity for people to escape poverty and improve their lives by:
— Promoting open and competitive markets in developing countries
— Supporting companies and other private sector partners where there is a gap
— Helping to generate productive jobs and deliver essential services to the underserved

OUR STRATEGY PROCESS

IFC has a structured and inclusive approach to strategy setting, sharing a common process and language:
— We first consider the external environment to see how we can help clients succeed
— We then draw on the global knowledge and local know-how of IFC staff
— We work in a unified way to achieve our goals
— We look for partnership opportunities to maximize development impact

THE WAY WE WORK

— We help our clients succeed in a changing world
— Good business is sustainable, and sustainability is good business
— One IFC, one team, one goal
— Diversity creates value
— Creating opportunity requires partnership
— Global knowledge, local know-how
— Innovation is worth the risk
— We learn from experience
— Work smart and have fun
— No frontier is too far or too difficult

their/our story

CHAPTER TWO:

smart choices

The economic crisis of 2008 spurred IFC to take extraordinary measures to maximize our development impact and create opportunity where it was needed most.

In the earliest days of the crisis, IFC staff members began calling our clients to help them identify steps they could take to minimize their financial risks. We took stock of potential risks in our own portfolio, and acted to ensure that our capacity to advance private sector development would remain strong.

For IFC, 2009 was not business as usual. Our staff worked smarter to help our clients cope with the crisis. Knowing that our clients' needs would be larger than we could provide for on our own, we developed innovative ways to mobilize funds from other sources.

It was clear that the crisis would reach beyond the world's richest nations. We began preparations for a $3 billion fund to strengthen systemically important banks in emerging-market countries. Other new initiatives to mobilize funding for critical sectors such as trade, infrastructure, and microfinance followed.

Our thinking and planning extend beyond the current crisis. We are also working to help shape the post-crisis world and address long-term challenges, including climate change and water and food scarcity.

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

IFC'S CRISIS-RESPONSE INITIATIVES

In a time of extreme economic turmoil, IFC acted swiftly and creatively to do our part to help repair the damage and build the foundation for a durable recovery.

The financial crisis that began with the collapse of the U.S. subprime mortgage market quickly engulfed countries across the globe as credit markets froze and trade volumes contracted for the first time in 27 years. The result was a major setback for global efforts to reduce poverty.

Recognizing that a strong private sector is vital for job creation in emerging markets, IFC launched a series of initiatives to help private enterprises cope with the crisis. These initiatives are expected to provide significant financing over the next three years, combining IFC funds with contributions mobilized from various sources, including governments and other international financial institutions.

IFC's initiatives have been an important part of the global crisis response. They address both the immediate and long-term needs of the private sector—by helping to restore liquidity, rebuild financial infrastructure, reduce food scarcity, manage troubled assets, and alleviate specific regional difficulties.

PROVIDING LIQUIDITY SUPPORT

PARTNERS IN IFC CRISIS INITIATIVES

Countries and regional development banks working with IFC on crisis initiatives as of June 30, 2009:

Countries	**Austria, Canada, China, Finland, France, Germany, Japan, Luxembourg, the Netherlands, Saudi Arabia, Sweden, United Kingdom**
Regional Development Banks	**African Development Bank, Andean Development Corporation, Development Bank of Southern Africa, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, OPEC Fund for International Development**

TRADE

Global trade is expected to decline this year for the first time in decades, dropping by as much as 10 percent. Reduced lending by banks around the world has created a $300 billion gap in trade finance. That poses a risk to developing countries, which are particularly dependent on trade for economic growth.

IFC responded by expanding our Global Trade Finance Program, tripling its size to $3 billion. The program provides guarantees for trade transactions in emerging markets. In FY09, the volume of guarantees we provided had already exceeded $2 billion. The program is expected to support about $6 billion in additional trade per year. It is active in over 70 countries.

It became clear to us that guarantees alone would not be enough to address the gap in trade finance. So, with the official endorsement of the G-20 member nations, IFC helped launch the Global Trade Liquidity Program, a unique initiative that brings together governments, development finance institutions, and commercial banks to help unlock trade finance in emerging markets. The GTLP, which began operations in May 2009, will initially consist of commitments from governments and other public-sector sources, including $1 billion from IFC. It is expected to support up to $50 billion in trade in the developing world.

INFRASTRUCTURE

Ports, roads, and railways are vital for economic development. So are water, electricity, and Internet connections. But the availability of financing for such infrastructure has declined because of the global crisis. About $110 billion worth of new privately financed projects risk delay or postponement.

To bridge the gap in available financing for viable, privately funded, or public-private-partnership projects in emerging markets, IFC launched the Infrastructure Crisis Facility. The facility will include debt and equity components providing short- to medium-term financing for infrastructure projects. It also will include Advisory Services to help governments design or redesign public-private-partnership projects.

The ICF is expected to eventually attract around $10 billion in funding. France plans to contribute €1 billion, and Germany plans to contribute €500 million. IFC will contribute up to $300 million in equity, and could provide as much as $2 billion in cofinancing.

MICROFINANCE

Microfinance has proven to be a critical tool in the fight against poverty by providing opportunity to low-income groups. The expansion of microfinance services—including small loans and money transfers—has allowed poor families to start small businesses and improve the health and education of their children.

The global financial crisis has threatened to restrict the availability of such services as some microfinance institutions encounter difficulty in refinancing their debt, despite the underlying soundness of their portfolios. IFC's Microfinance Enhancement Facility, launched this year, is designed to address that challenge.

The facility is expected to provide refinancing to more than 100 microfinance institutions in up to 40 countries, including 20 of the world's poorest countries. By its sixth year, we expect this facility to reach 60 million microenterprises, with an $84 billion portfolio.

IFC is contributing $150 million to the facility. The German development agency KfW has committed $130 million, and the Austrian Development Bank OeEB has contributed $25 million. Other like-minded investors have pledged and received approval to make contributions that would take the facility to its targeted size of $500 million.

The facility is being managed by BlueOrchard Finance, responsAbility Social Investments AG, and Cyrano Management, three of the industry's leading fund managers.

MADAGASCAR

Village Phone Project Connects Rural Communities to Wider World

Noro Dina Mamisoa (pictured below), a 38-year-old wife and mother of two, is one of 3,000 mostly rural women in Madagascar who are making a living as "village phone operators," thanks to the IFC-supported Village Phone Project (pictured). Before Mamisoa became an operator, her remote village of Mahavelona was inaccessible by phone. People had to walk 15 kilometers or take the weekly bus to the closest town to use a phone.

"The Village Phone business really has brought me, my family, and the community a lot of positive things," says Mamisoa. The project has enabled her to pay for the education of her two children and meet other needs, and has boosted business at the small grocery store she operates.

Since 2008, IFC has worked with the Madagascar subsidiary of Zain, a leading pan-African and Middle Eastern mobile telecommunications company and IFC client, to catalyze economic development through the Village Phone Project. This donor-funded project creates sustainable microenterprises in rural areas by providing entrepreneurs with training, financing, and technical and business support. To date, 1 million people in rural areas of Madagascar have gained telephone access thanks to village phones.

Operators receive equipment to reach Zain's network signal, including a solar panel, which enables them to act as rural pay phones and to recharge cell phones. The project, which has also been implemented in Nigeria, is being replicated in India and Mozambique, and there are plans to bring it to Burkina Faso and the Democratic Republic of the Congo.

Because its main beneficiaries are women in poor areas, the Village Phone Project is addressing the Millennium Development Goal of promoting gender equality and helping to empower women.

CAPITALIZING BANKS

The global financial crisis reduced the availability of credit in nearly every corner of the world. As private capital flows have declined, even strong banks in developing countries have faced challenges.

The IFC Capitalization Fund is designed to support banks considered vital to the financial system of an emerging market country. By investing in systemically important institutions, the fund aims to speed up economic recovery and boost job creation while reducing the impact of the financial crisis. IFC offers Advisory Services alongside the fund's investments to strengthen private sector development and improve the economic and financial performance of banks.

We are also exploring expanding the reach of the IFC Capitalization Fund by developing parallel funds dedicated to investment in banks in Africa and Eastern Europe in the short term. These parallel funds, which could be expanded to other regions in the medium to long term, may include other international finance institutions and private sector investors.

As banks receiving capital are able to increase lending to their clients, the overall effect is a multiple of the fund size. In smaller economies these amounts will help increase confidence in the banking system and economy, and reduce the impact of the crisis on the poor.

ADVISORY SERVICES

IFC Advisory Services are playing a prominent role in our response to the financial crisis. Our global expertise and strong on-the-ground presence in developing countries allowed us to move quickly to assist client companies and governments with advice designed to improve access to finance, strengthen corporate governance and risk management, and improve the investment climate.

Our response has been comprehensive. We are working with banks across the globe to advise them on ways to expand lending to micro, small, and medium enterprises. We are advising corporate boards of directors on the best ways to manage risks and cope with the crisis. We are working with governments to address major constraints in the investment climate—for example, by encouraging governments to increase the efficiency of their bankruptcy systems to permit quick recovery by indebted companies. In addition, we are providing advice on trade logistics to support governments' efforts to keep trade flowing.

IFC also is collaborating with the World Bank on several initiatives related to the crisis. In Ukraine, for example, we are working with the government on ways to eliminate features of the tax code that discourage the sale of distressed assets. Removing those obstacles could make it easier for hard-hit regional banks to recover by cleaning up their balance sheets.

MANAGING TROUBLED ASSETS

IFC has been actively engaged in managing distressed assets following previous financial crises in Asia and Latin America. With this in mind, we are considering ways to use our experience to facilitate troubled-asset recovery for regions and countries in emerging markets that have been significantly affected by the global crisis. These efforts could include both investment support and Advisory Services that focus on enhancing the market environment to reduce the potential for financial crises.

CRISIS RESPONSE

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. Paraguay is one of Latin America's poorest countries, and Continental grew by catering to low- and middle-income customers.

But the global financial crisis threatened to restrict its ability to expand. Paraguay's banking system—like many others in Latin America—is dominated by foreign banks. Local banks often struggle to compete because they lack economies of scale and have higher funding costs than foreign banks.

Continental was strongly capitalized. But IFC recognized that the bank's ability to expand services to small and medium enterprises was constrained—both in the capital, Asunción, and in remote rural areas. The bank lacked institutional investors, and relied solely on individual local shareholders to meet its capital needs for growth.

"We wanted to project solidity and prove to markets and clients that Continental was as solid as international banks," said Oscar Diesel, the bank's director and one of its shareholders.

In March, IFC was able to mobilize one of its crisis-response initiatives to strengthen Continental's ability to grow and compete. In its first transaction, the IFC Capitalization Fund invested $20 million in Continental.

Continental, which employs more than 500 people and serves more than 40,000 customers, is now better positioned to continue pursuing its strategy—which includes expanding loans to small and medium enterprises, particularly in economically important sectors such as agribusiness. IFC's involvement also sends a strong signal of confidence for customers and prospective investors in the bank.

The transaction also enables Continental to benefit more broadly from IFC's global expertise. "IFC is helping open doors to us in foreign markets," said Carlos Moreno, Continental's general manager and a shareholder, "It brings us best practices and lessons learned, which help us compete with the international banks here."

their/our story

MICROFINANCE: LIBERIA

Building a Better Future

Liberia's private sector is stirring back to life after two decades of debilitating civil war, thanks to the resourcefulness of entrepreneurs like Abdulwasiu Suleiman (pictured below) and the opportunities IFC is creating for them.

Suleiman recently borrowed $1,700 from AccessBank Liberia, a new microfinance institution that opened its doors in early 2009, with IFC as a founding shareholder. He used the funds to open his second clothing store in Monrovia and now imports new clothing from Ghana, Nigeria, and Togo for Liberia's wholesale market.

"AccessBank is easy to work with and the interest rate is much better," he says. "To me, it has been a godsend. My future looks much brighter now."

IFC's effort to launch AccessBank Liberia is just one example of the difference we are making in the country. Our approach in Liberia was sequential. First, we provided advisory services designed to strengthen the country's business-enabling environment. Next, we provided advice aimed at improving access to finance. Finally, we invested in Liberian companies.

In July 2008, IFC made its first investment in Liberia in more than 20 years, providing a loan to help rehabilitate and expand Salala Rubber's plantations, boost its processing, and raise employment. IFC is also providing trade finance guarantees to the Liberian Bank for Development and Investment, and is working with the government and private sector to improve the country's business environment.

With 3.8 million people living on just 54 cents a day, Liberia is still one of the world's poorest countries. As part of its strategy to increase support to countries affected by conflict, IFC is committed to doing even more in the country so that Liberians like Suleiman can continue to build a better future.

their/our story

KENYA

Nurturing a Promising Entrepreneur in Difficult Times

Oscar Kimani's (pictured at left) Internet-based travel business was just beginning to take off when Kenya was racked by political turmoil following disputed elections in late 2007.

His family's business had burned to the ground in the ensuing mayhem, leaving them scrambling to put food on the table. Riots across the country brought tourism to a virtual standstill, and Kimani's travel business also nearly folded as a result. The future appeared bleak.

"IFC helped me stay alive," Kimani says of those difficult times.

IFC's Small and Medium Enterprise Solutions Center in Nairobi supported Kimani's business by deferring licensing and support fees, providing mentoring, and introducing him to new business opportunities. IFC's support and Kimani's hard work paid off: by the end of 2008, he had paid off all his debts.

Today, TransTech is a thriving business that helps Kenya's travel industry take full advantage of business opportunities on the Internet. Kimani has become a wide-ranging entrepreneur, offering clients a variety of business services, including Web design, information-technology outsourcing, and corporate training. He has also started a forum to help other young entrepreneurs start their own businesses.

Supporting micro, small, and medium enterprises like TransTech is a key pillar of IFC's strategy in Africa, given that such businesses are a significant part of Africa's private sector. IFC reaches these businesses directly through its SME Solutions Centers in Kenya and Madagascar, which provide advice and financing to businesses, and by investing in financial institutions and advising them on how to better serve smaller businesses.

IFC's strategy is paying off. In 2008, we supported clients that provided 1.3 million loans totaling nearly $91 billion to small and medium enterprises. From the summer of 2007 through the end of 2008, we enabled 62,000 people across the world to receive training under our Business Edge and SME Toolkit programs. As IFC continues to focus on the sector, more budding entrepreneurs like Kimani can pursue their dreams.

"What I had was the vision," Kimani says. "IFC provided me with the means."

smart choices

INFRASTRUCTURE: PANAMA

Panama Canal Expansion Proceeds Despite Stormy Weather

As soon as it opened almost a century ago, the Panama Canal changed the game in global trade. The first man-made link between the world's two largest oceans, the Atlantic and Pacific, it allowed export goods to reach key markets faster than ever before. The 80-kilometer waterway is now one of the developing world's most successful infrastructure projects—and in need of major upgrade to accommodate the 21st century's increased traffic and larger cargo ships.

A $5.3 billion expansion project to double the canal's capacity by 2014 had counted on commercial banks providing extensive financing. IFC provided $300 million alongside the Inter-American Development Bank and others as part of a $2.3 billion package from development finance institutions that filled the financing gap. A key part of IFC's global commitment to strengthening infrastructure, the effort will create up to 7,000 construction jobs for local workers. It will also generate $13 billion in revenues earmarked for new government development programs—vital in a country where 40 percent of the people are poor.

With infrastructure needs growing and financing options shrinking, IFC is taking this experience global. Our new Infrastructure Crisis Facility and other initiatives will support high-priority projects, ensuring that key efforts like the Panama Canal expansion can move forward as planned.

the IFC ADVANTAGE

IFC has a global platform in trade finance, which has been particularly important during the crisis.

TARGETED REGIONAL INITIATIVES

EMERGING EUROPE

IFC is part of a group of large international financial institutions that pledged to provide up to €24.5 billion to support the banking sectors in Central and Eastern Europe and to finance lending to businesses hit by the global crisis. The institutions include the European Bank for Reconstruction and Development, the European Investment Bank, the International Bank for Reconstruction and Development, and the Multilateral Investment Guarantee Agency. Under the Joint IFI Action Plan, they pledged to provide rapid, large-scale, and coordinated financial assistance to promote lending to the real sector, particularly to small and medium enterprises. The financial support will include equity and debt finance, credit lines, and political risk insurance. IFC is expected to contribute up to €2 billion through crisis-response initiatives in such sectors as banking, infrastructure, and trade, as well as through traditional investments and Advisory Services.

LATIN AMERICA AND THE CARIBBEAN

The LAC Multilateral Crisis Initiative was organized to pool global financing from public and private sources and to scale up crisis-response initiatives. Along with IFC, participating in the initiative are the International Bank for Reconstruction and Development, Andean Development Corporation, Caribbean Development Bank, and Inter-American Development Bank. Together they pledged to provide up to $90 billion to support the private sector in Latin America and the Caribbean. IFC's contribution to the initiative will be $7.9 billion over two years.

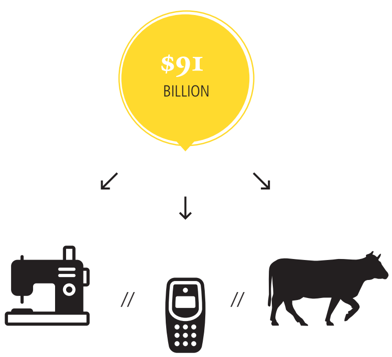
AFRICA

The Joint Action Plan for Africa is designed to leverage additional financing, protect important ongoing programs, and support investment-ready initiatives. IFC and the other World Bank Group institutions joined an alliance of IFIs led by the African Development Bank to support development activities in Africa. Other participants include the European Investment Bank, Dutch development finance institution FMO, and German development agency KfW and its private sector arm DEG. Under the plan, commitments to the region will be increased by at least $15 billion over the next two to three years. IFC will contribute at least $1 billion in additional funding over the next two years.

MAXIMIZING OUR DEVELOPMENT IMPACT

WORKING *to* INCREASE PRODUCTIVE JOBS

For the world's poor, getting a job in the formal sector is the best route out of poverty. Yet the global economic crisis could destroy up to 50 million formal jobs worldwide this year, according to the International Labor Organization.



IFC INVESTMENTS SUPPORTED CLIENTS THAT PROVIDED $91 BILLION IN LOANS TO SMES

Helping the private sector generate productive jobs is a central objective for IFC. That goal guides every aspect of our activities—including our crisis-response initiatives to capitalize banks, revive global trade, support financing for infrastructure, and sustain credit to microfinance institutions. It also guides our more routine work in developing countries—improving the investment climate, extending access to finance, financing essential infrastructure, and supporting the growth of small and medium enterprises.

SMEs, as the ILO has noted, "are increasingly responsible for the creation of the majority of jobs throughout the world, and can help create an environment for innovation and entrepreneurship." Supporting SMEs is a strategic priority for IFC. In 2008, IFC supported clients that provided nearly $91 billion in loans to small and medium enterprises.

Moreover, our ongoing work with supply-chain linkages helps large firms increase the impact of their investments by securing local jobs through their supply chains and procurement activities. Our work to improve the investment climate may have the biggest impact overall, because SMEs have been shown to suffer the most from poor investment climates. Easing business-entry regulations can result in an increase in jobs.

The pace of job creation tends to be a popular gauge of private sector development, but measuring it precisely is a formidable task—even for national governments. In measuring indicators of our development impact, IFC keeps track of the number of jobs in companies in which we are an investor, and of the changes over time. In 2008, our clients employed about 2.1 million people, including more than 500,000 in manufacturing and services and more than 400,000 in infrastructure, telecommunications, and information technology.

This information typically does not tell us whether our investments have resulted in job creation, since other factors also affect employment levels. Still, some of our data suggest that IFC investments provide new employment opportunities. For example, businesses supported indirectly through IFC-supported investment funds provided nearly 740,000 jobs in 2008, of which more than 300,000 were added after the funds started investing. Measuring the impact of our work is a high priority for IFC, and we are constantly refining our measurement systems, including beginning to disaggregate employment data by gender.

IFC also recognizes that job creation must be socially and environmentally sustainable. A key objective of the United Nations' Millennium Development Goals is achieving full and productive employment and decent work for all, including women and young people. IFC this year significantly expanded our collaboration with the ILO on the Better Work program. The program, which began in Cambodia in 2001, helps governments and companies achieve compliance with international labor standards through market incentives. It has since been expanded to Haiti, Jordan, and Vietnam in an effort to improve the lives of about 1.2 million workers.

their/our story

VIETNAM

Something Borrowed: Small Loan Boosts Bridal Business in Hanoi

Hanh Vu (pictured below) is 28 years old, with two university degrees and a background in fashion design. Four years ago, she gave up her job in a government ministry to go into business for herself. Hanh wanted to open up a bridal gown shop in Hanoi, but her limited capital meant that she could only afford a small shop and two sewing machines.

IFC was able to help her grow her business through its client Techcombank, which gave Hanh one of its first new loans for small businesses. Thanks to a lot of hard work and determination, Hanh was able to turn her career dream into a business that now has two showrooms and two production facilities.

IFC provided advisory services and a loan to Techcombank to help it expand its portfolio of small and medium enterprises. Techcombank then launched Vietnam's first fast loans in the fall of 2008. Since then, it has provided some 1,350 fast loans to micro, small, and medium enterprises in the local market. The Vietnamese government has designated development of the private sector, which is dominated by small businesses, as a main tenet of its poverty-reduction strategy.

Hanh now plans to open three more showrooms and a production facility in an industrial zone in Thanh Hoa, her home province south of Hanoi. Business has grown to the point that she now oversees a staff of 125 skilled workers. With a carefully trained eye on Vietnam's social and economic developments, Hanh is also looking to triple her product line to include evening gowns under her own label.

the IFC ADVANTAGE

IFC has a strong focus on micro, small, and medium enterprises, which are vulnerable segments and key engines of employment generation in most developing countries.

EXPANDING JOB OPPORTUNITIES *for* WOMEN

Women remain a largely untapped resource in developing countries, and the lack of formal employment opportunities for them represents a key challenge to the countries' economic growth and social prosperity.

To address this challenge, IFC tries to increase viable work opportunities for women through a dedicated Gender Unit and through investments. In 2008, IFC's clients employed more than 361,000 women across all regions and industries. Women constitute nearly 30 percent of the workforce of the clients for which we have data by gender.

Employment opportunities for women have been highest in the health sector, where women account for 59 percent of the total workforce. Women also are significantly represented in jobs in education and the textile sector, although opportunities remain scarce in traditionally male-dominated industries such as oil, gas, mining, construction, heavy industries, and utilities.

In Europe and Central Asia, women constitute more than 40 percent of our clients' workforce. But among our clients in Africa, the Middle East, and South Asia, the proportion of women in the workforce is less than 20 percent. Studies have shown that countries' per capita incomes rise with increased participation by women in the labor force.

IFC's investment in TRG Pakistan illustrates our commitment to help provide employment opportunities for women where they are most needed. TRG, a leading business-services company, taps educated, English-speaking populations, and it employed nearly 2,300 women in Pakistan and the Philippines as of December 2008. Moreover, IFC microfinance investments in the Middle East and North Africa reached almost 500,000 women borrowers.

smart choices

ENFIDHA AIRPORT

Maximizing Development Impact in a Time of Crisis

Tunisia's desert landscapes, Roman ruins, and golden beaches have made it one of Africa's top tourist destinations, providing employment for about 15 percent of the country's population. IFC has worked to make that an enduring success, helping to finance the construction of a modern airport capable of bringing in 7 million tourists a year.

As the global economic crisis spread in 2008 and 2009, private financing for the Enfidha Zine El Abidine Ben Ali International Airport became much harder to obtain. TAV Airports, the Turkish company building the airport, needed loans with a longer term than commercial banks would provide. Only a fraction of the €250 million in syndications could be placed. Legal agreements suddenly needed to be rewritten.

The situation called for innovation and agility—and IFC responded to the call. We initially provided €135 million in loans with maturities up to 20 years, making it easier for TAV's Tunisian subsidiary to reconcile its repayment obligations with its steep up-front construction costs. When syndication became difficult, we helped bring in major development finance institutions—the European Investment Bank, the African Development Bank, French development bank PROPARCO, and the OPEC Fund for International Development.

In the words of Julien Thureau, Managing Director and Head of Infrastructure Project Finance at Société Générale CIB, one of the lead syndication arrangers, "The success of this syndication in very challenging market conditions is a great achievement. It allows Société Générale to keep on supporting its clients around the world, highlights the importance of collaboration between international commercial banks and IFIs in emerging markets, and illustrates the leading role that IFC can play in fostering such cooperation."

IFC also helped clarify the legal agreements, making the project more attractive to investors. Those amendments were negotiated with the Tunisian government in just 30 days—a record for a public-private-partnership project—reflecting the goodwill IFC enjoys in the country.

Enfidha airport, one of the largest in Africa, is set to open in October 2009, with the latest technology and facilities capable of accommodating 18 aircraft. It is expected to generate 500 permanent jobs at the airport, and indirectly spur the creation of up to 25,000 jobs in the tourist resort of Monastir and nearby areas. In a time of crisis, its ability to attract financing owed much to the participation of IFC, *Project Finance* magazine said.

smart choices

LATIN AMERICA

Supporting the First Liquefied Natural Gas Project

On November 14, 2008, just a few days after the Dow Jones Industrial Average had suffered its worst week in history amid a global financial meltdown, the first disbursement from IFC and our partners went out to the $4 billion Peru Liquefied Natural Gas project, Latin America's first LNG export facility.

Against the odds of deteriorating credit markets and slumping commodity prices, IFC helped conclude the financing within a tight timeline and with unchanged terms.

The project includes a liquefaction plant and a marine loading terminal on Peru's central coast, as well as a new 408-kilometer pipeline that will connect to an existing pipeline network east of the Andes, where it will receive gas from the Camisea fields.

Given the project's size and long construction and commissioning time, together with the perception of developing country risks, the company needed to borrow money well beyond maturities of 10 years—something unavailable solely from commercial banks or bond markets.

While Peru's economic outlook had improved considerably, commercial lenders remained cautious about committing long-term funding of the magnitude required without some political risk cover. Only multilateral development banks such as IFC and export credit agencies could make this landmark project a reality by giving commercial banks the necessary comfort to agree to maturities as far out as 14 years. IFC went beyond even that, contributing a $300 million loan with a 17-year maturity to the project's total $2 billion loan package.

Peru LNG is the largest foreign direct investment in the country's history and is expected to make Peru a net hydrocarbon exporter after operations begin in 2010. Along with the upstream Camisea project supplying the gas, the LNG project will support economic growth in some of the country's poorest regions.

PLAYING *a* KEY ROLE *in* DEVELOPMENT FINANCE

As credit declined amid the global downturn, IFC found smart ways to maximize our ability to support emerging-market businesses that most needed help.

The crisis diminished commercial banks' appetite for lending, which traditionally had been IFC's primary means of mobilizing resources from third parties to serve the needs of clients in emerging markets. In response, IFC provided a way for development finance institutions and international finance institutions to quickly scale up their investments—by allowing them to participate in syndicated parallel loans.

Under the new approach, IFC uses our existing syndication platform as well as our deal-structuring expertise and global presence to identify investments, perform due diligence, and negotiate loan documents, sharing those benefits with other DFIs and IFIs. IFC's global origination capacity and deal-structuring skills attracted DFIs to join us in our investments, helping fill some of the financing gap caused by the retrenchment of commercial lenders.

For example, we were able to provide $100 million in financing to Pantaleon, a Guatemalan producer of sugar and ethanol, by partnering with four DFIs in a syndicated parallel loan. IFC provided Pantaleon a total of $50 million in debt and equity, while the DFIs—France's PROPARCO, Germany's DEG, the Netherlands' FMO, and the Inter-American Investment Corporation—provided an additional $50 million. IFC will act as agent for the life of the loan.

The coordinated approach allowed both borrowers and DFIs to save time and costs while also providing our clients with better access to financing. In FY09, DFIs and IFIs accounted for 17 percent of the $2.2 billion IFC mobilized through loan syndications. IFC is one of the first multilateral development banks to adopt this new approach. Our success underscores the pioneering role we continue to play in development finance.

INCREASING *our* OPTIONS *for* FINANCING DEVELOPMENT

In April 2009, we launched our largest-ever bond issue to help finance lending to private enterprises in developing countries. The $3 billion bond issue was heavily oversubscribed by top-quality global investors, generating an order book in excess of $4 billion.

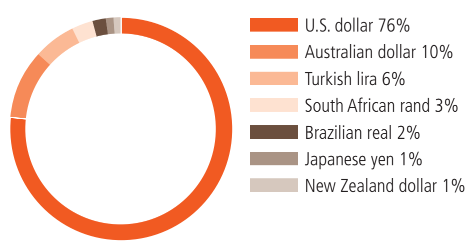
The overwhelming demand for IFC's 10th annual global bond issue—at a time of great uncertainty in financial markets—was an affirmation of IFC's premier standing in credit markets and the strong record IFC has established for global bond issuance.

The issue attracted orders from 88 leading financial institutions. Investors from Asia bought 36 percent of the bonds, while investors in the Americas took 40 percent and those in Europe and the Middle East took 24 percent.

Our U.S.-dollar global bond offering is a key element of IFC's funding strategy. It provides a market benchmark, both for IFC's other borrowing and the structured products we arrange for our clients.

In FY09, we also launched a $3 billion short-term debt-issuance program to increase our options for funding an array of development activities while also strengthening our cash-management capacity and providing investors with a safe new vehicle for short-term investment. The new Discount Note Program gives IFC additional means of financing short-term lending to clients—including those that borrow under the Global Trade Liquidity Program.

FY09 BORROWING ON INTERNATIONAL MARKETS



BUILDING PARTNERSHIPS *to* EXTEND *our* REACH

Creating opportunity requires partnership, especially in a time of crisis. In FY09, we leveraged more funds from more sources than ever before, cementing our partnership with bilateral, multilateral, and philanthropic organizations.

Partnerships helped increase the resources available to address the leading development challenges—including the food crisis, climate change, and aid to conflict-affected countries. We mobilized more than $5 billion for our crisis initiatives during the year, and expect that number to grow in coming years. In addition, our donor partners made record commitments of $251 million to support our Advisory Services (see page 114 for details about our work with partners).

the IFC ADVANTAGE

IFC is an effective conduit of funds to the private sector in developing countries, with every dollar of capital leveraging approximately $17.50 of project costs, and generating about $11.50 of benefits over and above project costs.

IFC'S PROGRAM *for* CONFLICT-AFFECTED STATES *in* AFRICA

IFC has implemented a program to give the people of fragile, strife-affected African countries a chance at better lives through economic growth led by the private sector.

This multidonor initiative responds to the need for both immediate and long-term support for such countries, recognizing that they can slide back into the downward spiral of violence without jobs, stable businesses, and open commerce.

Launched in 2008, the five-year, $25 million program for Conflict-Affected States in Africa deploys private sector development tools aimed at improving the business environment, rebuilding financial markets and institutions, strengthening small and medium enterprises, and fostering private participation in infrastructure improvements.

IFC's financial sector focus, for instance, has centered on supporting banks, reestablishment of trade finance, and microfinance. IFC has established new microfinance banks in Angola, the Democratic Republic of the Congo, and Liberia. In Liberia, IFC is also building on a long-standing equity investment to strengthen the capacity of the Liberian Bank for Development and Investment.

The program leverages IFC's global experience and local presence. Challenges include finding the right risk balance between boldness in reforms, political constraints, and limits in technical capacity. Priorities include incorporating protections for investors into investment law reforms to show the countries are "open for business" again.

The initial focus is on four conflict-affected countries: the Central African Republic, the Democratic Republic of the Congo, Liberia, and Sierra Leone. It will expand later to other conflict-affected African countries.

The program operates in close cooperation with IFC's SME Ventures program, a five-year, $100 million initiative to provide Advisory Services and risk capital to small and medium enterprises in eight nations, including the four conflict-affected African countries. Initial funding for the Africa program was provided by Ireland, the Netherlands, Norway, and IFC.

smart choices

THE POWER OF PARTNERSHIP

The Grassroots Business Fund

Grassroots businesses are nonprofit or for-profit enterprises in developing countries that use private sector approaches to help large numbers of the poor gain access to markets, affordable goods and services, and innovative financial products.

In July 2008, after four years of incubation in IFC, the Grassroots Business Fund was formally established as an autonomous not-for-profit entity, with financial backing from IFC and other private and public partners. As an independent organization, GBF has enhanced opportunities to work with external partners, and has greater flexibility to support grassroots businesses through investments and grants.

GBF provides a combination of long-term capital, capacity-building, and commercial discipline to help grassroots businesses deliver high development impact while moving toward financial sustainability. During its incubation at IFC, and since it became independent, GBF's activities have helped provide basic social services to nearly 1.7 million people and supported over 400,000 direct beneficiaries at the base of the pyramid. GBF currently has a portfolio of 14 projects in 10 countries, with nearly 60 percent of this portfolio in Africa.

In collaboration with the Aspen Network of Development Entrepreneurs, GBF has established itself as a leading player in the area of results measurement and impact reporting for social entrepreneurship.

For more information, visit www.gbfund.org.

GRASSROOTS BUSINESS FUND

ADDRESSING IMMEDIATE *and* LONG-TERM RISKS

PROVIDING KNOW-HOW TO HELP BUSINESSES MANAGE RISKS

In many emerging-market countries, the scarcity of capital isn't the only obstacle to private sector development. A shortage of technical know-how can also be a serious impediment — especially in an economic crisis.

IFC is playing an important role in removing such obstacles, providing an array of Advisory Services that help clients identify risks and remedies quickly while also working to establish a healthy business environment and address long-term challenges such as climate change and access to credit. In doing so, we are helping to build a more stable foundation for private enterprise once the financial crisis ends.

As the crisis spread, IFC developed new advisory programs to support the financial sector. One of those programs is designed to help financial institutions manage nonperforming loans, either by restructuring them or removing them from their books. Another helps financial institutions improve their risk-management practices in the areas of governance, asset-liability and liquidity management, capital adequacy, and credit risk.

We also increased our advisory work with credit bureaus that help lenders identify clients with excessive levels of debt, and we stepped up our activities to promote financial literacy and standards for responsible lending. In the countries of Eastern Europe and Central Asia, which have been particularly hard hit by the crisis, we are working to promote the development of a distressed-asset market. There and elsewhere around the world, we also have helped boards of directors play a stronger corporate-governance role by providing risk-management training.

Across the globe, IFC conducted workshops and seminars to promote awareness of best practices. In the Middle East and North Africa, we held a series of conferences featuring lessons IFC has learned from our work with banks in the region. In South Asia and East Asia, we organized several workshops called "Managing Risks in Good Times and Bad" to help banks in the region learn how to identify and address risks. The workshops attracted senior managers from regional financial institutions, rating agencies, and audit and consulting firms.

IFC, in partnership with the World Bank, also is working to improve the investment climate in emerging markets — for instance by providing technical support to help countries improve their bankruptcy systems to cope with the growing number of companies that are becoming insolvent as a result of the crisis. Through the *Doing Business* project, we also are expanding our advisory work concerning regulatory reforms involving investor protection, contract enforcement, and court systems.

Economic crises tend to expose vulnerable populations — the poor, the hungry, the exploited — to even greater dangers. For that reason, IFC believes it is even more important for projects to be sustainable. We are applying our Performance Standards on Environmental and Social Sustainability. We also are helping our clients find ways to tackle climate change by investing in new business models for clean energy, carbon finance, and environmentally sound technologies. That approach will help lower operational costs for our clients over time.

HELPING BUSINESSES MITIGATE *and* ADAPT *to* CLIMATE CHANGE

Climate change has major implications for many developing countries.

For example, a one-meter rise in sea levels could cause Egypt to lose 13 percent of its agricultural land. It could destroy 28 percent of the wetlands that now sustain Vietnam's fisheries industry and buffer coastal cities from storms, according to the World Bank.

For that reason, mitigating climate change is a strategic priority for IFC. We work to promote climate-friendly investments — such as in solar power and in cleaner energy and production technologies designed to improve energy efficiency and reduce waste. In FY09, for the first time in our history, more than half of our power-sector investments were in renewable energy. In FY09, we invested $1.03 billion in 55 renewable-energy and energy-efficiency projects, and we aim to significantly increase our clean-energy investments over the next few years. For more information on our renewable energy and efficiency investments, please visit www.ifc.org/ifcext/sustainability.nsf/Content/ClimateChange.

Beyond our investments, IFC makes a significant contribution through our Advisory Services. Our expertise in climate-change mitigation is particularly relevant for middle-income countries. We also seek to maintain our leadership in environmental sustainability through such initiatives as the Equator Principles (see page 111).

