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الإيضاح والبرهان
IMPACT
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# IMPACT

**INNOVATION**
**INFLUENCE**
**DEMONSTRATION**

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DEMONSTRAÇÃO

ANNUAL REPORT 2012


# IMPACT



**CONTENTS** This report summarizes IFC's innovation and leadership role in the private sector. It is organized to highlight our strategy—our role (The Leader in Private Sector Development, pages 32–39), what we do (Our Priority Sectors, pages 40–49), where we do it (Frontier Markets, pages 50–57), and how we do it (Mobilizing for Maximum Impact, pages 58–65). Our strategy is designed to achieve impact, results of the kind that matter most to us—opportunities created, lives improved.

IFC
International Finance Corporation
World Bank Group

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WASHINGTON, DC 20433 USA
202 473 3800

WWW.IFC.ORG

# ABOUT IFC

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector.

We help developing countries achieve sustainable growth by financing private sector investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments. We play a catalytic role by demonstrating the profitability of investments in emerging markets.

Established in 1956, IFC is owned by 184 member countries, a group that collectively determines our policies. Our work in more than 100 countries allows companies and financial institutions in emerging markets to create jobs, generate tax revenues, improve corporate governance and environmental performance, and contribute to their local communities.

IFC's vision is that people should have the opportunity to escape poverty and improve their lives.

# MESSAGE FROM ROBERT B. ZOELLICK, WORLD BANK GROUP PRESIDENT, 2007–2012

*The past five years have been a time of testing for the World Bank Group and our ability to respond to the needs of our clients. Developing and developed countries have been challenged by the triple threat of the food, fuel, and financial crises.*

They've faced hunger, poverty, joblessness, and debt—an economic, social, and human crisis with political implications. Through these difficult times, the World Bank Group has stepped up to support our clients with flexibility, speed, innovation, and a focus on results. Out of challenge, we have looked for opportunity and hope.

The World Bank Group's shareholders have supported our priorities and performance with first-rate financial support. In 2007 and 2010, two record-breaking IDA replenishments raised more than $90 billion. In 2010, shareholders backed the IBRD's first capital increase in more than 20 years. Today, we have a well-resourced Bank with a triple-A rating.

We have been modernizing multilateralism for a world economy with multiple poles of growth, and democratizing development through greater openness and accountability, sharing knowledge and information. We are laying the foundations for expanding social accountability, fighting corruption, and building better governance. We have maintained our focus on the poor in all regions, especially Africa, emphasizing the need for fiscally responsible human safety nets to protect the most vulnerable. At the same time, we have customized new products for the middle-income countries that are increasingly important drivers of growth. Our agenda has included gender equality, food security, climate change and biodiversity, infrastructure investment, disaster prevention, financial innovation, and inclusion.

The World Bank Group has paid special attention to the central role of the private sector in development. We are supporting the enabling environment for investment and private sector activity, extending financing to small and medium businesses and microfinance, supporting trade finance, promoting greater attention to public-private partnerships, and encouraging investment in countries that need it the most—especially conflict-affected and fragile states.

IFC is central to these efforts. By building productive private sectors, the Corporation is spurring growth, creating jobs, and solving problems in poor and middle-income countries. IFC is about helping entrepreneurs achieve dreams, while enriching their communities. IFC's work makes businesses and countries more resilient when crises hit, arming them to take on the toughest development challenges—from climate change to food security to creating wealth and incomes.

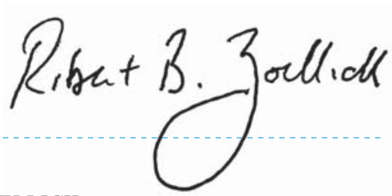
In FY12, IFC provided more than $20 billion in financing, including nearly $5 billion mobilized from partners. Under the leadership of Lars Thunell, IFC has put the poorest countries and regions at the heart of its strategy. Almost half of new projects this year were in IDA countries, where IFC can make the greatest difference. In FY12, IFC invested nearly $6 billion in 283 projects in 58 IDA countries.

In the Middle East and North Africa, a region in turmoil and transition, IFC is boosting small businesses' access to finance, making sure young people can get job skills that match the needs of the market, and funding long-neglected infrastructure needs. Since the Arab transformation began in 2011, IFC has invested more than $2 billion in the region.

IFC has also ramped up its activities in short-term finance, which is essential for trade to flow smoothly between countries and critical commodities to remain affordable. This work offers a big boost to development and open markets with relatively little risk.

IFC Asset Management Company demonstrates how an innovative idea can quickly reap benefits in developing economies. AMC is creating new channels to mobilize capital: it currently has $4.5 billion under management, almost $3 billion of which comes from outside investors that have had little exposure to emerging markets.

Lars Thunell is also closing out his term as IFC Executive Vice President and CEO. IFC's successes in recent years reflect his vision, creativity, and drive for private sector development. He has been a valued partner and counselor in the leadership of the World Bank Group.



ROBERT B. ZOELLICK
*World Bank Group President*
*June 30, 2012*

# MESSAGE FROM JIM YONG KIM, INCOMING WORLD BANK GROUP PRESIDENT

## BUILDING PROSPERITY, ERADICATING POVERTY

*I am pleased to transmit IFC's 2012 Annual Report. This report highlights the achievements and effectiveness of the Corporation despite a challenging global economic environment.*

It also underscores the importance of collaboration across the World Bank Group and working with external partners to advance our shared goal of building prosperity and eradicating poverty.

Today, the World Bank Group has a unique opportunity to accelerate inclusive and sustainable growth and social progress. We are continuing to support our clients as they respond to immediate pressures, especially through helping countries develop cost-effective social safety nets. But we are also well positioned to assist countries as they design and implement longer-term development strategies through our lending, knowledge, experience, and expertise.

I look forward to working with the Board, our partners and clients, as well as the Bank Group's dedicated staff in Washington, D.C., and around the world. Our mission remains more important than ever—to help developing countries respond to immediate pressures, as well as to look toward future opportunities. It is a privilege to undertake this great work.

JIM YONG KIM
*World Bank Group President*
*July 1, 2012*

# MESSAGE FROM LARS H. THUNELL, IFC EXECUTIVE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER, 2006–2012

*IFC is adapting to a world in transformation. Developing countries, which once accounted for a small share of the world economy, are now major drivers of global growth.*

These countries are home to an ascendant consumer class—and more than a billion people who survive on less than $1.25 a day. Financial crises have heightened the need for faster job creation. The rise of social media has amplified popular demands for greater transparency and accountability among governments and public institutions.

## NEW MARKET PLAYERS ARE CHANGING THE FACE OF DEVELOPMENT

Against that backdrop, IFC has redefined development finance and the way we do business. We have established innovative ways to mobilize capital, and expanded our work in the poorest and most fragile areas of the world. We have more than doubled our investments in Africa over the last five years and have increased our activities in equity and short-term finance, providing essential liquidity for global trade and smaller enterprises. We have helped build crucial global partnerships for development and have been a leader in thinking through the challenges of private sector development.

Our success has helped governments and stakeholders recognize the vital role the private sector can play in development. For entrepreneurship and job creation to even exist in poor countries, for tax revenues to rise where governments are breaking free from years of conflict, there must be a functioning private sector.

Consider that hundreds of millions of new jobs are needed to lower unemployment over the next decade. Or that up to $300 billion in annual investment will be needed in the next two decades to mitigate and adapt to climate change. It cannot be done without the private sector. As the world's largest private sector development institution, IFC's role is clear.

New market players are changing the face of development. We must create more opportunity through partnerships—collaborating with the Group of 20, with foundations, with the full array of mobilization partners, and with our colleagues across the World Bank Group. That philosophy is behind our access-to-finance and inclusive-business work with the G-20, our efforts to increase local-currency finance, our Water Resources Group partnership with private sector businesses to boost the availability of water, and our push for more companies and development institutions to embrace our environmental and social standards.

# IFC HAS REDEFINED DEVELOPMENT FINANCE AND THE WAY WE DO BUSINESS

Recent economic and financial crises have triggered new challenges. In times of uncertainty, banks often conserve capital and pull back lending in areas traditionally considered to be risky, including emerging markets. The consequences can be severe. We are responding by finding and catalyzing new sources of capital, ramping up our short-term finance activities, and putting a special emphasis on creating opportunities for women—who own more than a third of small enterprises in developing countries.

The World Bank Group has committed to make $27 billion in funding available for countries affected by the euro-zone crisis. IFC is a critical part of that effort—we have launched an array of innovative initiatives to increase the availability of capital and support vulnerable markets in eastern and southern Europe.

We created the IFC Asset Management Company in 2009 so developing countries could have a new source of long-term equity capital. AMC is already showing its promise, with $4.5 billion under management at the end of FY12. We have also taken strides to ensure that trade and commodity finance—without which international trade comes to a standstill—doesn't disappear in developing countries. Our trade-finance investments, a low-risk way to expand our development impact, continue to grow.

We are also changing the way we work within IFC, part of a drive to bring staff and decision-making authority closer to clients. More than half of our staff now work in offices in developing countries. We opened new offices in a host of countries, and an operations center in Istanbul to speed the processing of our transactions. These changes have allowed us to make the most of our global knowledge and local expertise. We are also redoubling our focus on results—introducing the IFC Development Goals to help drive IFC strategy and decision-making.

I want to thank the entire team at IFC for making my time at the Corporation so personally and professionally fulfilling. Their dedication and unrelenting focus on creating opportunity and improving lives have given IFC a remarkable record of success.

It has been an honor to be a part of this effort over the past six years. The work we do here is having a critical impact—making a difference for the poor and building resilient private sectors where none had previously existed.

I am confident IFC is in position to address the developing world's current challenges, and to respond with agility and ingenuity to new opportunities to achieve our vision in the years ahead.

LARS H. THUNELL
*IFC Executive Vice President*
*and Chief Executive Officer*
*June 30, 2012*

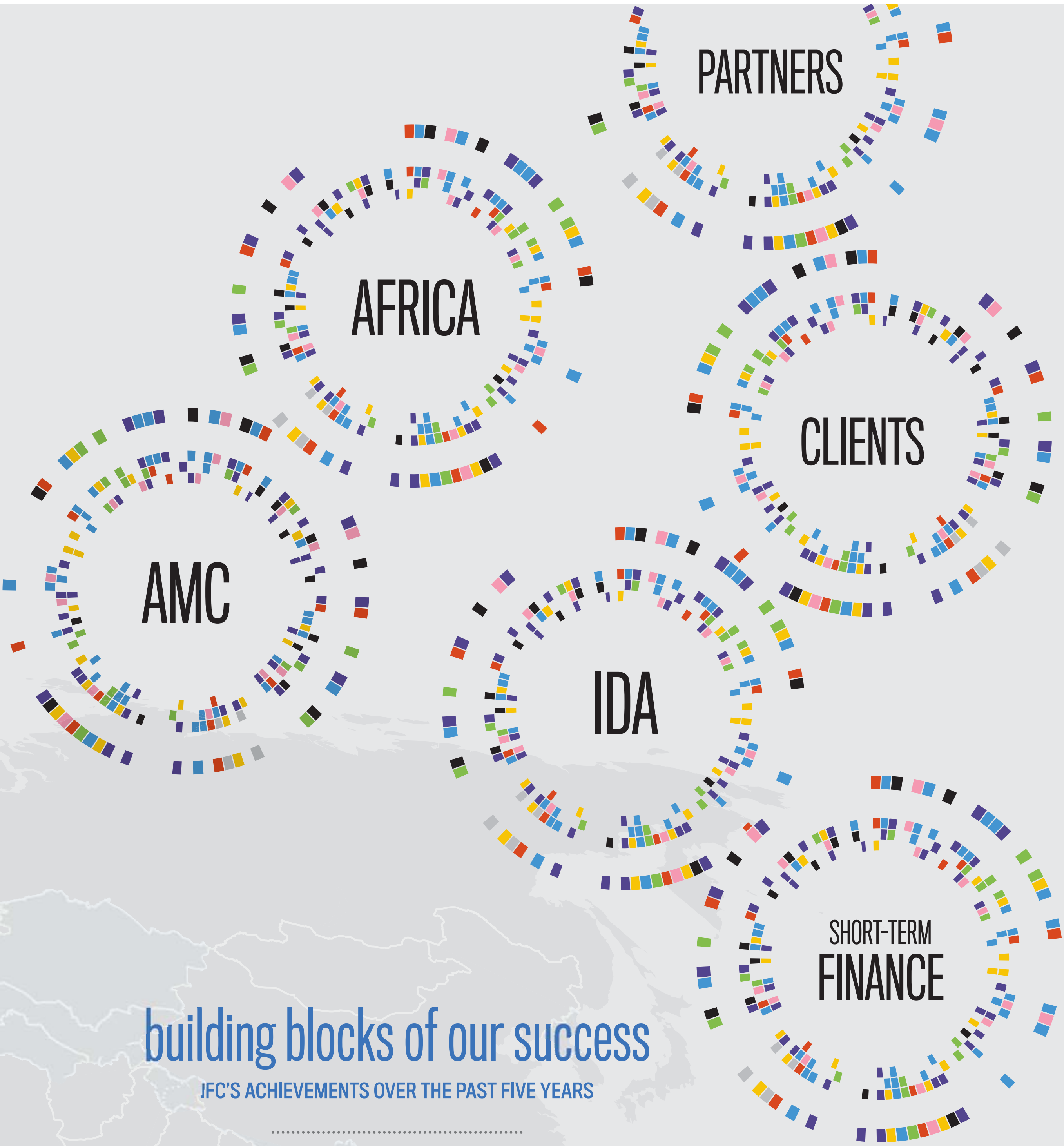
# THIS IS THE STORY OF IFC'S IMPACT IN A RAPIDLY CHANGING WORLD

*Five years ago, IFC was an institution focused on project finance, operating mostly out of Washington, D.C.*

*Not today. We have since redefined development finance—by designing innovative financial products and advisory services, emphasizing clients, and maximizing our impact. Today, we are the world's preeminent development institution focused on the private sector, with offices in nearly 100 countries.*

*Key to that transformation: a consistent strategy that leverages all of our strengths as a leader in private sector development, and focuses our efforts wherever they can do the greatest good.*


ADVISORY
IMPACT
BRAND
STRATEGY
GROWTH




# building blocks of our success

## IFC'S ACHIEVEMENTS OVER THE PAST FIVE YEARS

IFC succeeds through persistence and creativity. By employing a steady strategy, we achieved a half decade of growth, innovation, and increased development impact. We are now the largest global private sector development institution.


Small-business owner Mohammed Nasim Ahmed with his bus financed by India's Magma Fincorp Private Limited, an IFC client.

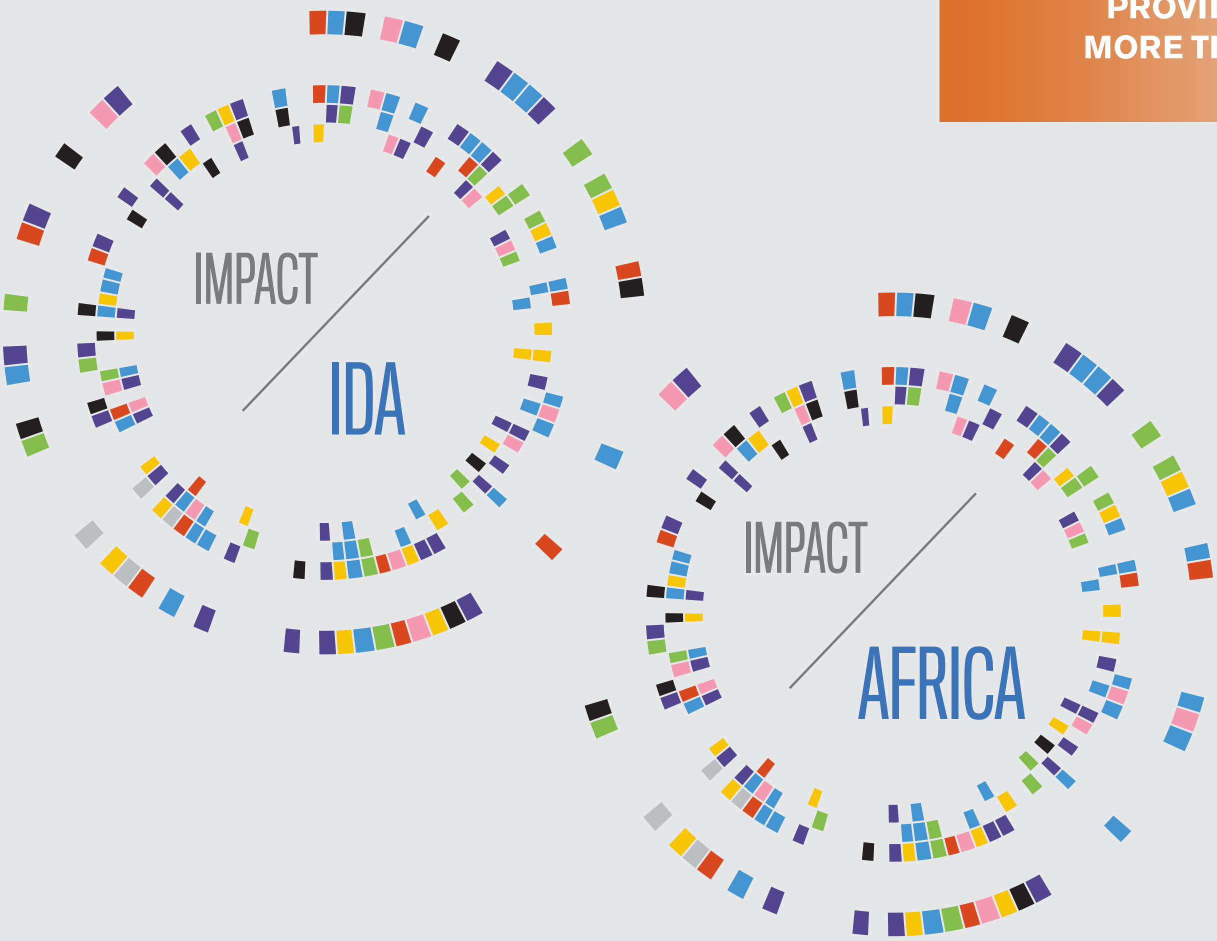

## GROWTH OF THE BUSINESS

We doubled our investments in private enterprises in developing countries—to more than $20 billion, leveraging the power of the private sector to create jobs, spark innovation, and tackle the world's most pressing development challenges. We launched pioneering initiatives to mitigate economic crises, expanding the scope of our work from 66 countries to more than 100.

# FOCUS ON FRONTIER AND IDA COUNTRIES

We strengthened our focus on the world's poorest countries, fragile and conflict-affected situations, and frontier regions of middle-income countries, helping IFC to reach more people in a broader range of places than imagined six years ago. Since FY05, our IDA investments have grown sixfold to nearly $6 billion. Almost half of IFC investment projects are now in the poorest countries, while about two-thirds of our Advisory Services program expenditures are in IDA countries. IFC is an active investor in 19 fragile and conflict-affected states, and a provider of advisory services in 32.

**IFC'S CLIENTS PROVIDED MORE THAN**




# EXPANDING OUR WORK IN AFRICA

Spurring development in Sub-Saharan Africa—where nearly one out of every two people lives on less than $1.25 a day—is a priority for IFC. We have more than doubled our investments in the region over the last five years, to about $4 billion, including mobilization. The region accounts for a fifth of our global investments each year. IFC's clients provided more than 250,000 jobs in Sub-Saharan Africa last year. Sub-Saharan Africa also is the most active region for IFC Advisory Services, accounting for nearly 30 percent of program expenditures.


IFC's work to improve Rwanda's investment climate has led to the creation of 16,000 jobs and 8,000 new enterprises.

# $3 TRILLION

OUR CHINA SECURED TRANSACTIONS PROJECT HELPED SMALLER CHINESE ENTERPRISES OBTAIN SIGNIFICANT FINANCING

IMPACT / ADVISORY

## ADVISORY SERVICES

We built Advisory Services into a key IFC business, blending it into all of our work to promote private sector development. Our advisory work focuses on expanding access to finance, improving the investment climate, facilitating public-private partnerships, and promoting sustainable business. Since FY08, IFC program expenditures have grown nearly 50 percent to about $200 million. We offer advice to businesses and governments in 105 countries.