Carbon finance is a key pillar of IFC's climate-change strategy. IFC helps companies get more value for their carbon credits by guaranteeing delivery to buyers in developed countries, and can also structure loans against future revenues from such credits.

IFC'S ROLE IN REDUCING WATER SCARCITY

Each morning, more than a billion people wake up without clean water to drink. The scarcity of clean water poses a risk not only to our health, but also to our food supply, our ecosystems, our economic growth, and our security.

In emerging markets, governments alone cannot provide the estimated $180 billion a year needed to finance water and sanitation projects in the next two decades or so. They are recognizing that infrastructure development will depend on public-private partnerships. IFC is helping to foster a growing number of such partnerships by assisting with project design and developing innovative financing solutions.

For example, IFC partnered with WaterHealth International, a private company that brings clean drinking water to more than 1.5 million underserved users in Ghana, India, Mexico, the Philippines, and Sri Lanka. IFC's initial investment was expanded with an additional $15 million commitment in FY09, and helped catalyze $29 million in equity financing from private investors.

Water is at risk because we tend to overuse it. Water-efficiency practices are still limited in agriculture and industry, which represent 90 percent of total freshwater use. In a joint undertaking with our partners, IFC is developing a water-scarcity response framework to support efficient investment by governments and companies looking to prioritize strategies for addressing water scarcity issues.

IFC is a founding member of the Water Footprint Network, which aims to establish a common methodology that can be used by the public and private sectors to measure the volume of water needed for the production of goods and services by individuals, institutions, and the inhabitants of entire countries.

In addition, IFC is working with leading academics and experts to identify innovative technology and business models to supply clean water to underserved markets in developing countries. The idea is to overcome barriers to growth for companies in the sector, develop investment opportunities, and explore potential partnerships between World Bank Group stakeholders and other partners, such as multilateral financial institutions and commercial banks.

DEVELOPMENT FINANCE

Supporting the Solar Industry in Emerging Markets

IFC is helping clients in developing countries maximize access to electricity while minimizing greenhouse emissions through support for renewable energy sources such as solar power.

Solar PV—the use of photovoltaic (PV) cells, panels, or modules—is the main method of converting the sun's energy to electricity. This growing industry has great long-term potential, but the technology is still a high-cost, niche solution.

The solar PV industry is dependent on the market in a few developed countries (Germany, Japan, Spain, and the United States), where it is subsidized. Its traditional manufacturing bases in Europe, Japan, Taiwan, and the United States have been shifting to Asian emerging-market countries, such as China, which now produces 27 percent of solar PV.

IFC's strategy is to promote development of the solar industry in emerging markets, helping to reduce costs so that the industry can become competitive. IFC investments will help scale up the supply chain to drive the cost of solar PV energy down to "grid parity," the point at which it can compete with conventional sources of power.

In FY09, IFC made a $50 million equity investment in Russian polysilicon producer Nitol Solar for its new manufacturing plant in southeastern Siberia. Polysilicon is an essential input for solar PV cells and has been in short supply globally. IFC's investment helps address this shortage as well as support Russia's renewable energy sector.

IFC also approved a $50 million investment in Suntech Power Holdings Company, Limited, the largest manufacturer of solar PV cells in China. By providing long-term quasi-equity capital, which is difficult to access in the current market environment, IFC will help the company expand, supporting development of the solar PV market in China. More than half of IFC's power projects committed during the year were renewable energy projects.

Over the next few years, IFC plans to deploy $100 million to $150 million annually in direct solar investments, mobilize two to three times that amount from other financial institutions, and provide another $100 million to $150 million through a venture-capital-type equity facility. IFC is committed to tripling its investments in renewable energy and energy-efficiency projects across all technologies, from $1.1 billion invested from FY05 to FY07 to $3.3 billion from FY09 to FY11.

smart choices

DEVELOPMENT FINANCE

Promoting Cleaner Production

The expansion of manufacturing, agriculture, and vital services such as health and education brings many benefits to developing countries. But the cost of progress can sometimes be higher than it needs to be — in both economic and environmental terms.

IFC is helping lower those costs and improve clients' competitiveness through our $20 million Cleaner Production Lending Pilot program. We provide fast-track loans to help our clients make more efficient use of raw materials, energy, and water by improving operational processes, services, and products. Reducing waste helps companies save money not only on raw materials and other production inputs but also on waste-disposal costs. Moreover, cleaner production systems reduce greenhouse emissions, benefiting local communities while helping mitigate climate change.

In the second half of 2008, IFC helped one of Turkey's largest steel manufacturers — Assan Demir — increase energy efficiency at its aluminum plant in Tuzla. We provided a $4 million loan to help the company minimize heat loss in the plant's melting and casting furnaces, as well as to recover and recycle waste heat. The project will reduce furnace temperature in casting operations, saving energy and reducing emissions.

"IFC's Cleaner Production loan provided a quick solution for financing our ongoing investment needs, which are shaped by global priorities such as energy efficiency," says Adnan Sen, a company executive. "This also shows how IFC can accelerate things when it puts its full weight behind a program."

In addition, IFC agreed to provide a $3 million Cleaner Production loan for JK Paper, India's second-largest producer of branded printing and writing paper, to finance a series of energy and water-efficiency improvements in the states of Orissa and Gujarat. The improvements are expected to result in a significant reduction in water and electricity consumption, and a decline in carbon dioxide emissions.

IFC set up the Cleaner Production program in 2007 to encourage our clients to undertake cleaner production investments and to demonstrate the financial viability and environmental benefits of such projects. Under the program, we provide debt financing ranging from $250,000 to $5 million per project. The loan transaction occurs swiftly, thanks to a more streamlined process. Loan recipients also get access to IFC's technical and environmental specialists, who can provide a variety of Advisory Services. The program has been so successful that IFC is considering expanding it.

smart choices

PROVIDING KNOW-HOW

Tracking Greenhouse Emissions

IFC has developed and is testing a methodology that can help us, and various stakeholders, better understand the implications of greenhouse emissions related to our investments. The approach is based on the widely used carbon accounting methodology for private business that was established by the World Business Council for Sustainable Development and the World Resources Institute. We are also working with the World Bank and with other multilateral financial institutions to define approaches to carbon accounting that meet the financial sector's needs.

IFC plans to measure the emissions of our new real-sector investments, which represent around 60 percent of our activity, to be followed in subsequent years by our corporate lending and financial sector investments. The pilot applies to new projects that enter the project processing cycle as of February 2009. Our portfolio should be fully covered in about six years. We will share results and lessons learned with other multilateral institutions and partners that have adopted the Equator Principles.

their/our story

EGYPT

The Gift of Sight from Hospital's Outreach

Saleh Zaki Khalifa developed cataracts in both eyes. As his eyesight dimmed, the 49-year-old blacksmith became unable to work to provide for his three young children.

"I can't work. I can't even walk by myself," says Khalifa, who lives in a small village north of Cairo. "My 12-year-old son Mustafa leads the way for me."

When he was first diagnosed last year, Khalifa went to a hospital but could not afford the $370 needed for surgery. With Khalifa unable to work, the family's sole income came from his wife, whose job paid barely enough to cover the rent on their apartment.

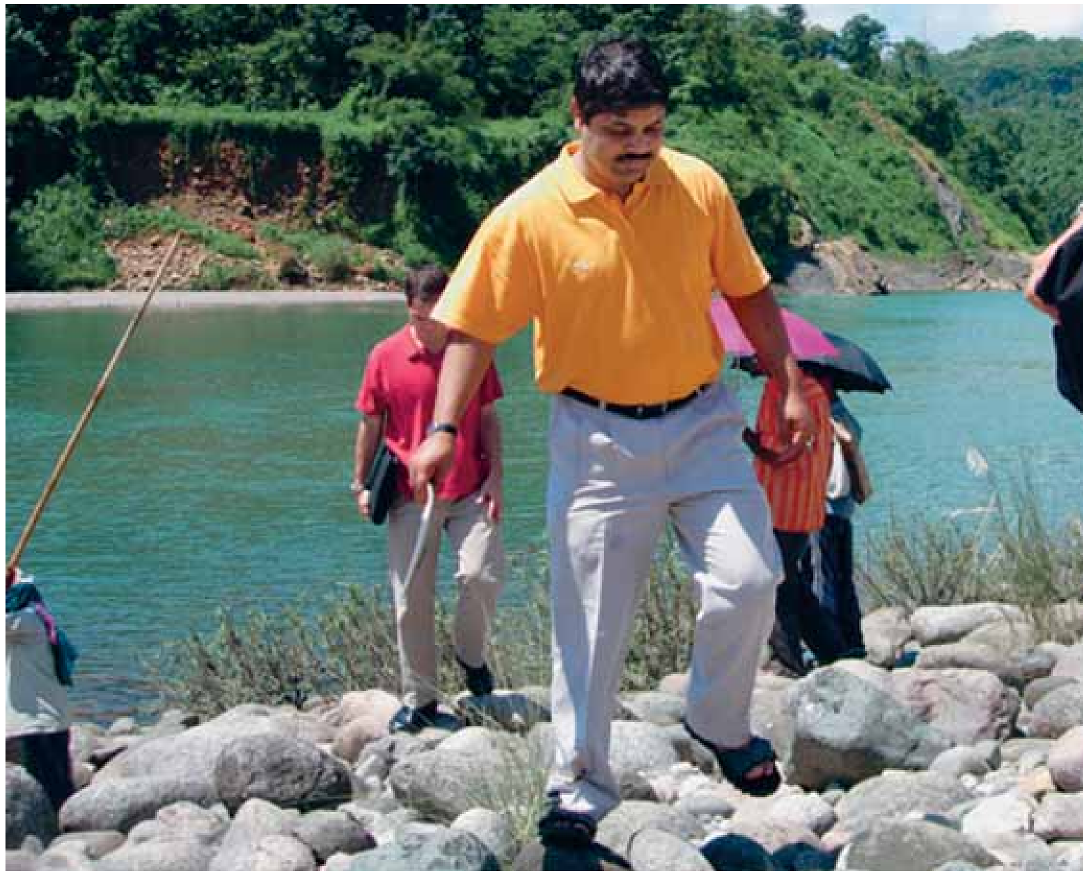
Help came from the IFC-supported Magrabi Hospital in Cairo (pictured here). Khalifa was examined during one of Magrabi Hospital's "caravan" outreach programs that send medical staff to poor areas in Egypt three times a week to examine 300 to 400 people at each site. The programs focus on responding to eye diseases early enough to prevent blindness.

Magrabi's staff informed Khalifa that doctors would operate on him. The prognosis was optimistic.

"I was very relieved when I found out they could help me see again, because it means I will be able to support my family again," Khalifa says. He would also have the pleasure of watching his children grow up.

In 2008, IFC provided a $45 million financing package to Saudi Arabia's Magrabi Hospitals to partially finance its expansion plans, including eye hospitals and referral centers in Egypt and an eye hospital in Yemen. The new, low-cost hospitals offer half a million eye exams and 50,000 surgeries a year while creating 1,000 new jobs for skilled medical professionals.

Magrabi also provides free and low-cost community health services to poor rural populations through the Al-Noor Magrabi Foundation. Magrabi's "caravan" eye camp goes from village to village in the more remote areas, where medications are provided free of charge and cases requiring surgery are referred to the Magrabi Hospital in Cairo. IFC financing supports the hospital, which in turn supports the Al-Noor Magrabi Foundation.



MAINTAINING *a* SUSTAINABLE BUSINESS MODEL

IFC hasn't been immune from the effects of the global financial crisis. The decline of equity markets throughout the world has reduced our profits, limiting our ability to grow our investments. In response, IFC has taken several steps to make sure that our capital is used where it can do the most good and our long-term capacity to serve our clients remains as strong as ever.

IFC is maintaining a sustainable business model by controlling costs, strengthening management of our portfolio and other risks, and finding creative ways to increase our efficiency and adapt to new challenges. We have moved closer to our clients and decentralized our decision making to serve them better. We have also made stronger use of our adaptive corporate culture—and the diverse talents of our staff—to increase our effectiveness during the crisis.

STREAMLINING IFC'S CORPORATE DECISION-MAKING PROCESS

Meeting the changing needs of our clients—while carefully managing risks—requires IFC to make decisions that are both swift and prudent. In FY09, IFC's Management Group took several steps to improve the speed and effectiveness of its decision making concerning IFC's operations and human resources while also strengthening its ability to identify and address risks.

The Management Group strengthened three committees—the Corporate Risk Committee to discuss and decide policies concerning financial, operational, legal, environmental, social, and corporate-governance risks; the Corporate Operations Committee to review and clear investment and Advisory Services projects and to set policies; and the Human Resources Committee to set policies pertaining to human-resources management. Each consists of five to seven members of the 10-member Management Group. IFC Executive Vice President and CEO Lars Thunell is chairman of all three committees.

The structure makes more efficient use of the time and expertise of members of the Management Group, improving both the speed and effectiveness of decision making. The Corporate Operations Committee, for example, usually meets twice a week and considers routine investment proposals on a non-objection basis. Under that system, proposals are considered approved if no objections are raised. The three committees sometimes refer to the Management Group matters that require the consideration of the entire group—especially in instances where the actions being considered could have broader implications for IFC or the World Bank Group.

DECENTRALIZING TO SERVE OUR CLIENTS

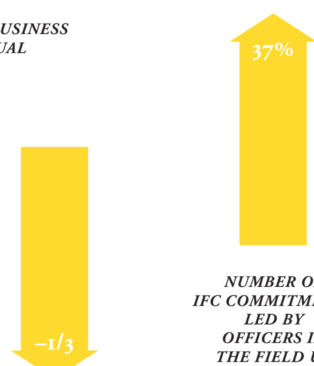
IFC is moving closer to clients so that we can better serve their needs in a rapidly changing world. Business opportunities are expanding fast in the low- and middle-income countries we serve. At the same time, our clients and other partners expect swift and nimble decision making. IFC has recognized that we need to build more capacity outside our Washington, D.C., headquarters to be able to offer solutions for clients and ensure sustainable private sector development.

Today, more than half our employees are based in country offices across the globe, and our presence in the world's most fragile economies has increased significantly since 2004. Investment decisions are increasingly being made at the local level. In FY08, we began delegating authority for many project decisions to field staff in our Asia regional departments; building on this experience, we rolled out the approach to all IFC regions in FY09. The change is significant: last year, 37 percent of IFC commitments were led by investment officers in the field—up from 20 percent in 2006. Average processing time for an IFC transaction has been cut by a third since 2001.

As part of our decentralization, we aim to put the right people in the right place, making sure that knowledge and skills are deployed where they are most needed. Many senior employees have moved to field offices, and we are working to make such moves attractive for staff with high potential. We are also hiring a growing number of our staff locally and improving their options to build a career at IFC. Both at headquarters and in the field, we are improving our methods for sharing knowledge and lessons learned.

Our decentralization is making IFC more efficient while enhancing our risk management. It is helping us tailor approaches to the specific needs of countries and frontier markets, and increasing our ability to have a positive impact on the development of emerging economies.

NOT BUSINESS AS USUAL



AVERAGE PROCESSING TIME FOR AN IFC TRANSACTION HAS BEEN CUT BY A THIRD SINCE 2001.

NUMBER OF IFC COMMITMENTS LED BY OFFICERS IN THE FIELD UP FROM 20% IN 2006.

IMPROVING BUSINESS PROCESSES

The global crisis highlighted the need for IFC to serve our clients better, faster, and more efficiently. In July 2008, IFC's Management Group made business process improvement a top corporate priority.

IFC's Business Process Improvement initiative seeks to improve client satisfaction by simplifying our processes, reducing the time it takes for a project to get approved, and increasing the predictability of our decision making. It is designed to improve staff satisfaction by eliminating unnecessary procedural steps and establishing clear accountability in roles. Finally, it is intended to increase our operational efficiency and enable us to do more with less.

Over the next two years, IFC's goal is to raise client satisfaction with our responsiveness to their needs—we aim to reduce project processing time to 141 days from 241 days. We also intend to reduce direct staff costs for each investment commitment—by an average of $10,000. In addition, we aim to double the percentage of IFC client-facing staff members who express satisfaction with our processes.

IFC Advisory Services also are improving business processes. The idea is to improve process efficiency across Advisory Services by reducing by 30 percent the number of steps from project conception to approval. Simplified processes are expected to improve project quality and ensure more cohesive implementation.

More improvements are being rolled out. Among them is a first in IFC history—authorizing IFC managers to approve a select category of deals, which could speed up processing of over 30 percent of IFC's project pipeline. Another improvement involves reducing the number of people whose approval is needed for a deal, while still ensuring quality control and risk management.

ORGANIZATIONAL AGILITY—HOW IFC AND OUR STAFF ADAPTED TO THE CRISIS

As the global crisis unfolded, we swiftly shifted our human-resources strategy to respond to new market conditions and business needs. Having expanded our workforce by more than 50 percent in the previous five years, we turned our attention in FY09 to organizational agility—making sure the talents of IFC's staff were deployed where they were needed most.

IFC's work force expanded, but at a slower pace than in prior years, and with a view to filling critical skills gaps that were opened up by the crisis. In particular, IFC focused on hiring high-level specialists in financial restructuring, equity, and portfolio and risk management. In Advisory Services, we began to focus on hiring mid-career experts in the areas of access to finance and investment climate.

Improving staff productivity, efficiency, and flexibility was another top priority. IFC provided staff training linked to the global crisis—on such subjects as restructuring and portfolio and risk management. We also provided training for investment officers to help them learn from IFC's experience in past economic crises.

LOOKING AHEAD — A LONG-TERM PLATFORM FOR DEVELOPMENT

As the global crisis subsides, financial institutions in developed countries could experience increased regulation and reduced appetites for risk.

That could hurt the supply of capital to emerging markets over the longer term. Demand for IFC's services, as a result, is likely to increase in line with the growing importance of developing countries in the global economy. Because we are the only multilateral development bank focused exclusively on private sector development, our proven track record and deep knowledge base in providing finance and Advisory Services could provide the best long-term platform for advancing the private sector in developing countries.

smart choices

MOVING FORWARD

Applying the Lessons of Experience

IFC constantly strives to improve operations and the delivery of our products and services — by reviewing our activities to assess what worked and what did not, and by evaluating our readiness for difficult conditions.

In the fall of 2007, at the first sign of a crisis in financial markets, IFC's Management Group began to develop a comprehensive strategy to allow us to better serve our clients during adverse conditions. The strategy laid the foundation for IFC's crisis-response initiatives and for our heightened focus on portfolio and risk management as the crisis spread.

To ensure that we used our capital judiciously, IFC reduced the average duration of loans by doing more short-term trade-finance transactions and fewer senior loans while maintaining the level of our equity investments. We also increased our capacity to manage projects requiring workouts, hiring several more investment officers for our Special Operations Department. More broadly, we imposed tighter budget controls while reducing the pace of hiring.

We learned several lessons from our experience over the last year, and we will apply them to our decision making. Here are some of them:

— IFC should make greater use of mezzanine financing instruments, such as convertible loans, which better protect us from a sudden market downturn.

— IFC needs to create better incentives for staff to make equity sales and establish better communications with those clients and governments that object to equity sales.

— In times of high liquidity, IFC should focus on investments in which the unique role we play can be reflected in the pricing.

— Decentralization of our staff has brought us closer to our clients and given us much better information on their conditions in times of stress, allowing us to be more responsive.

— IFC needs organizational agility to align our staffing strategy with changes in business strategy.

— In times of crisis, the demand for risk capital exceeds IFC's limited resources — highlighting the need to mobilize additional financing to complement IFC's funding.

A HISTORIC STEP: IFC ASSET MANAGEMENT COMPANY

IFC's track record of delivering strong profits *and* development impact has long provided an additional benefit—helping other investors recognize the advantages of investing in developing markets.

Beyond responding to the global crisis, making smart choices means building on IFC's proven business model to expand our reach.

In 2009, we launched our first wholly-owned subsidiary—IFC Asset Management Company—to mobilize capital from outside IFC's traditional investor pool. IFC Asset Management Company will serve as a private equity fund manager investing capital on behalf of investors who have never before had access to IFC's transaction pipeline. The company's purpose is to offer strong financial returns to its investors while achieving distinct development impact in the emerging markets where it invests.

IFC Asset Management Company's aim is to create a cooperative relationship among IFC, our investors, and our clients. IFC co-invests in funds managed by the company, aligning interests and increasing our investment capability. IFC clients, meanwhile, benefit from a broader offering of IFC products, and a new class of investors will for the first time enjoy access to IFC's unparalleled investment expertise in developing and frontier markets, as well as our record of strong equity returns in these markets.

As an initial step, the company is managing the new IFC Capitalization Fund—jointly funded by $2 billion from the Japan Bank for International Cooperation and $1 billion from IFC. Its first transaction occurred in March with a $20 million commitment to Paraguay's Banco Continental. Several more investments are expected to be completed in 2009.

The company will also manage a new $1 billion general private equity fund that will allow investors to co-invest alongside IFC in transactions in Africa, Latin America, and the Caribbean. The company will manage other fund initiatives as they are developed.

In May, IFC named Gavin Wilson as the company's first CEO. Wilson, a British national, was previously a Managing Director in the Investment Banking Division at Goldman Sachs in London, where he spent the last 13 years. He began his career at McKinsey & Company and joined the World Bank Group in 1988, working in the Bank's Africa Region and then for six years in IFC's Corporate Finance Services Department. He subsequently served as a Special Advisor at the Bank of England before joining Goldman Sachs. He has worked in more than 50 countries.

their/our story

CHAPTER THREE:

significant impact

IFC's swift and innovative response to the global economic crisis enabled us to make a significant impact in developing countries. By learning from past crises and making early preparations for the current one, we worked to mitigate the crisis's effects while maintaining our focus on creating opportunity for people to escape poverty and improve their lives.

In a year when private capital flows to emerging markets decreased by almost half, we helped channel $14.5 billion in investments to support private enterprise—slightly less than our record high of $16.2 billion in FY08. We helped IFC client companies lend more than $9 billion to about 8.5 million microfinance borrowers, and make nearly $91 billion in loans to about 1.3 million small and medium enterprises in 2008. Our clients also provided more than 2 million jobs, cared for 5.5 million patients, and helped educate more than a million students.

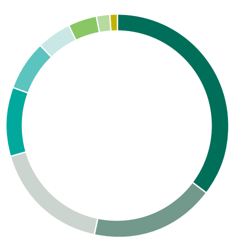
IFC results by regions, industry clusters, and advisory services business lines.

FOSTERING SUSTAINABLE PRIVATE SECTOR GROWTH

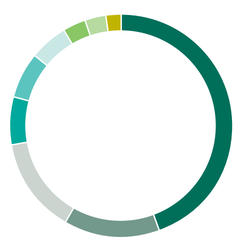
In FY09, IFC committed $10.5 billion for our own account, and mobilized $4 billion from other sources. Projects in the poorest countries accounted for 42 percent of our investments and more than 46 percent of new advisory projects. In Sub-Saharan Africa, investments for IFC's account totaled $1.8 billion, accounting for 17 percent of our commitments for the year. Advisory Services expenditures totaled $291 million, of which 25 percent was directed to projects in Sub-Saharan Africa.

COMMITTED PORTFOLIO BY INDUSTRY

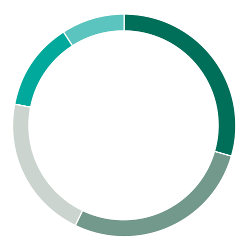
For IFC's own account as of June 30, 2009



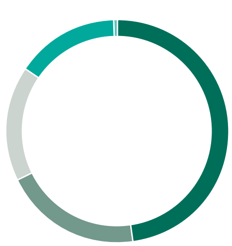
FY09 INVESTMENTS BY INDUSTRY



ADVISORY SERVICES EXPENDITURES BY BUSINESS LINE



COMMITTED PORTFOLIO BY PRODUCT



[1] Includes loan-type, quasi-equity products
[2] Includes equity-type, quasi-equity products

FY09 COMMITMENTS BY ENVIRONMENTAL AND SOCIAL CATEGORY

CATEGORY[1]	COMMITMENTS ($ MILLIONS)	NUMBER OF PROJECTS
A	446	4
B	4,283	137
C	2,096	104
FI	2,991	109
N[2]	731	93
	10,547	447

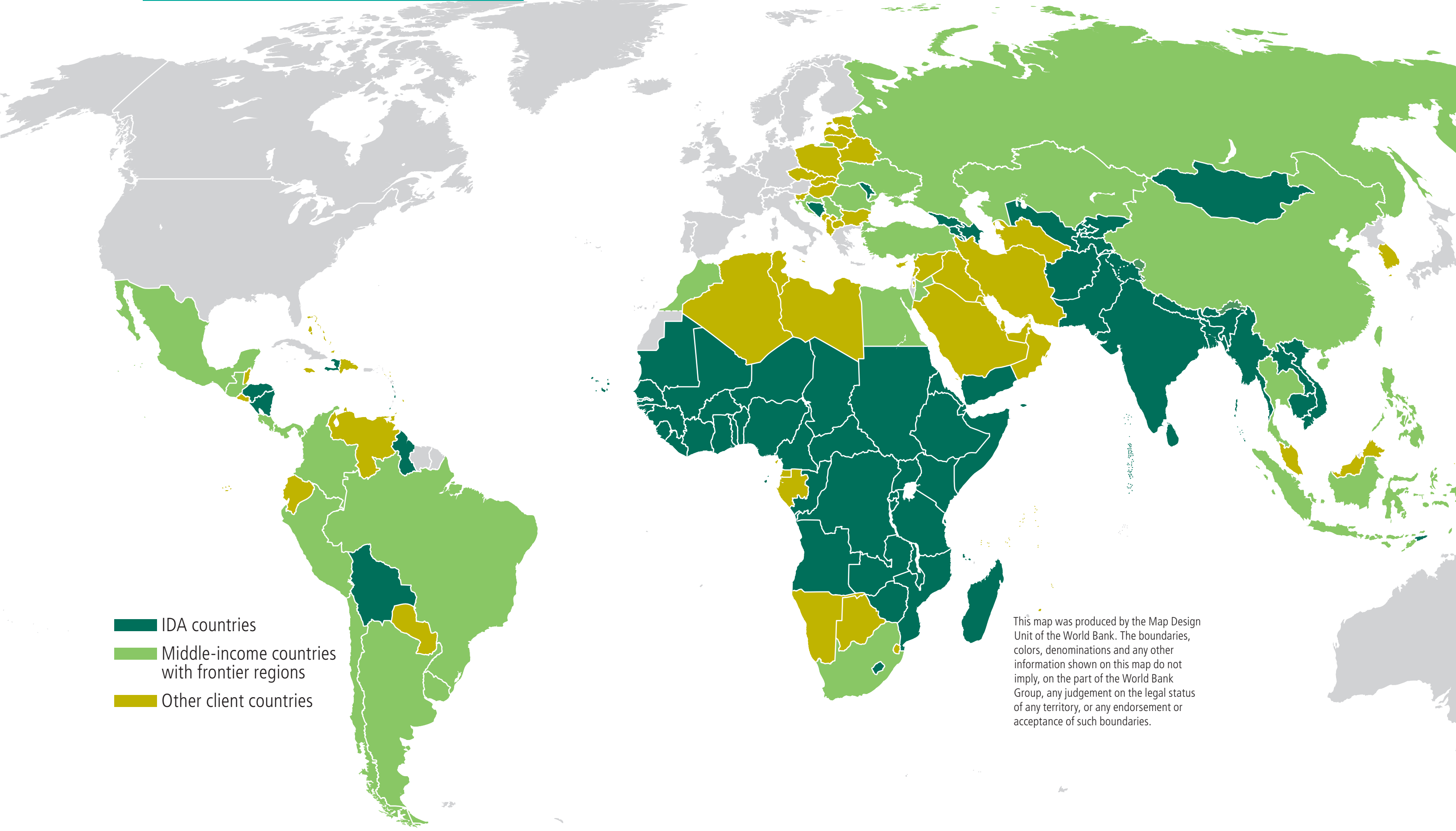
[1] See Category description on page 111.
[2] N refers to increased commitments on existing projects or swaps and rights issues.

LARGEST COUNTRY EXPOSURES[1]

June 30, 2009 (Based on IFC's Account)

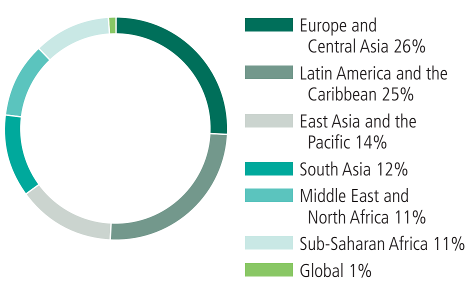
COUNTRY (GLOBAL RANK)	PORTFOLIO ($ MILLIONS)	PERCENT OF GLOBAL PORTFOLIO
India (1)	3,389	10
Brazil (2)	2,364	7
Russian Federation (3)	2,244	7
China (4)	2,099	6
Turkey (5)	1,910	6
Argentina (6)	1,054	3
Philippines (7)	960	3
Colombia (8)	873	3
Mexico (9)	781	2
Peru (10)	744	2

[1] Excludes individual country shares of regional and global projects.

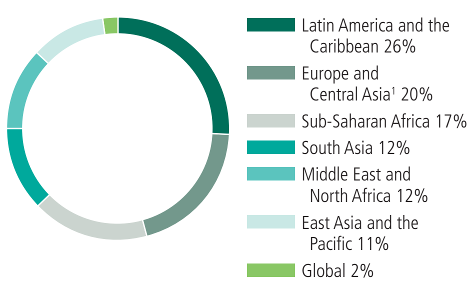


COMMITTED PORTFOLIO BY REGION

For IFC's own account as of June 30, 2009

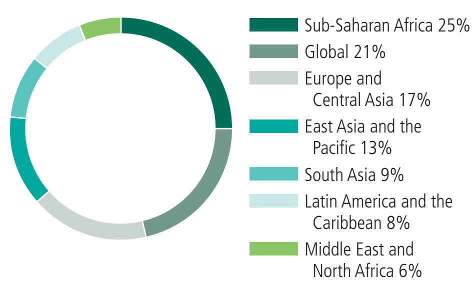


FY09 INVESTMENTS BY REGION



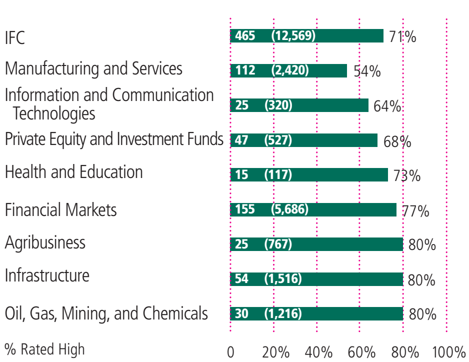
[1] Some amounts include regional shares of investments that are officially classified as global projects. See regional sections for details.

ADVISORY SERVICES EXPENDITURES BY REGION



DEVELOPMENT RESULTS BY INDUSTRY

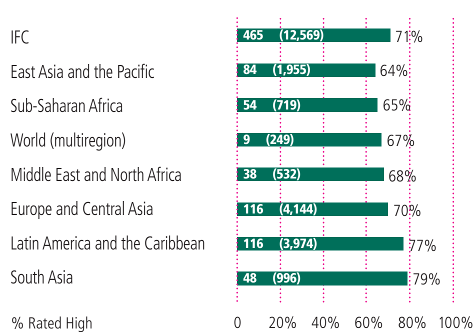
(Investments)



DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005. Note: Number inside bar represents number of rated projects, and number in parentheses represents total IFC investment ($ millions) in those projects.

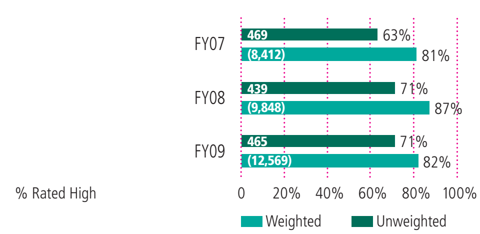
DEVELOPMENT RESULTS BY REGION

(Investments)



DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005. Note: Number inside bar represents number of rated projects, and number in parentheses represents total IFC investment ($ millions) in those projects.

UNWEIGHTED AND WEIGHTED DEVELOPMENT RESULTS OVER TIME



FY07: DOTS data as of June 30, 2007, for projects approved in calendar years 1998–2003; FY08: DOTS data as of June 30, 2008, for projects approved in calendar years 1999–2004; FY09: DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005.
Note: Number inside bar represents the number of rated projects for the unweighted series, and total IFC investment rated ($ millions) for the weighted series.

SUB-SAHARAN AFRICA

ANGOLA BENIN BOTSWANA BURKINA FASO BURUNDI CAMEROON CAPE VERDE CENTRAL AFRICAN REPUBLIC CHAD COMOROS DEMOCRATIC REPUBLIC OF CONGO CONGO REPUBLIC CÔTE D'IVOIRE DJIBOUTI EQUATORIAL GUINEA ERITREA ETHIOPIA GABON THE GAMBIA GHANA GUINEA GUINEA-BISSAU KENYA LESOTHO LIBERIA MADAGASCAR MALAWI MALI MAURITANIA MAURITIUS MOZAMBIQUE NAMIBIA NIGER NIGERIA RWANDA SAO TOME AND PRINCIPE SENEGAL SEYCHELLES SIERRA LEONE SOMALIA SOUTH AFRICA SUDAN SWAZILAND UNITED REPUBLIC OF TANZANIA TOGO UGANDA ZAMBIA ZIMBABWE

IDA COUNTRY MIDDLE-INCOME COUNTRY WITH FRONTIER REGIONS OTHER CLIENT COUNTRY

IFC IS COMMITTED TO INCREASING OUR SUPPORT FOR THE PRIVATE SECTOR.

OVERVIEW

Sub-Saharan Africa has not escaped the impact of the global economic turmoil. Precipitous declines in the prices of commodities, including oil and most minerals, have pulled down export revenues. Tourism, another driver of growth, has also slumped. IFC rose to the challenge, stepping up our financing and Advisory Services to sustain investment flows to the region and raising additional resources through crisis-response initiatives. Our strategy focuses on supporting smaller businesses, building infrastructure, advancing health care, developing agribusiness, reforming the investment climate, and promoting the recovery of countries affected by conflict. Africa's long-term economic prospects remain promising, and IFC is committed to increasing our support to the private sector so more Africans can build a better future.

DEVELOPMENT IMPACT

We are leveraging our resources to be more flexible and achieve a greater impact. We launched or expanded several funds to invest in sectors or regions we previously had difficulty reaching. A new health equity-investment facility will improve access to equity and expertise for health-care entrepreneurs and businesses in Africa, including those involved in medical education. Two new funds address the severe shortfall in private capital for infrastructure projects. IFC continues to use other funds to invest in small and medium enterprises, a crucial part of Africa's private sector. As the global financial crisis dried up credit to African banks, IFC stepped up support for the financial sector. IFC established a new equity and subordinated-debt fund to provide credit to banks facing a shortfall in liquidity, and we increased our Global Trade Finance Program. Last year, Africa accounted for nearly 30 percent of the program's guarantees. Standard Bank, Africa's largest lender, was one of the first two banks to join the Global Trade Liquidity Program. By supporting the financial sector and channeling funds through banks, IFC is able to help improve the lives of more Africans.

PARTNERSHIPS AND MOBILIZATION

Partnerships are an important part of fulfilling our mission. IFC teamed up with other international financial institutions to launch the Joint Action Plan for Africa to coordinate the response of international financial institutions to the economic crisis. Building on each institution's capacities, the initiative mobilized at least $15 billion to promote trade, strengthen the financial sector, and increase lending for infrastructure projects and other sectors of the economy experiencing a shortfall in liquidity. IFC's Private Enterprise Partnership for Africa provides Advisory Services to governments and businesses to tackle constraints to private sector growth. IFC and our donor partners, together with African governments and the private sector, are working to promote smaller businesses, develop large infrastructure projects, and improve the overall investment climate. Our new partnership with Austria for the Social and Environmental Sustainability programs aims to help private sector entities develop best practice in environmental and social risk management and bring economic benefits to nearby communities. IFC's Private Enterprise Partnership for Africa also supports programs to help promote private-school expansion to help meet mounting education needs. It manages 88 programs in 30 countries, helping to create opportunity and improve lives in some of the poorest places in the world.