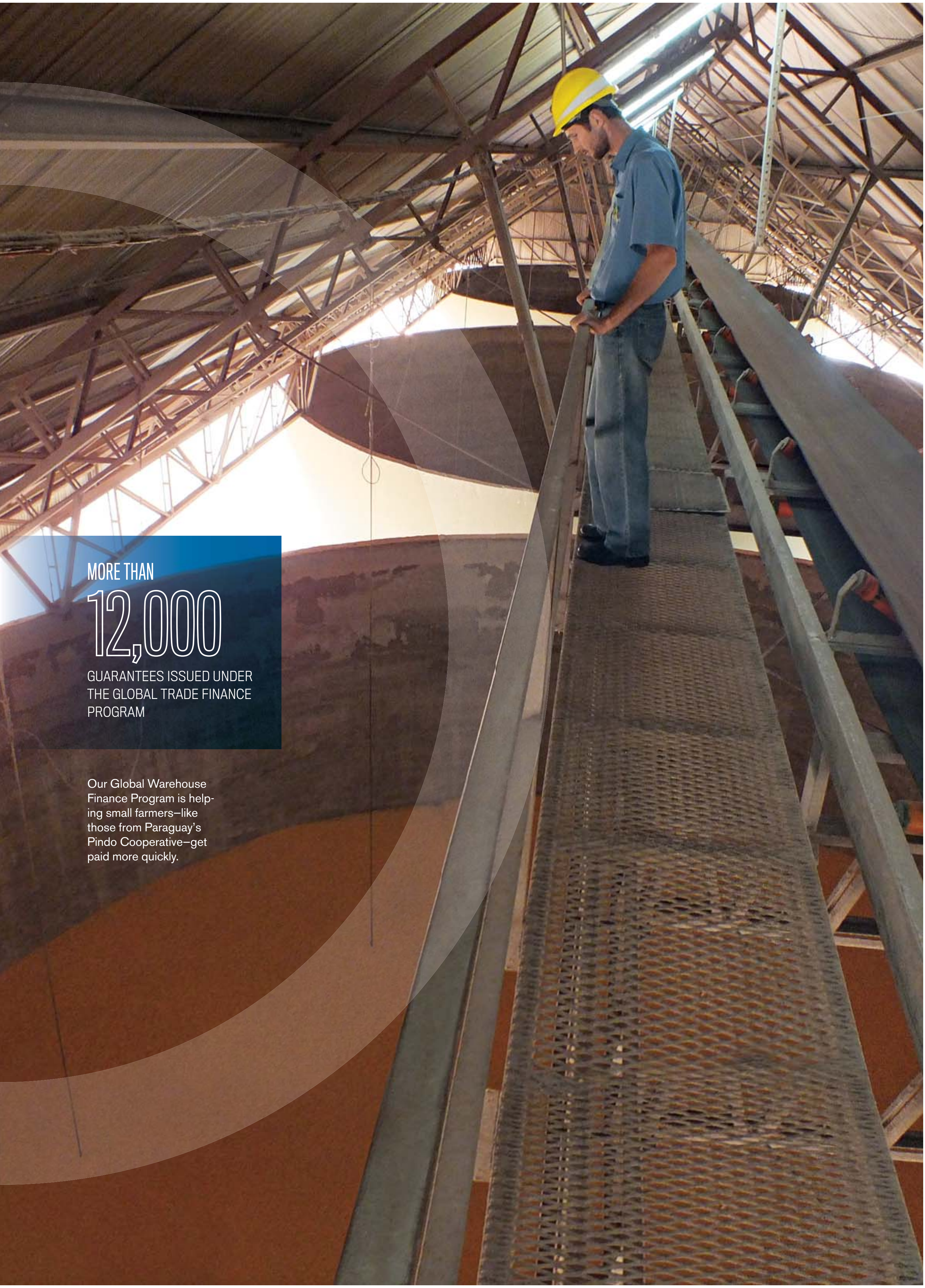
IMPACT / SHORT-TERM FINANCE

IFC'S GLOBAL TRADE LIQUIDITY PROGRAM HAS SUPPORTED MORE THAN

**$21 BILLION IN TRADE SINCE IT WAS LAUNCHED IN 2009**

## SHORT-TERM FINANCE

We expanded our short-term finance activities, providing essential liquidity for global trade and for small and medium enterprises. Under our Global Trade Finance Program, more than 12,000 guarantees have been issued since 2005. We continue to innovate with short-term finance products, including the Global Trade Supplier Finance Program and the Global Warehouse Finance Program.



MORE THAN

12,000

GUARANTEES ISSUED UNDER THE GLOBAL TRADE FINANCE PROGRAM

Our Global Warehouse Finance Program is helping small farmers—like those from Paraguay's Pindo Cooperative—get paid more quickly.

# IMPACT / AMC

## CREATION OF AMC

IFC Asset Management Company offers a promising way to channel finance to the poor and help investors benefit from IFC's 56 years of experience in developing countries. We established it in 2009 to expand the supply of long-term equity capital to developing countries and enhance our development impact. Today, AMC has $4.5 billion under management. AMC funds have made 33 investments totaling more than $1.7 billion since 2009. Nearly half of AMC's investments are in the world's poorest countries.


NEARLY HALF OF
**AMC'S INVESTMENTS**
ARE IN THE POOREST COUNTRIES

With support from IFC and AMC, Bank South Pacific offers mobile banking to farmers in remote areas of Papua New Guinea.

## A THOUGHT LEADER AND A CRITICAL PARTNER

Our expertise in sustainable private sector development is widely recognized—including by the Group of 20 major economies, which sought IFC's help to boost access to finance for small and medium enterprises. Our clients and partners look to us for thought leadership, convening power, and clear evidence of development impact. Our work helps raise environmental, social, and governance standards. IFC was the first multilateral development bank to report on development results for its entire portfolio.


## GETTING CLOSER TO OUR CLIENTS

In a time of rapid economic and technological change, we moved closer to our clients to respond quickly to their evolving needs. Today, more than half of IFC's staff work in offices in developing countries. That has enabled us to streamline client interaction, integrate investment with advisory services, and expand our development impact. We help more than 1,700 clients create opportunity and improve lives in developing countries.

50+

WE PROVIDE FINANCING IN MORE THAN 50 LOCAL CURRENCIES

IFC is a key sponsor of the 2030 Water Resources Group, a partnership with private sector businesses aimed at reducing water scarcity.

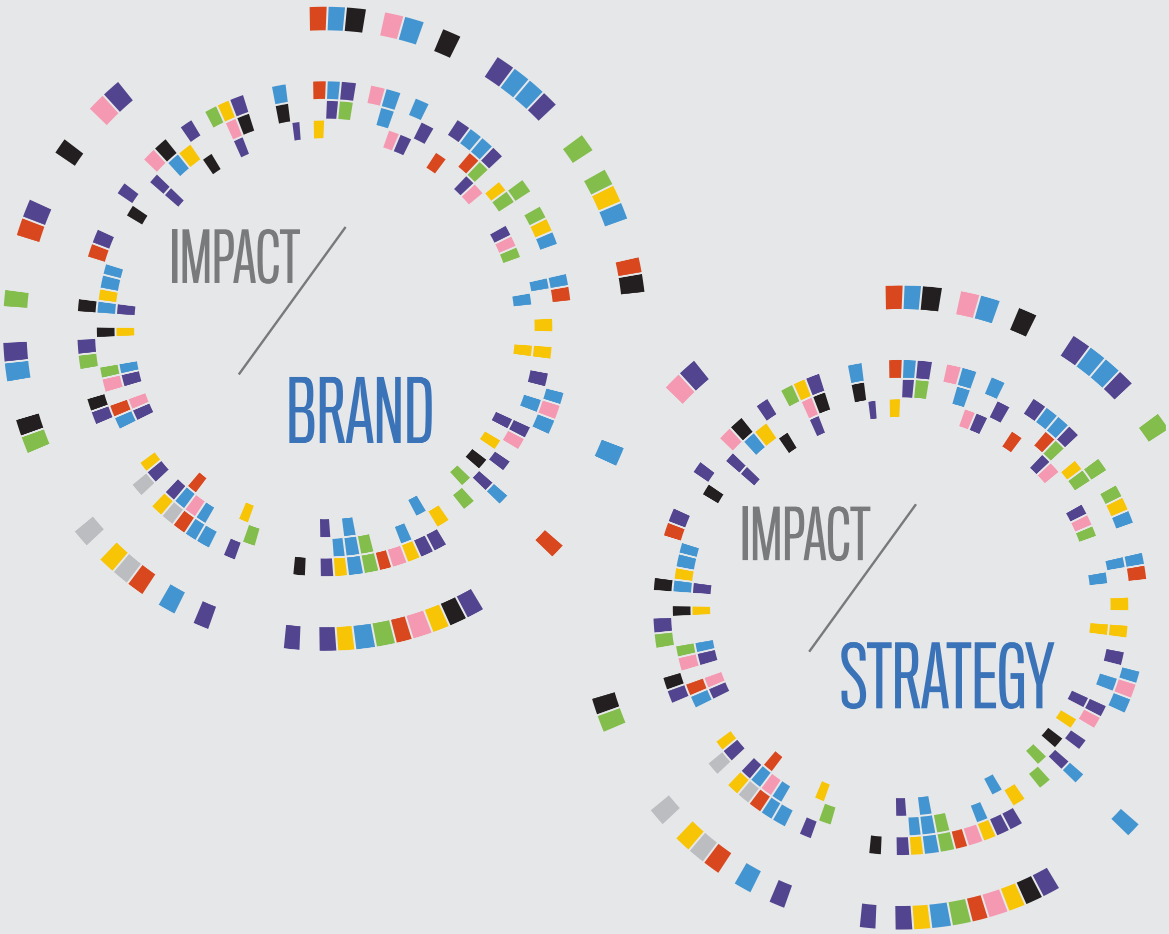
MORE THAN

# 1 MILLION

PEOPLE HAVE BEEN REACHED THROUGH OUR SOCIAL-MEDIA CAMPAIGN ON THE PRIVATE SECTOR'S ROLE IN DEVELOPMENT

## BUILDING OUR BRAND

We have solidified IFC's role as a leader among international finance institutions. We did so by leveraging our Brand Value Proposition—our record of innovation, our ability to demonstrate the benefits of venturing into challenging markets, the influence we exercise to raise standards and shape policy, and the development impact we achieve. We reached more than 1 million people through our social-media campaign on the private sector's role in development.




## CREATING A MANAGEMENT STRUCTURE TO IMPLEMENT STRATEGY

IFC adopted a rigorous and structured approach to strategic planning. We put in place a seasoned team of executives to ensure that IFC deployed its resources effectively, with a focus on maximizing development impact and meeting the needs of clients. At every level, we linked budget resources and performance objectives to the achievement of strategic priorities.

IN FY12, IFC'S INVESTMENTS AND ADVICE REMOVED BARRIERS TO GROWTH AND HELPED THE PRIVATE SECTOR CREATE JOBS, BOLSTER INFRASTRUCTURE, IMPROVE FOOD SECURITY, CONFRONT CLIMATE CHANGE, AND ADDRESS OTHER DEVELOPMENT CHALLENGES IN EMERGING MARKETS.

## IFC FINANCIAL HIGHLIGHTS

Dollars in millions, for the years ended June 30*

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Net income (loss) | $ 1,328 | $ 1,579 | $ 1,746 | $ (151) | $ 1,547 |
| Grants to IDA | $ 330 | $ 600 | $ 200 | $ 450 | $ 500 |
| Income before grants to IDA | $ 1,658 | $ 2,179 | $ 1,946 | $ 299 | $ 2,047 |
| Total assets | $75,761 | $68,490 | $61,075 | $51,483 | $49,471 |
| Loans, equity investments, and debt securities, net | $31,438 | $29,934 | $25,944 | $22,214 | $23,319 |
| Estimated fair value of equity investments | $11,977 | $13,126 | $10,146 | $ 7,932 | $10,979 |
| **Key Ratios** | | | | | |
| Return on average assets (GAAP basis) | 1.8% | 2.4% | 3.1% | -0.3% | 3.4% |
| Return on average capital (GAAP basis) | 6.5% | 8.2% | 10.1% | -0.9% | 9.6% |
| Cash and liquid investments as a percentage of next three years' estimated net cash requirements | 77% | 83% | 71% | 75% | 62% |
| Debt-to-equity ratio | 2.7:1 | 2.6:1 | 2.2:1 | 2.1:1 | 1.6:1 |
| Total resources required ($ billions) | $ 15.5 | $ 14.4 | $ 12.8 | $ 10.9 | $ 10.4 |
| Total resources available ($ billions) | $ 19.2 | $ 17.9 | $ 16.8 | $ 14.8 | $ 15.0 |
| Total reserve against losses on loans to total disbursed loan portfolio | 6.6% | 6.6% | 7.4% | 7.4% | 5.5% |

*See Management's Discussion and Analysis and Consolidated Financial Statements for details on the calculation of these numbers: http://www.ifc.org/FinancialReporting

## IFC OPERATIONAL HIGHLIGHTS

Dollars in millions, for the years ended June 30

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **New Investment Commitments** | | | | | |
| Number of projects | 576 | 518 | 528 | 447 | 372 |
| Number of countries | 103 | 102 | 103 | 103 | 85 |
| For IFC's own account | $15,462 | $12,186 | $12,664 | $10,547 | $11,399 |
| **Core Mobilization*** | | | | | |
| Syndicated loans[1] | $ 2,691 | $ 4,680 | $ 1,986 | $ 1,858 | $ 3,250 |
| Structured finance | – | – | $ 797 | $ 169 | $ 1,403 |
| IFC initiatives & other | $ 1,727 | $ 1,340 | $ 2,358 | $ 1,927 | – |
| Asset Management Company | $ 437 | $ 454 | $ 236 | $ 8 | – |
| Public-Private Partnership mobilization[2] | $ 41 | – | – | – | – |
| Total core mobilization | $ 4,896 | $ 6,474 | $ 5,377 | $ 3,962 | $ 4,653 |
| **Investment Disbursements** | | | | | |
| For IFC's own account | $ 7,981 | $ 6,715 | $ 6,793 | $ 5,640 | $ 7,539 |
| Syndicated loans[3] | $ 2,587 | $ 2,029 | $ 2,855 | $ 1,958 | $ 2,382 |
| **Committed Portfolio** | | | | | |
| Number of firms | 1,825 | 1,737 | 1,656 | 1,579 | 1,490 |
| For IFC's own account | $45,279 | $42,828 | $38,864 | $34,502 | $32,366 |
| Syndicated loans[4] | $11,166 | $12,387 | $ 9,302 | $ 8,299 | $ 7,525 |
| **Advisory Services** | | | | | |
| Advisory Services program expenditures | $ 197.0 | $ 181.7 | $ 166.4 | $ 157.8 | $ 130.8 |
| Share of program in IDA countries[5] | 65% | 64% | 62% | 52% | 49% |

*Financing from entities other than IFC that becomes available to client due to IFC's direct involvement in raising resources.

1 Includes B-Loans, Parallel Loans and A-Loan Participation Sales (ALPS).

2 Third-party financing made available for public-private partnership projects due to IFC's mandated lead advisor role to national, local, or other government entity.

3 Includes B-Loans and Agented Parallel Loans.

4 Includes B-Loans, A-Loan Participation Sales (ALPS), Agented Parallel Loans, and Unfunded Risk Participation (URP).

5 All references in this report to percentages of advisory program expenditures in IDA countries and fragile and conflict-affected areas exclude global projects.

# IFC GLOBAL RESULTS

*In FY12, IFC invested a record $20.4 billion in 103 developing countries, reflecting a doubling of our annual commitments over the last five years. Those investments included nearly $5 billion mobilized from other investors. Our investments for our own account in Sub-Saharan Africa totaled $2.7 billion—nearly twice as much as five years ago. Our Advisory Services program expenditures grew to $197 million, up more than 50 percent over the last five years.*

*Our clients once again took full advantage of our investments and advice, creating real impact for the poor. IFC investment clients helped support 2.5 million jobs in 2011, and made 23 million loans totaling more than $200 billion to micro, small, and medium enterprises. Our Advisory Services helped 33 client governments introduce 56 investment-climate reforms, and conclude public-private partnerships that will improve access to basic services for more than 16 million people.*

*That is significant development impact, and we achieved it profitably. Our net income before grants to the International Development Association, the World Bank's fund for the poorest, totaled $1.66 billion. Since FY07, we have contributed more than $2 billion of our income to IDA. In addition, we have invested more than $23 billion in IDA countries, nearly $6 billion of it in FY12 alone.*

**$3.7 BILLION**
LATIN AMERICA AND THE CARIBBEAN

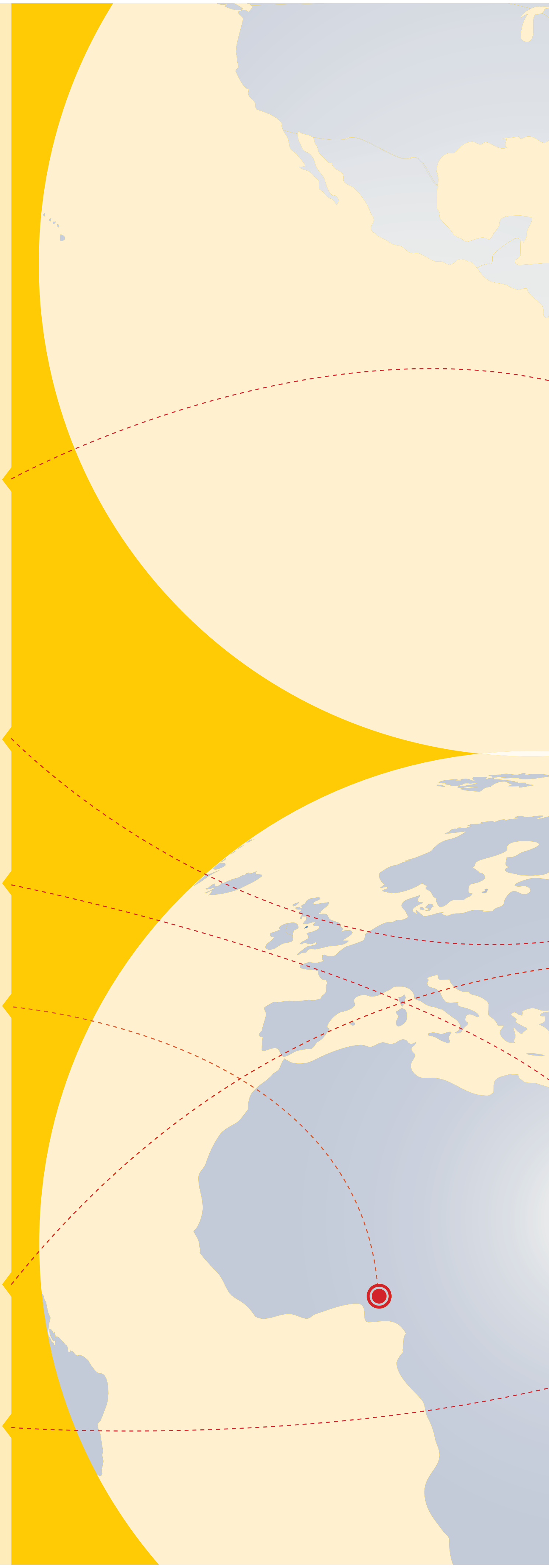
**$2.9 BILLION**
EUROPE AND CENTRAL ASIA

**$2.2 BILLION**
MIDDLE EAST AND NORTH AFRICA

**$2.7 BILLION**
SUB-SAHARAN AFRICA

**$2.5 BILLION**
EAST ASIA AND THE PACIFIC

**$1.3 BILLION**
SOUTH ASIA



# $20.4 BILLION

IN INVESTMENTS, INCLUDING $15.5 BILLION IN COMMITMENTS FOR OUR OWN ACCOUNT

**65%** OF OUR ADVISORY SERVICES PROGRAM EXPENDITURES WERE IN THE POOREST COUNTRIES SERVED BY IDA

## FY12 COMMITMENTS

Dollar amounts in millions

| | |
|---|---|
| Total | $15,461.76 (100.00%) |
| **By Industry** | |
| Trade Finance | $6,003.67 (38.83%) |
| Financial Markets | $3,371.33 (21.80%) |
| Infrastructure | $1,447.43 (9.36%) |
| Consumer & Social Services | $1,374.82 (8.89%) |
| Manufacturing | $1,021.30 (6.61%) |
| Agribusiness & Forestry | $1,020.92 (6.60%) |
| Oil, Gas & Mining | $490.55 (3.17%) |
| Funds | $484.28 (3.13%) |
| Telecommunications & Information Technology | $247.45 (1.60%) |

| **By Product** | |
|---|---|
| Loans[1] | $6,667.88 (43.13%) |
| Guarantees[2] | $6,401.66 (41.40%) |
| Equity[3] | $2,281.91 (14.76%) |
| Risk-management products | $110.30 (0.71%) |

1 Includes loan-type, quasi-equity products.
2 Includes trade finance.
3 Includes equity-type, quasi-equity products.

| **By Region** | |
|---|---|
| Latin America and the Caribbean | $3,679.79 (23.80%) |
| Europe and Central Asia | $2,915.37 (18.86%) |
| Sub-Saharan Africa | $2,733.25 (17.68%) |
| East Asia and the Pacific | $2,548.15 (16.48%) |
| Middle East and North Africa | $2,209.71 (14.29%) |
| South Asia | $1,312.16 (8.49%) |
| Global | $63.31 (0.41%) |

Some amounts include regional shares of investments that are officially classified as global projects.

## COMMITTED PORTFOLIO

For IFC's own account as of June 30, 2012

| | |
|---|---|
| Total | $45,279 (100%) |
| **By Industry** | |
| Financial Markets | $13,881 (31%) |
| Infrastructure | $8,608 (19%) |
| Manufacturing | $5,578 (12%) |
| Consumer & Social Services | $3,826 (8%) |
| Agribusiness & Forestry | $3,556 (8%) |
| Trade Finance | $2,961 (7%) |
| Funds | $2,952 (7%) |
| Oil, Gas & Mining | $2,392 (5%) |
| Telecommunications & Information Technology | $1,520 (3%) |
| Other | $5 (0%) |
| **By Region** | |
| Europe and Central Asia | $10,503 (23%) |
| Latin America and the Caribbean | $10,371 (23%) |
| East Asia and the Pacific | $7,216 (16%) |
| Sub-Saharan Africa | $6,461 (14%) |
| Middle East and North Africa | $5,585 (12%) |
| South Asia | $4,697 (10%) |
| Global | $445 (1%) |

Some amounts include regional shares of investments that are officially classified as global projects.