SUSTAINABILITY

We are increasing our capacity to better manage sustainability risks and opportunities in Sub-Saharan Africa by expanding our staff of sustainability specialists and launching training programs on promoting economic and social sustainability for financial sector clients. Community development is a key component of our strategy. A good example is IFC's program to foster sustainable growth in communities surrounding the operations of Lonmin, a platinum mining company in South Africa. It helped develop 27 local companies, including Little Rock Construction, which is fully owned and operated by black women. Through our Gender Program, we provided financing and Advisory Services to increase women entrepreneurs' access to finance and reduce gender-based barriers in the business environment. In Ghana and Kenya, we expanded the Lighting Africa Program, which helps provide low-cost alternatives to the use of charcoal and fossil fuels for light. IFC conducted regional case studies to identify how to mitigate climate change in such undertakings as Zambia's Kafue Gorge Lower Hydropower project. We also worked with Green Resources, a forestry company in Tanzania, to install a combined heat and power plant that will use large volumes of waste wood to save energy, reduce costs, and enable the company to sell carbon credits.

LEARNING FROM EXPERIENCE

We are using our experience in Africa to address the region's new challenges. To help reduce high food prices, IFC is looking at ways to increase agricultural production by getting effective crop finance to farmers, reducing the impact of extreme weather through insurance, and promoting higher-productivity farming, such as high-value horticulture, on a larger scale. Approaches include investing in plantations, logistics, and infrastructure to increase food supply. IFC launched the Conflict-Affected States in Africa Program (see page 43) to address a lack of infrastructure, poor job prospects, and minimal support for small businesses, which may be the only possible livelihood in some of the world's poorest countries. We are placing staff on the ground and integrating Advisory Services to develop country strategies, in close coordination with our partners in the World Bank Group. Building on our experience promoting public-private partnerships to help develop infrastructure, IFC also launched a new venture capital fund to provide early-stage risk capital and to fund feasibility studies and modeling and structuring for infrastructure projects. The idea is to address a key constraint for Africa's development.

DEVELOPMENT REACH

INDICATOR	PORTFOLIO CY07	PORTFOLIO CY08	NEW BUSINESS EXPECTATIONS FY09
MSME loans (number of loans)	222,829	161,329	671,530
MSME loans (amount in $ millions)	2,438	2,109	2,440
Power generated (millions of customers)	17.1	19.1	0
Utility services distribution (millions of customers)[1]	2.7	2.9	0
New phone connections (millions of customers)	6.9	6.1	3.3
Patients reached	89,392	112,450	230,000
Students reached	380,000	388,000	525
Employment	124,262	134,515	26,344
Local purchase of goods and services ($ millions)	1,166.1	1,394.9	65.8
Payments to governments ($ millions)	2,608.4	3,309.2	221.3

CY08 and CY07 data are not strictly comparable, because they are based on a changed portfolio of IFC clients. Reach data for select industries; indicator definitions and reporting periods vary somewhat across industries. Some data from previous years have been revised.

[1] Includes power, gas, and water.

PROJECT FINANCING AND PORTFOLIO

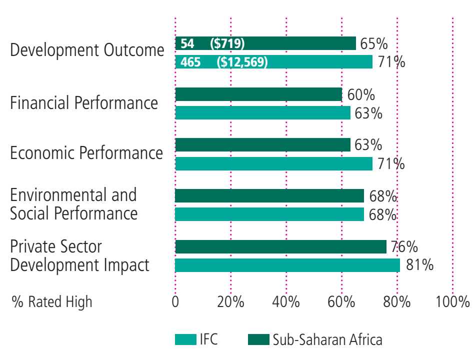
($ MILLIONS)	FY08[1]	FY09[2]
Financing committed for IFC's account	$1,380	$1,824
Loans[3]	541	907
Equity[3]	202	232
Guarantees and risk management	638	685
Loan syndications signed	0	58
Total commitments signed	1,380	1,881
Committed portfolio for IFC's account	3,252	3,936
Committed portfolio held for others (loan and guarantee participations)	326	258
Total committed portfolio	3,578	4,194

[1] Includes regional shares of ECOM Agroindustrial Corp. Ltd. and Mixta Africa investment, which are officially classified as global projects.

[2] Includes regional shares of Altima One World Agricultural Development Fund, Bait Al Batejee Medical Co., GTLP Citibank, and GTLP Standard Chartered investments, which are officially classified as global projects.

[3] Loans include loan-type, quasi-equity products. Equity includes equity-type, quasi-equity products.

DEVELOPMENT OUTCOME SCORES



DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005. Note: Number inside bar represents number of rated projects, and number in parentheses represents total IFC investment ($ millions) in those projects.

COMMITMENTS

(FINANCING IN $ MILLIONS)	FY06	FY07	FY08	FY09
Number of projects	38[1]	52	55[2]	92[3]
Number of countries	11	17	25	30
Financing for IFC's own account	$700	$1,379	$1,380	$1,824
Syndications	$0	$261	$0	$58

[1] Includes Veolia AMI.

[2] Includes ECOM WC-IDA and Mixta Africa.

[3] Includes Altima Agro, SGH, GTLP Citi, and GTLP SCB.

IFC'S LARGEST COUNTRY EXPOSURES

COUNTRY (RANK WITHIN REGION)		PORTFOLIO ($ MILLIONS)
1 South Africa	FY09	578
	FY08	535
2 Nigeria	FY09	557
	FY08	587
3 Ghana	FY09	521
	FY08	153

significant impact

BURKINA FASO

Better Telephone Service

Burkina Faso has one of the lowest telephone penetration rates anywhere in the world. IFC purchased a 5 percent stake in Onatel, Burkina Faso's telecommunications operator, Burkina Faso's first initial public offering. We thus helped increase affordable telephone service in the country, while developing West Africa's capital markets so private businesses have more financing options. Advanced telecommunications infrastructure and healthy capital markets create a strong foundation for economic growth and development.

In late 2006, IFC became the first nonresident institution to issue a bond denominated in West African francs, the currency of Burkina Faso and seven neighboring countries, to help develop the region's local currency bond market. Together with a €7.5 million loan IFC made to Onatel in 2007, IFC's equity stake will enable the company to upgrade its fixed and mobile networks and increase connectivity.

NIGERIA

More Small Businesses Get Access to Finance

To strengthen Africa's banking sector and increase lending to small and medium enterprises that have difficulty accessing credit, IFC partnered with Ecobank in 2008, a pan-African bank with a network of over 500 branches in 27 countries.

We provided Ecobank with a financing package of more than $200 million to support the bank's expansion in the region, promote lending to smaller businesses in Nigeria, and facilitate trade flows by guaranteeing the underlying trade transactions of Ecobank subsidiaries in Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Nigeria, Senegal, and Togo.

The project, which builds on 15 years of partnership between the two institutions, will help Ecobank reach even more regions and enable IFC to have a greater development impact in the region. IFC is considering additional financing for Ecobank to support agribusiness, health, education, and infrastructure in Sub-Saharan Africa.

Ensuring that these critical sectors continue to have access to finance during this period of global economic uncertainty will be essential to the region's development.

In recognition of Ecobank support for IFC's strategic priorities to reach frontier markets and create greater access to finance in Africa, it was awarded the IFC Client Leadership Award in 2009.

EAST ASIA
and the PACIFIC

CAMBODIA CHINA FIJI INDONESIA KIRIBATI REPUBLIC OF KOREA LAO PEOPLE'S DEMOCRATIC REPUBLIC MALAYSIA MARSHALL ISLANDS FEDERATED STATES OF MICRONESIA MONGOLIA MYANMAR PALAU PAPUA NEW GUINEA PHILIPPINES REPUBLIC OF KOREA SAMOA SOLOMON ISLANDS THAILAND TIMOR-LESTE TONGA VANUATU VIETNAM

IDA COUNTRY MIDDLE-INCOME COUNTRY WITH FRONTIER REGIONS OTHER CLIENT COUNTRY

IFC IS HELPING OUR CLIENTS RECOVER FROM THE CRISIS.

OVERVIEW

The global economic and financial crisis has had a profound impact on growth, employment, and poverty in East Asia and the Pacific, one of the world's most export-oriented regions. IFC is helping our clients through financial and operational responses, while maintaining our strategic focus on the long-term challenges of poverty and environmental sustainability. We increased our share of operations in the poorest regions and countries, such as Cambodia and Vietnam, which were severely affected by the crisis. At the same time, we continued to provide investment and Advisory Services to help clients address climate change. Looking ahead, IFC has begun to focus on the economic forces that will help the region recover from the crisis, including urban development, agribusiness, and domestic consumption as a source of growth.

DEVELOPMENT IMPACT

IFC invested $1.2 billion in 45 projects across the region, of which 24 were in IDA countries. Sustainable access to basic services is expected to improve for 135,000 people, thanks to investments in the renewable power sector in China and Vietnam. An additional $1 billion in funding is expected to flow to micro, small, and medium enterprises as a result of investments made in FY09. In the real sector, IFC's investments will support over 20,000 jobs. Advisory programs to strengthen the financial sector have delivered good results in difficult times. Projects in China and Vietnam have helped partner financial institutions deliver $9.6 billion in finance to micro, small, and medium enterprises. Financial institutions have also been effective partners in addressing climate change. Programs in China and the Philippines helped banks lend $487 million for energy-efficiency projects, enabling borrowing companies to avoid generating the equivalent of 12.5 million metric tons of carbon dioxide. Our advisory programs continue to improve the investment climate across the region. We advised our government clients on 10 legal reforms and 55 policy and institutional reforms. Advisory projects in infrastructure are expected to provide or improve basic services for over 14 million people in the region.

PARTNERSHIPS AND MOBILIZATION

Despite challenging markets, IFC mobilized more financing from other sources in East Asia and the Pacific than in FY08. During FY09, $333.5 million in syndicated loans was committed for IFC projects, of which 28 percent ($93 million) was for IDA countries. We used structured products to support local-currency financing for underserved sectors and poorer regions in middle-income countries. In FY09, we created a risk-sharing facility that expanded access to finance for small and medium enterprises and helped small Chinese companies recover after the Sichuan earthquake. IFC's $15 million investment will enable partner banks, guaranteed by the Chengdu Credit Guarantee Company, to provide as much as $1 billion in new loans to SMEs in earthquake-stricken areas over eight years. In FY09, donor partners contributed $25.9 million to IFC Advisory Services in East Asia and the Pacific. Our partnership with the Australian government's overseas aid program AusAID, the largest donor to the region, now includes high-level consultations in both Washington, D.C., and Canberra, as well as collaboration in the field. New Zealand's international aid and development agency NZAID helped finance a project to assist local SMEs in Indonesia. Switzerland provided additional funding for the project.

SUSTAINABILITY

Climate change has profound local consequences for the East Asia and the Pacific region, the world's largest emitter of greenhouse gases. IFC aims to address this by expanding and replicating successful initiatives while creating new opportunities for IFC clients. For example, China's program to provide loans to smaller companies through financial intermediaries for the purchase of energy-saving equipment has been expanded to Indonesia, the Philippines, and Vietnam. We have made investments in solar, hydroelectric, and geothermal energy sources. The region's renewable energy portfolio now stands at $330 million, plus $40 million in clean energy funds. Changes in land use constitute another major source of greenhouse gases, particularly in Indonesia. Sustainable agriculture and forestry programs are important IFC responses to this challenge. By blending standard-setting initiatives with Advisory Services and investments in prominent firms, we support best practices in these sectors. IFC continues to work with the Chinese government to help national financial institutions enhance environmental and social risk management in their lending activities. An IFC client, Industrial Bank, became the first Chinese bank to adopt the Equator Principles, in November 2008 (see page 111). It was also the first to receive new Advisory Services to promote smaller emission-reducing projects.

LEARNING FROM EXPERIENCE

IFC used lessons from the Asian financial crisis of the late 1990s to inform our response to current challenges. We have focused on providing support for the region to establish financial workout platforms, conduct stress tests of financial-sector clients, and examine institutional and regulatory systems. We have helped bankers throughout the region build their capacity to manage risk. IFC's Independent Evaluation Group found that environmental and social safeguards often suffer during economic crises, so IFC is developing new projects focused on the environment and intensifying supervision of environmental and social safeguards in our current projects.

DEVELOPMENT REACH

INDICATOR	PORTFOLIO CY07	PORTFOLIO CY08	NEW BUSINESS EXPECTATIONS FY09
MSME loans (number of loans)	1,231,563	1,421,169	209,456
MSME loans (amount in $ millions)	17,025	20,496	1,064
Power generated (millions of customers)	13.4	20.9	1.6
Utility services distribution (millions of customers)[1]	15.6	19.6	0
New phone connections (millions of customers)	5.2	2.3	1.3
Patients reached	1,068,100	1,025,258	0
Students reached	33,192	27,636	0
Employment	502,735	602,093	23,466
Local purchase of goods and services ($ millions)	4,090.9	9,364.4	2,019.2
Payments to governments ($ millions)	457.4	968.0	956.8

CY08 and CY07 data are not strictly comparable, because they are based on a changed portfolio of IFC clients. Reach data for select industries; indicator definitions and reporting periods vary somewhat across industries. Some data from previous years have been revised.

[1] Includes power, gas, and water.

PROJECT FINANCING AND PORTFOLIO

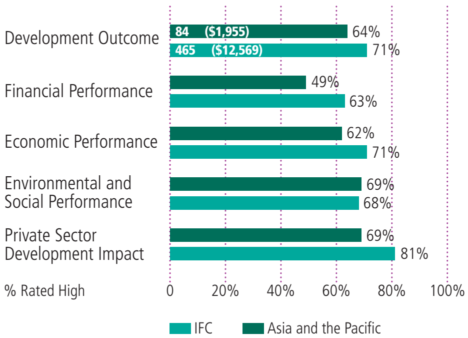
($ MILLIONS)	FY08[1]	FY09[2]
Financing committed for IFC's account	$1,634	$1,197
Loans[3]	1,134	798
Equity[3]	287	251
Guarantees and risk management	212	148
Loan syndications signed	59	290
Total commitments signed	1,693	1,487
Committed portfolio for IFC's account	4,671	4,846
Committed portfolio held for others (loan and guarantee participations)	519	748
Total committed portfolio	5,190	5,595

[1] Includes regional share of ECOM Agroindustrial Corp. Ltd. and Green Investment Asia Sustainability Fund I investments, which are officially classified as global projects.

[2] Includes regional share of Asia Environmental Partners, L.P., Altima One World Agricultural Development Fund, GTLP Citibank, GTLP Rabobank, and GTLP Standard Chartered investments, which are officially classified as global projects.

[3] Loans include loan-type, quasi-equity products. Equity includes equity-type, quasi-equity products.

DEVELOPMENT OUTCOME SCORES



DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005. Note: Number inside bar represents number of rated projects, and number in parentheses represents total IFC investment ($ millions) in those projects.

COMMITMENTS

(FINANCING IN $ MILLIONS)	FY06	FY07	FY08	FY09
Number of projects	41[1]	38[2]	60[3]	45[4]
Number of countries	5	8	8	13
Financing for IFC's own account	$982	$944	$1,634	$1,197
Syndications	$243	$128	$59	$290

[1] Includes Soco Facility and Avenue Asia.

[2] Includes Italcementi.

[3] Includes ECOM WC-IDA and Aloe 2.

[4] Includes Altima Agro, AEP, GTLP Citi, GTLP Rabo and GTLP SCB.

IFC'S LARGEST COUNTRY EXPOSURES

COUNTRY (RANK WITHIN REGION)		PORTFOLIO ($ MILLIONS)
1 China	FY09	2,099
	FY08	2,150
2 Philippines	FY09	960
	FY08	898
3 Indonesia	FY09	735
	FY08	830

significant impact

PAPUA NEW GUINEA

Mobile Phones Help Grow the Economy

By providing financing to telecommunications company Digicel PNG, IFC has helped improved the lives of people in Fiji, Kiribati, Papua New Guinea, Samoa, Tonga, and Vanuatu. Through Digicel's mobile network, people and businesses have gained access to reliable, affordable mobile-phone services for the first time. Since Digicel's arrival, mobile-phone penetration rates have risen from 3 percent to 18 percent, and the company's subscriber base has grown to about 1 million customers.

Digicel has significantly expanded mobile-phone coverage to include most of the commercial centers in the country. Subscriber numbers have also grown because of Digicel's efforts to extend its network to hard-to-reach rural communities. In addition, Digicel has introduced mobile banking and mobile payments to the country in association with a local bank and an electricity supply company.

Telecommunications development has also meant economic growth: figures show that participation in Digicel's distribution network now contributes to the livelihoods of some 30,000 people. Treasury Department reports that the increased competition contributed to 0.7 percent growth in the country's gross domestic product in FY08.

SOUTH ASIA

BANGLADESH BHUTAN INDIA MALDIVES NEPAL SRI LANKA

IDA COUNTRY

OVERVIEW

IFC'S STRATEGY IS CENTERED ON SUSTAINING GROWTH.

South Asia is home to more poor people than any other region in the world, with a billion people living on less than $2 a day. There are serious economic imbalances in the region, and the global downturn is expected to hit the poorest areas the hardest. Moreover, some countries in the region are fragile because of political uncertainties or conflicts, or are dealing with major climate-change issues. To meet these challenges, IFC's strategy is centered on sustaining growth by increasing access to infrastructure and finance; focusing on low-income, rural, and fragile regions; and making climate change central to our approach in both investments and Advisory Services.

DEVELOPMENT IMPACT

Our focus on spreading the benefits of growth wider is translating into important impacts. IFC's FY09 commitments in South Asia will help generate over 90,000 jobs, support around 50,000 farmers, and provide about $808 million in government revenues over the life of the projects. Almost 80 percent of our investments scored high development outcomes, even during these challenging times. Our advisory work broadened access to finance by helping support an additional $850 million in lending to small enterprises. More than 40 percent of our regional program was designed to meet the needs of fragile and conflict-affected countries—Bangladesh, Nepal, Sri Lanka—and low-income states in India. Our recommendations for improving the investment climate helped the government of Bangladesh adopt over 100 measures to cut time in procedural delays, including reducing the time required to register a business from 35 days to one. In Bihar, one of India's poorest states, IFC is helping the government implement a reform program to promote investment in agribusiness and other sectors. A third of our investments were aimed at addressing South Asia's acute need for infrastructure finance. In response to the scarcity of trade financing, we committed $100 million in trade-finance facilities in the region.

PARTNERSHIPS AND MOBILIZATION

Sources of funding for investments have come under pressure as a result of the global economic downturn, making it even more challenging to meet critical financing needs such as infrastructure—a key priority in the region. In partnership with Infrastructure Development Finance Company Limited, a specialized financial intermediary, and Citigroup, IFC supported the India Infrastructure Fund and launched another infrastructure equity fund with Australia's Macquarie Group and the State Bank of India. These funds will help India sustain investments in power, toll roads, ports, water, and waste management, and help generate jobs and enhance incomes. In collaboration with other World Bank Group institutions, IFC's infrastructure advisory team has developed a strong pipeline of public-private-partnership projects with Indian state governments, including a solid-waste management project in Andhra Pradesh and an irrigation project in Maharashtra. IFC Advisory Services in the region on such matters as innovative business-climate reforms, enterprise development, infrastructure, and climate-change adaptation and mitigation have been supported by the United Kingdom's Department for International Development, the Netherlands Ministry of Foreign Affairs, the Norwegian Agency for Development Cooperation, and the European Commission.

SUSTAINABILITY

IFC's approach to sustainability and climate change in South Asia helps clients slow the growth of carbon emissions by providing investment and advisory support for renewable energy, energy efficiency, and clean production. About a third of our FY09 projects had a climate-change component. IFC's risk-sharing facility for the Commercial Bank of Ceylon will support Sri Lanka's renewable power generation capacity. IFC invested in WaterHealth India, which is helping expand the availability of affordable drinking water to almost 3 million people by supporting the installation of water purification systems in rural areas, where more than a third of the population does not have access to clean water. IFC's cleaner production assessments for existing clients, such as JK Paper, and funding for significant savings in energy, water, and other resources at plants will help reduce greenhouse-gas emissions and conserve water use. Energy-efficiency projects with current manufacturing-sector clients, such as pharmaceutical company Granules India, will result in important savings. In addition, IFC is helping clients with adaptation strategies by incorporating climate-change risks and opportunities into their business models.

LEARNING FROM EXPERIENCE

In South Asia, IFC stepped up activities in poorer and fragile areas where our work results in quick outcomes and strong impacts. We will continue to strengthen our partnerships with governments, donors, other investors, and private sector players to have the greatest impact and address high-priority needs of less-developed areas in South Asia. Lessons from our interventions to improve the business climate in Bangladesh, in close partnership with the government, will now be tested in Nepal. To spread the benefits of growth more evenly, IFC is working with the private sector in India to develop measures that will increase incomes for the poor and small businesses. IFC SME Ventures, another new initiative, will allow IFC to invest in smaller companies in Bangladesh, Bhutan, and Nepal. IFC and the World Bank assisted the Indian government in conducting a subnational "Doing Business in India" study that will help Indian cities undertake reform by learning from each others' best practices. To address the region's vulnerability to extreme climate-change impacts, we will increasingly work with the private sector on projects in renewable energy, energy efficiency, and cleaner production.

DEVELOPMENT REACH

INDICATOR	PORTFOLIO CY07	PORTFOLIO CY08	NEW BUSINESS EXPECTATIONS FY09
MSME loans (number of loans)	880,683	917,517	0
MSME loans (amount in $ millions)	5,407	8,476	3,758
Power generated (millions of customers)	31.5	20.8	9.0
Utility services distribution (millions of customers)[1]	1.0	0.8	3.0
New phone connections (millions of customers)	34.0	36.2	0.2
Farmers reached	634,706	1,169,596	52,410
Patients reached	1,523,386	2,125,991	4,000,000
Employment	163,581	199,569	96,926
Local purchase of goods and services ($ millions)	5,377.8	2,374.8	1,528.0
Payments to governments ($ millions)	1,553.0	1,837.5	808.3

CY08 and CY07 data are not strictly comparable, because they are based on a changed portfolio of IFC clients. Reach data for select industries; indicator definitions and reporting periods vary somewhat across industries. Some data from previous years have been revised.

[1] Includes power, gas, and water.

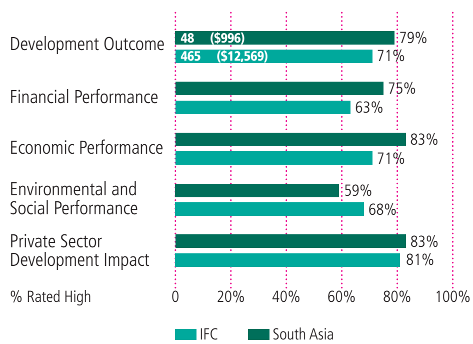
PROJECT FINANCING AND PORTFOLIO

($ MILLIONS)	FY08[1]	FY09[1]
Financing committed for IFC's account	$1,264	$1,215
Loans[2]	850	590
Equity[2]	330	482
Guarantees and risk management	84	144
Loan syndications signed	0	0
Total commitments signed	1,264	1,215
Committed portfolio for IFC's account	3,546	4,072
Committed portfolio held for others (loan and guarantee participations)	635	599
Total committed portfolio	4,180	4,671

[1] Includes regional shares of Asia Environmental Partners, L.P. GTLP Citibank, GTLP Rabobank, and GTLP Standard Chartered investments, which are officially classified as global projects.

[2] Loans include loan-type, quasi-equity products. Equity includes equity type.

DEVELOPMENT OUTCOME SCORES



DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005. Note: Number inside bar represents number of rated projects, and number in parentheses represents total IFC investment ($ millions) in those projects.

COMMITMENTS

(FINANCING IN $ MILLIONS)	FY06	FY07	FY08	FY09
Number of projects	25[1]	30[2]	37	47[3]
Number of countries	3	3	5	6
Financing for IFC's own account	$507	$1,073	$1,264	$1,215
Syndications	$200	$102	$0	$0

[1] Includes Avenue Asia.

[2] Includes Italcementi.

[3] Includes AEP, GTLP Citi, GTLP Rabo and GTLP SCB.

IFC'S LARGEST COUNTRY EXPOSURES

COUNTRY (RANK WITHIN REGION)		PORTFOLIO ($ MILLIONS)
1 India	FY09	3,389
	FY08	2,876
2 Sri Lanka	FY09	138
	FY08	209
3 Bangladesh	FY09	124
	FY08	157

their/our story

INDIA

IFC Helps Entrepreneurs Grow Their Business

Twenty-eight-year-old C. Raja began his career in 1998 by helping out at a tailoring shop in Chennai, India. Today, with support from IFC and local organizations, he runs a successful clothing business.

At the shop, Raja learned how to stitch and cut and use patterns. Within a year, he was making clothes for friends and acquaintances. He decided to start a business, borrowing $500 from an Indian organization that helps disadvantaged Indian youth become entrepreneurs.

"It seemed like a dream come true!" Raja says.

Raja's clothing business took off so quickly that he soon needed much more capital to keep up with demand. But obtaining affordable loans wasn't easy. He says his business was regarded as "high risk."

Help came in the form of the BYST Growth Fund, which was started in part by IFC. The fund provided almost $100,000 to Raja's business, enabling him to expand.

The fund, whose cofounders include India's Bharatiya Yuva Shakti Trust and the venture-capital firm VenturEast, offers small businesses such as Raja's up to $200,000 in financing. IFC provided $700,000 to the project.

IFC's support helped attract other investors. VenturEast was able to raise an additional $2 million from institutions such as the Small Industries Development Bank of India and leading individual investors. The BYST Growth Fund hopes to raise $5 million—and help at least 40 small businesses.

NEPAL

Buddha Air Flies Cleaner Skies

Air travel is the most reliable means of domestic transportation in Nepal, because the country's mountainous terrain makes building roads prohibitively difficult and expensive. In 2008, IFC provided a $10 million long-term loan to Buddha Air, a private airline, to help it expand and adopt new fuel-efficiency methods. As a result of timely financing, the airline was able to purchase new fuel-efficient aircraft, resulting in a 50 percent reduction in fuel consumption per passenger/hour.

"The IFC team was very responsive to our needs, helped us refine our business plan, and was quick in dealing with sudden changes," said Buddha Air Managing Director Birendra Basnet. A client-centric approach, quick response time, combination of global knowledge with local presence, and swift decision making were crucial in helping the airline optimize growth opportunities.

IFC helped the airline benchmark its operations—including safety and security practices—and environment management systems, such as noise and emission control, against the best practices globally.

EUROPE *and* CENTRAL ASIA

ALBANIA ARMENIA AZERBAIJAN BELARUS BOSNIA AND HERZEGOVINA BULGARIA CROATIA CYPRUS CZECH REPUBLIC ESTONIA GEORGIA HUNGARY KAZAKHSTAN KOSOVO KYRGYZ REPUBLIC LATVIA LITHUANIA FORMER YUGOSLAV REPUBLIC OF MACEDONIA MALTA MOLDOVA MONTENEGRO POLAND ROMANIA RUSSIAN FEDERATION SERBIA SLOVAK REPUBLIC SLOVENIA TAJIKISTAN TURKEY TURKMENISTAN UKRAINE UZBEKISTAN

IDA COUNTRY MIDDLE-INCOME COUNTRY WITH FRONTIER REGIONS OTHER CLIENT COUNTRY

IFC HAS FOCUSED ON URGENT CRISIS-RELATED NEEDS.

OVERVIEW

Eastern Europe and Central Asia have been particularly hard hit by the global economic turmoil, with some countries facing a double-digit decline in economic growth. In response, IFC has focused on meeting urgent crisis-related needs—helping existing clients with short-term finance, restructuring, and capitalization. We strengthened portfolio management, changed our product mix, and refocused our Advisory Services to respond quickly to our clients' needs. We delivered training on crisis-related topics to more than 400 stakeholders in the financial sector across the region. IFC also played a key role in coordinating the response of international financial institutions to the crisis in the region, working with the World Bank, the European Bank for Reconstruction and Development, and the European Investment Bank. We continued to address longer-term needs by increasing lending to micro, small, and medium enterprises, supporting infrastructure investment, developing financing for energy efficiency and cleaner production, and encouraging South-South investments and trade.

DEVELOPMENT IMPACT

Given the rise in poverty as a result of the global downturn, we increased our efforts in IDA and post-conflict countries by investing $543 million in 33 projects. IFC investments in the less-developed regions of Kazakhstan, Russia, Turkey, and Ukraine made up 28 percent of the $1.4 billion invested in these countries. We more than doubled our commitments in Central Asia and the Caucasus, providing a record $553 million. Advisory Services continued to focus on IDA, launching investment climate programs in Armenia and the Kyrgyz Republic, and a regional program on strengthening financial market infrastructure in Central Asia. Throughout the region, IFC helped client banks with much-needed short-term liquidity and long-term capital. We more than tripled the amount of trade finance provided during the year, reaching $224 million. Our advisory work to improve the business-enabling environment and dispute-resolution systems helped businesses across the region save about $400 million. With the help of IFC's corporate governance program, Bosnian frozen food distributor Fratello Trade became the first private firm to hold an initial public offering in the country. The impact of the crisis on our portfolio led to a decrease in the development-outcome score for the region, which is now roughly equal to IFC's global average.

PARTNERSHIPS AND MOBILIZATION

IFC mobilized global facilities and programs to respond to the crisis in Eastern Europe. We worked with the EBRD and other partners to provide $530 million to support Georgia's banking sector, $52 million to develop the St. Nikola wind farm in Bulgaria, and $72 million to develop the Rotor Elektrik wind farm in Turkey. In parallel with other financial institutions, IFC provided a loan of up to $68 million to the Metropolitan Municipality of Istanbul to finance the construction of a new rail line. In addition, IFC syndicated $840 million in loans to banks and real-sector clients in the region. Advisory Services were funded by almost $24 million in new commitments from donor partners to implement such initiatives as the Cleaner Production Program in Russia, the Food Safety Program in Ukraine, and corporate governance and legislative reform initiatives in Southeast Europe and Central Asia. Supported by Austria, Italy, the Netherlands, Norway, Switzerland, and the United States, the infrastructure advisory program in Southeast Europe has fostered public-private partnerships and facilitated $353 million in infrastructure investments, notably for two energy projects in Albania.

SUSTAINABILITY

IFC advisory and investment programs promoted energy-efficient technologies and cleaner production to mitigate climate change in the region. In FY09, IFC allocated $250 million for cleaner-production investments in Russia, supplemented by advisory assistance, and invested a total of $566 million in 14 projects with a clean energy component. We are carrying out advisory programs that are helping agribusiness and food-processing companies meet international industry standards and strengthen food safety. We are helping clients finance home improvements for energy efficiency (see box on page 65). We are also bringing private investments to finance alternative energy, water, and waste-management infrastructure.

LEARNING FROM EXPERIENCE

IFC's Independent Evaluation Group reviewed IFC Advisory Services in Europe and Central Asia and found that sector-wide initiatives tend to have higher development-effectiveness ratings and broader impact than individual initiatives. We are building on these findings by taking a sectorwide approach to developing agribusiness in Ukraine. For example, the Ukraine Food Safety Program builds on the success of an IFC technical standards program in Southern Europe to increase the number of Ukrainian companies that implement food safety management systems and promote exports and new investments. Addressing food safety issues across the sector will allow regional food-processing companies to become more competitive and will help alleviate the global food crisis. IFC also helped introduce commercial mediation in Southeast Europe, using well-established programs from North America and the European Union as models. The program has been embraced by the business and judicial communities in Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro, and Serbia. We have also learned that by dedicating local resources and integrating Advisory Services and investments, we can increase our support for private enterprises, even in a challenging economic environment, as demonstrated by our record commitments this year in Central Asia and the Caucasus.

DEVELOPMENT REACH

INDICATOR	PORTFOLIO CY07	PORTFOLIO CY08	NEW BUSINESS EXPECTATIONS FY09
MSME loans (number of loans)	1,113,154	1,063,484	691,060
MSME loans (amount in $ millions)	49,934	34,391	16,230
Utility services distribution (millions of customers)[1]	4.8	5.5	0.3
New phone connections (millions of customers)	3.0	2.5	0
Patients reached	721,171	683,582	15,000
Students reached	8,776	9,574	0
Employment	282,953	322,623	42,245
Local purchase of goods and services ($ millions)	13,297.7	16,061.3	2,226.5
Payments to governments ($ millions)	3,540.8	4,167.6	277.0

CY08 and CY07 data are not strictly comparable, because they are based on a changed portfolio of IFC clients. Reach data for select industries; indicator definitions and reporting periods vary somewhat across industries. Some data from previous years have been revised. In particular, applying a tighter definition, data on employment, payments to government, and local purchases for a large retail chain now only include those from the companies most closely associated with IFC's investment, rather than the whole group (i.e., employment of 8,938 vs. 268,000; payments to government of $23 million vs. $843 million; local purchases of $833 million vs. $21.9 billion).

[1] Includes power, gas, and water.

PROJECT FINANCING AND PORTFOLIO

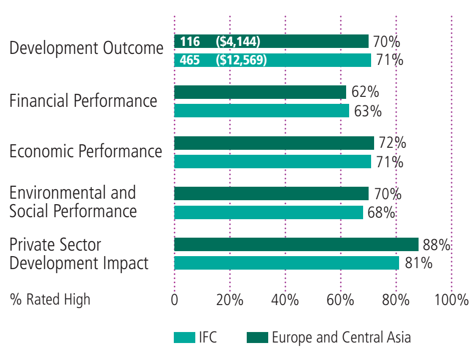
($ MILLIONS)	FY08[1]	FY09[2]
Financing committed for IFC's account	$2,680	$2,146
Loans[3]	1,925	1,583
Equity[3]	682	365
Guarantees and risk management	73	198
Loan syndications signed	1,041	841
Total commitments signed	3,721	2,987
Committed portfolio for IFC's account	9,038	8,809
Committed portfolio held for others (loan and guarantee participations)	2,225	2,599
Total committed portfolio	11,263	11,408

[1] Includes regional share of Lydian International Ltd., TAV Tunisia, and Melrose Facility, which are officially classified as global projects.

[2] Includes regional shares of Altima One World Agricultural Development Fund, Emerging Europe Growth Fund II, GTLP Citibank, GTLP Robobank, GTLP Standard Chartered, Macquarie Renaissance Infrastructure Fund, Rakeen Georgia Ltd., Lydian International Ltd., and TAV Tunisia, which are officially classified as global projects.

[3] Loans include loan-type, quasi-equity products. Equity includes equity-type, quasi-equity products.

DEVELOPMENT OUTCOME SCORES



DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005. Note: Number inside bar represents number of rated projects, and number in parentheses represents total IFC investment ($ millions) in those projects.

COMMITMENTS

(FINANCING IN $ MILLIONS)	FY06	FY07	FY08	FY09
Number of projects	80[1]	67[2]	86[3]	88[4]
Number of countries	17	15	19	22
Financing for IFC's own account	$2,084	$1,786	$2,680	$2,146
Syndications	$241	$775	$1,041	$841

[1] Includes EECF II

[2] Includes Melrose II, Melrose II Expansion, and Italcementi

[3] Includes Lydian Resources, Lydian Int'l RI, Lydian RI, TAV Tunisia, and MelroseResources

[4] Includes Altma Agro, EEGF II, GTLP Citi, GTLp Rabo, GTLp CSE, Lydian Intl III, MRIF, Rakeen Georgia, and RAV Tuni. Eq

IFC'S LARGEST COUNTRY EXPOSURES

COUNTRY (RANK WITHIN REGION)		PORTFOLIO ($ MILLIONS)
1 Russian Fed.	FY09	2,244
	FY08	2,718
2 Turkey	FY09	1,910
	FY08	1,806
3 Ukraine	FY09	731
	FY08	651

their/our story

SOUTHEASTERN EUROPE

Home Energy Efficiency Lending in Bosnia and Herzegovina

Borislav Petric, marketing manager for Ekonomsko Kreditna Institucija, or EKI, recalls 1996 as a tough time for Bosnians, but a relatively easy one for EKI. The Bosnian banking industry was in shambles, and demand for credit was overwhelming. A newly established microlender could pretty much choose its clients and help them meet needs that were quite basic—to start businesses or repair homes damaged in the just-ended Bosnian War, for instance.

Times have changed. Today, borrowers' needs have become more complex. To thrive in this new environment, EKI and other microlenders are finding they have to be more agile in defining their market niches and targeting customers.

For EKI, one answer has been to diversify its product line. In 2006, it received a €3 million loan from IFC to create a new lending program to promote energy efficiency in homes.

The loan came with advice from IFC, including training on how to promote the new loans. That was important because, compared with the products EKI sold immediately after the war, persuading people to take actions such as installing insulation in their attics or replacing old windows or boilers was considered a tougher sell. IFC also financed a marketing campaign that included development of radio and television commercials, leaflets, and billboards.