## FY12 COMMITMENTS BY ENVIRONMENTAL AND SOCIAL CATEGORY

| Category[1] | Commitments ($ millions) | Number of Projects |
|---|---|---|
| A | 931 | 17 |
| B | 3,629 | 153 |
| C | 6,975 | 267 |
| FI | 3,340 | 120 |
| FI-1 | 140 | 2 |
| FI-2 | 410 | 11 |
| FI-3 | 37 | 6 |
| Total | 15,462 | 576 |

1 See category descriptions on p. 37 on the flip side of this report.

## FY12 LARGEST COUNTRY EXPOSURES[1]

June 30, 2012 (Based on IFC's Account)

| Country (Rank) | Committed Portfolio ($ millions) | % of Global Portfolio |
|---|---|---|
| India (1) | 3,965 | 9% |
| Brazil (2) | 2,572 | 6% |
| China (3) | 2,429 | 5% |
| Turkey (4) | 2,329 | 5% |
| Russian Federation (5) | 2,263 | 5% |
| Mexico (6) | 1,188 | 3% |
| Egypt (7) | 1,153 | 3% |
| Nigeria (8) | 1,106 | 2% |
| Philippines (9) | 1,055 | 2% |
| Vietnam (10) | 1,025 | 2% |

1 Excludes individual country shares of regional and global projects.

## FY12 INVESTMENT SERVICES DOTS SCORE BY INDUSTRY

| | | |
|---|---|---|
| Infrastructure | 80 ($3,478) | 76% |
| Funds | 73 ($945) | 73% |
| Agribusiness & Forestry | 71 ($2,903) | 72% |
| Financial Markets | 218 ($20,775) | 70% |
| Manufacturing | 88 ($3,352) | 69% |
| Oil, Gas & Mining | 29 ($1,918) | 63% |
| Consumer & Social Services | 84 ($1,762) | 57% |
| Telecommunications & Information Technology | 25 ($765) | 56% |
| IFC Total | 668 ($35,897) | 68% |

Numbers at the left end of each bar are the total number of companies rated. Numbers in parentheses represent total IFC investment ($ millions) in those projects.

## FY12 INVESTMENT SERVICES DOTS SCORE BY REGION

| | | |
|---|---|---|
| East Asia and the Pacific | 96 ($5,645) | 80% |
| South Asia | 78 ($2,569) | 73% |
| Latin America and the Caribbean | 148 ($9,984) | 72% |
| Sub-Saharan Africa | 102 ($4,717) | 64% |
| Europe and Central Asia | 158 ($8,861) | 61% |
| Middle East and North Africa | 75 ($3,824) | 60% |
| IFC Total | 668 ($35,897) | 68% |

Numbers at the left end of each bar are the total number of companies rated. Numbers in parentheses represent total IFC investment ($ millions) in those projects.

## FY12 ADVISORY SERVICES PROGRAM EXPENDITURES

Dollar amounts in millions

| | |
|---|---|
| Total | $197.0 (100.00%) |
| **By Business Line** | |
| Access to Finance | $62.6 (32%) |
| Investment Climate | $56.5 (29%) |
| Sustainable Business | $47.9 (24%) |
| Public-Private Partnerships | $30.0 (15%) |
| **By Region** | |
| Sub-Saharan Africa | $57.4 (29%) |
| Europe and Central Asia | $34.4 (17%) |
| East Asia and the Pacific | $28.2 (14%) |
| South Asia | $27.6 (14%) |
| Latin America and the Caribbean | $20.9 (11%) |
| Middle East and North Africa | $17.9 (9%) |
| Global | $10.6 (5%) |

## WEIGHTED AND UNWEIGHTED OVERALL INVESTMENT SERVICES DOTS SCORES

| | Unweighted | Weighted |
|---|---|---|
| FY10 | 71% | 82% |
| FY11 | 67% | 77% |
| FY12 | 68% | 72% |

## IFC'S CLIENT LEADERSHIP AWARD

IFC's Client Leadership Award honors an organization that best exemplifies innovation, operational excellence, and strong corporate governance. It's our way to recognize a corporate client that shares our values and commitment to sustainable best practices and development impact.

This year's award will honor the work of Jordan's Hikma Pharmaceuticals, the leading manufacturer of generic drugs in the Middle East. Hikma delivers high-quality, affordable medicines to people in the region, many of whom lack access to modern health care. Hikma serves as a model—it was the first pharmaceutical company in the Middle East and North Africa to obtain U.S. Food and Drug Administration approvals, producing export-quality medicines for the local market.

In 2009, Hikma introduced injectable oncology drugs at up to 80 percent below the then-prevailing price. This significantly benefited patients who otherwise would have been unable to afford cancer treatment. The company also has strong corporate social responsibility programs and engages staff, as well as the broader community, through vocational training and educational campaigns related to environmental awareness and development.

Dr. Abdallah Awidi of Jordan University Hospital treats cancer patients with Hikma medicines.

Our seasoned team of executives ensures that IFC's resources are deployed effectively, with a focus on maximizing development impact and meeting the needs of our clients. IFC's Management Team benefits from years of development experience, a diversity of knowledge, and distinct cultural perspectives—qualities that enhance IFC's uniqueness. The team shapes our strategies and policies, positioning IFC to help improve the lives of more poor people in the developing world. Our executives are vital in maintaining IFC's corporate culture of performance, accountability, and engagement.


## OUR MANAGEMENT TEAM

**Janamitra Devan**
Vice President,
Financial and Private Sector Development

**Jingdong Hua**
Vice President,
Treasury, Syndications, and Information Technology

**Rachel Robbins**
Vice President and General Counsel

**Dimitris Tsitsiragos**
Vice President,
Eastern and Southern Europe, Central Asia, Middle East and North Africa

**Karin Finkelston**
Vice President,
Asia-Pacific

**Thierry Tanoh**
Vice President,
Sub-Saharan Africa, Latin America and the Caribbean, and Western Europe


**Nena Stoiljkovic**
Vice President,
Business Advisory Services

**Rashad Kaldany**
Vice President,
Global Industries

**Dorothy Berry**
Vice President,
Human Resources, Communications, and Administration

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

**Gavin Wilson**
CEO,
IFC Asset Management Company

**Saadia Khairi**
Vice President,
Risk Management, Financial Reporting, and Corporate Strategy

**Jorge Familiar Calderon**
Vice President and Corporate Secretary (not pictured)

# THE LEADER IN PRIVATE SECTOR DEVELOPMENT

A vibrant private sector is indispensable to tackling the world's most urgent development challenges. It takes a special kind of leadership, however, to ensure that the benefits of private sector growth reach people who need it most—the poor. As the world's foremost private sector development institution, we strive to provide that leadership.

IFC aims to create opportunity for people to escape poverty and improve their lives. We do so by leveraging our global presence and expertise to provide investment and advice that help developing countries achieve long-term, sustainable growth. We bring a distinctive set of capabilities to bear: We innovate to strengthen the private sector, we exercise influence to raise standards and shape policy, we demonstrate the benefits of venturing into challenging markets, and we achieve development impact that can be measured.

1/3

*IFC's share of all development financing to the private sector by international finance institutions*

# IFC AND THE POWER OF THE PRIVATE SECTOR

**$1.1 TRILLION**

NEEDED ANNUALLY FOR INFRASTRUCTURE IN DEVELOPING COUNTRIES

Jobs. Innovation. Opportunity. The private sector drives them all.

In developing countries, it fuels the economic growth and entrepreneurship that improve living standards and give people a shot at a better life. It is a vital source of tax revenues, providing governments with essential funding for health, education, and infrastructure. And it is especially important in uncertain times, when the world increasingly looks to emerging markets to power more economic growth.

IFC is uniquely positioned to catalyze the power of the private sector to create growth that benefits the poor. We account for almost a third of all development financing provided to the private sector by international finance institutions, and we provide leading-edge advisory services to improve the investment climate and make businesses more sustainable. We work with clients and policymakers to promote environmental, social, and governance standards and risk-management practices that make markets stronger, more transparent, and more attractive to investors.

As a central element in the World Bank Group's drive to leverage the private sector for robust and sustained growth, we have identified a number of areas where we can make a difference, areas where the needs are too great to be satisfied by public resources alone.

To bolster telecommunications, ports, power generation, land transport, and water and sanitation, we support public-private partnerships in infrastructure. Without the private sector, vital infrastructure projects would go unfunded—developing countries need an estimated $1.1 trillion in annual expenditures to satisfy demand for infrastructure services. Much of it will come from private sector sources.

We're also working to create a better investment climate in developing countries, because businesses can't thrive and create jobs when red tape and unnecessary regulations thwart entrepreneurs. Our work with other members of the World Bank Group helps governments implement a legal, regulatory, and institutional environment conducive to job creation and growth.

In financial markets, our projects are aimed at giving small and medium enterprises better access to financial services, and strengthening local-currency bond markets. Our work also enhances access to trade, which is responsible for half of global economic output and a crucial bulwark against economic crises. IFC's trade and supply-chain finance programs help companies in emerging markets access much-needed financing, assuring growth and employment.

Leading global policymaking institutions seek us out for our broad experience in private sector development. We're working with the Group of 20 major economies to foster innovative inclusive-business models. The *G-20 Challenge on Inclusive Business Innovation*, which IFC managed in FY12, recognized 15 companies that have found creative ways to improve the lives of millions of people at the base of the economic pyramid.

*Left*
IFC's work on green buildings could mean "a better future" for Indonesia, says Anton Suparlan, who heads a Jakarta construction company.

# OUR COMPREHENSIVE APPROACH TO JOB CREATION

For the poor, a job is the surest route to a better life. Without work, it's hard—often impossible—for people to care for themselves or their families. Social and economic unrest follow. The cycle repeats. Poverty intensifies.

That's why unemployment is the most pressing challenge of our time. Nowhere is the situation more urgent than in developing countries, home to three-quarters of the world's jobless—around 150 million people.

Hundreds of millions of jobs are needed simply to keep up with population growth and make a dent in the global unemployment rate. It won't be possible without the private sector, which already accounts for 90 percent of the jobs in developing countries. We're working with our clients and partners to ensure that the private sector doesn't just create lots of jobs, but creates good jobs—jobs with safe working conditions, good benefits, and plenty of opportunity for workers to move up to better jobs.

The situation is acute in the Middle East and North Africa region, where young people in particular haven't received training or education relevant to the needs of today's labor market. IFC is addressing that mismatch by mobilizing donor partners, working with our extensive client network, and investing in high-quality education under our e4e Initiative for Arab Youth.

We're also financing crucial job-producing projects. Our $250 million investment in Egypt's Orascom Construction Industries is expected to provide more than 2,500 jobs and help boost agricultural production.

In Latin America and the Caribbean, our $130 million investment in Belcorp, a Peruvian cosmetics company, is expected to generate nearly 9,000 jobs, three-quarters of them for women.

We know that the benefits of our investment and advisory work aren't always so direct. They can be indirect, and tricky to measure. Our work to promote access to finance and strengthen the investment climate, for example, translates into jobs that wouldn't otherwise exist, but these effects aren't easy to capture.

To better understand our indirect impact on jobs, we conducted an open-source study on IFC's contributions to job creation, a first-of-its-kind undertaking designed to deepen our understanding of the private sector and employment, and shape the way we make decisions. Early findings have provided key insights into the links between economic growth, productivity, and job creation.

That information, and the lessons we learn from our clients, won't be applied just to IFC's work. It will help policymakers, other development finance institutions, and private companies fuel entrepreneurship, competitiveness, and, ultimately, job creation.

**150 MILLION**
PEOPLE JOBLESS IN DEVELOPING COUNTRIES

We work to ensure the private sector creates good jobs—with safe working conditions, good benefits, and opportunities for advancement.

# 90%

*of the jobs in developing countries come from the private sector*

# 400

*million businesses lack the financing needed for growth*

# OUR GLOBAL ROLE IN EXPANDING ACCESS TO FINANCE

**MORE THAN 800**

FINANCIAL INSTITUTIONS WORK WITH IFC AROUND THE WORLD

Access to finance is critical to prosperity. But one out of two people in developing countries—more than 2.5 billion in all—has no bank account. Nearly 400 million businesses lack the financing they need to grow. Estimates of the credit gap for these businesses top $2 trillion.