In March 2009, IFC provided a €1 million loan to EKI to help it continue financing home improvements and installation of energy-saving equipment. In addition, IFC provided a loan of up to €6 million to EKI that will enable it to expand its reach to microentrepreneurs in rural areas in Bosnia and Herzegovina.

the IFC ADVANTAGE

IFC has a strong presence across the world, consisting of 102 offices in 86 countries. Forty-two of these offices are in IDA countries, enabling close relationships with clients.

LATIN AMERICA *and the* CARIBBEAN

ANTIGUA AND BARBUDA ARGENTINA THE BAHAMAS BARBADOS BELIZE BOLIVIA BRAZIL CHILE COLOMBIA COSTA RICA DOMINICA DOMINICAN REPUBLIC ECUADOR EL SALVADOR GRENADA GUATEMALA GUYANA HAITI HONDURAS JAMAICA MEXICO NICARAGUA PANAMA PARAGUAY PERU SAINT KITTS AND NEVIS SAINT LUCIA TRINIDAD AND TOBAGO URUGUAY VENEZUELA

IDA COUNTRY MIDDLE-INCOME COUNTRY WITH FRONTIER REGIONS OTHER CLIENT COUNTRY

IFC CONCENTRATED ON SUPPORTING MICRO, SMALL, AND MEDIUM ENTERPRISES.

OVERVIEW

IFC quickly adopted a countercyclical strategy in Latin America to mitigate the impact of the global economic crisis. The region is heavily exposed to commodity prices and global capital markets, two of the sectors most affected by the crisis. Central American and Caribbean countries were also affected by a slowdown in worker remittances, a key source of hard currency for them. IFC's investment volumes totaled $2.72 billion and we signed off on 124 new projects in the region in FY09. IFC concentrated on supporting micro, small, and medium enterprises. These companies are key sources of employment, especially for low-income workers, and suffered as credit dried up across the region. We also expanded our business in regions of middle-income countries — such as Northeast Brazil — that face development obstacles. We maintained our focus on mitigating climate change, for instance, by supporting hydropower stations in Colombia and wind farms in Chile.

DEVELOPMENT IMPACT

We are focusing our activities in Latin America by working more closely with companies that serve the poor and by increasing our operations in less-developed regions. In FY09, we nearly doubled the number of our investment projects in IDA countries in the region, raising it to 19. The number of our IDA advisory projects rose to 21 from 15 the previous year. In the region's larger economies, IFC focused on transactions favoring lower-income groups, with 55 percent of our investments targeting that segment. In response to the crisis and the disruption in trade finance, we booked $825 million in trade-finance transactions in 16 countries. At a time when credit was becoming scarce, IFC joined other international financial institutions to provide financing for the expansion of the Panama Canal. In agribusiness, we significantly increased the number of farmers reached in Latin America and southern Mexico through an investment in ECOM, a Central American sustainable coffee trader. In a difficult year in which many IFC clients were forced to retrench, our development-outcome score for the region rose, reflecting a high rating in 77 percent of our projects—well above the IFC global average.

PARTNERSHIPS AND MOBILIZATION

When the global crisis cut capital flows to Latin America, IFC stepped in to support clients with financing from our own balance sheet and by mobilizing resources from the international capital markets. We raised $720 million in the syndications market and through parallel financing, slightly above past annual averages. In one innovative resource mobilization deal in Brazil, IFC worked with two private equity funds to support Banco Daycoval, a midsize bank active in providing financing for small and medium enterprises. IFC helped raise $180 million through a local-currency, five-year, convertible-debt transaction in the first long-term financing for any Brazilian bank after the global crisis hit in late 2008. IFC also signed new donor partnerships with Canada, Spain, and Switzerland, raising $25 million for private sector-oriented projects in the region.

SUSTAINABILITY

We have maintained our focus on mitigating the effects of climate change, for instance, by supporting small run-of-the-river hydropower dams in Colombia, which minimize adverse environmental impact in sensitive regions, and wind farms in Chile. Climate change–related projects accounted for about 20 percent of IFC's nontrade finance investments in FY09. The environment remains a critical issue for IFC, which set up a team based in São Paulo to lead the Brazilian Amazon Initiative to reduce carbon emissions caused by deforestation. In another initiative, IFC provided a $24.5 million loan to Petstar, a Mexican facility for recycling nearly 1 billion plastic bottles a year. The project reduces nonbiodegradable waste and extends the longevity of Mexico's landfills. Petstar also has a program to improve working conditions for waste pickers, some of Mexico's most marginalized people.

LEARNING FROM EXPERIENCE

IFC has developed unique expertise in helping extractive industries and national governments handle royalty and transfer payments and manage relations with local communities. IFC Advisory Services first developed the Enhancing Local Benefits program in Peru to improve the transparency and accountability of royalty payments to communities that host large mining projects. The program was initiated in response to complaints by local people that the central government and IFC client companies paid insufficient attention to their concerns. The program encompasses revenue management to improve the performance of public investments financed by royalty transfers; social accountability to help civil society make local governments more accountable; and development guidance to improve the effectiveness of local governments and public companies. Similar projects are now under way in Argentina, Bolivia, Brazil, Colombia, and Peru for industries ranging from oil to petrochemicals and mining.

DEVELOPMENT REACH

INDICATOR	PORTFOLIO CY07	PORTFOLIO CY08	NEW BUSINESS EXPECTATIONS FY09[1]
MSME loans (number of loans)	3,711,939	4,814,271	1,413,472
MSME loans (amount in $ millions)	15,475	25,302	4,771
Power generated (millions of customers)	59.4	59.7	0.7
Utility services distribution (millions of customers)[2]	24.7	26.9	0
New phone connections (millions of customers)	1.4	0.8	1.5
Patients reached	886,579	1,281,370	52,000
Students reached	214,727	760,127	0
Employment	662,299	575,323	69,290
Local purchase of goods and services ($ millions)	15,394.0	17,300.6	1,089.9
Payments to governments ($ millions)	9,813.4	10,228.7	10,066.0

CY08 and CY07 data are not strictly comparable, because they are based on a changed portfolio of IFC clients. Reach data for select industries; indicator definitions and reporting periods vary somewhat across industries. Some data from previous years have been revised.

1 For FY09, expected payments to government revenues capture payments from 2009–2016 and include $9 billion by one large Latin American infrastructure client.

2 Includes power, gas, and water.

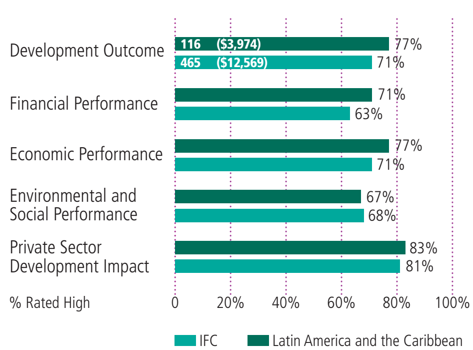
PROJECT FINANCING AND PORTFOLIO

($ MILLIONS)	FY08	FY09[1]
Financing committed for IFC's account	$2,943	$2,721
Loans[2]	2,050	1,648
Equity[2]	378	250
Guarantees and risk management	515	824
Loan syndications signed	1,619	670
Total commitments signed	4,562	3,391
Committed portfolio for IFC's account (loan and guarantee participations)	8,234	8,776
Committed portfolio held for others	3,086	3,425
Total committed portfolio	11,320	12,201

1 Includes regional shares of GTLP Citibank, GTLP Rabobank, GTLP Standard Chartered, and IFC Capitalization Fund, L.P.

2 Loans include loan-type, quasi-equity products. Equity includes equity-type, quasi-equity products.

DEVELOPMENT OUTCOME SCORES



DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005. Note: Number inside bar represents number of rated projects, and number in parentheses represents total IFC investment ($ millions) in those projects.

COMMITMENTS

(FINANCING IN $ MILLIONS)	FY06	FY07	FY08	FY09
Number of projects	69	68	81	124[1]
Number of countries	18	14	16	21
Financing for IFC's own account	$1,747	$1,781	$2,943	$2,721
Syndications	$888	$299	$1,619	$670

1 Includes GTLP Citi, GTLP Rabo, GTLp SCB, and IFC Recap EF.

IFC'S LARGEST COUNTRY EXPOSURES

COUNTRY (RANK WITHIN REGION)		PORTFOLIO ($ MILLIONS)
1 Brazil	FY09	2,364
	FY08	2,487
2 Argentina	FY09	1,054
	FY08	998
3 Colombia	FY09	873
	FY08	877

their/our story

BRAZIL

Sonia Camargo Goes Back to School for a Better Job

For 56-year-old Sonia Camargo, life has been all about work, challenges, and overcoming the odds.

She worked at a state government agency in Campinas, a city north of São Paulo, Brazil. After rising to the post of supervisor, Camargo hit a major career obstacle: "Without a higher education, I could not climb the professional ladder," she says.

Thanks to Anhanguera Educacional, S.A., a private post-secondary school supported by IFC, Camargo got the higher education she needed to advance her career.

Camargo had not studied in 20 years, and returning to the classroom seemed daunting. But she did not abandon her dream of a university education. "In my youth, my option was getting married and having children, devoting my time to my family," she explains. "Once my children were grown, I thought, now it's my time!"

Today, Camargo is a regional director at the agency, the São Paulo Employment and Labor Relations Office. "I owe my current position to the education I received at Anhanguera," she says. "I enhanced my career prospects and was able to apply for jobs with more responsibility."

Anhanguera is Brazil's leading private post-secondary school, with 252,000 students enrolled in 53 campuses and 450 distance-learning centers. Including students enrolled in vocational training programs, AES educated over 750,000 working adults in 2008, more than any other school in the Americas. Most students are working adults from low- and middle-income backgrounds, living outside Brazil's major urban centers, who need affordable, high-quality education.

In May 2006, IFC invested in AES by committing a $12 million loan to Fundo de Educacão para o Brasil, an investment fund established by Banco Patria, one of Brazil's most successful private equity and investment banking institutions.

MIDDLE EAST *and* NORTH AFRICA

AFGHANISTAN ALGERIA BAHRAIN **ARAB REPUBLIC OF EGYPT** ISLAMIC REPUBLIC OF IRAN IRAQ **JORDAN** KUWAIT LEBANON LIBYAN ARAB JAMAHIRIYA **MOROCCO** OMAN QATAR **PAKISTAN** SAUDI ARABIA SYRIAN ARAB REPUBLIC TUNISIA UNITED ARAB EMIRATES WEST BANK AND GAZA **REPUBLIC OF YEMEN**

IDA COUNTRY MIDDLE-INCOME COUNTRY WITH FRONTIER REGIONS OTHER CLIENT COUNTRY

OVERVIEW

IFC'S STRATEGY INCLUDES INCREASING ACCESS TO FINANCE FOR THE UNDERSERVED.

Economic growth in the Middle East and North Africa region (which, for IFC, includes Afghanistan and Pakistan) is expected to slow because of the crisis in 2009. The crisis is compounding the regional challenges of high unemployment, limited access to finance, inadequate physical and financial infrastructure, and weak regulatory frameworks. IFC's strategy includes increasing access to finance for the underserved, especially micro, small, and medium enterprises, and home-loan and student borrowers. We are investing in infrastructure development and creating employment opportunities through investments in general manufacturing, health, education, and agribusiness. We are addressing climate change by exploring opportunities for renewable energy, energy efficiency, and water resources. The region's IDA and conflict-affected countries are a priority for IFC, and we are furthering regional integration by promoting South-South investments. To address the impact of the global crisis, IFC is providing capital to help existing clients strengthen their balance sheets.

DEVELOPMENT IMPACT

IFC's activities have resulted in increased employment and increased lending to micro, small, and medium enterprises. Our clients had $1.4 billion in outstanding loans to micro, small, and medium enterprises and generated $1.7 billion in government revenues. IFC's investments in the region's microfinance sector reached almost 500,000 women borrowers. To support improvements in infrastructure, IFC promoted public-private partnerships and privatizations, and invested $138 million in infrastructure. To help reverse the decline in trade flows, we committed $500 million in trade finance to support banks. We also significantly increased our investments in Afghanistan and the West Bank and Gaza. Our portfolio fared best in infrastructure, funds, and financial markets, while operations in small manufacturing businesses showed weaker results. IFC's portfolio performance in countries with large exposures—Pakistan and Egypt—has generally been above IFC's average. To address the weak development results in some countries and sectors, we are increasing our partnerships with first-tier local, regional, and international companies. IFC also has been supporting the development of the agribusiness and telecommunications sectors in conflict-affected countries. About 56 percent of our projects were in IDA and conflict-affected countries in FY09.

PARTNERSHIPS AND MOBILIZATION

Amid the financial crisis, IFC succeeded in attracting long-term financing for the new Enfidha Airport in Tunisia from several development-finance institutions. The airport, built through a public-private partnership, will increase foreign investment, create jobs, and support Tunisia's growing tourism sector (see page 41). During FY09, IFC and the United Kingdom's Department for International Development joined forces to promote private sector-led growth in Yemen. DFID contributed $14 million to a three-year Advisory Services program to improve the business climate, implemented by the Yemeni government, IFC, and other partners. Building on previous IFC Advisory Services, the program supports the Yemeni government's efforts to reduce constraints on private sector growth in several key areas, including access to finance, infrastructure, management training, and agriculture. Under our "Business Edge" management training program, IFC teamed up with Standard Chartered bank in Pakistan to support small and medium enterprises in different sectors and cities—such as trade in Lahore, metalwork in Gujranwala, rice processing in Sialkot, and textiles in Faisalabad. The program helps underserved enterprises across the country get access to innovative banking products and strengthen their business planning and product marketing skills.

SUSTAINABILITY

IFC promotes best practices in environmental and social sustainability through our investments and advisory work. IFC's investment in Creative Energy Resources, a newly formed holding company based in Dubai, will help the company supply power to some of the most challenging markets in the Middle East, North Africa, and South Asia. This initiative will help improve energy reliability and address growing electricity demand in the region. IFC's investment will help the company develop, acquire, own, and operate a range of thermal and renewable power generation projects in the region. In Pakistan, IFC and the Pakistan Banks' Association are helping banks adopt sustainable banking principles, promoting expanded access to finance for underserved populations and lending that is more socially and environmentally responsible. Through our infrastructure advice program, IFC is helping the government of Egypt tackle the environmental impact of increased demand for sanitation services in New Cairo, a new urban development projected to grow from the current 450,000 residents to 2 million by 2020. IFC also continues to promote women's entrepreneurship in an effort to raise the female participation rate in the labor force in the region. In FY09, 581 women were trained through the Business Edge training program.

LEARNING FROM EXPERIENCE

Several lessons have emerged from the substantial increase in IFC's investment and Advisory Services in the region over the past four years. Decentralization of IFC staff and decision making has brought us closer to clients, sharpening our ability to gauge risks and better deliver our services. IFC now has about 235 staff members in the region, up from about 46 in 2004. Our strong field presence is helping us deliver investments and Advisory Services, particularly in difficult markets such as Afghanistan, the West Bank and Gaza, and Yemen. Our presence on the ground has also helped us respond quickly to the needs of clients affected by the current global financial crisis, through trade finance and through the provision of capital to support existing clients. To enhance our impact and improve access to finance in the region, we have been working with major banks in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates that have the vision and are well placed to become regional players by expanding in the region and beyond. Given the growing seriousness of water scarcity in the region, IFC's focus on wastewater and drinking-water issues and usage will intensify.

IFC ADVISORY SERVICES IN THE MIDDLE EAST AND NORTH AFRICA

Since its inception in 2005, IFC Advisory Services have contributed greatly toward IFC's development mandate in the region.

To read more about our advisory approach in the region, our results, and the future development agenda, please visit our Web site at www.ifc.org/mena.

DEVELOPMENT REACH

INDICATOR	PORTFOLIO CY07	PORTFOLIO CY08	NEW BUSINESS EXPECTATIONS FY09
MSME loans (number of loans)	851,713	1,375,493	104,000
MSME loans (amount in $ millions)	3,612	9,180	512
Power generated (millions of customers)	19.9	20.4	0
Utility services distribution (millions of customers)[1]	2.4	2.5	0.18
Patients reached	378,511	291,099	1,298,000
Students reached	5,740	448	13,100
Employment	83,378	71,895	9,825
Local purchase of goods and services ($ millions)	819.7	412.7	377.4
Payments to governments ($ millions)	850.3	1,747.8	444.0

CY08 and CY07 data are not strictly comparable, because they are based on a changed portfolio of IFC clients. Reach data for select industries; indicator definitions and reporting periods vary somewhat across industries. Some data from previous years have been revised.

[1] Includes power, gas, and water.

PROJECT FINANCING AND PORTFOLIO

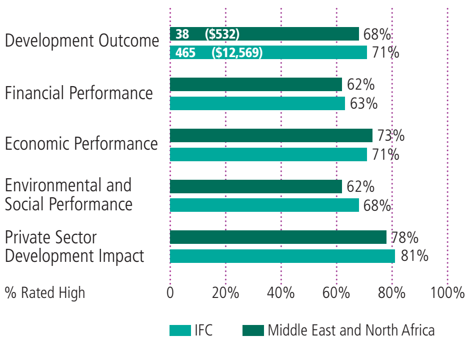
($ MILLIONS)	FY08[1]	FY09[2]
Financing committed for IFC's account	$1,442	$1,260
Loans[3]	818	284
Equity[3]	267	473
Guarantees and risk management	358	503
Loan syndications signed	531	0
Total commitments signed	1,973	1,260
Committed portfolio for IFC's account	3,452	3,722
Committed portfolio held for others (loan and guarantee participations)	734	367
Total committed portfolio	4,186	4,090

[1] Includes regional shares of Melrose Facility and investments, which are officially classified as global projects.

[2] Includes regional shares of GTLP Citibank, GTLP Rabobank, GTLP Standard Chartered, Rakeen Georgia Ltd., TAV Tunisia, and Bait Al Battejee Medical Co., which are officially classified as global projects.

[3] Loans include loan-type, quasi-equity products. Equity includes equity-type, quasi-equity products.

DEVELOPMENT OUTCOME SCORES



DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005. Note: Number inside bar represents number of rated projects, and number in parentheses represents total IFC investment ($ millions) in those projects.

COMMITMENTS

(FINANCING IN $ MILLIONS)	FY06	FY07	FY08	FY09
Number of projects	29[1]	40[2]	50[3]	46[4]
Number of countries	12	12	12	11
Financing for IFC's own account	$668	$1,217	$1,442	$1,260
Syndications	0	$210	$531	0

[1] Includes Soco Facility, and Violia AMI.

[2] Includes Melrose II and Melrose II Expansion and Italcementi.

[3] Includes MelroseResources.

[4] Includes GTLP Citi, GTLP Rabo, GTLP SCB, Rakeen Georgia, SGH II, and TAV Tuni. Eq.

IFC'S LARGEST COUNTRY EXPOSURES

COUNTRY (RANK WITHIN REGION)		PORTFOLIO ($ MILLIONS)
1 Pakistan	FY09	714
	FY08	665
2 Egypt	FY09	619
	FY08	499
3 Jordan	FY09	316
	FY08	256

their/our story

YEMEN

Giving Women a Business Edge

Only a few years ago, Yasmine Al Matari was eking out a modest living as an information-technology trainer in Abyan, Yemen. IFC helped the 28-year-old become a successful entrepreneur—and a role model for other Yemeni women.

Al Matari, who had been making 10,000 Yemeni rials (about $50) a month, enrolled in training provided by IFC's donor-sponsored Business Edge program, which is designed to improve the performance and competitiveness of firms in developing countries by improving business-management skills.

In Abyan, it is difficult for women to receive training because it is not traditional for men and women to be in mixed-gender environments. The courses Al Matari took in marketing skills gave her the idea of offering women-only classes so that families would feel more comfortable about their female relatives attending business courses.

Last year, Al Matari bought the failing training center where she worked and turned it around, making a profit of about 100,000 rials (about $500) per month. She now has five Yemeni trainers working for her at the center.

Al Matari had such a good experience with Business Edge that she recommended it to her friends and colleagues. Many of them could not afford to travel to Aden to receive the training. So Al Matari approached IFC about using her own training facility to deliver Business Edge courses in Abyan.

Al Matari's center now has 60 students in a one-year training program, plus others taking individual courses. Some graduates from her center have gone on to open their own vocational training centers, helping women learn how to sew and produce handicrafts.

the IFC ADVANTAGE

IFC has global experience in promoting South-South investments, which will be a key driver of growth in emerging markets in coming years.

significant impact

CHINA

IFC and China

China's strong economic progress sometimes masks its considerable development challenges—125 million people living in poverty, the environmental costs of rapid growth, and, more recently, the impact of the global financial crisis and natural disasters such as the Sichuan earthquake.

IFC's strategy focuses on addressing climate change, closing the income gap between rural and urban areas, and increasing the flow of investment capital into West China. We have increased energy-efficiency financing through collaboration with Chinese banks, supported economic recovery in Sichuan by investing in the Chengdu Small Enterprise Credit Guarantee Company, thereby helping to create jobs, and helped farming families increase their incomes by providing Advisory Services in forestry management in Guangxi and fighting grape disease in Shandong.

A new stage was set with IFC's initiatives in response to the global financial crisis, highlighting China's new role in global development.

Recognizing the importance of IFC's global network and trade programs, the Chinese government approached IFC to identify ways to address the critical disruption of trade finance. China made a private placement of $1.5 billion with IFC to be used in part for the Global Trade Liquidity Program, sending an important signal to the world community with a concrete demonstration of support. The transaction reflects the expanding partnership between China and the World Bank Group to address developmental needs in emerging markets.

their/our story

BANK OF GEORGIA

Keeping Credit Flowing

George Sabanadze's house in the Old District of Tbilisi, Georgia, was in disrepair. The roof leaked. The plumbing system malfunctioned. It was no place for his growing family. The time had come for renovation. But getting a loan to pay for a fix-up was a challenge, even for Sabanadze, a government employee. He applied to several Georgian banks but was turned down without explanation.

Today, thanks to financing that IFC provided to Georgia's largest bank, Sabanadze has a $60,000 loan from the Bank of Georgia that has allowed him to repair and expand his home. Each of his three children — Tamar, Nikoloz, and Medea — now has a separate room. "My family started a new, much more comfortable life after the renovation," Sabanadze says.

In the aftermath of the conflict in August 2008, IFC moved swiftly to stabilize Georgia's banking system and ensure that credit continued to flow despite the global financial crisis. IFC and the European Bank for Reconstruction and Development each provided $100 million to the Bank of Georgia to allow it to continue lending to retail clients and small and medium enterprises.

The show of support strengthened a relationship between IFC and the Bank of Georgia that has been growing since 2000. IFC's support helped the bank start the mortgage industry in Georgia, extending more than 20,000 mortgages and sparking competition from others that has significantly improved home-loan terms for borrowers.

their/our story

LATIN AMERICA

Boosting Small Business and Banking for the Poor Through e-Commerce

Access to the electronic marketplace invigorates commerce, levels the playing field for small and medium businesses, and offers those at the base of the economic pyramid a greater choice in goods and services.

In Latin America, where a significant part of the population lives in a cash economy, IFC's $5 million equity investment in DineroMail is helping to bring the unbanked to e-commerce and empowering smaller businesses to expand their sales on the Web.

The Buenos Aires-based company currently serves about 7,500 businesses in Argentina, Brazil, Chile, and Mexico, offering reliable online payment services. About 90 percent of DineroMail's clients are micro, small, and medium enterprises; many have fewer than five employees.

Any new online business can simply download the free payment system and start receiving payments without the hassle of connecting to separate credit card networks, and without needing any specialized technical skills. DineroMail typically charges recipients a small fee, whether they are merchants or individuals.

"DineroMail makes it very easy for a Mexican translator, for example, to sell services to the rest of the world or for a graphic designer in Argentina to develop business opportunities with clients he or she never would have had access to," says Juan Pablo Bruzzo, DineroMail's co-CEO. "If you have a payment method, you can get paid, which means you have a business."

Clients using credit cards can process their payments safely with DineroMail. But more than 60 percent of DineroMail's users choose to pay for their goods in cash. They simply print a bar-coded receipt for their purchase and pay for it at any store in the DineroMail network. DineroMail extends the reach of e-commerce to those without credit cards or bank accounts, while also reducing transaction costs and increasing economic transparency.

significant impact

PAKISTAN

Trade Finance Keeps Business Moving

As global conditions worsened in September and October 2008, Pakistan faced its own challenges—political uncertainty, a balance of payments crisis, and a country rating downgrade. Finance for trade—essential for the country's economic growth—was drying up.

IFC stepped in, providing 11 Pakistani banks with a combined $233 million since September 2008 in guarantees to support transactions in machinery (26 percent), oil (21 percent), iron and steel (17 percent), agricultural products (13 percent), and other commodities.

IFC's Global Trade Finance Program enabled Pakistani banks to increase cross-border trade.

We provided our most active partner in the program, Habib Bank, with $116 million in guarantees to keep business moving. The guarantees allowed those businesses to import essential raw materials and equipment and ship their products to buyers overseas—and keep their people employed.

GLOBAL FINANCIAL MARKETS

OVERVIEW

IFC DEVELOPED TIMELY, TARGETED SOLUTIONS FOR FINANCIAL INTERMEDIARIES.

As the global financial crisis spread to emerging markets, the financial services sector was the first and hardest hit. The credit crunch and reduced liquidity in the financial system hampered the ability of financial intermediaries in many developing countries to finance ongoing operations. At the same time, the slowdown in the broader economy reduced their asset quality and decreased revenues. IFC responded by quickly stepping up our work with portfolio clients—a network of over 500 private sector financial institutions—helping them anticipate, assess, and address the challenges of the changing environment. We took the lead in developing timely, targeted solutions to the specific problems of financial intermediaries in emerging markets. IFC designed our crisis-response initiatives to help restore liquidity in trade and microfinance, rebuild financial infrastructure, manage troubled assets, and alleviate specific regional difficulties.

DEVELOPMENT IMPACT

In financial markets, IFC is working to counterbalance the worst effects of the financial crisis, particularly in IDA countries and weaker markets. Our trade finance product allowed us to respond quickly to clients' crisis needs and provide support across the most challenging markets. The IFC Capitalization Fund was set up in a matter of months and has begun investing the $3 billion mobilized to support systemically important financial institutions. This was quickly followed by the Microfinance Enhancement Facility and the Global Trade Liquidity Program, which galvanized a large number of development finance institutions, governments, and banks to address the trade finance gap. Thanks to IFC leadership, our commitments to the facilities have been leveraged many times and will help increase our development impact. We played a leading role in the first regional initiative for Central and Eastern Europe, which paved the way for initiatives in Latin America, the Caribbean, and Africa. Our investments totaled about $5 billion in 255 projects, of which 142 were in IDA countries. We achieved record levels of investment in Sub-Saharan Africa, with over $1 billion committed, and also in the Middle East and North Africa region.

PARTNERSHIPS AND MOBILIZATION

IFC reached out to other market participants to mobilize funds and ensure a coordinated response to the crisis. The financial markets–related initiatives attracted co-financing from Austria, Canada, Germany, Japan, the Netherlands, Saudi Arabia, the United Kingdom, and other partners. The Japanese government, through the Japan Bank for International Cooperation, committed $2 billion and became a founding partner in the IFC Capitalization Fund. We have worked with numerous development and finance institutions, including the African Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, and the Inter-American Development Bank on joint regional initiatives. We partnered with KfW to launch the Microfinance Enhancement Facility, which has attracted further investment from the Development Bank of Austria (OeEB). In addition to supporting private sector development through all our activities, we recognize that the private sector has a vital role to play in crisis recovery. The Global Trade Liquidity Program mobilizes funding from both public and private sector sources and channels it through global and regional banks to support their clients in emerging markets. Similarly, the Microfinance Enhancement Facility is being executed through three of the industry's leading private sector fund managers.

SUSTAINABILITY

As financial institutions focus on maintaining market share, the challenge this year has been to convince them to invest scarce capital in financing energy efficiency, renewable energy, and energy production, and in improving supply chains. IFC continued to support investment programs that mitigate climate change and ensure environmental and social sustainability. Carbon finance is a key pillar of IFC's climate change strategy. This year, IFC signed an agreement with Himadri Chemicals & Industries in India to guarantee delivery of certified emission reductions (CERs) to developed country buyers. Revenues from CERs also played an important part in structuring a loan to Estre Ambiental Brazil. We also launched carbon finance-related advisory products, which include capacity building for local banks that will ultimately be the conduit to wholesale carbon finance products. The first of these was Industrial Bank in China. Pakistan's Allied Bank became the first bank to receive financing through IFC's Sustainable Finance Facility, which issues trade guarantees to support the purchase of cleaner and more energy-efficient equipment. The *Financial Times* Sustainable Banking Awards, sponsored by IFC, continue to reward best practice and innovation in sustainable banking.

LEARNING FROM EXPERIENCE

Trade is critical in an integrated world, and it can be an effective tool in private sector development. The rapid deterioration of the global financial markets led banks to reduce lending to emerging markets and cut trade finance lines to importers and exporters. In addressing this situation, IFC was able to draw on a strong track record of facilitating trade during times of crisis. We responded to the Brazilian financial crisis of 2002 with an initiative to provide large, syndicated trade lines to domestic private sector banks, and we provided major support for trade through South Korean banks during the Asian financial crisis in 1997. Our first response in 2008 was to triple our Global Trade Finance Program to $3 billion from $1 billion. However, our experience with the program helped us realize that taking on banks' risk was not enough at a time when many financial institutions lack liquidity. This led to the development of the Global Trade Liquidity Program, which is designed to inject liquidity into the trade finance system.

PROJECT FINANCING AND PORTFOLIO

GLOBAL FINANCIAL MARKETS

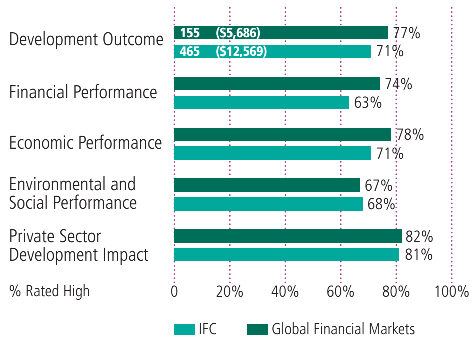
($ MILLIONS)	FY09	FY08
IFC commitments	**4,709**	**4,605**
Loans	1,719	1,978
Equity	531	890
Guarantees and risk management	2,459	1,737
Loan syndications	777	1,034
Total commitments	**5,486**	**5,639**
Committed portfolio for IFC's account	12,018	12,216
Held for others	2,088	1,358
Total portfolio	**14,107**	**13,574**

PRIVATE EQUITY AND INVESTMENT FUNDS

($ MILLIONS)	FY09	FY08
IFC commitments	**324**	**394**
Loans	–	–
Equity	324	394
Guarantees and risk management	–	–
Loan syndications	–	–
Total commitments	**324**	**394**
Committed portfolio for IFC's account	1,618	1,350
Held for others	19	–
Total portfolio	**1,638**	**1,350**

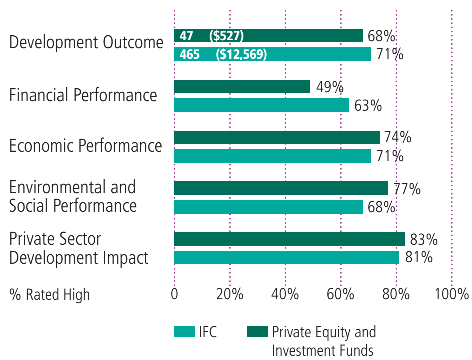
DEVELOPMENT OUTCOME SCORES

GLOBAL FINANCIAL MARKETS



DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005. Note: Number inside bar represents number of rated projects, and number in parentheses represents total IFC investment ($ millions) in those projects.

PRIVATE EQUITY AND INVESTMENT FUNDS



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FINANCIAL MARKETS COMMITMENTS

(FINANCING IN $ MILLIONS)	FY09	FY08
Number of projects	255.5	176.5
Number of countries	84	65
IFC financing	5,032.3	4,999.5
Syndications	777.1	1,033.5

DEVELOPMENT REACH

GLOBAL FINANCIAL MARKET CLUSTER

INDICATOR	PORTFOLIO CY07	CY08	NEW BUSINESS EXPECTATIONS FY09[1]
MSME and housing finance reach indicators			
SME loans ($ millions)[2]	86,005	90,632	27,395
SME loans (millions of loans)[2]	1.02	1.27	0.82
Microfinance loans ($ millions)[2]	7,887	9,322	91,579
Microfinance loans (millions of loans)[2]	6.99	8.49	72.37
Housing finance loans ($ millions)[3]	14,320	13,561	5,306
Housing finance loans (millions of loans)[3]	0.51	0.54	0.06
Private equity and investment funds[4]			
Number of SMEs reached	255	234	59
New jobs	162,081	303,905	22,715
Number of investee companies with frontier exposure/IDA	112	189	88
Number of high-growth investee companies (>20% growth/+growth)	223	285	93

CY08 and CY07 data are not strictly comparable, because they are based on a changed portfolio of IFC clients.

[1] For FY09 New Business Expectations, dollar amounts represent the expected outstanding portfolio by the end of CY13, and the number of loans represent the number of expected new loans to be disbursed in CY09-13 by IFC clients with whom IFC committed SME, microfinance, or housing-related projects in FY09. For FY09, expected microfinance lending includes IFC Microfinance Liquidity Facility & Micro Vest Equity Fund II, which together account for 70 million loans and $90 billion in outstanding portfolio over the life of the projects.

[2] Portfolio reach figures represent SME and microfinance outstanding loan portfolio of IFC clients as of end of CY07 and CY08, for MSME-oriented financial institutions/projects; 197 and 215 clients were required to report their end-of-year SME and microfinance portfolios in CY07 and CY08, respectively; 163 and 178 clients did so for CY07 and CY08, respectively. The missing data were extrapolated.

[3] Portfolio reach figures represent housing finance outstanding loan portfolio of IFC clients as of end of CY07 and CY08, for housing finance oriented financial institutions/projects; 43 and 39 clients were required to report their end-of-year housing finance portfolios in CY07 and CY08, respectively; 32 and 34 clients did so for CY07 and CY08, respectively. The missing data were extrapolated.

[4] Calculations for the portfolio are based on new business committed between 2000 and the respective year, and not on the total portfolio of projects. FY09 expectations are projected for the life of the funds.

GLOBAL TRADE FINANCE PROGRAM INDICATORS

	FY09	FY08	FY07	FY06
Guarantees ($ amount in millions/number of guarantees	$2,393 1,869	$1,429 1,008	$767 564	$267 320
SME (by number of guarantees)	73%	75%	71%	81%
Africa (by amount)	27%	41%	49%	70%
South-South (by number of guarantees)	40%	34%	36%	38%
Total trade supported ($ millions)	$3,054	$1,880	$1,160	$395

GLOBAL INFRASTRUCTURE

OVERVIEW

IFC STEPPED UP SUPPORT FOR INFRASTRUCTURE INVESTMENTS AND HELPED TO INCUBATE PROJECTS.

Electricity, roads, water, natural resources, and telecommunications are essential for economic development and poverty alleviation. But the collapse in private infrastructure lending because of the global financial crisis has hit emerging markets particularly hard. Our research indicates that around $110 billion in new privately financed projects in developing countries risk delay or postponement as financing has dried up. In response, IFC has stepped up support for infrastructure investments and is also helping to incubate projects through our IFC InfraVentures fund. In addition, we are partnering with institutions and countries to establish a new approach to mobilizing much larger amounts of finance than we could provide on our own. In cooperation with the World Bank, IFC's infrastructure cluster—which includes oil, gas, and mining, information and communication technologies, subnational finance, as well as traditional infrastructure sectors—provides financing and advice where the public and private sectors form partnerships to build projects that deliver essential services to people and businesses.

DEVELOPMENT IMPACT

Today, modern infrastructure such as broadband connections and mobile networks are often the most efficient ways to reach the poor in remote places. In India, for instance, IFC invested in FINO, a company that provides a personalized smart card through which people can access financial services and receive government payments. The unique identification card holds personal information such as fingerprint data, providing an easy-to-use, secure tool for those who do not have formal identification documents or are illiterate. Distributing government benefits through electronic payments drastically reduces fraud, which in turn helps safeguard both the government's coffers and the pockets of the poor. The cards also allow people to receive and repay loans, maintain savings, and access insurance and other financial services. IFC's investment helped FINO extend its services to customers in rural and semi-rural areas. IFC is also assisting FINO in expanding applications for health, remittances, and pensions. In March 2009, FINO celebrated having 5 million customers—the majority of them women.