The Group of 20 advanced and developing countries recognized that deficiency as a fundamental obstacle to development. And it turned to IFC to help carry out the work of its new *Global Partnership for Financial Inclusion*, which is designed to improve access to finance for businesses and individuals that most need it.

Our role has been crucial. It takes skill and broad partnerships—involving governments, development institutions, and the private sector—to address a challenge of such magnitude. That's an area of strength for us. We have decades of experience in helping expand access to finance in developing countries, working through a client network of more than 800 financial institutions.

In FY12, as part of our work related to the G-20, we launched the *Global SME Finance Forum*, a knowledge-sharing initiative to strengthen the role of small and medium enterprises in growth, employment, and poverty reduction. We also published several research reports on best practices for promoting SME finance—including the *SME Finance Policy Guide*, a reference book for governments and regulators.

Our work can have significant catalytic effects, as one of our advisory projects in China demonstrated. For many small Chinese firms, obtaining finance is a major challenge because they lack the type of collateral accepted by local lending institutions.

In 2005, Chinese authorities embarked on reforms to encourage financing against a broader array of collateral—specifically, valuable movable assets such as inventory and receivables. We were an active partner. Our China Secured Transactions Project helped promote the development of small and medium enterprises, an important national priority.

An external evaluation of the project showed that Chinese businesses received more than $3 trillion in credit through more than 385,000 loans as of June 2011. Many of the beneficiaries were small businesses—whose assets are mostly in the form of inventory and receivables.

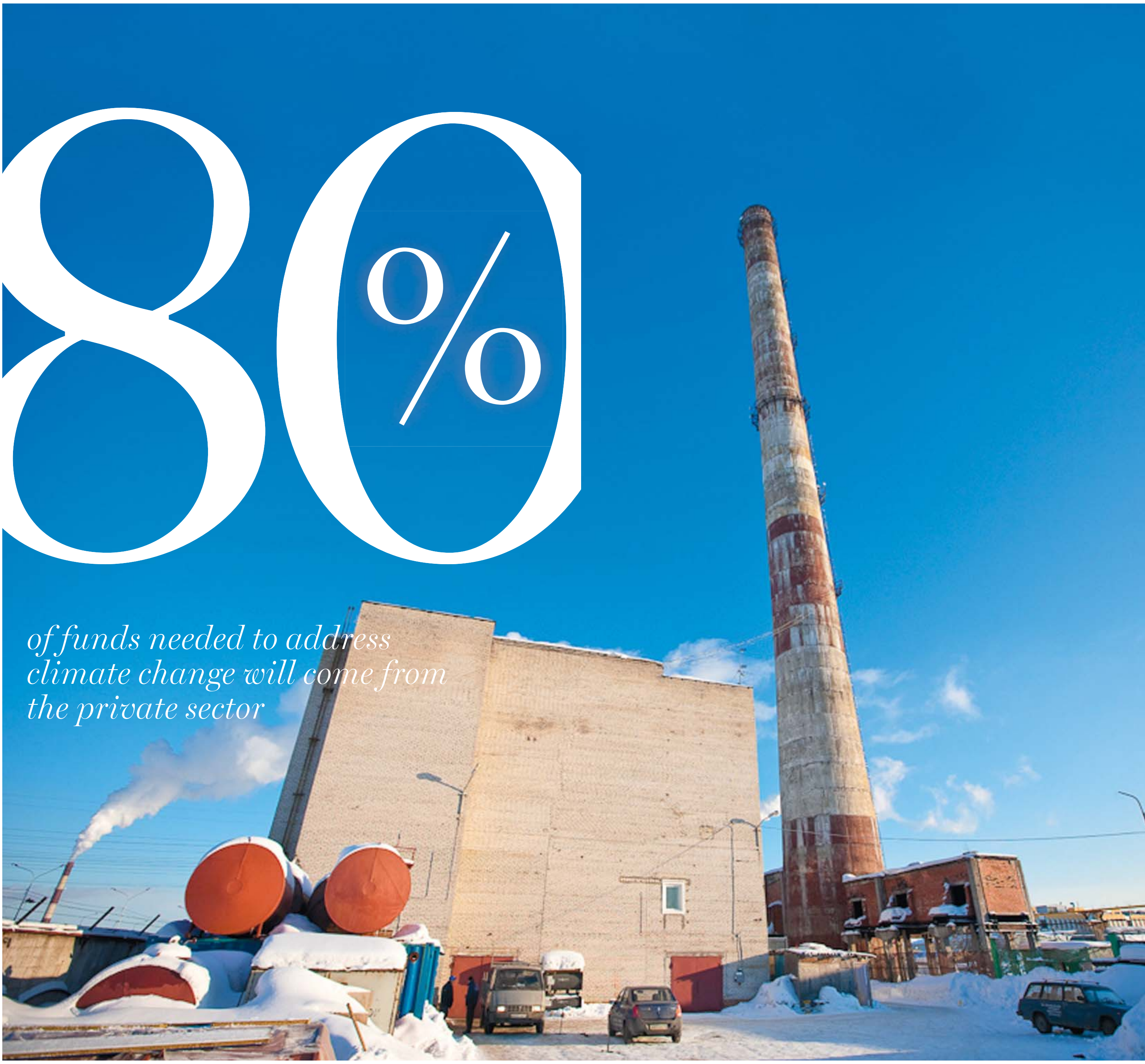
A loan from Bancamia, an IFC-supported microfinance company, boosted Millar Landy Mateus Quiroga's small lumber business in Colombia.

We helped Ethiopian coffee farmers raise their incomes by increasing the quality and quantity of coffee they produce.

Developing countries have halved the poverty rate in the past 20 years. Yet 1.3 billion people still scrape by on less than $1.25 a day. In the decades ahead, these countries are likely to face significant new threats to prosperity—including a shift of populations from villages to cities that strains infrastructure, endangers food security, and harms the environment.

Addressing those dangers is a priority for IFC. Our work with the private sector is helping modernize infrastructure in places that need it most—especially Africa—and broaden people's access to good education and health care. It is expanding and diversifying the food supply wherever it is scarce. It is helping establish strong and resilient local financial markets. And it is empowering businesses in developing countries to do more to mitigate and adapt to the effects of climate change.

# OUR PRIORITY SECTORS

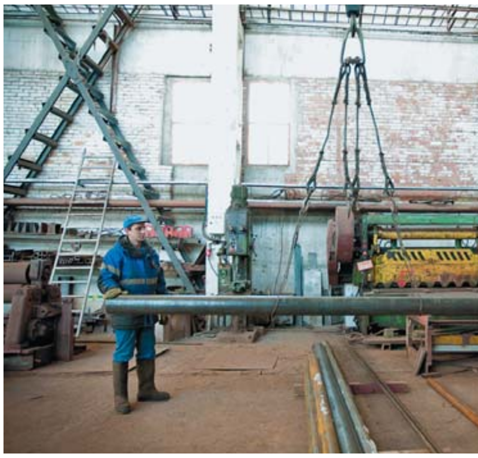


# 80%

*of funds needed to address climate change will come from the private sector*

## $1.6 BILLION

COMMITTED TO CLIMATE-RELATED INVESTMENTS



# ADDRESSING CLIMATE CHANGE, AN URGENT PRIORITY

In developing nations, basic resources such as food, water, and land are increasingly pressed by urbanization and population growth. Climate change intensifies those strains, especially for the poorest of the poor.

The private sector is essential in addressing the challenges—it will need to provide an estimated 80 percent of the investment required to stabilize climate change. Investment of that magnitude requires partnerships between governments, civil society, and international financial institutions. Private sector innovation, moreover, can lower the cost of mitigation and adaptation.

IFC is incorporating climate change into virtually every aspect of our business. We spur innovation by providing investment, including venture capital and blended finance, and advisory services—including standard setting and primary research into the business risks posed by climate change. Over the last few years, we have also established a strong record of projects involving climate-related public-private partnerships.

In FY12, IFC invested $1.6 billion in climate-related investments—more than 10 percent of our overall commitments for the year. Our target for FY15 is 20 percent of our long-term finance commitments. About 70 percent of our investments in the power sector involved energy efficiency and renewable energy—including Karadzhalovo, a landmark 60-megawatt solar farm in Bulgaria. We also implemented a $35 million global portfolio of advisory programs to support climate-related investment by the private sector. About 30 percent of our new mandates for public-private partnerships were climate-related.

Making offices, homes, and other buildings more energy efficient can have a big impact. Building-related greenhouse emissions could double by 2030, with most of the increase in developing countries. IFC is helping builders all over the world put a new emphasis on sustainability and energy efficiency—by ramping up investments and by developing building codes that lower operating costs, cut carbon emissions, and reduce vulnerability to severe weather events.

In Colombia, we are working with the central government and the National Chamber of Construction to develop the first national Green Building Code. The new code will be implemented in the construction of up to 700,000 low-income houses, which represent 72 percent of new construction by 2020. Similar work is underway in Bangladesh, Indonesia, Mexico, the Philippines, and Vietnam.

Local financial institutions also have a pivotal role in climate finance. By providing guidance and resources to Chinese policymakers and banks, we're supporting a transformation of the Chinese financial sector. The ground-breaking Green Credit Policy encourages Chinese banks to invest more in energy-efficient and sustainable companies. This project is vital in a country that emits more greenhouse gases than any other—it will set a powerful example for the rest of the world.

Our support has enabled EnergoStroy to repair and modernize steam-power plants in Russia.

# $1.6 billion

*invested in African infrastructure*

# PROMOTING A VIRTUOUS CYCLE BY MODERNIZING AFRICA'S INFRASTRUCTURE

**500,000**

PEOPLE TO GAIN ACCESS TO IMPROVED SERVICES

Even as crews put the finishing touches on newly built roads, ports, and power stations across Africa, the continent's people and its growing economies are demanding more.

Africa's recent economic growth is highlighting—even deepening—long-standing structural problems, with infrastructure growth failing to keep pace. Congested roads, a lack of clean water, and frequent power outages are the reality in many African cities. Most of Africa's population has no access to electricity at all.

IFC responded on a historic scale in 2012. For the first time, we invested and mobilized nearly $1.6 billion in investments in all types of private infrastructure in Africa. This was more than double the amount in 2011.

Our focus is on the building blocks of any modern economy: ports, railways, telecoms, and power, including renewable energy.

Recent successful projects highlight the various ways IFC is helping Africa build its infrastructure. In Senegal, we supported private sector involvement in the Dakar Toll Road, which will greatly improve transport and trade in and around the capital. In Togo, our investment and advisory support is helping Togolese power company ContourGlobal Togo S.A. develop, build, and operate a 100-megawatt thermal power plant in the capital, Lome.

*Far left* Supported by an IFC partnership, Liberia's main electrical utility has installed 33,600 new connections in Monrovia.

*Left* Zorlu Energy Group tapped Pakistan's wind-energy potential to help alleviate the country's chronic power shortages.

These and many other projects underscore the strides Africa is making. But it will take time and sustained investment for the continent to build a solid infrastructure foundation.