PARTNERSHIPS AND MOBILIZATION

As billions of dollars have fallen away in infrastructure financing amid the global credit crunch, IFC has joined forces with bilateral and multilateral donors to implement the Infrastructure Crisis Facility, an initiative to help bridge financing gaps in privately funded or public-private partnership infrastructure projects. World Bank Group President Zoellick launched the facility in April 2009 together with founding members Germany and France. Germany plans to contribute €500 million and France plans to contribute €1 billion in cofinancing. IFC will provide up to $300 million for the equity fund and possibly as much as $2 billion in cofinancing. We are in discussions with governments and other sources to raise about $10 billion in total funding. In the case of the Rotor Elektrik wind farm in Turkey, IFC stepped in as tight credit markets forced commercial banks to scale back their exposure to the project. We increased our loan to €55 million and made sure the rest of the financing package fell into place as well. We invited the European Bank for Reconstruction and Development to extend a loan and the European Investment Bank to provide €30 million in liquidity to commercial banks, which participated in the transaction as EIB guarantors.

SUSTAINABILITY

Supporting infrastructure systems that operate in an environmentally and socially sustainable way helps to ensure that there will be a world for our children to live in. Take Istanbul, Turkey's economic capital. The ancient city's roads simply cannot handle the traffic for the 12 million people who live there, leading to severe pollution. IFC, working with a large syndicate of banks and export credit agencies, helped the municipality complete the financing for its 22-kilometer-long Kadikoy-Kartal Metro Rail Line, at a time when financial markets were closing down. As a clean mode of mass transit, the new line will help reduce dependence on cars and buses in one of the world's most densely populated cities. By reducing greenhouse-gas emissions, the investment will contribute to IFC's commitment to mitigate climate change. In the power sector, more than half of IFC's investments were in renewable energy for the first time, reaching a record of 12 out of a total of 18 projects. And our chemicals group carried out IFC's first three transactions involving Carbon Delivery Guarantees, a mechanism that helps companies in developing countries sell carbon credits on the international market.

LEARNING FROM EXPERIENCE

Most developers of natural resources today have community-investment programs, but gathering quantifiable experience about their effectiveness has been a challenge. A lack of hard financial data for so-called "soft" programs such as local skills training and health clinics has made it difficult to assess their business benefits and to justify budgets that compete with other corporate priorities. In response, IFC is helping firms put a dollar value on the benefits of their community-investment programs by developing the Planning and Financial Valuation Model for Sustainability Investment. The application uses a global database of past community-development programs and corporate experiences. The information will help companies strategically allocate financial resources to those programs with the greatest positive impact on both their businesses and local communities. IFC's Community Development Fund has been working with Rio Tinto Alcan, Deloitte, and the Multilateral Investment Guarantee Agency to refine the model, which will be further piloted by several IFC clients. The idea is to develop an application that eventually can be used by companies across the globe.

PROJECT FINANCING AND PORTFOLIO

INFRASTRUCTURE

($ MILLIONS)	FY09	FY08
IFC commitments	**1,464**	**2,404**
Loans	1,140	2,143
Equity	317	248
Guarantees and risk management	7	13
Loan syndications	367	1,279
Total commitments	**1,830**	**3,683**
Committed portfolio for IFC's account	5,907	5,314
Held for others	1,845	1,989
Total portfolio	**7,752**	**7,304**

GLOBAL INFORMATION AND COMMUNICATION TECHNOLOGIES

($ MILLIONS)	FY09	FY08
IFC commitments	**572**	**366**
Loans	466	293
Equity	105	72
Guarantees and risk management	1	0
Loan syndications	118	0
Total commitments	**690**	**366**
Committed portfolio for IFC's account	1,356	1,140
Held for others	530	461
Total portfolio	**1,886**	**1,601**

OIL, GAS, MINING, AND CHEMICALS

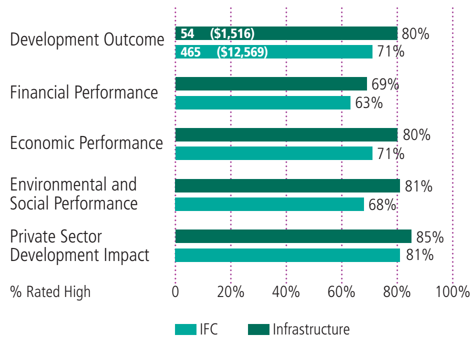
($ MILLIONS)	FY09	FY08
IFC commitments	**727**	**1,085**
Loans	498	823
Equity	211	184
Guarantees and risk management	18	78
Loan syndications	19	480
Total commitments	**747**	**1,565**
Committed portfolio for IFC's account	3,488	3,478
Held for others	1,074	1,501
Total portfolio	**4,562**	**4,980**

SUBNATIONAL FINANCE

($ MILLIONS)	FY09	FY08
IFC commitments	**348**	**49**
Loans	348	29
Equity	–	–
Guarantees and risk management	–	21
Loan syndications	–	–
Total commitments	**348**	**49**
Committed portfolio for IFC's account	506	200
Held for others	–	–
Total portfolio	**506**	**200**

DEVELOPMENT OUTCOME SCORES

INFRASTRUCTURE



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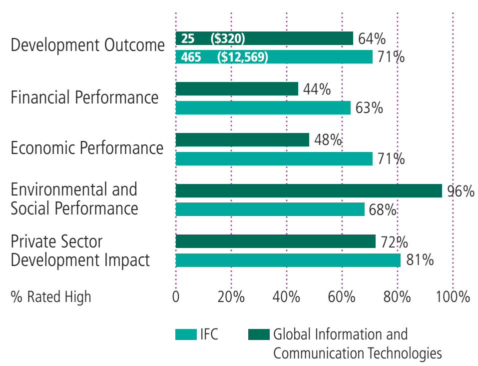
GLOBAL INFORMATION AND COMMUNICATION TECHNOLOGIES



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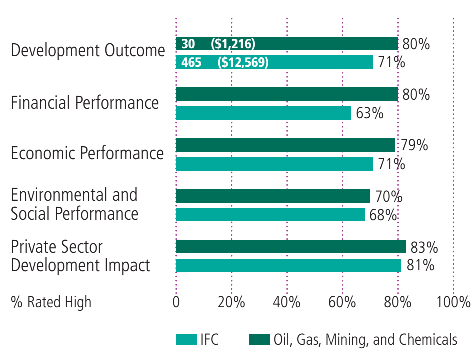
OIL, GAS, MINING, AND CHEMICALS



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DEVELOPMENT REACH

GLOBAL INFRASTRUCTURE CLUSTER

INDICATOR	PORTFOLIO CY07[1]	PORTFOLIO CY08	NEW BUSINESS EXPECTATIONS FY09[2]
Employment[3]	305,578	443,035	44,080
Payments to government ($ millions)	15,295	17,992	11,369
Local purchase of goods and services ($ millions)[4]	13,078	14,209	946
Outlays for community development programs ($ millions)[4]	148.2	164.9	3
Total phone connections (millions)[5]	137.4	218.7	12.0
Power generated (millions of customers)	152.5	140.9	12.1
Power distribution (millions of customers)	21.5	25.1	0.2
Gas distribution (millions of customers)	10.7	12.5	0.3
Water distribution (millions of customers)	18.4	20.5	3.0
Wastewater treated (millions of cubic meters/year)	403.5	436.2	–
Airport/airline passengers (millions)	85.0	92.2	15.6
Transportation and road customers (millions)	3.8	3.5	–
Roads – number of vehicles (millions)	235.6	327.5	–
Railway passengers (millions)	155.3	154.3	–
Rail freight (millions of tons)	162.6	173.8	–
Cargo/grain ports (millions of tons)	15.8	11.1	–

CY08 and CY07 data are not strictly comparable, because they are based on a changed portfolio of IFC clients. Employment and payments to government broken down by industry available on line at http://www.ifc.org/results. Time horizons for expectations differ by department:

[1] Some data have been revised.
[2] Expectations projected for CY12, payments to government for CY09-16 have been revised.
[3] CY08 Infrastructure employment data are reported for the first time and include 172,819 jobs from 107 companies, but only partial data for CY07 (57,797 jobs, 24 companies).
[4] Oil, Gas, Mining, and Chemicals for CY09.
[5] Information and Communication Technologies for CY13. Expected payments to government revenues include $9 billion by one large Latin American infrastructure client.

GLOBAL INFRASTRUCTURE COMMITMENTS

(FINANCING IN $ MILLIONS)	FY09	FY08
Number of projects	95	89
Number of countries	51	32
IFC financing	3,111.5	3,904
Syndications	503.5	1,758.8

REAL SECTOR

IFC'S INVESTMENT AND ADVISORY ACTIVITIES ADDRESS BASIC HUMAN NEEDS.

OVERVIEW

IFC's investment and advisory activities in manufacturing, agribusiness, and health and education address basic human needs. These "real sector" industries play a central role in job creation and social mobility, and will be critical to economic recovery in developing countries. Through our work in these industries, IFC aims to create employment, support an emerging middle class, increase opportunities for micro, small, and medium enterprises, and mitigate the hazards of climate change. In manufacturing, our strategy has included helping competitive existing clients survive the economic downturn while also strengthening low-cost, competitive companies that show strong development impact.
In agribusiness, we have responded to the global crisis by providing liquidity throughout the supply chain while also working to reduce longer-term dangers of food scarcity and rising prices. In health and education, we have sought to increase the quantity and quality of services available by providing financing for health care and education.

DEVELOPMENT IMPACT

In the manufacturing industry, IFC aimed in FY09 to foster employment opportunities while also supporting infrastructure development. We provided €29.4 million in financing to Antea Cement to build and operate a plant that would create 800 jobs while promoting housing construction. We also invested $50 million in Packages Limited, Pakistan's largest paper producer, supporting a socially responsible company that directly provides jobs for nearly 3,500 people (see box on page 89). In agribusiness, IFC sought to strengthen infrastructure needed to reduce post-harvest waste while increasing our focus on the poorest countries. We provided $20 million to the Bakhresa Group to build a grain-handling facility in the port of Nacala, Mozambique, which will help increase the supply of wheat to the region. We also invested for the first time in Bangladesh's agribusiness sector, helping modernize PRAN Group—the country's leading agro-processing company. In education, IFC increased access to high-quality affordable learning by providing a $2.5 million loan to Ghana's Ashesi University College, enabling the institution to educate lower- and middle-income students. In health, we provided $4.5 million in financing to Afghanistan's Acomet Family Hospital, which trains critically needed doctors, nurses, and medical technicians.

PARTNERSHIPS AND MOBILIZATION

IFC strives to maximize our development impact by working in partnership with others. In the manufacturing industry, IFC's $65 million in financing for Jambyl Cement was augmented by $110 million we mobilized in an award-winning project finance deal, supporting the construction of Kazakhstan's first environmentally friendly, dry-process cement plant. We also collaborated with the National Council for Air and Stream Improvement to develop a free, downloadable tool to help forest products companies calculate their carbon and greenhouse-gas impacts. In agribusiness, our partnership with the Alliance for a Green Revolution in Africa helped increase financing for small farmers while improving market logistics and infrastructure. In health, IFC worked with the Netherlands Ministry of Foreign Affairs to finance a survey of the role of the private sector in the financing and provision of health services in second-tier cities in rural India, the results of which could help improve health providers' access to finance. We also worked with the Bill and Melinda Gates Foundation and other partners on the Health in Africa Fund, which will promote investment in private health care providers (see box on page 116).

SUSTAINABILITY

Sustainability, increasing pressure on natural resources, and climate change are key challenges for the real sector. In FY09, IFC worked to address all three. In the manufacturing industry, IFC invested $9.3 million in Nicaragua's Simplemente Madera Group, which salvages hardwood from forests devastated by the 2007 hurricane. We also invested $60 million in ENN Solar Energy Company Limited in China, which is making solar power more affordable and more viable by producing rooftop photovoltaic modules. In agribusiness, IFC has promoted better management practices by participating in sustainability roundtables in a number of industries such as palm oil, soybeans, and sugar cane. We also provided financing to Jain Irrigation, India's largest provider of micro-irrigation systems, to promote water-use efficiency in agriculture. In health, IFC's guidance helps our hospital clients meet international standards, serve as a model for other institutions, and enable us to have a wider impact on public health and pollution control. IFC is helping our real sector clients—in tourism, food processing, retail, hospitals, and universities—reduce carbon dioxide emissions and save costs by adopting greener options in designing, constructing, and operating new buildings or retrofitting existing ones. Our work with the Coco Ocean Hotel in The Gambia is a good example.

LEARNING FROM EXPERIENCE

IFC's manufacturing clients tend to create or maintain more employment and generate more local purchases than any others. However, development-outcome scores in the sector have historically been weaker than the overall IFC average, reflecting difficult country environments, smaller-than-average investments, or weak sponsors. In response, we have worked more closely with clients to improve their operations by sharing our global industry expertise and enhancing their financial sustainability. Increasingly, we have directed our investments in micro, small, and medium enterprises through financial intermediaries. This has improved the investment climate and aligned investment and advisory efforts to take advantage of synergies between the two. As a result, our clients in 2008 provided more jobs, paid more taxes, and purchased more local goods and services (see chart on next page). Our increased focus on climate change and improving clients' environmental and social standards also enhance our development impact. In agribusiness, we have found that larger investments tend to perform better, as do investments in nonperishable products and agribusiness infrastructure. In health and education, IFC's growing sector expertise has helped improve already solid development-outcome scores. On financial performance and environmental and social performance, health and education projects performed above the IFC average.

PROJECT FINANCING AND PORTFOLIO

AGRIBUSINESS

($ MILLIONS)	FY09	FY08
IFC commitments	**714**	**762**
Loans	555	605
Equity	144	157
Guarantees and risk management	15	–
Loan syndications	110	136
Total commitments	**824**	**898**
Committed portfolio for IFC's account	2,510	2,188
Held for others	522	505
Total portfolio	**3,031**	**2,693**

GLOBAL MANUFACTURING AND SERVICES

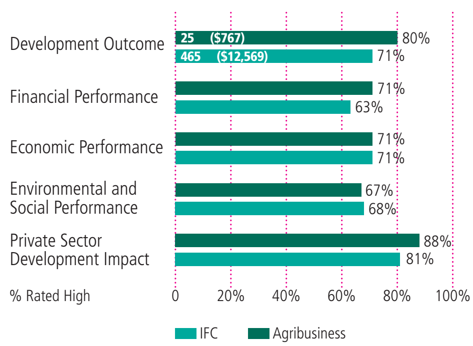
($ MILLIONS)	FY09	FY08
IFC commitments	**1,466**	**1,418**
Loans	1,110	1,267
Equity	355	148
Guarantees and risk management	2	3
Loan syndications	467	305
Total commitments	**1,934**	**1,723**
Committed portfolio for IFC's account	6,336	5,811
Held for others	1,898	1,689
Total portfolio	**8,234**	**7,499**

HEALTH AND EDUCATION

($ MILLIONS)	FY09	FY08
IFC commitments	**223**	**315**
Loans	125	228
Equity	82	60
Guarantees and risk management	17	27
Loan syndications	0	17
Total commitments	**223**	**332**
Committed portfolio for IFC's account	763	668
Held for others	21	22
Total portfolio	**784**	**690**

DEVELOPMENT OUTCOME SCORES

AGRIBUSINESS



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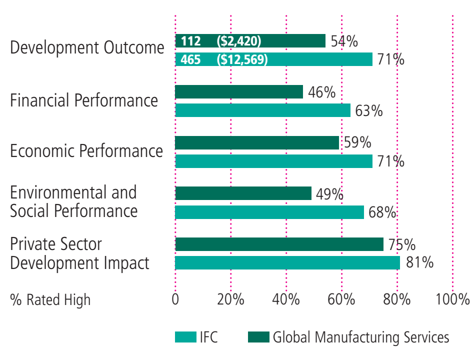
GLOBAL MANUFACTURING AND SERVICES



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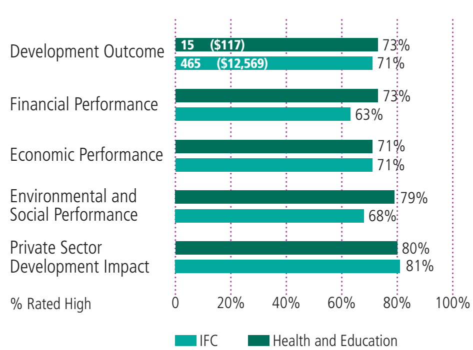
HEALTH AND EDUCATION



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DEVELOPMENT REACH

REAL SECTOR CLUSTER

INDICATOR	PORTFOLIO CY07[1]	PORTFOLIO CY08	NEW BUSINESS EXPECTATIONS FY09[2]
Employment	948,839	876,336	206,681
Agribusiness	400,315	295,102	98,189
Manufacturing and Services	504,512	528,749	72,460
Health and Education	44,012	52,485	36,032
Number of farmers reached (millions)	0.8	1.6	0.2
Number of patients reached (millions)	4.7	5.5	5.6
Number of students reached (millions)[3]	0.6	1.2	0.01
Local purchases ($ millions)	27,313	32,778	6,360
Payments to governments ($ millions)	3,754	4,737	1,422

CY08 and CY07 data are not strictly comparable, because they are based on a changed portfolio of IFC clients.

[1] Some data have been revised. In particular, applying a tighter definition, data on employment and payments to government for a large retail chain now only include those from companies most closely associated with IFC's investment, rather than the whole group (i.e., employment of 8,938 vs. 268,000; payments to government of $23 million vs. $843 million; local purchases of $833 million vs. $21.9 billion) and revised figures obtained for three health projects reduced previously reported numbers of patients by one million. Data include just over one million patients in a hospital chain in India, in which IFC has a 1.3% equity stake.
[2] FY09 expectations projected through 2015.
[3] Includes students reached with IT services in universities in Africa (350,000 in CY07, 300,000 in CY08).

REAL SECTOR COMMITMENTS

(FINANCING IN $ MILLIONS)	FY09	FY08
Number of projects	96.5	106.5
Number of countries	52	50
IFC financing	2,403.4	2,495.1
Syndications	577.5	457.6

significant impact

LITHUANIA

Promoting Small-Scale Renewable Energy Deals

For Lithuania, joining the European Union in 2004 brought not only economic benefits but also obligations to comply with a range of environmental standards.

One of them was the duty to increase the amount of energy produced from renewable sources by 7 percent by 2010. In a country where energy waste was rife because of artificially low and state-subsidized supplies, meeting that obligation posed a challenge.

To address the challenge, IFC teamed up with Lithuania's SEB Bank to launch a facility designed to help small and medium enterprises in Lithuania switch to renewable sources of energy. Under the €10 million facility, SEB Bank provides equity-like support in the form of subordinated loans for local renewable-energy projects, while IFC assumes the underlying risk of the loans. The transaction is expected to support about €50 million in lending to smaller businesses.

The facility is a global pilot for an approach that involves offering subordinated loans to finance small-scale renewable-energy projects through commercial banks. The innovative financing mechanism could become an important tool for financing sustainable-energy investments and mitigating climate change. It could also serve as a model to attract much-needed investment to Lithuania during the economic slowdown.

the IFC ADVANTAGE

IFC has a track record of innovation, as illustrated by the swift development of crisis initiatives and by innovations in public-private infrastructure programs, local currency finance, structured finance, output-based aid, and SME venture capital.

their/our story

MICROFINANCE

Helping Microfinance Institutions Create Opportunity

Germán García (pictured at left) used to know nothing about basic business accounting. But what he knew was that his simple repair shop was earning too little to cover his family's needs.

Then came FDL, a Nicaraguan microfinance institution that was one of the first recipients of credit from the Microfinance Enhancement Facility launched by IFC and the German development bank KfW. FDL lent García money to buy better equipment for his shop and taught him basic bookkeeping.

Today, García's business is earning more. "Before I didn't have any way to pay for my son's education," he says. "Now he's a skilled worker."

The Microfinance Enhancement Facility is a crisis-response vehicle designed to get cash flowing quickly to more than 100 microfinance institutions such as FDL to help them overcome the crisis and build on their successes (see page 36 for details). BlueOrchard Finance S.A., one of three independent fund managers handling the facility's funds, provided a $3 million loan to FDL, helping it maintain its level of lending in a time of worsening market conditions

IFC is one of the top three investors in the microfinance sector. Our work helps us shape an emerging industry that enables millions of people to work their way out of poverty. Microfinance today reaches an estimated 133 million people, but that is a small fraction of the number who could benefit from microloans and other financial products.

IFC is responding by focusing on the 15 large countries that account for most of the world's poor but typically have little or no microfinance industry. Expanding microfinance in countries such as Brazil, China, Ethiopia, and Turkey can significantly reduce poverty.

their/our story

UGANDA

Zain-Stanbic Meets Demand for Mobile Phones

Keeping up with the explosive demand for mobile phone products in Uganda used to be a problem for Denis Katwesigye Mitegyeko, who sells airtime, handsets, and mobile telephone starter packs for Zain Uganda.

"There was a lack of inventory, accessing finance was costly, and we couldn't keep up," says Mitegyeko, one of some 20 dealers who distribute Zain products to retail shops across Uganda through a network of subdealers. "We had so many missed opportunities."

Not anymore. In 2009, Mitegyeko received an overdraft facility of 600 million Ugandan shillings (about $290,000) from Stanbic Uganda to boost his stock. He also passed on some of the funds to his network of subdealers to help them increase inventory and participated in a training program using Business Edge, IFC's management training program for smaller businesses. "It has definitely helped us become more profitable," Mitegyeko says.

The loan and training are part of an innovative IFC program to help Zain Uganda extend its reach across the country. IFC entered a risk-sharing facility with Stanbic Uganda to encourage the bank to increase its financing for Zain Uganda's dealers. IFC is also providing Advisory Services to help dealers improve business practices to increase their profitability. The goal is to address the lack of stock and capital that has hampered the ability of Zain Uganda's dealers to keep up with the public's demand for the company's products.

significant impact

CHINA

Helping Earthquake-Devastated Sichuan Province Recover

Last year's earthquake in China's Sichuan Province devastated the lives of more than 30 million people in one of the country's breadbaskets. Twenty percent of Sichuan's gross domestic product comes from agriculture—significantly more than the national average—and the earthquake severely disrupted the supply of fertilizer, inhibiting recovery of the region's farming sector.

To alleviate the shortage of fertilizer, IFC helped Koyo Ecological Agrotech Group Limited build a 450,000-ton-per-annum fertilizer plant in Sichuan Province that will help reach over 1 million farmers. IFC invested $10 million by buying a stake in the company and provided a $20 million loan. We also assisted the company in securing $44 million in additional financing from a Chinese bank at a time when the credit markets had largely dried up.

As construction gets under way, the new facility is expected to provide an estimated 1,000 local jobs, bring in $35 million in revenues to area construction companies, and pump $27 million into the Chinese economy through equipment purchases. The new plant will supply high-quality fertilizer that will enable Sichuan Province's farmers to expand food production, as well as their incomes and standards of living.

Koyo also trains local farmers in best practices of fertilizer usage. Many of the region's farmers are using less sophisticated methods of fertilizer application, often losing up to 50 percent of the nutrients. Koyo's agricultural specialists assist farmers in improving fertilizer use through soil analysis, proper selection, and timing, significantly enhancing crop yields.

the IFC ADVANTAGE

IFC has deep expertise in financial markets, infrastructure, and agribusiness, all areas with a special need for crisis mitigation and recovery.

significant impact

INDIA

Increasing Access To High-Quality Health Care

In India, a growing and aging population is demanding more and better health care. Lifestyle and age-related illnesses have created a demand for access to specialist care, especially in smaller cities. IFC is helping to meet this need by working with two long-term partners and leading health-service providers, Apollo Hospitals Enterprise Limited and Max Healthcare Institute Limited.

In FY09, IFC approved a $50 million loan for Apollo Hospitals to expand its "Reach" network to secondary cities and semi-rural areas. The company will set up 15 tertiary-care facilities over the next three years, bringing affordable specialized care for the first time to lower-income people. Apollo Hospitals is a key IFC client both in the region and globally because of its willingness to invest in smaller cities and in other emerging markets beyond India. IFC has been an equity holder in Apollo Hospitals since 2005.

IFC is also investing the equivalent of about $31 million in Max India to increase accessibility and diversification of its health services and help the company move into smaller cities. IFC's equity investment will help Max Healthcare Institute Limited, a Max India subsidiary, add 1,000 hospital beds in the greater New Delhi area by constructing new hospitals in Shalimar Bagh and Greater Noida and upgrading existing facilities. The company will also build a hospital in Dehradun, Uttar Pradesh. IFC has been an equity holder in Max Healthcare since 2007.

Both projects will create significant employment opportunities for local doctors, nurses, and technicians. Apollo Hospitals is also employing specialists of Indian origin who return from the United Kingdom or United States to work in India.

significant impact

PAKISTAN

Helping a Socially and Environmentally Responsible Client Succeed

Packages Limited, one of Pakistan's leading employers, faced some difficult decisions.

In a time of global economic challenges, the company knew it needed to shore up its capital base and find ways to reduce expenses—without wavering in its environmental and social responsibility commitments.

The company, which makes a variety of packaging materials, employs 3,500 full-time workers. An additional 27,000 people have found reliable employment as suppliers or complementary service providers for the firm. Cutting jobs would have caused a devastating impact on a nation already buffeted by a growing economic crisis, significant poverty, and political instability.

IFC, a provider of financing to Packages since 1964, stepped in to assist. In 2009, we made a $50 million equity investment to strengthen the company's balance sheet, helping it to withstand the global economic crisis, retire some of its debt, and invest in several environmental upgrades.

Our financing will help Packages proceed with several initiatives, including retiring $128 million in debt, acquiring waste-heat-recovery and other systems for reducing water consumption at its factories, and expanding the company's wastepaper-recycling systems to reduce raw-material costs while shrinking its carbon footprint.

The new round of investment will enable the company to continue its important community-development and education initiatives, which have kept 2,300 children in school through a nine-school modernization program—including three for girls alone. The efforts also have increased remote villages' access to clean, fresh water, thus helping reduce the incidence of potentially deadly waterborne illness.

OPERATIONS AND RESULTS

IFC helps private companies, industries, and governments with advice, problem solving, and training. Our work includes advising national and local governments on how to improve the investment climate and strengthen basic infrastructure. We also help investment clients sharpen their competitive edge, improve corporate governance, and become more sustainable.

IFC Advisory Services have become a substantial part of IFC's business and a critical tool for extending our reach and expanding our impact. In FY09, we approved 227 advisory projects in 66 countries. Funding comes from donor partners, IFC retained earnings, and client contributions.

We address a strong need in developing countries for advice on how to build a robust private sector. Our advisory work provides a unique competitive advantage for IFC. We also advise governments on how to spur development through partnerships between the public and private sectors.

IFC provides Advisory Services and investment sequentially, in combination, or separately, depending on the needs of a country or client. IFC advice can expand opportunities for investment or broaden the impact of our investment work.

About 40 percent of our advisory projects focus on improving the investment climate, mostly in the poorest countries. Clients are typically governments. For example, with our support, governments implement reforms to ease business start-ups and make their regulatory regimes more efficient.

The other 60 percent are projects focused on individual firms. These projects have a strong impact when they demonstrate the business case for good practices, and when knowledge of such practices is widely disseminated as a public good. For example, we support microfinance institutions in conflict-affected states, and we advise local banks on energy-efficiency lending.

In FY09, IFC had advisory projects in 29 conflict-affected countries. Because such countries often seem too risky for private investors, our advisory work plays an important role in laying the foundation for future investment.

We have organized our advisory work into five business lines that correspond to our operational strategy: access to finance, corporate advice, environmental and social sustainability, infrastructure, and investment climate.

Donor support for IFC Advisory Services has been strong and growing, attracting an average of around $200 million a year in recent years from about 32 donor governments and a growing number of multilateral institutions and private donors such as foundations. Contributions from clients have been expanding as well. Cost-sharing with clients is determined according to the nature of the service—depending on the extent to which the benefits go beyond the individual client.

their/our story

NIGERIA

IFC's SME Toolkit: A "Savior Kit" for an Entrepreneur

Saidat Shonoiki, a small-business owner in Lagos, Nigeria, had just completed a course in entrepreneurial management when she confronted a new challenge—how to recruit new staff for her growing animal-feed business.

She could not afford the services of a consultant. But she remembered a program that had been introduced to her during her management course: IFC's SME Toolkit, an online resource that provides business forms, training, and tools to help small and medium enterprises in emerging markets grow and succeed. Shonoiki calls it her "savior kit."

Using the information and tools on the SME Toolkit Web site, Shonoiki was able to screen potential candidates for interviews and streamline the selection process. She also was able to improve her selection team's preparation for the interviews. Finally, using a Web site template, she was able to craft an offer letter. That was not all—the toolkit also helped her save money.

"I spent only 4,000 naira [about $25]," she says. "I would have had to spend 20 times more for the same service elsewhere."

The toolkit training gave Shonoiki the confidence to enter a competition on writing a business plan. She emerged overall winner in the contest organized by the Abuja Enterprise Agency, gaining her prominence in the business community and attracting many young entrepreneurs who began to seek her counsel on how to develop a good business plan.

The SME Toolkit (www.smetoolkit.org) was launched in 2002. In 2006, IFC joined forces with IBM Corporation to strengthen and expand the toolkit's capabilities, including collaborative features. IBM has invested more than $3 million in the technical development of the toolkit. The program is also supported by funding from donor partners.

The toolkit has been launched in 16 languages in more than 30 markets, and receives over 3.5 million unique visitors a year.

ACCESS TO FINANCE

WHAT WE DO

More than 3 billion people in developing countries have little or no access to financial services. IFC's Access to Finance business line helps increase the availability and affordability of financial services, focusing on micro, small, and medium enterprises.

In FY09, we had 298 projects and programs in 72 countries—141 projects in IDA countries and 58 in fragile and conflict-affected countries. These projects represent $54.5 million in expenses, with about 36 percent of our expenditures in IDA countries and 14 percent in fragile and conflict-affected countries.

HOW WE DO IT

IFC delivers advice on access to finance mainly through our regional offices, with more than 130 dedicated staff members. We also coordinate these services with the World Bank to deliver policy advice and joint interventions. IFC focuses on three key areas:

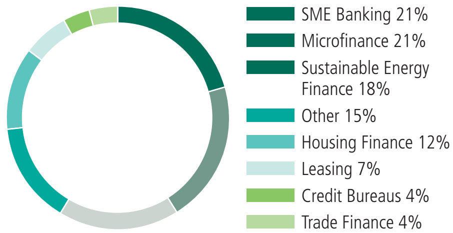
— **Building bank and nonbank financial institutions,** with emphasis on banks that serve small and medium enterprises or provide microfinance, housing finance, leasing, trade finance, insurance, and sustainable-energy finance. IFC Advisory Services helped Bank Muscat with strategy, marketing, and product development to grow a profitable SME operation that has more than doubled in volume.

— **Improving financial infrastructure,** such as credit bureaus, securities markets, collateral registries, payment systems, and remittances. With IFC support, in 2008 Egypt launched its first private credit bureau, i-Score, which has received well over a million inquiries.

— **Improving the legal and regulatory framework** to help develop and improve the enabling environment for increasing access to finance. IFC drafted the secured transactions law passed by Rwanda enabling financial institutions to provide collateralized loans, thereby improving access to credit.

As part of our crisis response, we help our partner financial institutions through improved risk management in the areas of governance, asset-liability and liquidity management, capital adequacy, and credit risk. Our loan portfolio monitoring and workout activities help our clients avoid further capital depletion in the financial sector and reduce the risk of a long-lasting credit crunch. IFC is also developing new products such as mobile banking, index-based weather insurance for farmers, and agrifinance.

FY09 PROJECT EXPENDITURES



DEVELOPMENT RESULTS

PRODUCT	TIME FRAME*	RESULTS
SME Banking	2008	**IFC clients provided $41.3 billion in financing to 486,550 SMEs.**
Microfinance	2008	**IFC clients provided $4.5 billion in financing to 5 million microfinance enterprises.**
Housing Finance	2008	**IFC clients provided $3.1 billion in housing finance loans to 57,734 homeowners.**
Leasing	2008	**IFC clients provided $1.7 billion in lease financing for 18,211 micro, small, and medium leasing enterprises.**
Credit Bureaus	2008	**In 13 countries, credit bureaus that IFC helped create or improve received 38.9 million credit inquiries and helped generate about $19 billion in financing.**

* Portfolio outstanding reported by Advisory Service clients for calendar year 2008. For complete outreach figures of IFC MSME clients, see page 119.

significant impact

ADVISORY SERVICES

IFC Bolsters Bank of Saint Lucia with Funding and Advice

The Bank of Saint Lucia is the largest banking institution on the Caribbean island of St. Lucia, enjoying a 40 percent market share. It offers a broad range of banking services, and recently expanded its focus on small and medium enterprises.

A year ago, IFC approved a $20 million investment to support the Bank of Saint Lucia's services for corporations as well as SMEs. Along with the investment, IFC Advisory Services helped the bank implement its SME strategy. The bank now has a business unit fully dedicated to serving the needs of smaller businesses.

Just as the SME banking project got under way, the Bank of Saint Lucia had to deal with the local effects of the global financial crisis, which highlighted areas in the bank's risk management that could be improved. IFC responded immediately by offering to conduct a risk assessment, the implementation of which helped the bank better understand its risk management capabilities and take steps to improve them. This major local bank is now better prepared to weather future financial storms.

The project also received support from the Canadian International Development Agency, a donor partner for Advisory Services programs in the English-speaking Caribbean.

Access to financial services for SMEs has been identified as a significant obstacle to private sector growth in the Caribbean, and has become particularly acute as a result of the global financial crisis. This is why IFC's strategy is to improve access to finance for micro, small, and medium enterprises through partnerships with local financial institutions.

the IFC ADVANTAGE

IFC combines investment with advisory activities to increase development impact and meet client needs.

CORPORATE ADVICE

WHAT WE DO

IFC offers corporate advice to existing and potential investment clients.

The business line focuses on three areas: improving corporate governance, building markets for small and medium enterprises and improving their managerial capacity, and enhancing corporate social responsibility. In FY09, expenditures in the Corporate Advice business line totaled $37.7 million, and we were active in 73 countries. Our activities included 127 projects in IDA countries and 50 in fragile and conflict-affected countries. About 44 percent of our expenditures were in IDA countries and 16 percent in fragile and conflict-affected countries.

IMPROVING CORPORATE GOVERNANCE

IFC provides advice to companies and banks on how to strengthen corporate governance practices and helps them build sustainable institutional capacity so that they can attract capital, improve their performance, and better weather financial crises. Activities focus on improving board practices, shareholder rights, internal and external controls, risk management, transparency, and reporting.

BUILDING MARKETS FOR SMEs AND IMPROVING THEIR MANAGERIAL CAPACITY

IFC helps corporate clients in extractive industries, telecommunications, agribusiness, and manufacturing reach small businesses as suppliers or distributors of goods and services. We facilitate access to finance and provide training in business and technical skills to such small businesses, thereby enhancing their competitiveness. We also equip small and medium enterprises in all sectors with practical management skills and information, adapted to their local needs.

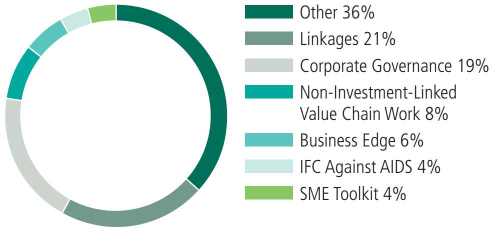
ENHANCING CORPORATE SOCIAL RESPONSIBILITY

IFC helps companies develop strategic approaches to engage with local communities and support community investment programs that are successful, sustainable, and consistent with their business objectives. Using specially designed tools, we help our clients establish a strategic approach to sustainability, aligned with their core business priorities, and assist clients in preparing their first sustainability report. We work with local and national authorities to help companies maximize the effectiveness and accountability of the payments made to the government and local representatives that are earmarked for investment in local development.

HOW WE DO IT

IFC collaborates with global and local entities to broaden the impact and ensure the sustainability of our engagements. We work with regulators, corporate governance institutes, centers for directors, educational institutions, and the media to promote best practices in corporate governance. We have set up the Linkages Business Roundtable, in collaboration with Harvard's Kennedy School and the International Business Leaders Forum, to allow larger companies to share best practices for programs that link small and medium enterprises across the supply chain. Together with AccountAbility, a global sustainability think tank, and the Global Reporting Initiative, we have developed a suite of tools and approaches to help companies ensure their social and environmental activities are bringing business value in terms of revenue, cost reduction, and improved reputation. In partnership with IBM Corporation, providers of content, local country or regional partners, as well as support from Google Grants, we are scaling up the SME Toolkit program. IFC's Business Edge program is franchising local firms that sell the training, building the capacity of local trainers, and partnering with companies to strengthen the managerial skills of their supply chains. IFC has joined partners such as the World Business Council for Sustainable Development, UNESCO, the World Wildlife Fund, Nestlé, and Coca-Cola to support the development of global best practices and tools that enable companies to sustainably manage water use along their supply chains.

FY09 PROJECT EXPENDITURES



DEVELOPMENT RESULTS

PRODUCT	TIME FRAME*	RESULTS
Corporate Governance	2007–2008	**Provided Advisory Services to 23,000 individuals, including 2,400 women; held 1,000 consultations and enabled $1.4 billion in investment that firms attributed to IFC projects.**
SME Management Solutions	2007–2008	**Enabled 62,000 individuals (18,000 SMEs) to receive Business Edge and SME Toolkit classroom-based management training; 4.7 million accessed SME Toolkit content via the Internet, worldwide.**
Linkages & Related Initiatives	2007–2008	**Enabled SMEs to win 1,100 contracts worth $366 million; also, reached 138,000 people (including 13,100 women) with 1,600 training events, workshops, and other capacity-building activities.**

* Period from July 1, 2007 through December 31, 2008.

their/our story

ZAMBIA

IFC Helps Farmer Graduate to Commercial Farming

When Wisdom Mababe resigned from his job as a car mechanic and truck driver in Lusaka, Zambia, he anticipated a better income as a farmer. However, there was a problem: Mababe found it challenging to bring his products to market.

"I purchased the farm in 2002, but there was no development on it apart from one hectare of cleared land, and no asset development," says Mababe, 45, who is married with five children.

Working with partners, IFC's Inclusive Supply Chain program provided Mababe with access to finance, market-based inputs, technical support, and business training, and helped him become a commercial farmer.

Mababe increased his farm to 328 hectares. Support from IFC and other partners enabled him to double maize productivity.

In addition to providing access to finance, IFC partnered with input suppliers to provide technical support to farmers and with the Zambia Chamber for Small and Medium Business Associations to provide business training.

Omnia Fertilizer Limited provided technical support on soil sampling and fertilizer application, and made farm visits to supervise fertilizer application, measure fields, and assess crop yields. Prime Agri Center gave advice on crop protection such as weed and insect control.

The Zambian Chamber provided training in recordkeeping, bookkeeping, cash-flow management, and budgeting. Mababe built a farm office where he now keeps all farm records. He plans to buy a tractor-drawn harvester that will enable him to harvest and bag his crop in just two weeks instead of two months.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

WHAT WE DO

We promote the large-scale adoption of business models that are both profitable and good for the environment and social development. Our projects address the market barriers that keep the private sector from adopting those models.

We focus on three areas: addressing climate change, leveraging labor and social capital, and preventing biodiversity loss.

In FY09, our expenditures in the Environmental and Social Sustainability business line totaled $16 million, and we were active in 44 countries. Our activities included 41 projects in IDA countries and 12 in fragile and conflict-affected countries. About 16 percent of our expenditures were in IDA countries and 5 percent in conflict-affected countries.

ADDRESSING CLIMATE CHANGE

IFC advises clients on improving their industrial processes and reducing consumption of energy, water, and raw materials. IFC also promotes the development of markets for sustainable energy, working with companies and business associations, raising the awareness of the public, and addressing technical and financial challenges to expanding renewable energy and improving energy efficiency. We also support investors in their efforts to adopt low-carbon portfolio strategies by developing investment tools and products that help mitigate climate change.

LEVERAGING LABOR AND SOCIAL ASSETS

IFC works with partners to improve businesses' compliance with labor standards, benefiting their employees and strengthening their competitiveness. IFC also provides women entrepreneurs more opportunities to grow their businesses by improving their access to finance and the market regulations in which they operate. Moreover, IFC supports investors that want to devise a strategy to maximize their social returns, such as gender equality, alongside their financial returns.

REDUCING BIODIVERSITY LOSS

To make markets work for preservation of habitats, IFC supports the development and deployment of environmental standards. Businesses benefit by gaining access to markets, more efficient use of resources, greater security of supply, and increased brand value. Developing opportunities for businesses to reduce biodiversity loss in agriculture and forestry is core to IFC's engagement. We also promote new investment instruments that support biodiversity protection, such as bonds for sustainable forestry and new products for environmental services.

HOW WE DO IT

We offer a unique platform to move markets toward sustainability, and we take an approach that builds on our strengths. This includes IFC's expertise, network, and convening power in emerging markets, which can benefit from the promotion of sustainability through Advisory Services. We develop partnerships with clients to work beyond a single financial transaction and collaborate on strategy and operations with organizations that have the expertise and reach to complement ours. We create long-lasting partnerships with donors to increase our impact. Alongside our advice, we provide financing for clients testing new business models for sustainability.

DEVELOPMENT RESULTS

PRODUCT	TIME FRAME	RESULTS
Competitiveness through Labor Standards	FY09	**In Cambodia, an IFC-ILO project helped improve the labor conditions for more than 99,000 workers in the country's apparel industry.**
Eco-Standards and Sustainable Supply Chains	FY09	**A toolkit was made publicly available to stakeholders on best practice for biodiversity offsets as compensation for unavoidable damage to biodiversity.**
Instruments for Sustainable Investing	FY09	**IFC supported the creation of the S&P ESG India Index (benchmarked to the S&P CNX Nifty), which lists 50 companies that demonstrate a high level of commitment to meeting environmental, social, and governance standards.**
Cleaner Production	FY09	**Cleaner production assessments resulted in $10 million in investments in energy-efficient technologies to reduce greenhouse gases.**

significant impact

VIETNAM

Labor and Businesses Cooperate for Competitiveness

Better Work Vietnam is helping Vietnamese enterprises become more competitive by improving working conditions and labor/management relations, and initiating collaboration between buyers and suppliers.

Launched in 2008, the initiative is expected to improve conditions for some 150,000 workers over two years, and eventually up to 700,000 workers by the end of its fifth year. Implemented by IFC and the International Labor Organization, it combines independent enterprise assessments with advisory and training services for businesses to support practical improvements through workplace cooperation.

Better Work Vietnam uses transparent reporting to promote accountability and measure progress over time. Factories can use the project reporting to demonstrate performance improvement and remediation plans to international buyers and reduce buyer audits, thereby freeing up valuable resources. The project includes training opportunities for workers and supervisors.

IFC and ILO hosted a first meeting of the Vietnam Buyers' Forum in October 2008, during which the International Buyer Principles of Engagement were drafted. Eleven of 17 international brands expressing strong commitment to Better Work Vietnam have already signed on, including Abercrombie & Fitch, Gap Inc., H&M, Jones Apparel Group, Wal-Mart, and Levi Strauss & Co.

the IFC ADVANTAGE

IFC provides global knowledge and related capabilities—including technical, market, and industry knowledge; leadership in environmental and social standard-setting and corporate governance; and assistance in improving the investment climate.

INFRASTRUCTURE ADVICE

WHAT WE DO

IFC advises governments on private sector participation in infrastructure and other public services. Our advice helps generate investment opportunities that result in long-term economic growth and better living standards for our client countries.

Our advice in infrastructure balances the needs of investors with public-policy considerations and the needs of the community, while also supporting broader access to public infrastructure and services, including health and education.

Our product areas include:

ADVISORY MANDATES

Our most established advisory activity in infrastructure is our assistance to governments in structuring and implementing public-private partnerships. Focused on frontier countries, our efforts aim to expand access to public services in areas such as power, water, sanitation, transport, health, and education. Through such partnerships, governments benefit from private sector expertise, management, and finance to improve services.

ASSISTANCE FOR PRIVATE OPERATORS

We also provide advice to private entities in areas such as training, capacity building, and initial feasibility and technical studies. This includes the Africa Schools program, which provides advice and financing to 500 private schools in 10 African countries, thus expanding access to education for 100,000 students.

SUPPORT FOR EXTENDING ACCESS

Aimed at improving access to better infrastructure services, this integrated solution combines Advisory Services to governments with capacity building for private sponsors. It includes advice to small-scale infrastructure providers and projects involving performance-based grants.

IFC also provides advice for upstream work such as sector initiatives, market and feasibility studies, and capacity building.

In FY09, our expenditures in the infrastructure advisory business line totaled $165.8 million, and we were active in 49 countries. Our activities included 46 projects in IDA countries and 16 projects in fragile and conflict-affected countries. About 27 percent of our expenditures were in IDA countries and 18 percent in fragile and conflict-afflicted countries.

HOW WE DO IT

IFC's record of success and our reputation for objectivity and transparency have made us the leading multilateral advisor in the field. During FY09, we signed two innovative transactions involving air transport in Bhutan and management of agricultural silos in India.

Our advisory work in Albania led to the concession of the first major hydropower plant construction in the country in 30 years and the privatization of its distribution company. Our third transaction in rural power in the Philippines concluded with a new power-supply agreement that will result in 185,000 people gaining access to electricity for the first time.

FY09 PROJECT EXPENDITURES

DEVELOPMENT RESULTS

PRODUCT	TIME FRAME	RESULTS
Advisory Mandates	FY08–FY09	**Projects producing successful public tenders in which private operators were selected are expected to provide 5.6 million people with improved access to services, help produce $670 million in fiscal benefits for governments, and enable $1.5 billion in investment.**

significant impact

ALBANIA

Public-Private Partnerships Turn on More Lights

More than 3.4 million Albanians—many of whom have suffered severe power shortages for decades—will soon enjoy improved, reliable, and fairly priced electricity service thanks to IFC assistance that has enabled the government to increase private sector participation in the country's energy sector.

As lead advisor to the government, IFC, in close cooperation with the World Bank, helped Albania achieve in a few years more than the country had been able to accomplish in two decades: enact a new concession law, establish a special unit in the Ministry of Economy, Trade, and Energy to work with the private sector, implement a pilot program for a private company to build and operate the Ashta hydroelectric plant, and privatize retail electricity distribution.

In September 2008, the Albanian government signed a concession agreement with Austria's Verbund for the Ashta plant, which will have the capacity to serve 100,000 households. The plant will use innovative technology that minimizes environmental impact. The project will bring about €166 million in foreign direct investment into the country and generate electricity import savings estimated at more than €35 million.

IFC also advised the government on privatizing the National Electricity Distribution Company. A World Bank partial risk guarantee helped enhance investor interest, with CEZ of the Czech Republic selected to take over majority interest (76 percent). The company will substantially improve efficiency and cut electricity losses in half during the first five years of operation, thus reducing energy waste by an average 100,000 gigawatt hours per year, with a major impact on climate change.

IFC's advisory work on infrastructure in Southeast Europe is part of a program jointly funded by the governments of Austria, Italy, the Netherlands, Norway, Switzerland, and the United States. DevCo, a multidonor facility established by IFC and the Department for International Development of the United Kingdom, also financed a portion of the costs.

INVESTMENT CLIMATE

WHAT WE DO

We help governments of developing and transitional countries improve the business environment.

We provide customized advice on how to improve and simplify regulations and encourage and retain investment, helping foster competitive markets, growth, and job creation. During FY09, our expenditures in the investment climate business line totaled $51.3 million and we were active in 69 countries through 214 advisory projects. Our activities included 89 projects in IDA countries and 62 in fragile and conflict-affected countries. Almost 56 percent of our spending was in IDA countries.

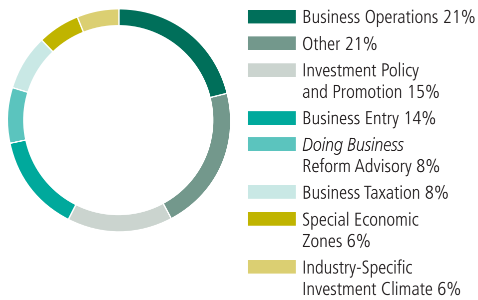
HOW WE DO IT

We provide a platform of investment-climate advice in close collaboration with donor partners. Most of our programs are implemented from the field, and we work closely with our investment colleagues as well as our other World Bank Group partners — the Multilateral Investment Guarantee Agency and other World Bank departments.

We have organized our work around the following core products: simplification of regulatory barriers to business entry, operation, and taxation; facilitation of cross-border trade by helping clients build efficient trade logistics systems and services; rapid response to governments on reforms covered by the *Doing Business* project and benchmarking at the subnational level; alternative dispute resolution; and investment policy and promotion. We support reforms in specific sectors such as agribusiness and tourism, assist clients in establishing sustainable special economic zones, and support platforms for enhanced public-private dialogue. In addition, we are working on a special initiative focused on improving health care in our priority region, Sub-Saharan Africa.

Assistance to client countries focuses on two key areas: designing, catalyzing, and supporting regulatory reforms that support business- and trade-friendly environments; and resolving legal and policy weaknesses while capitalizing on such improvements through targeted investment promotion.

FY09 PROJECT EXPENDITURES



We have expanded and refocused our services in response to the global financial crisis. Amid increased demand, we have strengthened our capacity to provide advice in the areas of tax simplification, trade logistics, and designing and implementing reforms identified as desirable in the *Doing Business* report. We are shifting the focus of our work concerning investment policy and promotion to job retention and investor aftercare. As part of the World Bank Group's response to the crisis, we also are providing assistance to clients seeking to improve their companies' insolvency systems.

DEVELOPMENT RESULTS

PRODUCT	TIME FRAME	RESULTS
Business Taxation	FY08–FY09	**Tax reform in Burkina Faso lowered the corporate income tax rate and the tax rate on dividends, saving firms an estimated $50 million and boosting the country's ranking up 16 places in the 2009 *Doing Business* report.**
Alternative Dispute Resolution	FY08–FY09	**Ten mediation centers were opened in Serbia, FYR Macedonia, and Bosnia and Herzegovina. They successfully mediated more than 2,000 disputes. More than $60 million in previously frozen assets have been unlocked in the three countries.**
Business Entry	FY08–FY09	**In Belarus, simplification of business registration reduced the application processing time from 20 days to one, saving the private sector an estimated $34 million. Our advisory work also led to $53.5 million in IFC investments in manufacturing and services.**
Trade Logistics	FY08–FY09	**In Rwanda, the total time for processing exports was reduced from 60 to 42 days while the total time for processing imports decreased from 95 to 42 days, and import and export licenses were eliminated.**
Doing Business Reform Advisory	FY08–FY09	**Colombia followed its "top reformer" status in the 2009 *Doing Business* report with more reforms in FY09, including simpler regulations for registering new businesses and for transferring property. A new credit information law also expanded information available about potential borrowers.**

significant impact

INVESTMENT CLIMATE

Doing Business: Creating Opportunity with Good Rules

A young entrepreneur in Egypt. An MBA student in Colombia. An economist in South Africa. A government minister in Kazakhstan. An investor in India. Each year, *Doing Business* — a joint publication of the World Bank and IFC — attracts a large audience seeking objective measures of business regulations, enforcement, and reform efforts across global economies.

Doing Business focuses on regulations relevant to the life cycle of a small or medium enterprise in the formal sector of the most populous city in each country. Rankings are based on 10 standardized case scenarios — starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business.

A fundamental premise of *Doing Business* is that economic activity requires good rules. In the context of the financial crisis, business regulations affect how well firms can cope with the economic downturn and capitalize on new opportunities as they arise. Our objective is to encourage regulations that are designed to be efficient, accessible to all, and simple in their implementation.

Doing Business has recorded more than 1,000 business regulation reforms globally since 2004. As it tracks business regulation, it also serves as a catalyst for policy debates and encourages and supports governments in creating conditions that encourage firm and job creation as well as revenue generation. *Doing Business* subnational reports also capture differences in business regulations and their enforcement across cities in a single country or region.

For more information, please visit www.doingbusiness.org.

the IFC ADVANTAGE

IFC helps developing countries improve their investment climate, a critical prerequisite for strong, sustainable private sector growth.

4

their/our story

CHAPTER FOUR:

how we work

IFC's achievements in creating opportunity flow from our commitment to people—to our clients, to our partners, and to the nearly 3,500 men and women who comprise our organization. That is reflected in a corporate culture dedicated to excellence, commitment, integrity, and teamwork and focused on delivering results in a time of rapid change.

We strive for best practice in every aspect of our operations—in our governance, our accountability to stakeholders, and our focus on sustainable development. In keeping with our commitment to go wherever we are needed most, we now have more than half of our staff based in developing countries. Our staff reflects the diversity of the countries we serve. Nearly two thirds of full-time IFC staff members are from developing countries.

We maximize our development impact by working in partnership with a wide array of entities—donor governments, charitable foundations, development finance institutions, and nongovernmental organizations.

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

OUR PEOPLE

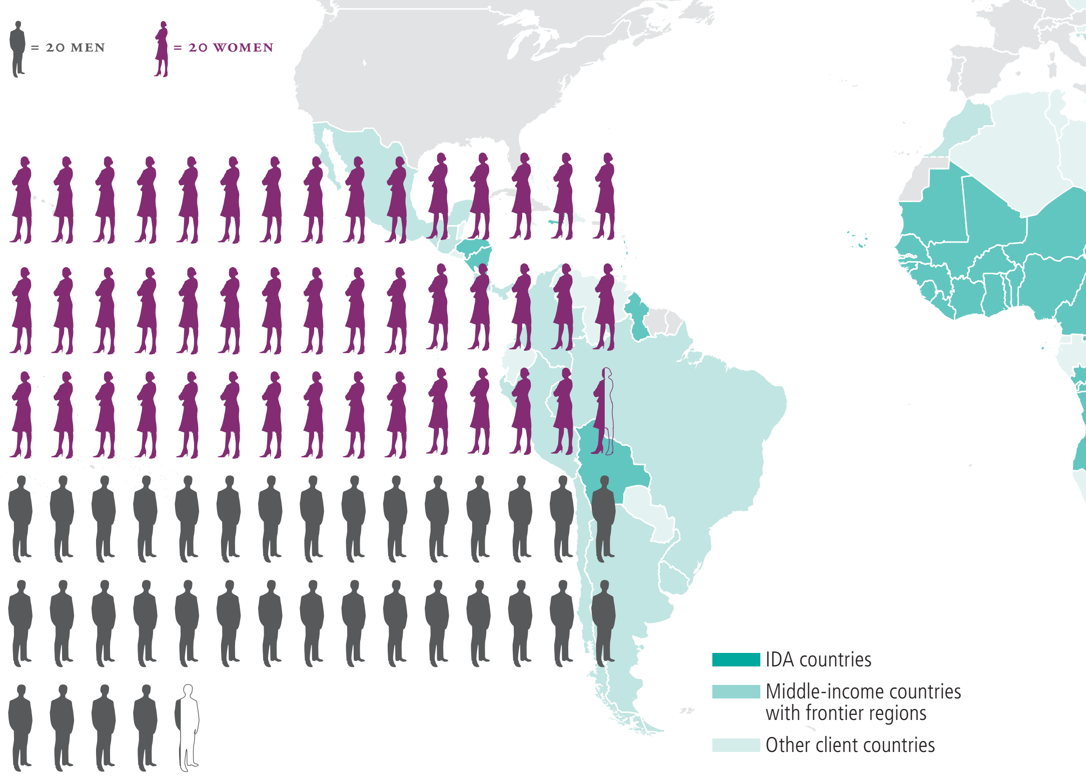
DELIVERING TO CLIENTS IN CHALLENGING TIMES

Throughout the financial crisis, IFC's staff has focused on supporting our clients in a challenging environment and developing products to reduce the economic impact of the crisis on the private sector in developing countries.

Our people are deeply committed to IFC's mission of creating opportunity for people to escape poverty. IFC staff offer clients a powerful combination of global expertise and local know-how that allows us to respond rapidly to changing needs.

HEADQUARTERS STAFF

1,575	TOTAL
891	WOMEN
684	MEN



WHO WE ARE

IFC'S EMPLOYEES ARE BASED IN
102 CITIES
IN
86 COUNTRIES
INCLUDING
41 OF THE POOREST COUNTRIES
(THOSE SERVED BY IDA)

OUR STAFF REPRESENTS
135 COUNTRIES
INCLUDING
53 IDA NATIONALITIES

Today, 54 percent of our staff is based in the field, up from 43 percent in FY04.

We are diverse. Our diversity enriches our perspectives, allows for fresh ideas, and helps us respond more effectively to clients and stakeholders. Employees from developing countries represent 63 percent of all staff and 54 percent of those at officer level and higher.

WHERE WE WORK

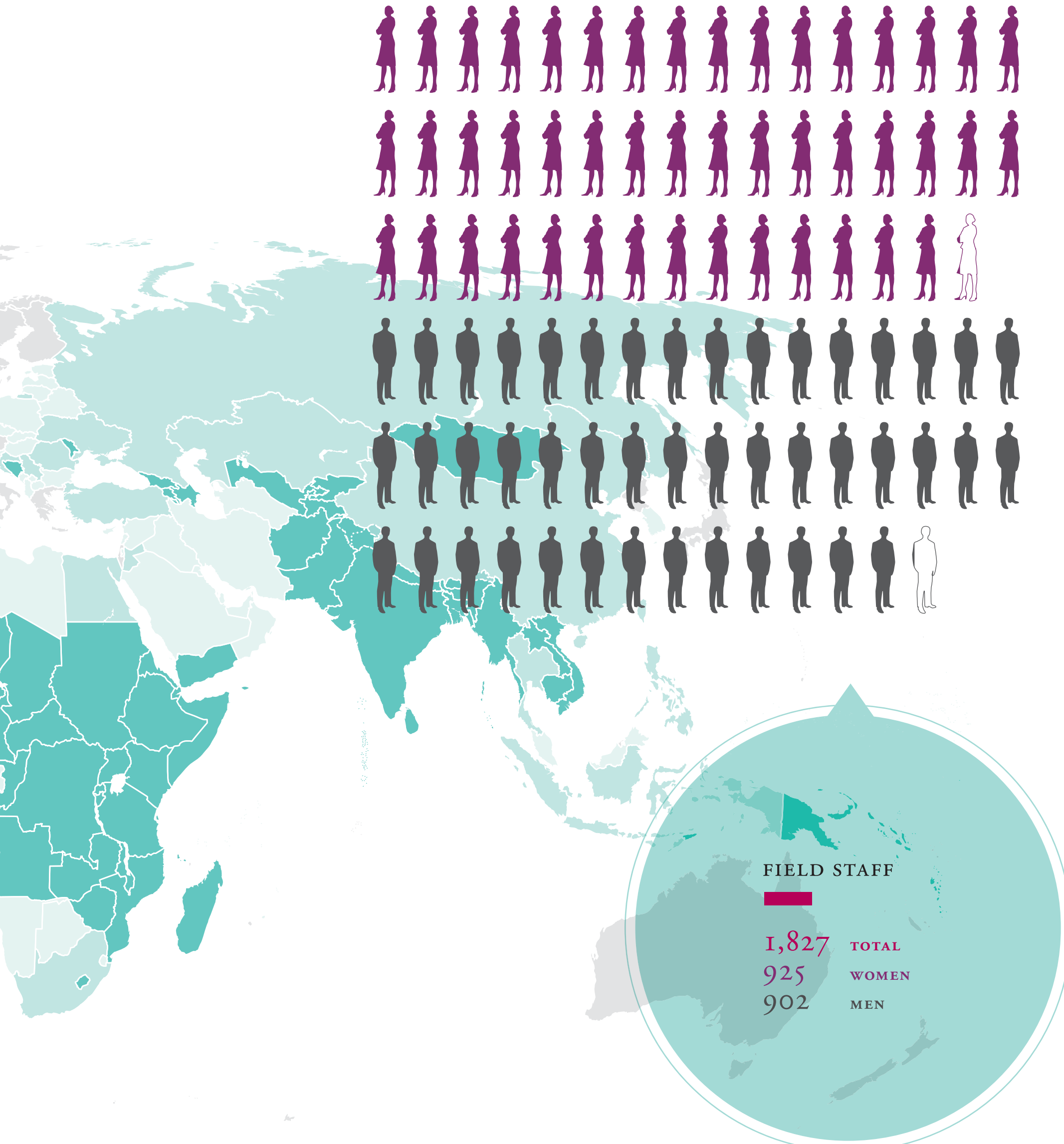
	FY04	FY09
Field Offices	963 (43%)	1,827 (54%)
Washington	1,291 (57%)	1,575 (46%)
Total	2,254	3,402

NATIONAL ORIGINS (FULL-TIME STAFF)

	FY04	FY09
Developed Countries	963 (43%)	1,252 (37%)
Developing Countries	1,291 (57%)	2,150 (63%)
Total	2,254	3,402

NATIONAL ORIGINS (OFFICER LEVEL & UP)

	FY04	FY09
Developed Countries	647 (53%)	919 (46%)
Developing Countries	584 (47%)	1,072 (54%)
Total	1,231	1,991



FOCUS ON PRIORITIES

After a period of high growth in staffing (a 58 percent increase from FY03 to FY08), IFC is now focusing on integrating recently hired staff, strengthening core skills, and providing professional development opportunities globally. Recruitment is targeted toward priority operational areas, including new investment initiatives and support for small and medium enterprises. We are also going deeper into IDA countries, where we now have 663 staff members, or 36 percent of all field-based employees.

To build a cohesive corporate culture across a widely dispersed work force, new employees attend induction training to understand who we are, what we do, and how we work. Ongoing training programs include credit review, core skills, and leadership development. In FY09, course attendance doubled overall. Now, more than 70 percent of corporate-sponsored training is held in the field, and e-learning courses are available on demand anywhere in the world.

In addition, we have introduced infrastructure and tools to more effectively share critical knowledge and best practices across regions. To continue to develop our highly skilled work force, IFC has introduced a global career framework, which provides a corporate approach to career management and guides staff toward professional opportunities that contribute to IFC's mandate.

STAFF TRAINING PARTICIPATION FY09

	COMPLETIONS	HOURS
Core Skills	**19,148**	**96,107**
Credit	**685**	**41,178**
Leadership	**690**	**13,564**
Total	**20,523**	**150,848**

GLOBAL PRESENCE — GROWTH IN NUMBER OF IFC FIELD OFFICES

	FY04	FY09
Total IFC Field Offices	**87**	**101**
Offices with IBRD	**41**	**62**
Offices with Advisory and Investment Services	**20**	**60**

GENDER DISTRIBUTION (FULL-TIME STAFF)

	FY04	FY09
Men	**1,121 (50%)**	**1,586 (47%)**
Women	**1,133 (50%)**	**1,816 (53%)**
Total	**2,254**	**3,402**

GENDER DISTRIBUTION (OFFICER LEVEL & UP)

	FY04	FY09
Men	**844 (69%)**	**1,211 (61%)**
Women	**387 (31%)**	**780 (39%)**
Total	**1,231**	**1,991**

BENEFITS PROGRAMS

IFC provides a competitive package of benefits, including medical insurance and a retirement plan. Washington-based employees are covered by Aetna, contracted through an open procurement process. Other staff members are covered by La Garantie Médicale et Chirurgicale, an international health care provider. Medical insurance costs are shared—75 percent is paid by IFC and 25 percent by the insured.

IFC's pension is part of the World Bank Group plan, based on two benefit components—the first: years of service, salary, and retirement age; the second: a cash savings plan, which includes a mandatory contribution of 5 percent of salary, to which IFC adds 10 percent annually. Legacy pension benefits from earlier World Bank Group pension plans include termination grants and additional cash payouts.

INTEGRATING INVESTMENT AND ADVISORY SERVICES

IFC's Advisory Services operations have significantly increased since FY06. Today, Advisory Services staff represent 34 percent of IFC's work force. Advisory programs have grown in the field, close to our clients, with more than 80 percent of our advisory staff based outside Washington, D.C., and 34 percent in IDA countries. In the most challenging environments, such as IDA countries, post-conflict countries, and frontier regions, demand is often highest for Advisory Services, because markets are not yet developed enough to absorb investment. IFC's combination of investment and advice represents an attractive proposition for our clients. Accordingly, further integration of investment and advisory operations has become a strategic priority.

GOVERNANCE

From left to right: (standing) Toga McIntosh, Sun Vithespongse, Abdulhamid Alkhalifa (Alt.), Dante Contreras, Rudolf Treffers, Eli Whitney Debevoise, Svein Aass, Louis Philippe Ong Seng, Pulok Chatterji, Samy Watson, Merza Hasan, Konstantin Franz Huber, Toru Shikibu, Michel Mordasini, Sid Ahmed Dib, Ambroise Fayolle, José Rojas; (seated) Carolina Renteria Rodriguez, James Hagan, Jiayi Zou, Alexey Kvasov, Susanna Moorehead, Michael Hofmann, Giovanni Majnoni. Not pictured: Abdulrahman Almofadhi.

IFC is an international organization established in 1956. We are part of the World Bank Group, which also includes the International Bank for Reconstruction and Development and the International Development Association (which together constitute the World Bank), the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes. IFC is a legal entity separate and distinct from the other Bank Group institutions, with separate Articles of Agreement, share capital, financial structure, management, and staff. Membership in IFC is open only to member countries of the World Bank. As of June 30, 2009, IFC's entire share capital was held by 182 member countries.

Member countries guide IFC's programs and activities. Each country appoints one governor and one alternate. Corporate powers are vested in the Board of Governors, which delegates most powers to a board of 24 directors. Voting power on issues brought before them is weighted according to the share capital each director represents. The directors meet regularly at World Bank Group headquarters in Washington, D.C., where they review and decide on investments and provide overall strategic guidance to IFC management.

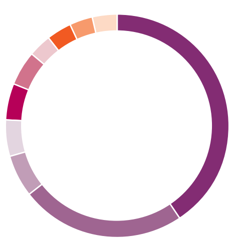
Robert B. Zoellick is President of IFC and the other World Bank Group institutions; he also serves as Chairman of the Boards. Lars H. Thunell is IFC's Executive Vice President and Chief Executive Officer and oversees IFC's overall strategy and operations.

EXECUTIVE DIRECTORS (ALTERNATE)

Svein Aass (Jens Haarlov)
Abdulrahman M. Almofadhi (Abdulhamid Alkhalifa)
Pulok Chatterji (Kazi M. Aminul Islam)
Dante Contreras (Felix Alberto Camarasa)
E. Whitney Debevoise (vacant)
Sid Ahmed Dib (Javed Talat)
Ambroise Fayolle (Frederick Jeske-Schonhoven)
James Hagan (Do-Hyeong Kim)
Merza H. Hasan (Ayman Alkaffas)
Michael Hofmann (Ruediger Von Kleist)
Konstantin Huber (Gino Alzetta)
Alexey Kvasov (Eugene Miagkov)
Giovanni Majnoni (Nuno Mota Pinto)
Toga McIntosh (Hassan Ahmed Taha)
Susanna Moorehead (Stewart James)
Michel Mordasini (Michal Krupinski)
Louis Philippe Ong Seng (Agapito Mendes Dias)
Carolina Renteria (Rogerio Studart)
José A. Rojas (Marta Garcia Jauregui)
Toru Shikibu (Masato Kanda)
Rudolf Treffers (Claudiu Doltu)
Sun Vithespongse (Irfa Ampri)
Samy Watson (Ishmael Lightbourne)
Jiayi Zou (Yang Yingming)

OUR MEMBER COUNTRIES — STRONG SHAREHOLDER SUPPORT

TOTAL SUBSCRIPTIONS BY COUNTRY



STAFF SALARY STRUCTURE (WASHINGTON D.C., AS OF JUNE 30, 2009)*

GRADE	REPRESENTATIVE JOB TITLES	MINIMUM $	MARKET REFERENCE $	MAXIMUM $	STAFF AT GRADE LEVEL (%)	AVERAGE SALARY / GRADE	AVERAGE BENEFITS**
GA	**Office Assistant**	23,760	30,880	40,130	0.1%	33,568	15,696
GB	**Team Assistant, Information Technician**	30,110	39,150	54,810	1.1%	40,251	18,822
GC	**Program Assistant, Information Assistant**	37,670	48,980	68,580	10.7%	51,062	23,876
GD	**Senior Program Assistant, Information Specialist, Budget Assistant**	42,610	55,390	77,550	8.5%	62,416	29,186
GE	**Analyst**	57,040	74,140	103,790	10.0%	72,609	33,952
GF	**Professional**	76,420	99,340	139,080	18.3%	93,442	43,694
GG	**Senior Professional**	102,140	132,790	185,900	30.9%	129,091	60,363
GH	**Manager, Lead Professional**	142,250	184,950	239,000	17.1%	178,244	83,347
GI	**Director, Senior Advisor**	188,000	248,900	282,000	2.9%	232,820	108,866
GJ	**Vice President**	256,760	287,570	322,000	0.4%	287,652	134,506
GK	**Managing Director, Executive Vice President**	282,010	319,810	351,740	0.1%	336,267	126,822

Note: Because World Bank Group (WBG) staff, other than U.S. citizens, usually are not required to pay income taxes on their WBG compensation, the salaries are set on a net-of-tax basis, which is generally equivalent to the after-tax take-home pay of the employees of the comparator organizations and firms from which WBG salaries are derived. Only a relatively small minority of staff will reach the upper third of the salary range.

* These figures do not apply to the U.S. Executive Director and Alternate Executive Director, who are subject to U.S. congressional salary caps.

**Includes annual leave, medical, life and disability insurance; accrued termination benefits; and other nonsalary benefits.

ACCOUNTABILITY

Three independent units oversee IFC and increase our accountability.

COMPENSATION

IFC's compensation guidelines are part of the World Bank Group's framework. The international competitiveness of compensation is essential to our capacity to attract and retain highly qualified, diverse staff in jobs subject to international recruitment. The salary structure of the World Bank Group for staff recruited in Washington is determined with reference to the U.S. market, which historically has been globally competitive. This competitiveness is reviewed every four years. Salaries for staff hired in offices and countries outside the United States are based on local competitiveness, determined by independent local market surveys.

Based on the World Bank Group's status as a multilateral organization, staff salaries are determined on a net-of-tax basis.

EXECUTIVE COMPENSATION

The salary of the President of the World Bank Group is determined by the Board of Directors. The salary structure for IFC's Executive Vice President and CEO is determined by positioning a midpoint between the salary structure of staff at the highest level, as determined annually by independent U.S. compensation market surveys, and the salary of the World Bank Group President. The compensation of our executive leadership is transparent. The President, Robert Zoellick, receives a salary of $441,980 net of taxes; and IFC's Executive Vice President and CEO, Lars Thunell, receives a salary of $347,050 net of taxes. There are no executive incentive compensation packages.

INCENTIVE PROGRAMS

Human resource considerations are an integral part of IFC's strategy and business planning, and the main driver of strategy implementation. Human resource plans play a prominent role in IFC's deliberations throughout the planning cycle, including the use of incentives.

IFC's variable pay and retention programs were suspended this year in response to the change in market conditions and for IFC's own financial prudence. Once the business climate and IFC's financial results have improved, IFC will review the suspensions and also introduce program improvements. Recognition of outstanding work by individuals and teams remains important to IFC and to our high-performance culture.

COMPLIANCE ADVISOR/OMBUDSMAN

The Compliance Advisor/Ombudsman is an independent recourse mechanism for projects financed by IFC and the Multilateral Investment Guarantee Agency reporting directly to the President of the World Bank Group. Its mandate is to help IFC and MIGA address complaints by people affected by projects in a manner that is fair, objective, and constructive, and to enhance the social and environmental outcomes of projects in which these organizations play a role.

The CAO has three distinct roles. As Ombudsman, the office responds to complaints, working to identify the causes of conflict and helping stakeholders resolve concerns through assisted negotiation. In its role to ensure compliance with policies, guidelines, procedures, and systems, the CAO conducts audits of IFC's and MIGA's social and environmental performance, particularly in relation to sensitive projects. CAO audits are independent of, but complementary to, internal assurance efforts.

In its advisory role, the office provides independent advice to the President and management of IFC and MIGA on broader social and environmental issues aimed at improving institutional effectiveness in a systemic way. The CAO does not give project-specific advice. In FY09, CAO advisory work led to a pilot initiative to measure development results at the project level by IFC's Development Effectiveness Unit. IFC's Peru office adopted guidelines on participatory monitoring for its mining portfolio. Currently, the CAO is contributing to IFC's review of the Performance Standards and Disclosure Policy (see page 111).

The CAO has expanded its outreach to IFC staff to increase understanding of its processes and lessons learned, and to civil society and other stakeholders to raise awareness about accountability and recourse at IFC.

During FY09, the CAO responded to 16 eligible complaints about 14 IFC projects in nine countries.

More information on the CAO is available at www.cao-ombudsman.org.