IFC is also leading the way in strengthening Africa's know-how on developing and guiding infrastructure projects in ways that achieve the right balance between private and public interests and manage environmental and social risks.

We have successfully advised African governments, including local municipalities, on how to engage the private sector in essential public services, and on how to restructure state-owned enterprises. Our support for public-private partnerships between fiscal years 2008 and 2012 is expected to facilitate more than $175 million in private financing for infrastructure and health, and to provide improved services to 500,000 people.

Political risks, corruption, and regulatory interference remain formidable obstacles, but economists and analysts are pointing to the outlines of a virtuous cycle: as Africa grows, it is attracting increased investment and expertise to fund and drive future expansion.

# STRENGTHENING FOOD SECURITY IN DEVELOPING COUNTRIES

The world produces plenty of food—more than enough to feed every man, woman, and child. Yet nearly a billion people go hungry every day, most of them in developing countries.

That paradox reflects an unpleasant fact: poverty and hunger are inextricably linked. Poor people spend most of their scant income on food, making them acutely vulnerable to food-price increases. Even short-term increases can have long-term consequences, depriving children of the nutrition necessary for a healthy and productive life.

Food prices have soared over the last few years, posing an urgent development challenge. IFC has responded strongly. We have made food security a strategic priority, launching a variety of innovative initiatives to help make food available where it's needed most, and at affordable prices.

Our approach is comprehensive. It emphasizes increased access to finance for farmers and agribusinesses, a more favorable investment climate, knowledge and technology transfer, environmental and social sustainability, public-private partnerships, and more efficient use of land, water, and energy.

In FY12, we launched the Critical Commodities Finance Program to expand agricultural-commodity trade finance in all developing countries while addressing energy needs in the poorest countries. The program is expected to support up to $18 billion in trade over the next three years.

We helped farmers earn a steady income through our new Global Warehouse Finance Program. The program allows farmers to get cash quickly when they deliver their crops to warehouses. Ordinarily, farmers must wait until their goods are shipped from the warehouse—which can take weeks. Our program enables farmers to borrow instantly against receipts they obtain for commodity deliveries.

In addition, we expanded our Agricultural Price Risk Management program to Africa and the Middle East, enabling access to funding and risk management for importers and exporters in these two critical regions.

IFC also manages the private sector window of the World Bank Group's Global Agribusiness and Food Security Program, which is designed to expand funding for food-security programs in developing countries. The private sector window provides loans, credit guarantees, and equity investment to support private sector activities to strengthen food security.

We know that food security is a challenge we cannot address on our own. As the global population grows in the next four decades, food production will need to increase by 70 percent. Developing countries will need an average annual net investment of $83 billion. Getting there will require innovation and collaboration on a global scale. IFC is ideally positioned to play a critical role.

IFC has responded strongly to rising food prices, helping to make food available where it's needed most, at affordable prices.

30

*countries benefited from IFC health and education projects*

# HELPING THE POOR OBTAIN BETTER EDUCATION AND HEALTH CARE

Uneducated workers are at a severe disadvantage in today's fast-changing global economy. Without specialized training, it's nearly impossible to find meaningful employment—jobs that offer economic stability and social mobility.

That's too often the reality for low- and middle-income people in developing countries. And when generation after generation goes untrained, poverty becomes entrenched.

By investing in education, IFC is working to reverse the trend. Our projects boost access to quality education, providing skills that fit the needs of the global marketplace. We invest directly in education companies, support lending to students, inform government policy, and share knowledge we've learned working in the industry.

Over the past decade, IFC has invested more than $2.2 billion in health and education companies in emerging markets, with projects in more than 30 countries. Our work in technical and vocational education, an area where we are increasingly active, can have a significant impact. These programs are targeted at underserved people who are often the first members of their families to receive post-secondary education.

We lent $24 million to TCG Holdings of the Philippines, a company that runs a chain of schools focused on the hospitality industry. Our investment will help expand two existing campuses of the Asian School of Hospitality Arts and establish four new ones, adding capacity for 5,000 new students.

The result: low- and middle-income students in the Philippines—many of them disadvantaged women—will have better access to specialized training, and more hope for a good job.

Education and health are top priorities for IFC—we invest more than any other multilateral institution in private sector health and education in emerging markets. And we collaborate closely with the World Bank to design strategies for countries that do not have the resources to provide high-quality health care or education services for all their people.

IFC is expanding access to quality health care by investing in innovative business models. Over the past decade, we have invested $1.6 billion in health care.

Our work with Archimedes Global offered a new way to bring vital health services to underserved populations. In our first direct investment in the health-insurance sector, we invested $3 million in equity in Archimedes Health Developments, a firm that provides health insurance and health services in Georgia and Kazakhstan. The investment will help Archimedes open 24 clinics and provide insurance to 670,000 people by 2018.

**$2.2 BILLION**

INVESTED IN HEALTH AND EDUCATION COMPANIES IN EMERGING MARKETS

*Above, center*
Our support for specialized vocational training in the Philippines helped Jovelyn Manamat improve her job prospects in the country's hospitality industry.

# 50+

*currencies in which we provided financing*

# PIONEERING LOCAL-CURRENCY FINANCE

10+ YEARS

IFC HAS BEEN A LEADER IN LOCAL-CURRENCY FINANCE

In most developing countries, small entrepreneurs aiming to expand their businesses confront an immediate obstacle: limited access to local-currency financing.

Local-currency bond markets tend to be small and unsophisticated. Banks are often more comfortable lending to larger, more established companies. This means that long-term local-currency finance is not readily available for small and medium enterprises, forcing them to borrow in foreign currencies in order to grow.

Recognizing the risk this presents, finance ministers and central bank governors from the Group of 20 leading advanced and developing countries called for a concerted effort to support local-currency bond markets in developing countries. Such markets, they said last year, can provide a "spare tire" in a financial crisis, tapping local investors as a powerful alternative source of finance.

That's an area we know well. This year, we obtained approval from Ghana and eight members of the West African Monetary Union to establish local-currency bond programs that will strengthen domestic capital markets and support private sector development in countries that need it most. Our flagship Pan-African Domestic Medium-Term-Note Programme will allow us to issue more than $1 billion in Ghanaian cedis and CFA francs over the next decade.

For more than a decade, we have played a leading role in expanding the availability of local-currency finance in developing countries. We were the first to issue partial credit guarantees for domestic bond issuances in Algeria, India, Mexico, Russia, Saudi Arabia, and Thailand. We have provided financing in more than 50 currencies—more than any other multilateral development institution.

To further advance local-currency lending and bond issuance in Africa, IFC signed a master agreement with the African Development Bank to enter into cross-currency swap transactions. This allows us to benefit from each other's local-currency bond issues, enhancing our capacity to support clients' development projects. It is the first such swap agreement either institution has signed with another multilateral financial institution.

We also became the first multilateral institution to sign a local swap agreement with Chinese banks to provide local-currency lending. Our agreements with China Development Bank and the Export-Import Bank of China will enable us to extend long-term renminbi loans for private sector development projects.

Expanding long-term local-currency finance is a cornerstone of IFC's strategy to strengthen capital markets in developing countries. By working with regulators and local institutions, we can promote effective capital-market regulations. It also allows us to help our clients mitigate currency risks in ways that can create jobs and expand their businesses.

# FRONTIER MARKETS

To fight poverty, it is essential to know where the poor live. Two decades ago, the answer was straightforward—90 percent of the poor lived in poor countries. Today, only a quarter of the 1.3 billion people living on less than $1.25 a day are in low-income countries. The rest live in middle-income countries.

Those numbers underscore the need for a calibrated approach to combating poverty. Poverty tends to be entrenched in the poorest countries. Even with strong economic growth, poverty rates tend to fall slowly in places like Africa. It also is harder to roll back in countries debilitated by conflict or political instability. Such countries are a priority for IFC. But so are the poorest areas of middle-income countries, where large numbers of people await our help.

# SPARKING GROWTH AND OPPORTUNITY IN THE POOREST COUNTRIES

Jobs were scarce in Ouanaminthe, a small city in northeast Haiti. Rolande Pericles, and thousands like her, struggled to find work and feed her family.

That changed with the development of Codevi, an industrial park owned by Grupo M of the Dominican Republic. IFC's support has allowed Grupo M to expand the park. As a result, 6,500 people now have jobs at Codevi making high-quality brand-name clothing for export. These workers now also have health and education benefits, and an active union, a rarity for Haiti.

"After being a sewing-machine operator, I became a supervisor, and now I'm a coordinator," Pericles said. "The salary helps me take care of my home and my family."

Haiti and the world's other poorest countries struggle to eradicate preventable diseases, overcome conflict, and reduce poverty. Creating opportunity and sustainable growth in these countries—which are eligible to borrow from the International Development Association, the World Bank's fund for the poorest—is a priority for IFC. We do it by providing integrated investment and advisory support.

Since 2005, our investments in IDA countries have grown sixfold, reaching nearly $6 billion in FY12. IDA countries account for nearly half of our investment projects, and 65 percent of our advisory program expenditures. Our record in those countries has been impressive: for every $1 in equity that IFC invested, we received a return of $2.45.

Our financial performance has allowed us to contribute a significant sum to IDA replenishments—$2.2 billion so far. That's nearly as much as our paid-in capital of $2.4 billion.

*Right* IFC helped Grupo M expand Haiti's Codevi garment factory, helping thousands of workers like Rolande Pericles improve their livelihoods.

*Below* Mamikon Yepremyan launched his dairy business in 2011 with a loan from IFC client ACBA-Credit Agricole Bank.


# 6x

*investments in IDA countries have grown sixfold since 2005*

**$6 BILLION**
INVESTED IN IDA COUNTRIES

In our work in IDA countries, we have focused on projects that allow us to create opportunity and improve lives quickly and sustainably. In FY12, for example, we provided a $5.5 million financing package to develop a 138-room Hilton hotel in Burundi—a country emerging from years of civil unrest that virtually devastated the economy.

Burundi has been working with IDA to regain stability and strengthen and modernize its economy. The country has already seen significant improvement. In the World Bank's *Doing Business 2012* report, it was ranked the seventh-most-improved economy in the world.

The new hotel will improve Burundi's appeal to businesses and international travelers, offering international-standard accommodation and high-quality conference facilities. It is expected to create 155 permanent jobs, a third of which will be filled by women.

# $7 BILLION

INVESTED IN INCLUSIVE-
BUSINESS MODELS

# IMPROVING LIVES IN FRONTIER REGIONS OF MIDDLE-INCOME COUNTRIES

Mobile phones can transform lives—unless you are one of the 1.6 billion people living in the remote areas where they don't work.

Most mobile-phone companies inevitably reach a spot in a country's geography where it is simply not commercially viable to operate. For them, the distances are too great, the populations too small to justify the costs of installing the necessary equipment. People are cut off from the communications revolution as a result.

Some entrepreneurs, however, see opportunity in bringing phone services to people in remote areas. IFC specializes in backing these emerging leaders whose innovative inclusive-business models bring affordable, life-improving solutions to people who constitute the base of the economic pyramid. Our work also helps improve lives for people in frontier regions of middle-income countries.