INDEPENDENT EVALUATION GROUP

IFC strives to learn from experience. The Independent Evaluation Group has evaluated IFC operations since 1996. IEG reports to our Board of Directors through the World Bank Group Director-General, Evaluation. Last year, IEG independently evaluated the performance of 62 IFC investment operations and evaluated 58 advisory projects. IEG also produced eight country, sector, thematic, and corporate evaluation reports that identified strengths and weaknesses with our operations and recommended ways to improve our effectiveness. Of particular interest was IEG's timely report on the lessons learned from past financial crises and their relevance to the current global economic crisis.

The latest IEG flagship report, the Independent Evaluation of IFC's Development Effectiveness 2009, focused on IFC's Advisory Services. IEG made several recommendations, including that we develop an overall strategy for Advisory Services for enhanced sustainability and impact, pursue more programmatic interventions, build client commitment through greater cash contributions to projects, and improve performance measurement and knowledge management. IFC and IEG track recommendations to ensure their compliance, and status is reported to IFC's Board of Directors.

Although IEG is independent, it encourages learning through self-evaluation. IEG works closely with IFC staff to ensure that they understand and correctly apply best-practice solutions to improve the development effectiveness of private sector investment and advisory projects.

IEG participates in IFC's training programs in Washington, D.C., and the field to raise awareness of the importance of development effectiveness by sharing evaluation findings and lessons learned. Beginning in FY06, under its new disclosure policy, IEG has disclosed its reports and findings to the public and has expanded its communication activities to reach external stakeholders.

IEG's reports are available at www.ifc.org/IEG.

INTERNAL AUDITING DEPARTMENT

The Internal Auditing Department helps the World Bank Group achieve its mission by providing objective assurance and advice to add value; enhancing risk management, control, and governance; and improving accountability for results. The department conducts its work in all organizational activities (including trust-funded operations) in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

Auditing work primarily focuses on determining whether the Bank Group's risk management, control, and governance processes provide reasonable assurance that significant financial, managerial, and operating information is accurate, reliable, and timely; resources are acquired economically and used efficiently; assets are safeguarded; the organization's actions are in compliance with policies, procedures, contracts, and applicable laws and regulations; and business objectives are achieved.

WORKING RESPONSIBLY

COMMITMENT TO TRANSPARENCY

As a global multilateral finance institution with operations in many regions and sectors, IFC has an impact on a diverse range of stakeholders. We believe that transparency and accountability are fundamental to fulfilling our development mandate and to strengthening public trust in IFC and our clients. IFC makes publicly available information concerning our investments and Advisory Services that enable our clients, partners, and stakeholders to better understand and engage in informed discussion about our activities.

We frequently solicit feedback to identify issues of importance to stakeholder groups. Feedback includes an annual client survey and ongoing engagement with stakeholders, including representatives of civil society, local communities affected by our projects, industry associations, governments, international finance institutions, and academia.

IFC'S DISCLOSURE PORTAL

IFC has developed an innovative, Internet-based Disclosure Portal to serve as a central location for corporate information, policies and standards, proposed investments, and stakeholder feedback. The portal offers the Disclosure Policy in six languages and links to IFC's performance standards and environmental and social impact policies.

In particular, the site links to a project database containing client information, summaries of proposed investments, environmental and social reviews and mitigation measures, and expected development impact. The database has been expanded to include IFC Advisory Services projects. The Disclosure Portal encourages stakeholder feedback, allowing users to ask questions or provide comments about specific projects. IFC attempts to provide an answer to all disclosure inquiries within 30 days, with an average response time of 21 days.

For members of the public who feel that an initial request for information has been unreasonably denied or that our policy has been incorrectly applied, we have established a complaints mechanism. Complaints are reviewed by the Disclosure Policy Advisor, who reports directly to IFC's Executive Vice President and CEO.

Implementation of the Disclosure Portal has given stakeholders greater access to information about IFC's investments, projects, and policies. It has also benefited IFC by allowing the Corporation to maintain an open dialogue with stakeholders and global constituents. IFC's Web disclosure portal was profiled in the *2008 Global Accountability Report* by British nongovernmental organization OneWorld Trust as an example of good practice in corporate transparency. For full information, see www.ifc.org/disclosure.

PROMOTING SUSTAINABILITY

At IFC, we strive to ensure that the way we manage our business is consistent with our corporate sustainability commitment and what we ask of our clients. In FY09, we committed to reducing electricity consumption in our largest office — our headquarters building in Washington, D.C. — by 10 percent over the next five years. Nearly half of our total staff is based in Washington. IFC is also applying for Leadership in Energy and Environmental Design certification for the Washington office.

In FY09, IFC launched an innovative awareness-raising program to share simple ways IFC staff can use resources more efficiently while at work and therefore help reduce the environmental impacts — and costs — of IFC's business operations. Staff volunteers, known as Footprint Champions, connect with employees individually to discuss a variety of specific steps and answer questions. Piloted in IFC's Washington office, the program will be launched in all country offices in FY2010, once lessons learned from the initial effort have been integrated.

IFC's annual Footprint Challenge offers financial awards to IFC staff for implementation of innovative approaches that reduce IFC's environmental footprint and help local communities. Proposals are submitted from all over the world and are judged by a senior staff panel on such merits as viability, ease of replication, and creativity.

In 2009, staff from IFC's Human Resources Department won an award for their proposal to develop an e-learning module on effective Web conferencing in order to decrease travel for meetings. Employees from the Dhaka office won for their initiative to build on a Bangladeshi tradition of traveling drama shows called *jatras* to educate university students on climate change and the role of young people in the climate crisis.

IFC continues to be carbon-neutral for all our global business operations. A newly instituted carbon-data management system allows country offices to track energy use and carbon data in real time, enabling managers to develop reduction strategies locally. Our methodology for calculating IFC's annual greenhouse emissions is detailed in the World Bank Group's Greenhouse Gas Emissions Inventory Management Plan (IMP), which is available at www.ifc.org/footprint.

In 2008, carbon emissions from IFC's global internal business operations totaled 37,454 metric tons of carbon dioxide equivalent. To offset the carbon footprint of our global business operations, IFC purchased carbon credits from the Brazilian Ceramics Manufacturers Fuel-Switching Project. Under the project, small ceramics producers in the north and northeast of Brazil are replacing native wood or fossil fuel as the fuel they use for their fire kilns with renewable biomass such as açaí pits and rice and coconut husks. The project was developed by the Social Carbon Company, a partnership between emission trading experts CantorCO2e and the developers of the Social Carbon Methodology, founders of the Instituto Ecológica of Brazil, a nongovernmental organization specializing in climate-change research and mitigation through projects for conservation, environmental preservation, and sustainable development.

The fuel-switching project has both environmental and social impacts. It helps to reduce deforestation in the Amazon, benefits the actors involved with the projects, and provides support for small ceramics producers through the sale of carbon offsets and assistance with biomass sourcing and handling, and adjustments in equipment and manufacturing processes. Voluntary Carbon Units are issued under the Voluntary Carbon Standard and registered with Markit Environmental Registry, which is a financial market infrastructure platform for environmental commodities.

how we work

CAIRO

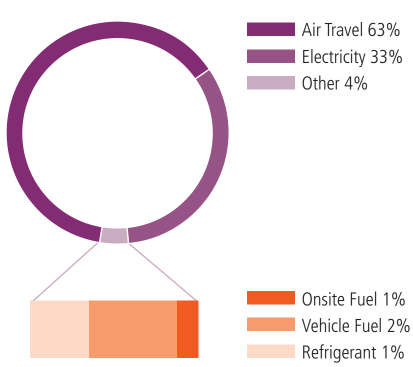
Recycled Paper Never Looked So Good

Beautiful note cards, fancy gift bags, unique stationery—this is the second life of the used paper from the IFC Cairo office. The office has partnered with the Association for the Protection of the Environment, a nongovernmental organization that works with a group of 250 young women who recycle the paper into handicrafts and sell them at markets and shops—entrepreneurship and environmentalism at its best.

The Cairo office also recently helped launch a paper waste collection that includes all the tenant firms in the office towers. The waste is donated to Resala, a nonprofit that manages projects to help those in need in Egypt and promotes volunteerism. Resala sells the wastepaper to generate income to fund its projects.

IFC's offices for the Middle East and North Africa were the first to take a regional approach to reducing their environmental footprint. Initiatives have included installing energy efficient water faucets that will help reduce water consumption significantly, replacing disposable items with china and glass for meetings in all regional offices, and raising awareness among staff about how to reduce their footprint at home through the distribution of reusable bags and a guide on how to be "greener" at home.

FY08 CARBON EMISSIONS INVENTORY FOR IFC'S GLOBAL INTERNAL BUSINESS OPERATIONS



The total emissions — including carbon dioxide, methane, and nitrous oxide — are expressed in metric tons of carbon dioxide equivalent (tCO_2e).

Note: For full information on our footprint activities, including the IMP and IFC's FY09 carbon emissions inventory (once completed), please visit www.ifc.org/footprint.

IFC'S APPROACH TO SUSTAINABILITY

IFC's approach to sustainability is founded on the belief that sound economic growth, driven by private sector development, is crucial to poverty reduction. In our investments, operations, and Advisory Services across the globe, we consider four dimensions of sustainability—financial, economic, environmental, and social:

—The financial sustainability of IFC and our clients ensures that together we can make a long-term contribution to development.

—The economic sustainability of the projects and companies IFC finances means they are contributing to host economies.

—Environmental sustainability in our clients' operations and supply chains helps protect and conserve natural resources, mitigate the environmental impact of our work, and address the global imperative of climate change.

—Social sustainability is supported through improved living and working standards, poverty reduction, concern for the welfare of communities, and respect for key human rights.

IFC is committed to ensuring that the benefits of economic development are shared with those who are poor or vulnerable, and that development takes place in an environmentally sustainable manner. We also see sustainability as an opportunity to transform markets, drive innovation in new areas, and add value to our clients by helping them improve their business performance.

TAKING RISKS—AND MANAGING THEM

The current financial crisis has highlighted the critical importance of ensuring proactive risk-management practices. In light of the enhanced financial risk, IFC is focusing more on portfolio and risk management while playing a countercyclical role in support of the private sector in our client countries. This strengthened approach during a period of financial uncertainty allows IFC to take smarter risks when markets have become more challenging. In an ongoing effort to reach out to our clients, we continue to grow and decentralize our risk-management functions, with more of our operations and risk controls moving closer to our clients.

IFC is managing risks to protect our capacity to lend to and invest in both IDA country borrowers and those in middle-income countries who are returning to IFC because private lenders are pulling back from riskier markets. Details of our risk enterprise management focus areas are discussed in the Management's Discussion and Analysis, online at: www.ifc.org/annualreport.

IFC has been calculating an environmental and social risk rating for its investments since 2000. We rate investments that have some degree of risk, as reflected by their environmental and social categorization as A, B, or FI. The rating is given and updated, usually once a year, by our environmental and social specialists, based on reports provided by clients and site visits. The frequency of visits depends on an investment's risk rating and its performance against agreed action-plan items.

To further strengthen IFC's environmental and social risk management, during the year we focused on reducing the environmental and social "knowledge gap" in IFC's portfolio. The gap refers to the percentage of companies in IFC's portfolio for which we have not received updated information on environmental and social performance within the last two years. The knowledge gap was reduced from 12.5 percent in FY08 to 6.4 percent in FY09.

IFC AND ANTICORRUPTION

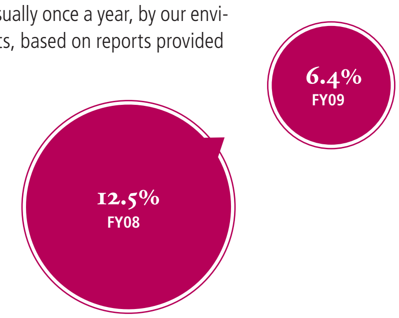
Corruption is among the greatest obstacles to economic and social development. Its effects are especially severe on the poor, who are hardest hit by economic decline, most reliant on the provision of public services, and least capable of paying the extra costs associated with bribery, fraud, and other forms of corruption. Corruption also significantly adds to the cost of doing business in many developing countries.

Countering corruption is therefore aligned with IFC's mission to promote sustainable private sector investment in developing countries, thus helping to reduce poverty and improve people's lives. Several types of IFC engagements—for example, those that enhance openness and competition and promote better corporate governance systems—can be effective tools in combating corruption.

IFC's Investment Guidelines and Practices contain processes and procedures aimed at mitigating the risk of corruption in our projects. IFC's due diligence aims to ensure the integrity of our potential partners and prevent unethical or illegal practices such as fraud and corruption in our projects. We make careful inquiries into the background and integrity of potential partners and their stakeholders—including sponsors, management, and shareholders or owners, relying on intelligence on the ground as well as on other sources such as publicly available databases.

IFC's anticorruption stance is incorporated into the legal documentation governing our investments. Acts of fraud or corruption by a client in an IFC project give IFC the right to cancel disbursements or terminate a facility. Sanctions are also a possibility for persons or entities found—under the World Bank Group's sanctions process—to have engaged in corrupt, fraudulent, coercive, collusive, or obstructive practices in connection with an IFC project. Sanctions include publication of the person's name on a public Web site and may include debarment (ineligibility to participate in World Bank Group financing).

ENVIRONMENTAL AND SOCIAL "KNOWLEDGE GAP" IN IFC'S PORTFOLIO



their/our story

BANGLADESH

IFC Helps Empower Women Through Jobs

Nasima Khatun (pictured at right) has become a believer—in her own ability to work, earn a living, and contribute significantly to her family's well-being.

The 30-year-old mother of two started at PRAN Group, the leading agro-processing company in Bangladesh, as a day laborer eight years ago. With hard work, she was hired full-time and worked her way up to the position of line supervisor in the tomato-processing division at PRAN's plant in Natore, 250 kilometers northwest of Dhaka.

IFC is providing a $15 million loan to PRAN Group to help the company modernize and expand support to local suppliers and small farmers while creating additional jobs.

"Before working here, I did not know that women too could work and earn a living," Khatun says. "I have now become smarter and have learnt a lot about women's empowerment and about life."

PRAN makes high-quality, low-cost, processed and packaged food readily available to the lower- and middle-income population of Bangladesh and other countries. PRAN Group is one of the most popular and recognizable brands in the country, with products in six categories: snacks, confectionery, juices and other beverages, condiments, dairy products, and premium rice.

Khatun's family is enjoying the rewards of her diligence. Her younger sister was able to stay in school and eventually also get a job at PRAN, where Khatun's husband, other sister, and brother-in-law now work as well. Khatun's aging father no longer needs to pull a rickshaw to contribute to the family income, and his health care needs are being met. The nine-member family was able to move out of a temporary dwelling into a proper brick house.

Despite Bangladesh's increasingly urban population, processed and packaged food is not easily available to a large part of the population. Local food processors are scarce, which means perishable agricultural products are wasted and opportunities to create jobs are lost. The IFC investment in PRAN is its first in Bangladesh's strategically and economically important agribusiness sector.

PERFORMANCE STANDARDS

IFC's Environmental and Social Performance Standards, adopted in 2006, are more business-friendly than the previous policies, in that they set clear requirements and goals rather than prescribe "to do" lists. The standards now include comprehensive labor considerations and requirements ensuring the safety of communities. Several of these requirements were not explicitly covered under the previous framework.

The new standards were welcomed by the major financial institutions doing project finance and were incorporated into project-finance guidelines known as the Equator Principles (see sidebar at right). In the three years since the new standards were launched, our environmental and social experts and our investment officers, as well as our clients and other stakeholders, such as nongovernmental organizations, have been identifying what works well and what may need to be revised.

At the same time, the context in which the standards are applied has evolved. Climate change and water issues have risen to the top of the international agenda. Businesses have done much work on human rights issues. And most important, the current financial crisis is exacerbating labor issues, such as job cuts. The Performance Standards may therefore need to be updated. IFC will begin conducting consultations with stakeholders in FY10 as part of a review of the standards to be completed the following year. In addition, IFC's Compliance Advisor/Ombudsman is carrying out an independent review of our application of the Performance Standards, focusing on the policy areas with the most direct impact on project-affected communities.

During FY09, over 250 investments approved by IFC's Board applied the Performance Standards as an initial screening. Of these, three in the real sector were deemed to involve potentially significant adverse impacts, and 126 were category B, or had limited impacts, resulting in the in-depth application of some or all of the standards. An additional 38 investments were considered to involve minimal or no impacts. Our 85 investments with financial intermediaries were processed under a new procedure designed to enable IFC to manage environmental and social risk in such operations based on a three-tiered, risk-based approach: exclusion list, national law, and the Performance Standards.

For more information on IFC's Policy and Performance Standards, please visit http://www.ifc.org/ifcext/sustainability.nsf/Content/EnvSocStandards.

CHINA

The Equator Principles and China

China achieved a major breakthrough in "green" banking late last year when one of its leading commercial banks adopted the Equator Principles, a set of voluntary project-financing guidelines based on IFC's social and environmental standards.

IFC client Industrial Bank became the first financial institution in China to adopt the principles, advancing the country's "green banking" campaign to promote innovative products to support energy efficiency for small and medium enterprises. The move confirmed the bank's commitment to sustainability and leadership in corporate social responsibility.

The principles identify standards for financing projects of $10 million or more. Across the globe, 69 financial institutions have adopted the Equator Principles, including 16 in emerging markets. In addition, 32 export credit agencies from the member countries of the Organization for Economic Cooperation and Development and 16 European development finance institutions benchmark their private sector projects against the Equator Principles.

Financial institutions that adhere to the Equator Principles supplement IFC investments in many developing countries. In FY09, 27 such institutions provided 78 percent of new syndications in IFC investments. Each year, IFC holds a Community of Learning Event for Equator institutions, export credit agencies, and other bilateral and multilateral financial institutions.

Industrial Bank's adoption of the principles lends support to China's Green Credit Policy, which helps improve compliance with the country's environmental regulations by restricting companies' access to commercial credit if they bypass mandatory environmental assessments or fail pollution checks. IFC is working with the Chinese government and banks to introduce good environmental and social standards and practices, and to support sustainability in China's financial sector.

PRODUCT LINES

LOANS

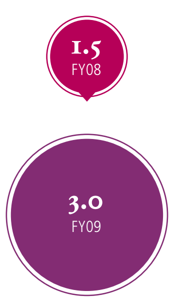
IFC finances projects and companies through loans for our own account, generally for seven to 12 years, although some loans have been extended with tenors as long as 20 years. We also make loans to intermediary banks, leasing companies, and other financial institutions for on-lending, particularly to smaller businesses.

While IFC loans have traditionally been made in the currencies of major industrial nations, IFC has made it a high priority to structure local currency products. At the end of FY09, IFC's disbursed loan portfolio included loans denominated in local currencies such as Brazilian reais, Chinese renminbi, Indian rupees, Indonesian rupiah, Mexican pesos, Russian rubles, and South African rand.

In FY09, we made commitments for $5.96 billion in new loans. Loans comprised 75 percent of the disbursed investment portfolio as of June 30, 2009.

GLOBAL TRADE

IFC'S GLOBAL TRADE FINANCE PROGRAM ($ BILLIONS EQUIVALENT)



EQUITY INVESTMENTS

Equity investments provide both developmental support and long-term capital that entrepreneurs and private enterprises most need. These investments also provide opportunities to support reforms, particularly in corporate governance, and enhance social responsibility.

We risk our capital by buying shares in companies as well as through private equity funds. This is an important part of our portfolio, and totaled $8.5 billion at the end of FY09 (measured at fair value).

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

Equity investments accounted for 18 percent of IFC's disbursed investment portfolio.

SYNDICATIONS

IFC's "B loan" program, the oldest syndicated lending program among multilateral development banks, is an important tool for mobilizing capital to serve development needs. Since its establishment in 1957, the program has mobilized over $32 billion from more than 560 financial institutions for projects in more than 100 countries. In FY09, IFC mobilized $2.2 billion through B loans ($1.86 billion) and parallel loans ($374.4 million) for our clients. As of June 30, 2009, IFC's committed syndicated loan portfolio totaled about $8 billion. In addition, IFC syndicates parallel loans.

NEW INITIATIVES

In FY09, IFC launched a series of initiatives to respond to the global financial crisis, focusing on improving access to liquidity for trade, infrastructure, and microfinance. In addition, these initiatives aim to improve solvency for financial and real-sector clients. To expand IFC's impact, the initiatives include specific focus on resource mobilization from IFC partners — including governments, regional development banks, and the private sector. Through these initiatives, IFC mobilized $1.56 billion from its partner countries and regional development banks.

STRUCTURED AND SECURITIZED FINANCE

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

Through structured and securitized products, IFC mobilized a total of $169 million for clients in FY09.

TRADE FINANCE

The IFC Global Trade Finance Program guarantees trade-related payment obligations of approved financial institutions in emerging markets. The program extends and complements the capacity of banks to deliver trade finance by providing risk mitigation on a per-transaction basis for 154 banks across more than 70 countries — including Bolivia, Burkina Faso, Georgia, Mali, Paraguay, Rwanda, Sierra Leone, and the West Bank and Gaza. In December 2008, the program's ceiling was raised to $3 billion from $1.5 billion as part of IFC's crisis-response program.

Since the trade program began in 2005, IFC has issued over 3,200 guarantees totaling $4.8 billion. In FY09, IFC issued over 1,800 guarantees totaling $2.4 billion. Over 70 percent of the guarantees supported trade with small and medium businesses. During FY09, more than 50 percent of the volume of guarantees issued was for IDA countries. Approximately 35 percent of the volume of guarantees issued supported the agricultural sector, a strategically important sector for IFC.

In FY09, IFC's overall trade finance product line also expanded to include the Global Trade Liquidity Program. GTLP, a crisis-response initiative, provides funded trade finance support to global and regional banks. In FY09, IFC committed a total of $500 million in GTLP for its own account.

IFC also offers support for client banks through training and Advisory Services. Since June 2006, more than 1,425 bankers, importers, and exporters from over 50 countries have benefited from 68 trade-related training courses and on-site Advisory Services. In FY09, training courses were held in the Democratic Republic of Congo, Jordan, Kenya, Mongolia, Nigeria, Vietnam, and Zambia.

TREASURY SERVICES

IFC funds lending by issuing bonds in international capital markets. We are often the first multilateral institution to issue bonds in the local currencies of emerging markets. Most of IFC's lending is denominated in U.S. dollars, but we borrow in a variety of currencies to diversify access to funding, reduce borrowing costs, and help develop local capital markets.

IFC's borrowings have continued to keep pace with our lending. New borrowings in the international markets totaled $9.1 billion equivalent in FY09.

LIQUIDITY MANAGEMENT

Liquid assets on IFC's balance sheet totaled $17.9 billion on June 30, 2009, compared with $14.6 billion a year earlier. Most liquid assets are held in U.S. dollars, although IFC also holds small amounts in euros and yen. The level of these assets is determined with a view to ensure sufficient resources to meet commitments even during times of market stress.

the IFC ADVANTAGE

IFC provides long-term finance to the private sector—both debt and equity, which is what businesses will need to grow as current debts come due.

PORTFOLIO MANAGEMENT

Portfolio management plays a key role in ensuring that IFC investments result in successful, environmentally sustainable private sector enterprises. In the current uncertain economic environment, the role of portfolio management is even more important. Since the current crisis began, IFC portfolio staffers have worked proactively with client companies to assess vulnerabilities and risk exposures both for clients and for IFC. Additional resources have been allocated to portfolio processes, and more staff members have been active in portfolio work. We have conducted portfolio stress testing and have continued to review and adjust our product mix to maximize development impact as well as financial returns.

On an ongoing basis, IFC monitors compliance with investment agreements, visits sites to check on project status, and helps identify solutions to address potential problem projects. We also track the development outcomes of projects with respect to environmental and social performance. These supervision processes are performed by portfolio units largely based in field offices. IFC management oversees supervision by reviewing the entire investment portfolio on a quarterly basis. The portfolio management process is supported by a credit risk-rating system. Banks participating in IFC loans are kept regularly informed of project developments. IFC consults or seeks their consent as appropriate.

When financial difficulties arise, management determines specific reserves against loan losses on the basis of portfolio reviews and recommendations by portfolio management units and in accordance with policies and methods approved by IFC's external auditors. For projects with severe problems, the Special Operations Department determines the appropriate remedial actions. It seeks to negotiate agreements with all creditors and shareholders to share the burden of restructuring so problems can be worked out while the project continues to operate. In exceptional cases, when the parties reach an impasse, IFC takes all necessary and appropriate measures to protect our interests.

Investments are required to comply with IFC's Performance Standards, which are among the strongest and most comprehensive environmental and social risk-management frameworks for financial institutions. IFC monitors the related performance and risks of investments, and where problems occur, specialists help clients find solutions and mitigate impacts on the environment and affected communities. Development results are monitored through IFC's Development Outcome Tracking System, a leading system in the development business.

CAPITAL ADEQUACY AND FINANCIAL CAPACITY

We assess our capital adequacy by measuring our growth needs and the risk profile of current and projected investments against the established minimum capital adequacy for these needs.

The minimum capital requirement is determined using IFC's Capital, Pricing, and Risk (CAPRI) economic capital approach, which differentiates assets based on statistical measures of risk. According to CAPRI, IFC needs to maintain a minimum level of total available resources (including paid-in capital, retained earnings net of designations and certain unrealized gains, and total loan loss reserves) equal to total potential losses for all on- and off-balance-sheet exposures estimated at levels IFC believes to be consistent with maintaining a triple-A rating.

Our economic capital-based method of calculating capital adequacy, taking into account our unique mandate of private sector development and our countercyclical nature, is in line with industry best practices and is configured to provide adequate capital backing for a triple-A rating. Even with the more demanding capital adequacy that a triple-A rating requires, we have historically exceeded our minimum capital requirements by a wide margin.

As of the end of FY09, the minimum resources required were $10.9 billion, while total resources available were $14.8 billion. IFC's leverage ratio was 2.1 to 1, well within the limit of 4 to 1 prescribed by our financial policies.

IFC's paid-in capital, retained earnings net of designations and certain unrealized gains, and total loan-loss reserves constitute our total resources available. This financial capacity serves to support existing business, accommodate medium-term growth opportunities and strategic plans, and provide a buffer to withstand shocks or crises in some client countries or more general global market downturns, while retaining the capacity to preserve our triple-A rating and play a countercyclical role.

IFC's success in fostering private sector development reflects our many innovative partnerships with governments, foundations, and civil society.

IFC maximizes results by collaborating with others who share our objectives. Collaboration helps us achieve what we could not do on our own. It allows us to pool our resources and capitalize on the competitive advantages of each of our partners. It lets us share knowledge and helps improve the design and implementation of programs.

In FY09, we teamed up with a range of partners to tackle the highest-priority challenges on the development agenda—including the food crisis, climate change, and aid to fragile and conflict-affected countries.

FINANCIAL COMMITMENTS TO IFC ADVISORY SERVICES ($ MILLIONS EQUIVALENT)

DONORS	FY08	FY09
Governments	164.53	185.81
Institutional / Multilateral Partners	33.82	64.52
Private Partners / Foundations	12.37	0.71
Total	210.72	251.04

the IFC ADVANTAGE

IFC is a powerful mobilizer of third-party capital, not only through its syndicated loan program and structured finance but also through newer areas such as the crisis-response initiatives and IFC Asset Management Company.

FINANCIAL COMMITMENTS TO IFC ADVISORY SERVICES BY INSTITUTIONAL AND PRIVATE DONORS ($ MILLIONS EQUIVALENT)

DONORS	FY08	FY09
African Development Bank	0.53	0.00
Caribbean Development Bank	0.00	0.40
European Commission	15.23	31.13
Gain Foundation	1.0	0.00
Gates Foundation	3.30	0.00
GEF	16.00	32.94
IDA	1.00	0.00
Inter-American Development Bank	1.01	0.00
Islamic Development Bank	0.00	0.04
UN Agencies	0.05	0.02
Other Private Donors	8.07	0.71
Total	46.19	65.23

FINANCIAL COMMITMENTS TO IFC ADVISORY SERVICES BY COUNTRY ($ MILLIONS EQUIVALENT)*

GOVERNMENTS	FY08	FY09
Australia	3.27	5.58
Austria	15.75	16.46
Belgium	1.47	0.00
Canada	2.16	17.66
Denmark	2.92	5.34
Finland	10.86	2.28
France	0.03	3.25
Germany	0.00	1.39
Iceland	0.55	0.00
Ireland	4.41	7.94
Italy	0.51	0.74
Japan	2.93	2.62
Luxembourg	1.93	1.90
Netherlands	22.68	44.75
New Zealand	1.23	4.00
Norway	10.28	15.44
Portugal	0.00	0.70
South Africa	0.62	0.00
Spain	1.47	6.79
Sweden	5.59	1.28
Switzerland	12.11	27.13
United Kingdom	57.55	19.24
United States	6.20	1.34
Total	164.53	185.81

*Unaudited figures

PARTNERSHIPS— MAXIMIZING OUR IMPACT

IFC strives to obtain the best development outcomes by working in partnership with a wide array of entities—donor governments, charitable foundations, international organizations, and nongovernmental organizations.

IFC's many partnerships extend our influence on private sector development, and working together also strengthens our partners' prospects for success in emerging markets. We make it clear to partners how their funds—and ours—are being invested, and we place a priority on tracking and learning from the development results of our engagements. Governments, foundations, and other donors and partners recognize the contribution that IFC makes to their own efforts—and the amount of collaborative work we do has increased as a result.

PARTNERSHIPS

how we work

IFC's Role in the Aid Architecture

The World Bank estimates that the international financing needs of developing countries total about $959 billion for 2009, including current account balances and maturing debt. In recent years, most of the financing came from the private sector.

But private capital flows to emerging markets have declined sharply as a result of the global crisis. In response, several private-sector-oriented multilateral development banks are planning increases in financing volume. For example, the European Bank for Reconstruction and Development plans to increase its business volume by 20 percent to €7 billion ($9.9 billion). Several MDBs are also considering capital increases to strengthen their ability to provide financing.

IFC is the premier multilateral bank focused on the private sector, accounting for about 30 percent of the financing committed by international financial institutions. We regularly work in partnership with other IFIs, many of which look to IFC's expertise to help develop their private sector business in both investment and Advisory Services. As demand grows for private sector financing, we are uniquely positioned to build on our global leadership role.

IFC is a global leader in such areas as environmental and social standards, investment climate work, corporate governance, supply-chain linkages, and privatization. We have a critical mass of activity, a track record of innovation, and economies of scale surpassing those of other institutions. Our emphasis on measuring development-effectiveness results also sets us apart.

WORKING WITH THE DONOR COMMUNITY

In a year of unprecedented challenges, IFC continued building strong partnerships with the donor community, enabling us to expand and enhance our Advisory Services worldwide. Our donor partners provided additional support to help us respond rapidly to the global financial crisis and focus on our key development priorities—conflict-affected states, health, education, energy, and climate change.

In FY09, our donor partners helped finance the expansion of IFC's advisory operations, making a record $251 million in new commitments, up from $210 million in FY08. The increase was mainly due to renewal and expansion of several regional and global programs and the start-up of new Advisory Services programs.

The IFC donor community currently consists of 32 donor governments and a number of multilateral, institutional, and private donors. IFC's major donor partners during FY09 were Australia, Austria, Canada, the European Commission, the Global Environment Facility, Ireland, the Netherlands, Norway, Switzerland, and the United Kingdom. We welcomed the return of Portugal as an active donor with its contribution to the Lusophone Advisory Services Trust Fund, which will support Portuguese-speaking countries.

In response to the crisis, we launched our Advisory Services crisis-response initiative, which is expected to raise up to $40 million over three years. To date, Austria, Luxembourg, and the Netherlands have provided financial support for the initiative.

To address the issues of the environment, sustainable energy, and climate change, we have joined forces with Austria, Canada, Denmark, Japan, Luxembourg, the Netherlands, Norway, the United Kingdom, and other partners. The Netherlands added a $20.3 million funding mechanism to support renewable energy projects in IDA countries, especially in Africa, over four years.

Another strategic priority of IFC is frontier markets, which include many nations affected by conflict. In FY09, IFC launched a multidonor $25 million, five-year program for private sector development in Conflict-Affected States in Africa. Ireland, the Netherlands, Norway, and other donors supported this initiative (see page 43).

During the year, IFC developed the Global Index Insurance Facility, an innovative way to expand access to insurance against earthquakes, floods, droughts, and hurricanes in developing countries, particularly for farmers. The European Commission and the Netherlands were the first donors to the facility.

In FY09, IFC worked with donors in sharing approaches and methodologies to measuring results in Advisory Services. Some of the areas of collaboration include the adoption of standard indicators, the development of efficiency measures, and joint project and program evaluations.

the IFC ADVANTAGE

IFC has a strong global brand and convening power, which not only benefits clients but also enables IFC to continue as a leader among private sector multilateral development banks, which look to IFC to help develop their private sector business.

PARTNERSHIPS

how we work

Principles of Partnerships

Through partnerships with donor and host-country governments, other development institutions, philanthropies, and clients, IFC seeks to achieve maximum development impact. These partnerships are especially important in a resource-constrained environment as the world grapples with the fallout from an unprecedented financial and economic crisis.

IFC formulated Key Principles of Partnerships to spell out how we engage with our donor partners and how we ensure that the partnerships are mutually complementary and strengthening:

—IFC and our donor partners pool their respective resources to achieve a common goal of promoting sustainable private sector development in emerging markets.

—IFC and our donor partners create opportunities to share knowledge and views about the strategies and approaches to be adopted in Advisory Services managed by IFC. The opportunities for strategic consultations are multiple, sometimes formalized in agreement, sometimes ad hoc based on ongoing interactions.

—IFC provides our donor partners with regular operational and financial updates that allow the donors to understand how IFC is spending their funding, assess project progress, and provide timely feedback.

—Beneficiaries, as well as other stakeholders in both donor partner and client countries, are interested in the impacts and efficiencies of Advisory Services programs managed by IFC. IFC is therefore enhancing results measurement, knowledge sharing and dissemination, and donor partner visibility.

SUB-SAHARAN AFRICA

Strengthening Private Health Care

People in Sub-Saharan Africa have the worst health, on average, in the world. IFC is introducing innovative approaches to help meet the challenges. We are investing $20 million in the Health in Africa Fund, a private-equity fund designed to increase access to health-related goods and services for underserved Africans, especially the poor.

The fund is an initiative of IFC, the African Development Bank, DEG (the private-sector arm of German development agency KfW), and the Bill & Melinda Gates Foundation. Its initial target size of $100 million is projected to increase to as much as $300 million over five years.

The partners committed $57 million at first closing. The fund will invest in African small and medium enterprises that provide socially responsible health services, such as clinics and laboratories; health-care financing, distribution, and retail enterprises; small pharmaceutical companies; health-related light manufacturing; and medical education. It is part of the IFC-World Bank Health in Africa Initiative, under which we intend to mobilize up to $1 billion in investment and Advisory Services over five years.

The fund was launched following publication of IFC's *2007 Business of Health in Africa* report, which focused on how to improve people's lives by partnering with the private sector. Besides the equity vehicle, we are improving access to long-term financing for smaller companies involved in health care through local financial intermediaries. And together with the World Bank and other partners, we are working with governments to help them better harness the private sector to achieve national health goals.

We are also producing our first biennial report on the region's health care investment climate as part of our strategy to improve the environment for private health care to flourish.

WORKING WITH FOUNDATIONS

IFC fosters strong partnerships with foundations, philanthropic organizations, and companies. Through these partnerships, we commission research and develop thoughtful leadership, organize events together on topics of common interest, and share risks. Foundations value working with IFC because of our global presence, our relationships with the private sector, our investment and Advisory Services, and our links to the World Bank Group.

In partnership with IFC, the Asia Foundation released two studies to help Cambodia cope with the current economic crisis. The studies found that by making it easier, cheaper, and more transparent to start and operate businesses, Cambodia could better compete in both the international and domestic markets.

IFC is joining forces with the Alliance for a Green Revolution in Africa to unlock credit and financing for small-scale farmers and agribusinesses across Sub-Saharan Africa. The partnership between IFC and AGRA will focus on developing market-based incentives and tools to increase agricultural productivity. The two institutions will work together to scale up AGRA's partnerships with investors and national commercial banks to make loans available to farmers and agribusinesses, such as smaller seed companies. IFC and AGRA aim to expand and finance agro-dealer networks to increase the availability of farm inputs and expertise in rural areas, as well as support financing along the fertilizer value chain, including regional procurement of fertilizer.

The Ewing Marion Kauffman Foundation, which promotes entrepreneurship, partnered with IFC and the World Bank to conduct studies on access to finance for women business owners. IFC, the World Bank Development Research Group, and the Kauffman Foundation produced the 2008 World Bank Group Entrepreneurship Survey, which measures entrepreneurial activity in over 100 developing and industrial countries around the world over an eight-year period from 2000 to 2007.

WORKING WITH CIVIL SOCIETY

IFC engages with civil society, including nongovernmental organizations, both institutionally and in project implementation. We maintain an ongoing dialogue about many aspects of our operations, strategy, and policies, and we are collaborating on a variety of initiatives.

IFC works with the World Bank Group's Civil Society Team to reach out to civil society on a regular basis. For example, senior IFC staffers have held roundtable meetings with civil society representatives to discuss the financial crisis and its effect on the poor. IFC also has several advisory groups that provide feedback and make recommendations on our strategies and policies in various areas. The Compliance Advisory/Ombudsman, in collaboration with IFC project teams, also maintains close contact with local communities, civil society organizations, and other stakeholders through its work.

The IFC Labor Advisory Group brings together labor specialists from civil society, academia, trade unions, and the private sector to provide feedback on the implementation of our labor performance standard and other initiatives on labor rights. IFC also has an external advisory group for extractive industries, with representatives from civil society and industry who provide perspectives on IFC and World Bank activities in that sector. In FY09, IFC established an external advisory group to provide advice regarding a review of our Performance Standards.

In recent years, IFC has initiated strategic partnerships with nongovernmental organizations at the operational level, improving projects and enhancing our development impact. Examples include collaboration with the World Wildlife Fund's Global Forest Trade Network to promote sustainable forestry, with the Rainforest Alliance to assist coffee growers in Central America and southern Mexico, and with Oxfam Hong Kong to develop sustainable tourism in Cambodia and the Lao People's Democratic Republic. IFC has also partnered with the World Wildlife Fund to promote better agricultural management practices in such industries as cotton, palm oil, soybeans, and sugar cane.

how we work

PARTNERSHIPS

Partnering with Civil Society for Sustainable Coffee Production

IFC helped thousands of small-scale coffee farmers in Central America to make more money through sustainable agricultural practices, working in collaboration with global commodities firm ECOM, food and beverage producer Nestlé, and the Rainforest Alliance, a nongovernmental organization focused on sustainable agriculture.

IFC provided a $25 million loan to ECOM, which is channeling the funds into microcredit for coffee producers in Honduras and Nicaragua. IFC and Nestlé funded training to help the farmers plant new hybrid varieties that can give their coffee an edge in a crowded marketplace and improve their growing and harvesting methods.

The Rainforest Alliance certifies the coffee so that the farmers can demand a higher market price for a higher-quality product. The farmers benefit not only from efficiency gains that help them command a higher price, but also through the likelihood of a long-term business relationship with Nestlé.

The project taps into IFC's expertise in market building and supply-chain development to link producers, roasters, exporters, and consumers. It benefits all sides by helping to develop a higher-quality, more socially and environmentally friendly product. The result: higher productivity and more money for farmers, and more jobs for the workers they hire.

DEVELOPMENT RESULTS

OVERVIEW

IFC's Development Outcome Tracking System — known as DOTS — measures the development effectiveness of our investment and advisory work.

Beginning with our 2007 Annual Report, IFC was the first multilateral development bank to report on development results for our entire portfolio and to have an external firm review the application of our methodology and reported results, as part of assurance for nonfinancial aspects of our reporting. Since 2008, we have been reporting on changes in development results for investments compared with the previous year and, for Advisory Services, on the results of in-depth evaluations. During FY08, we also launched a development results portal (www.ifc.org/results).

In FY09, in its Biennial Report on Operations Evaluation, IFC's Independent Evaluation Group evaluated IFC's systems and processes for monitoring and evaluating development results, including DOTS. The evaluation found that the tracking system provides current, unbiased assessments of the development performance of the entire active investment portfolio, and reliable information both before and after project evaluation.

The report also found that IFC's monitoring and evaluation data on development performance, including outcome tracking, are now being used to inform IFC strategy development, as well as progress with corporate initiatives such as decentralization. Of particular significance are the mechanisms introduced to link incentives to project results through performance awards. "In so doing," said the report, "IFC has been at the forefront of performance measurement related to private sector development among multilateral development banks."

IEG also produced another report focused on IFC's Advisory Services, the Independent Evaluation of IFC's Development Effectiveness 2009. See page 107.

IFC's evaluation framework for investments aligns with good practice standards for private sector evaluation agreed on by multilateral development banks. The tracking system is built on this foundation.

HOW WE MEASURE RESULTS

DOTS allows for real-time tracking of results throughout the project cycle. Since 2005, for all new projects, IFC staff members identify clear, standardized, and verifiable indicators, with baselines and targets, at the outset of a project. They then track progress throughout supervision, which allows for contemporaneous feedback into operations. For projects older than 2005, and for pillars such as private sector development and, in some cases, environmental and social development, standards are sometimes less specific, and ratings are thus based on more qualitative judgment.

For investments, the overall development outcome score is a synthesis of four performance categories that are informed by achievement of industry-specific indicators. For Advisory Services, it is a synthesis of the overall strategic relevance, effectiveness (as measured by project outputs, outcomes, and impacts), and efficiency of the services. To obtain a high development outcome rating, a project must make a positive contribution to the host country's development.

This report provides the DOTS score — the percentage of projects that have achieved a high rating (in the top half of the rating scale) — for IFC overall and by region and industry.

INVESTMENT RESULTS

IFC's development results were stable compared with last year — 71 percent of our investments rated high. Beneath this surface stability, however, the development results of virtually all industries and regions changed, partly reflecting their different sensitivities to the effects of the current global crisis.

Among our industry departments, Agribusiness; Oil, Gas, Mining, and Chemicals; and Infrastructure had the strongest development results. Agribusiness' DOTS score rose by 28 percentage points to 80 percent. The improvement was partly due to many older, low-rated projects dropping out and many newer high-rated projects entering our reporting universe. The stronger performance also was attributable to the fact that the crisis has not yet had a strong impact on many agribusiness projects.

The development results of two departments—Private Equity and Investment Funds, and Information and Communication Technologies—deteriorated by 10 percentage points. For the Private Equity and Funds Department, the deterioration mostly reflected the downturn of equity markets. For the Telecoms and IT department, it was partly the result of IFC's shift away from telecom projects that traditionally have been very successful and toward IT, cable, and broadband projects that arguably are more innovative and risky.

The Global Manufacturing and Services department remained the weakest performer among industry departments, though with significant regional variations (73 percent of projects were rated high in South Asia but performance was particularly weak in Sub-Saharan Africa) that underscored the sensitivity of manufacturing projects — particularly those involving small businesses — to difficult investment climates and poor infrastructure. In response, IFC strategy in recent years has increasingly focused on improving client countries' investment climates and infrastructure while shifting away from direct support to small businesses toward indirect support through financial intermediaries.

As in FY08, results weighted by IFC's investment volume proved to be stronger, with 82 percent of investments rated high. Weighted results were higher in all industries and regions, indicating, on average, that larger investments and companies tend to perform better.

This is due in part to a higher risk profile for small businesses and investments, and to the fact that larger companies have economies of scale, often with better management and corporate governance that make it easier for companies to overcome difficult business environments and external shocks. In Sub-Saharan Africa, for example, weighted results were 25 percentage points higher than unweighted results, and the highest of any region, confirming that larger projects were able to overcome the region's challenges and produce very strong development results, while smaller investments were particularly vulnerable to difficult investment climates, poor infrastructure, and limited access to finance.

DEVELOPMENT OUTCOME: INVESTMENTS

PERFORMANCE CATEGORY	GENERAL INDICATORS AND BENCHMARKS	EXAMPLES OF SPECIFIC INDICATORS ASSESSED AGAINST TARGETS
Economic Performance	**Returns to society, e.g., economic returns at or above 10%**	**Numbers of connections to basic services, loans to small enterprises, people employed, tax payments**
Financial Performance	**Returns to financiers, e.g., financial returns at or above weighted average cost of capital**	**Return on invested capital, return on equity, project implemented on time and on budget**
Environmental and Social Performance	**Project meets IFC's Performance Standards**	**Improvements in environmental and social management, effluent or emission levels, community development programs**
Private Sector Development Impact	**Project contributes to improvement for the private sector beyond the project company**	**Demonstration effects (other firms replicating a new approach, product, or service), linkages to other private companies, corporate governance improvements**

ADVISORY SERVICES

PERFORMANCE CATEGORY	GENERAL INDICATORS AND BENCHMARKS	EXAMPLES OF SPECIFIC INDICATORS ASSESSED AGAINST TARGETS
Strategic Relevance	**Potential impact on local, regional, national economy**	**Client contributions, alignment with country strategy**
Efficiency	**Returns on investment in advisory operations**	**Cost-benefit ratios, project implemented on time and budget**
Effectiveness	**Project contributes to improvement for the client, the beneficiaries, and the broader private sector**	**Improvements in operations, investments enabled, jobs created, increase in revenues for beneficiaries, cost savings from policy reforms**

Among regional departments, Eastern Europe and Central Asia was hit hardest by the crisis. In FY08, it had the highest DOTS score of any regional department (84 percent). This year, the department experienced the biggest drop of any region—14 percentage points. The region is projected to experience a sharp economic contraction in 2009, after strong growth in the last few years.

As a result, prior gains in poverty reduction are at risk of being reversed. IFC has taken several initiatives to stem the decline in the region, making capital available to support existing clients in key sectors through short-term finance, guarantees, quasi-equity investments, trade finance, and Advisory Services. In addition, IFC has helped mobilize capital for the region through multilateral initiatives, such as the Eastern European Banking Facility, the IFC Capitalization Fund, and the Global Trade Liquidity Program.

The Latin America and the Caribbean region has been affected by crisis-related deleveraging, declining commodity prices, and a slowdown in remittances. However, as in other regions except Eastern Europe and Central Asia, the development results of our client companies have not been compromised. In fact, Latin America and the Caribbean saw an increase in DOTS score from 67 percent in FY08 to 77 percent in FY09. That is because several old projects that had been affected by the Argentina crisis dropped out of the reporting cohort, while projects in the newly added cohort of 2005 approvals performed extremely well.

ADVISORY RESULTS

Sixty-eight percent of IFC Advisory Services projects that closed in fiscal year 2008 and could be assessed for development effectiveness were rated high as of June 30, 2008. The results are based on a review of 112 completion reports filed between September 1, 2007, and June 30, 2008. Of those, 71 could be assessed for development effectiveness.

Projects that could not be assessed for development effectiveness were excluded from the analysis because their outcome and impact results had not been achieved by June 30, 2008. The review of the project completion reports filed in FY09 has not been carried out yet.

Development results varied by business line: In Access to Finance, 74 percent of projects were rated high; in Infrastructure Advice, 93 percent; in Corporate Advice, 69 percent; in Environmental and Social Sustainability, 50 percent; and in Investment Climate, 48 percent. Performance also varied by region. In Europe and Central Asia, 100 percent of projects were rated high; in Latin America and the Caribbean, 77 percent; in the Middle East and North Africa, 70 percent; in Sub-Saharan Africa, 56 percent; and in South Asia, 43 percent.

IFC's system for measuring development effectiveness for Advisory Services was established in September 2007.

DEVELOPMENT REACH BY IFC'S CLIENT COMPANIES

	PORTFOLIO CY07	PORTFOLIO CY08
Investments		
Employment provided (millions of jobs)[1]	1.9	2.1
Microfinance loans		
Number (millions)	7.0	8.5
Amount ($ billions)	7.9	9.3
SME loans		
Number (millions)	1.0	1.3
Amount ($ billions)	86.0	90.6
Customers reached with services:		
Power generation (millions)	152.5	140.9
Power distribution (millions)	21.6	25.2
Water distribution (millions)	18.7	20.5
Gas distribution (millions)	10.7	12.5
Phone connections (millions)	139.7	220.1
Patients reached (millions)[2]	4.7	5.5
Students reached (millions)	0.6	1.2
Payments to suppliers and governments:		
Local purchases of goods and services ($ billions)[1]	40.4	47.0
Contribution to government revenues or savings ($ billions)	19.0	22.7

CY08 and CY07 data are not strictly comparable, because they are based on a changed portfolio of IFC clients. Indicator definitions and reporting periods vary somewhat across industries. Some CY07 data have been revised.

1 Selected departments only. Employment: CY08 data includes infrastructure (172,819 jobs, 107 companies, which only had partial data for CY07 (57,797 jobs, 24 companies).

2 Includes just over one million patients in a hospital chain in India, in which IFC has a 1.3% equity stake.

DEVELOPMENT RESULTS

Strong Development Performance Varies by Business Line

Development results span a range of different social, economic, and financial indicators, depending on the business line and product type. We track the extent to which each project met its impact objectives, such as the following different kinds of project development results:

—Access to Finance: Over the last five years, IFC has helped to create or significantly improve credit bureaus in 13 countries, including Egypt, Guatemala, Nigeria, Pakistan, and Romania. In 2008, these credit bureaus received 38.9 million credit inquiries, helping generate about $19 billion in financing.

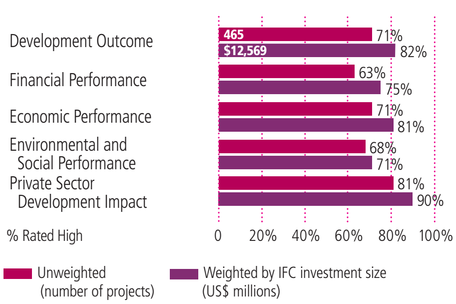
—Corporate Advice: In a South African district where poverty and unemployment are widespread, an IFC-supported supplier-development program launched in 2007 enabled local small and medium enterprises to win $45 million in contracts with a large IFC investment client. IFC worked with the client to help smaller businesses obtain $2.3 million in financing.

—Environmental and Social Sustainability: A global renewable-energy and energy-efficiency fund supported by IFC and operating since 2005 has financed technologies that led to 197,000 metric tons of avoided greenhouse gas emissions. This is approximately equivalent to the annual emissions of 36,000 passenger vehicles.

—Infrastructure: In June 2009, the government of Egypt awarded a 20-year concession for a wastewater treatment plant in greater Cairo, the first under Egypt's public-private partnership program. The project is expected to improve sanitation for over 1 million people.

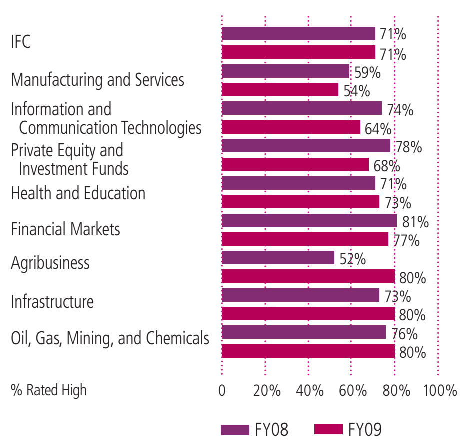
—Investment Climate: As a result of joint WB-IFC *Doing Business* advisory work, Tajikistan cut the minimum capital requirement for firms by more than 90 percent, and laid the foundation for a new credit registry.

IFC DEVELOPMENT RESULTS FOR INVESTMENTS



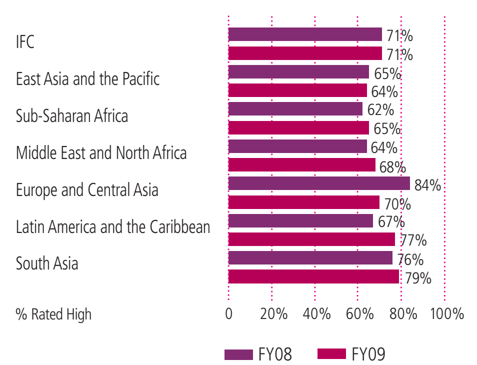
DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005.

DEVELOPMENT BY INDUSTRY: FY08 VS. FY09



FY08: DOTS data as of June 30, 2008, for projects approved in calendar years 1999–2004.
FY09: DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005.

DEVELOPMENT BY REGION: FY08 VS. FY09



FY08: DOTS data as of June 30, 2008, for projects approved in calendar years 1999–2004.
FY09: DOTS data as of June 30, 2009, for projects approved in calendar years 2000–2005.

DEVELOPMENT RESULTS

What DOTS Covers

IFC's tracking system covers all active projects in our portfolio, for both investments and Advisory Services. The tracking process starts by setting initial objectives, using standard indicators by industry or business line, and tracking achievements throughout the project cycle until closure.

For **investments**, DOTS covers all 1,375 companies under supervision, and this report focuses on the 465 investments approved between 2000 and 2005 that are mature enough to be rated. Every year the cohort of investments we report on shifts by one year. Newer investments are not mature enough to be evaluated, while older ones are less relevant for today's operations and have often already closed. We also address the current reach of all active investments in IFC's portfolio. Reach indicators measure the number of people reached by goods and services provided by IFC clients, or the dollar benefit to particular stakeholders affected by the activities of IFC clients.

It is important to note that the reach of IFC's clients cannot be attributed solely to IFC's investment: IFC is always a minority investor, and sometimes IFC investment is small compared with the overall project size. In addition, sometimes one company can contribute a large percentage to the overall reach of IFC's clients. For example, the reach figures for 2008 include about $11.7 billion in loans to about 900,000 micro, small, and medium enterprises by one large Latin American client, in which IFC invested about $350 million. They also include about 1 million patients in an Asian hospital in which IFC has a 1.3 percent equity stake.

For **Advisory Services**, the DOTS system covers all projects that are active, completed, or on hold, dating back to projects that were active in 2005. The current FY09 fourth-quarter supervision portfolio includes 589 active and closed projects (as of June 30, 2009). This report highlights results of program activities measured and reported during prior supervision cycles. It also covers assessments of 112 completed projects.

Some types of investment projects are not tracked in the DOTS systems. By number, the most important exclusions were projects at early stages of the project cycle, projects that are expansions to existing ones, projects that are split into several investments, small projects that typically form parts of larger programs, and certain financial products such as swaps and rights issue.

LEARNING *and* USING RESULTS

IFC uses development results to inform our strategy, operations, and incentive programs at all levels. Results are incorporated into departmental and corporate strategies, and are reviewed at the portfolio level. The teams responsible for individual investments and advisory projects are required to specify in their project documents how lessons learned are being applied.

the IFC ADVANTAGE

IFC is a leader in measuring and reporting development results, with IFC's evaluation system considered best practice among multilateral development banks.

HOW IFC CREATES OPPORTUNITY

Based on past results, we calculated how much leverage IFC obtained from our investments and what development results were achieved. Using a random, representative sample of IFC projects over a relatively long time frame spanning both bad and good economic conditions for emerging markets, we extrapolated from a sample of IFC projects with in-depth evaluations to the universe of projects rated under the tracking system that we are reporting on here.

IFC provides both loans and equity investments. Although equity investments require IFC to set aside more capital, they typically enable us to raise more funding from other investors. Loans, on the other hand, require IFC to set aside less capital, but usually leverage less capital from other investors. Overall, for every dollar of IFC capital invested in either equity or loans, we supported projects worth about $17.50.

These projects, in turn, generated benefits above and beyond a risk-free return. Their added value accrued to investors in the form of profits and to a variety of other stakeholders in many different ways: customers who got new, more affordable, or better products and services; employees who got better job opportunities; suppliers whose sales increased; governments that received more in taxes and other payments; and neighbors who benefited from community development programs.

For every dollar of IFC capital invested, we estimate that the total value added was some $11.50—or about 66 cents per dollar of project costs. Creating value added and opportunities is particularly important in an adverse economic environment, with negative growth forecast for the world economy in 2009.

Different types of investments have very different development effects on different stakeholder groups. Although we cannot say how many people are benefiting incrementally from an IFC-supported project, we can calculate how many overall are benefiting from clients supported through IFC projects. In the past, for every $1 million in IFC investments, our infrastructure clients reached over 80,000 people with utility connections, and our financial market clients supported 430 micro, small, and medium enterprises with loans totaling over $15 million.

Examples of the benefits for different stakeholder groups can be found in the section on "How IFC Creates Opportunity" on pages 26–27. For more information about the methodology see www.ifc.org/results.

how we work

DEVELOPMENT RESULTS

Integrating Results from Investments and Advisory Services

Going forward, IFC's results reporting will help stakeholders understand how our investments and advisory work fit together. In infrastructure, for example, IFC makes direct investments and advises governments on private sector participation in infrastructure services. Our FY09 investments and advisory projects will combine to mobilize over $1.5 billion in investments, reach 20 million customers, and provide revenues or savings of $13.5 billion for host governments. IFC's active infrastructure portfolio in CY08 mobilized private investments of $33.5 billion, which reached 435 million customers, and contributed $6.4 billion to government revenues or savings.

LEARNING AND RESULTS

Measuring an IFC Client's Socioeconomic Effects on the Supply Chain

Cartones America, an IFC client since 2003, is a primarily family-owned manufacturer of container board, corrugated boxes, and related packaging products in Colombia. It also has manufacturing facilities in Chile, Ecuador, Peru, and Venezuela.

Cartones makes its products from recycled wastepaper and cardboard, which it obtains from a supply chain that begins with waste pickers and ends with large collection centers. The company directly deals with the large warehouses, although it relies heavily on the group farthest down the supply chain—the waste pickers who stand to benefit from the company's activities.

Our impact study focuses on the company's effects across the supply chain, including socioeconomic effects. Preliminary findings show that employment in Cartones' supply chain totals 12,030 in Bogotá and Cali, including 5,600 people who are directly employed. On average, four people—including family members—depend on those working in the wastepaper collection network. As a result, 48,000 people benefit indirectly from the company's activities.

The study also shows that employees' income is generally in line with Colombia's minimum wage, although income for employees in small family-owned warehouses along the supply chain is higher, about $322 a month.

Generally, more men than women are active in the supply chain. However, in small family-owned shops, women make up 50 percent of the labor force because typically they sort the materials.

Final results will be available by September 2009.

ENHANCING RESULTS MEASUREMENT

Within IFC, we are improving our Development Outcome Tracking System with the launch of "DOTS-2" in FY10. The new system will allow us to measure our development performance and reach more quickly and accurately and in more detail. DOTS-2 will further standardize indicators across regions and industries, and significantly enhance the indicators themselves. We will be able to compare actual results against the original baselines and expectations faster and more accurately, and also apply the findings to new operations sooner.

Moreover, as performance indicators and data are systematically incorporated into project documents throughout the project life cycle, reporting will be streamlined and harmonized across IFC. The results data and our commitment to development-results measurement and reporting will underpin IFC's investment strategies and ultimately help to enhance IFC's development impact on an ongoing basis.

Beyond IFC, our results measurement framework is considered best practice among multilateral development banks. We constantly share our experience with the broader development community, including other multilateral development banks, foundations, and donors. Since 2005, we have fostered the improvement and harmonization of development results measurement among multilateral development banks through the Common Performance Assessment System, an annual self-assessment exercise led every year by a different multilateral development bank by rotation. The World Bank Group led the preparation of the 2008 report (online at www.ifc.org/results, under "Our Peers"), and IFC compiled inputs from all multilateral development banks on private sector operations.

IN-DEPTH EVALUATIONS TO ASSESS IMPACTS

Assessing long-term impacts from IFC's activities, including impacts on poverty, is difficult for both investments and Advisory Services. To provide more in-depth assessment for Advisory Services, IFC completed 19 external evaluations in FY09. We launched 34 experimental or quantitative evaluations, 10 of which were completed this year, including several in IDA and conflict-affected countries.

For example, a pilot evaluation of IFC Advisory Services for First Microfinance Bank of Afghanistan showed that 80 percent of FMBA clients reported year-on-year increases in profits and attributed those gains to business loans. Only 50 percent of similarly matched nonclients reported increased profits. Moreover, FMBA's reach of 28,000 borrowers was almost three times higher than similar microfinance institutions in other conflict-affected countries.

For investments, IFC is undertaking several case studies to assess our clients' development impact in more depth. The two boxes on this page provide examples.

LEARNING AND RESULTS

Small-Business Lending Reaches the Poor and Helps Increase Wages

Relatively little is known about the effects of small-business lending on employment and poverty or how to track these data cost-effectively. To shed more light on this issue, ShoreCap Exchange, a U.S.-based nonprofit organization, conducted a study of an IFC client, BRAC Bank in Bangladesh.

The study surveyed a random sample of over 1,000 of BRAC Bank's small-business customers and their over 7,000 employees. The businesses had received average loans of just under $7,000, with a maturity of 21 months. They employed three to 12 workers, depending on the sector.

The study found that—with increasing skill levels and tenure at the firm—employees increased their cash wages. Using a poverty scorecard, the study found that, on average, about 20 percent of the employees of BRAC Bank's clients were poor, and that the incidence of poverty was higher in the agribusiness, service, and manufacturing sectors than in the trading sector, and also where enterprises employed female or unskilled workers.

Based on these five indicators, the study derived a firm-level scorecard that can estimate the poverty rate among employees. Small-business lenders could track these five variables in loan applications with little incremental effort, which would enable internal process improvements and provide valuable data to development-oriented investors and the field. For more details see IFC's results measurement portal: www.ifc.org/results.

ERNST & YOUNG
Quality In Everything We Do

INDEPENDENT ASSURANCE REPORT ON A SELECTION OF SUSTAINABLE DEVELOPMENT INFORMATION

Further to the request made by IFC, we performed a review on a selection of sustainable development information for the financial year ended June 30, 2009 in the Annual Report, including quantitative indicators ("the Indicators") and qualitative statements ("the Statements"), related to the following material areas:

<table>
<tr><th>MATERIAL AREAS</th><th>STATEMENTS</th><th>INDICATORS</th></tr>
<tr><td>Environmental and Social Performance of projects</td><td>Number of investment projects approved by environmental and social category (p. 111); environmental and social "knowledge gap" (p. 109)</td><td>• Commitments by Environmental and Social Category (p. 56):
<table>
<tr><th>Category</th><th>Commitments ($ millions)</th><th>Number of projects</th></tr>
<tr><td>A</td><td>446</td><td>4</td></tr>
<tr><td>B</td><td>4,283</td><td>137</td></tr>
<tr><td>C</td><td>2,096</td><td>104</td></tr>
<tr><td>F1</td><td>2,991</td><td>109</td></tr>
<tr><td>N</td><td>731</td><td>93</td></tr>
</table>
• Expenditures in Environment and Social Sustainability Advisory Services (p. 96): $16 millions</td></tr>
<tr><td>Development effectiveness of investments and advisory services</td><td>"Development Results" section (pp. 118–120)</td><td>• Development Effectiveness scores of Investments (p. 119): 71% "rated high"[1]
• Development Effectiveness score of Advisory Services (p. 119): 68% "rated high"</td></tr>
<tr><td>Financial inclusion: microfinance loans and loans to small and medium enterprises (SMEs)</td><td></td><td>• Number and amounts of microfinance loans and SME loans (p. 119):
<table>
<tr><th>Type of loans</th><th>Number of loans (millions)</th><th>Amount ($ billions)</th></tr>
<tr><td>Microfinance</td><td>8.5</td><td>9.3</td></tr>
<tr><td>SMEs</td><td>1.3</td><td>90.6</td></tr>
</table></td></tr>
<tr><td>Climate change</td><td>Commitment to tripling investments in renewable energy and energy-efficiency projects from FY05–FY07 to FY09–FY11 (p. 45); Carbon Finance (p. 78)</td><td>• Amount committed in renewable energy and energy efficiency investments (p. 44): $1,034 millions</td></tr>
<tr><td>Corporate footprint and social responsibility</td><td>Commitment to electricity consumption reduction and carbon neutrality (p. 108); "Who we are" section (p. 104) and "Gender Distribution" tables (p. 105)</td><td>• Carbon footprint (p. 108): 37,454 t CO_2 equivalent in financial year 2008</td></tr>
<tr><td>Crisis-response initiatives in the private sector</td><td>"Crisis-response initiatives" (pp. 36–37) and Capitalization Fund (p. 53); Advisory programs to support financial sector (p. 44) and Advisory Services crisis-response initiative (p. 115)</td><td></td></tr>
<tr><td>Engagement in IDA countries</td><td>IFC FY09 Investment volumes and number of projects (p. 29) and number of joint World Bank Group projects in IDA Countries (p. 29)</td><td></td></tr>
<tr><td>Water scarcity and biodiversity</td><td>"Reduce biodiversity loss" (p. 97); Water scarcity response (p. 45)</td><td></td></tr>
<tr><td>Accountability</td><td>CAO and IEG activities (p. 107); "Working with civil society" (p. 117)</td><td></td></tr>
</table>

[1] FY09 Development Results for investments (% rated high):

Overall Portfolio (% rated high)	Unweighted (number of projects)	Weighted by investment size
Development Outcome	71%	82%
Financial Performance	*63%*	*75%*
Economic Performance	*71%*	*81%*
Environmental and Social Performance	*68%*	*71%*
Private Sector Development impact	*81%*	*90%*

Development Outcome by industry	(% rated high)
Oil, Gas, Mining and Chemicals	80
Infrastructure	80
Agribusiness	80
Financial Markets	77
Health and Education	73
Private Equity and Investment Funds	68
Information and Communication Technologies	64
Manufacturing and Services	54

Development Outcome by region	(% rated high)
South Asia	79
Latin America and the Caribbean	77
Europe and Central Asia	70
Middle East and North Africa	68
Sub-Saharan Africa	65
East Asia and the Pacific	64

Our review aimed to obtain limited assurance[2] that:

1. the Indicators were prepared in accordance with the reporting criteria applicable in 2009 (the "Reporting Criteria"), consisting in IFC instructions, procedures, and guidelines specific for each indicator, a summary of which is provided in the comments next to the Indicators presentation in the Annual Report or on IFC's website; and

2. the Statements have been presented in accordance with "IFC's Policy on Disclosure of Information" and principles of relevance, completeness, reliability, and neutrality and clarity as defined by international standards[3].

It is the responsibility of IFC to prepare the Indicators and Statements, to provide information on the Reporting Criteria, and to compile the Annual Report.

It is our responsibility to express a conclusion on the Indicators and the Statements on the basis of our review. Our review was conducted in accordance with the ISAE 3000, International Standard on Assurance Engagements from IFAC[4]. Our independence is defined by IFAC professional code of ethics.

NATURE AND SCOPE OF OUR REVIEW

We performed the following review to be able to express a conclusion:

— We assessed the Reporting Criteria, policies and principles, with respect to their relevance, their completeness, their neutrality, and their reliability.

— We reviewed the content of the Annual Report in order to identify key statements regarding the sustainability areas listed above. We selected statements that were deemed to be committing, of particular stakeholder interest, of potential reputation risk to IFC, together with statements on corporate responsibility management and performance.

— At group level, we conducted interviews with the persons responsible for reporting in order to assess the application of the Reporting Criteria or substantiate the Statements.

— At group level, we implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the Indicators.

— We collected supporting documents of Indicators or Statements, such as reports to the board of directors or other meetings, loan contracts, internal and external presentations and reports, studies or results of survey.

— We reviewed the presentation of the Information and the Indicators in the Annual Report and the associated notes on methodology.

LIMITATIONS OF OUR REVIEW

Our review was limited to the Statements and Indicators identified in the table above and did not cover other disclosures in the Annual Report.

Our tests were limited to document reviews and interviews at IFC's headquarters in Washington, DC. We did not participate in any activities with external stakeholders, clients, or local IFC offices, nor did we verify the information on specific project examples presented in the Annual Report.

INFORMATION ABOUT THE REPORTING CRITERIA AND THE STATEMENT PREPARATION PROCESS

With regards to the Reporting Criteria and the Statement preparation policies and principles, we wish to make the following comments:

RELEVANCE

IFC presents sustainability information on its own impact and the environmental and social risks, impacts, and outcomes of projects financed directly or through financial intermediaries that is comparable to other multilateral development banks. With regards to relevance, a specific effort is made by IFC to assess its development results, notably through its Development Outcome Tracking System (DOTS).

IFC publishes an integrated Annual Report. The process to determine the material sustainability issues that should be included in the Annual Report should be formalized. And the Annual Report could focus more on the key material issues related to sustainability.

COMPLETENESS

The Indicators reporting perimeters aim to cover all relevant IFC's activities. The perimeters actually covered by each indicator have been indicated in the comments next to the data in the Annual Report. The perimeters of the Indicators and exclusion rules (e.g. period covered, activities, types of loan) should nevertheless be formalized.

RELIABILITY

Reporting procedures and internal controls should be strengthened and formalized for all Indicators and Statements, and notably for the Indicators related to "Investments in renewable energy and energy efficiency", "Development effectiveness of advisory services", and "Commitments by Environmental and Social Category".

NEUTRALITY AND CLARITY

IFC provides information on the methodologies used to establish the Indicators in the comments next to the published data, in particular for indicators related to carbon footprint, investments in renewable energy and energy efficiency and Microfinance and SME loans, or in the "Development Results" section p. 118.

Information is sometimes split between several separate sections of the Annual Report which makes it less clear and accessible. A more balanced presentation and analysis of the information would also improve the quality of the report.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that:

— the Indicators were not established, in all material aspects, in accordance with the Reporting Criteria; and

— the Statements were not presented, in all material aspects, in accordance with "IFC's Policy on Disclosure of Information" and the principles of relevance, completeness, reliability, and neutrality and clarity as defined by international standards.

Paris-La Défense, France, August 21, 2009

ERNST & YOUNG
Quality In Everything We Do

The Independent Auditors
ERNST & YOUNG et Associés

Eric Duvaud

[2] A higher level of assurance would have required more extensive work.

[3] ISAE 3000 from IFAC, Global Reporting Initiative (GRI), or AA1000 Accountability Standard.

[4] ISAE 3000: "Assurance Engagement other than reviews of historical data", International Federation of Accountants, International Audit and Assurance Board, December 2003.

ACRONYMS

AGRA	Alliance for a Green Revolution in Africa
CAO	Compliance Advisor/Ombudsman
CAPRI	Capital Pricing and Risk [economic capital approach]
CY	calendar year
DEG	private sector arm of German development agency KfW
DFI	development finance institution
DFID	Department for International Development of the United Kingdom
DOTS	Development Outcome Tracking System
EBRD	European Bank for Reconstruction and Development
FMO	Netherlands Development Finance Company
FY	fiscal year
GBF	Grassroots Business Fund
GTLP	Global Trade Liquidity Program
IBRD	International Bank for Reconstruction and Development (World Bank)
ICF	Infrastructure Crisis Facility (IFC crisis-response facility)
IDA	International Development Association
IEG	Independent Evaluation Group
IFI	international financial institution
ILO	International Labor Organization
KfW	Kreditanstalt für Wiederaufbau [German development agency]
LNG	liquefied natural gas
MIGA	Multilateral Investment Guarantee Agency
MSMEs	micro, small, and medium enterprises
OeEB	Oesterreichische Entwicklungbank AG [Austrian Development Bank]
PPP	public-private partnership
PROPARCO	Promotion et Participation pour la Coopération Economique [development finance institution of France]
SMEs	small and medium enterprises
UNESCO	United Nations Educational, Scientific and Cultural Organization

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IFC WEB SITE

IFC's Web site, www.ifc.org, provides comprehensive information on every aspect of our activities. It includes contact information for offices worldwide, news releases and feature stories, data on results measurement, disclosure documents for proposed investments, and key policies and guidelines affecting IFC and our client companies.

The online version of the IFC Annual Report 2009 provides downloadable PDFs of all materials in this volume and translations as they become available. It is available at www.ifc.org/annualreport.

The Web site also provides more information on sustainability, including a Global Reporting Initiative index.

LETTER TO THE BOARD OF GOVERNORS

The Board of Directors of IFC has had this annual report prepared in accordance with the Corporation's by-laws. Robert B. Zoellick, President of IFC and Chairman of the Board of Directors, has submitted this report with the audited financial statements to the Board of Governors.

The Directors are pleased to report that for the fiscal year ended June 30, 2009, IFC expanded its sustainable development impact through private sector investments and Advisory Services.

people should have the opportunity to escape poverty

The global crisis will abate eventually, but its effects on the world's most vulnerable people are likely to linger for years.

private enterprise is the key to sustainable development

In a time of scarce government resources, the private sector will need to resume its role as the engine of economic development. In emerging markets, the need for private sector investment in emerging markets will remain vast.

IFC is the global leader in private sector development finance

As the only multilateral development bank focused exclusively on private sector development, we have a critical mass of activity and a track record of innovation and economies of scale that no other institution has.

creating opportunity where it's needed most™

By providing capital to help businesses expand. By delivering advice that helps them become more profitable and efficient. By setting global standards for sustainable development. By mobilizing other investors to support our investments and maximize our development impact.

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