"Remote communities are not lost causes," says Mike Fitzgerald, CEO of Altobridge, an Irish technology firm. "On the contrary, there is now substantial evidence and proven case studies throughout Africa, Asia, and the Middle East dispelling the myth that remote communities cannot deliver highly attractive returns on investment."

Over the past eight years, inclusive-business models have accounted for about 7 to 10 percent of IFC's annual commitments, amounting to more than $7 billion in all. Our work—with more than 300 inclusive-business clients in more than 80 countries—has helped us reach more than 250 million people at the base of the pyramid.

We also work to strengthen the private sector in frontier regions of middle-income countries, helping introduce innovative solutions to urgent development challenges. In Croatia, for example, we are financing a wind farm near the town of Sibenik that will provide a steady supply of power to homes and factories while helping combat climate change.

In Indonesia, Altobridge's core product is the "lite site" base station that it sells to mobile carriers in developing countries for $50,000—a fifth of the cost of prohibitively expensive conventional systems in ultra-rural areas. Run with proprietary software and low-cost solar panels, Altobridge systems let clients reach communities of 3,000 efficiently.

Last year, IFC made an early-stage $5 million equity investment in Altobridge. Indosat, one of Indonesia's largest carriers, used Altobridge's system to find new subscribers in Mambi, a remote village on Sulawesi, 15 hours by car from the nearest airport.

Until recently, Mambi's residents had almost no communications options, having to travel three hours to make a call—or five hours to the nearest hospital. Now the hospital can text them health updates. Small entrepreneurs can make calls on their Indosat phones, which helps improve the efficiency of their businesses.

Our investment in Altobridge's low-cost technology has enabled mobile-phone carriers to serve customers in remote villages in Indonesia.

# EXPANDING ECONOMIC OPPORTUNITIES FOR WOMEN

Jobs in the chemical industry generally pay well. In India, however, women have historically been locked out of the market—on the assumption that they can't work safely in such a setting.

Working with our client Meghmani Organics, IFC set out to prove that wrong. In 2008, we helped Meghmani set up its first chemical plant with women employees. With our assistance, the company established policies that better met the needs of women employees at its new FineChem factory—including flexible work hours and special health and safety requirements. It also created separate locker rooms and shower facilities for women.

The results have been noteworthy, setting an example for other chemical companies in India. About 45 women now work at FineChem, many of them from villages near the port city of Dahej, Gujarat. The company found that women were just as capable at their jobs as men—and also more productive and attentive to safety rules. The women, for their part, enjoyed stable jobs, higher incomes, and empowerment in their homes and villages.

Women are a powerful source of economic growth and opportunity. In developing countries, they account for about a third of small and medium enterprises—the engine of job creation. They make up 40 percent of the global workforce. By expanding opportunity for women in their roles as entrepreneurs, employees, consumers, and stakeholders, we can transform local and global markets.

We increase access to finance for women entrepreneurs. We dismantle barriers to women in business. We work with our clients to improve working conditions for women. We work with local chambers of commerce and other partners to provide business and management skills training to women entrepreneurs.

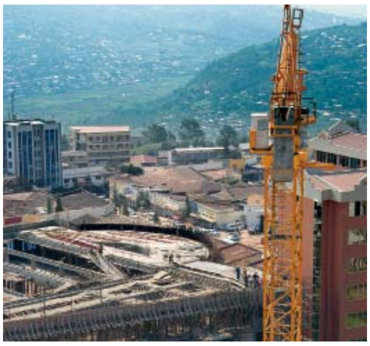
In Egypt, for example, we worked with Cairo Investment and Real Estate Development to conduct a corporate governance review, encouraging the company that runs the country's largest private network of schools to add women to its board of directors. Based on our recommendation, the company diversified its board of directors. The result was a significant improvement in board effectiveness, the company reported.

Since we launched our *Banking on Women* program in late 2010, IFC has invested more than $78 million in support of women-owned small enterprises in Eastern Europe and East Asia, building on our experience in Sub-Saharan Africa. Overall, our clients provided about 760,000 jobs to women in 2011. We invested $200 million in the new Global SME Finance Facility, which over its 10-year lifetime is expected to provide financing for 600,000 small businesses—a quarter of which will be women-owned.

A microfinance loan from an IFC client helped Mastura Asoeva expand her basket-making business in Tajikistan.

# HELPING COUNTRIES RECOVER FROM CONFLICT AND INSTABILITY

**$537 MILLION**
INVESTED IN CONFLICT-AFFECTED AREAS



For the 1.5 billion people living in areas affected by conflict and instability, starting over isn't easy. War and civil unrest reduce security, damage infrastructure and trade, destroy the regulatory framework, and deny potential entrepreneurs access to credit.

IFC provides immediate and long-term support to help such regions recover. We help them rebuild their private sectors and foster entrepreneurship, and help get their populations back to work.

In Rwanda, a country that lost as much as one-fifth of its population to genocide less than two decades ago, economic growth and private sector investment are key to alleviating poverty. Yet the country's entrepreneurs have long had to contend with tedious legal and administrative roadblocks—red tape that makes it difficult to register a company, settle a commercial dispute, or engage in cross-border trade.

Through the Rwanda Investment Climate Reform program, IFC helped the Rwandan government update complicated regulations. The result was more than 16,000 new jobs and 8,000 new enterprises. Rwanda is now one of the world's leading investment-climate reformers, according to the World Bank Group's *Doing Business* report. The improved investment climate makes entrepreneurs more likely to start a business, create jobs, and invest in the country.

In the Middle East and North Africa—where the Arab Spring has deepened development challenges—IFC has invested more than $2 billion since the unrest began in 2011. We have launched initiatives designed to expand access to finance for small and medium enterprises, address youth unemployment, improve job skills, and increase funding for critical infrastructure initiatives.

Advisory services are typically IFC's first step in post-conflict regions—they attract investment and, on the individual level, can be transformative for entrepreneurs seeking a fresh start.

In mineral-rich Côte d'Ivoire, for example, political and military turmoil for the past 10 years has nearly crippled the mining industry. IFC invested about $1.2 million through the West African Sama Resources to support a nickel and copper exploration project. The project will create jobs and promote growth. It will also establish good environmental and social standards for future investment in the country.

In FY12, IFC invested $537 million in 45 projects in fragile and conflict-affected areas, and delivered a $31 million advisory services program. In February, the World Bank opened a new Global Center on Conflict, Security, and Development in Nairobi, Kenya. Through much-needed financial support and expertise, the Center will help poor, war-torn communities rebuild their economies.

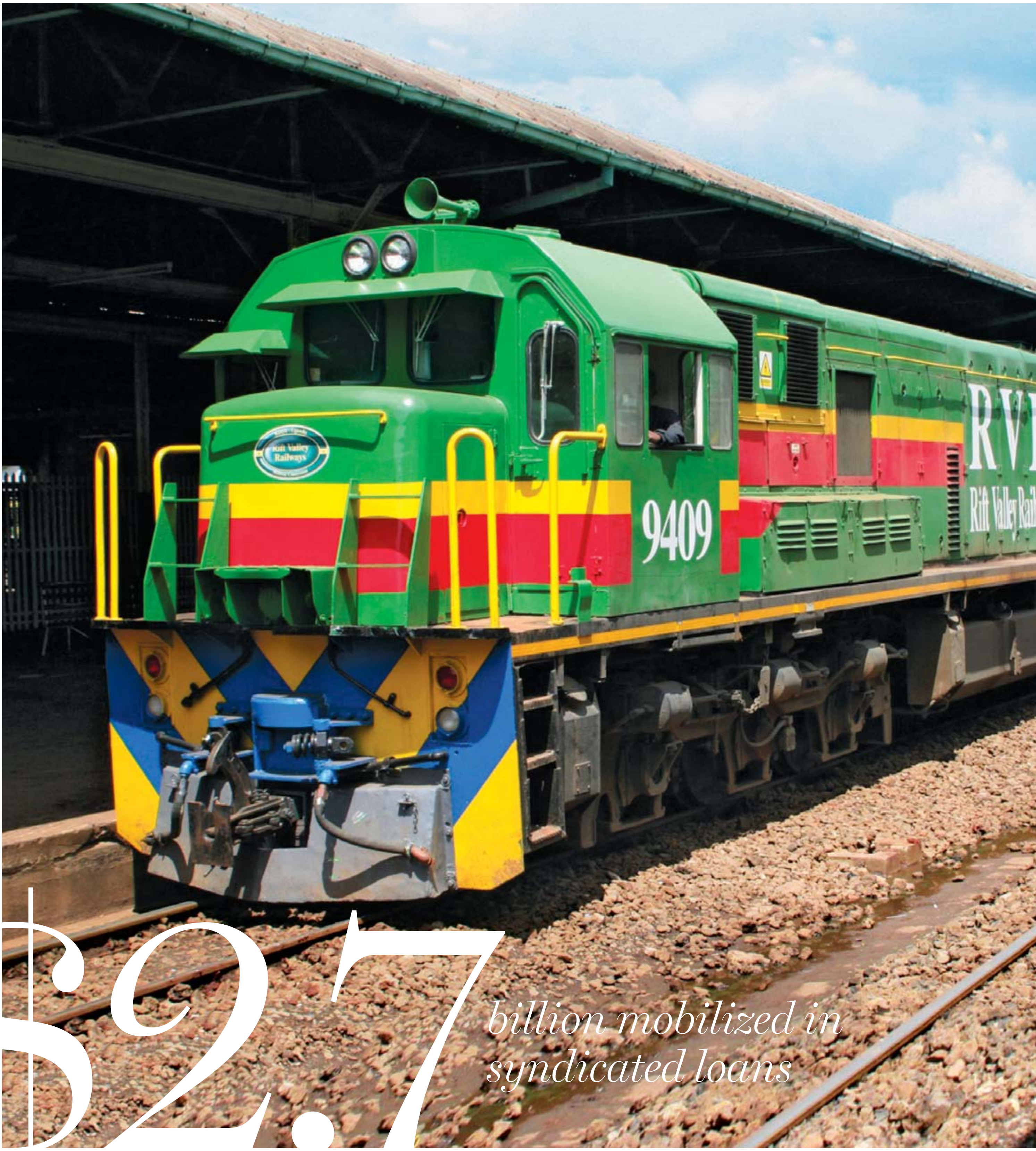
**45** projects financed in conflict-affected areas

Global economic uncertainty has prompted a significant decline in the flow of capital to developing countries. Private flows have shrunk by nearly 25 percent over the past two years. Aid to developing countries has declined, too.

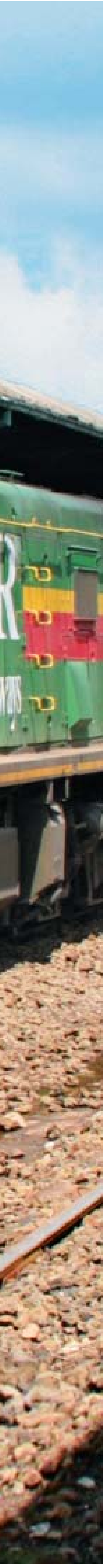
In a time of scarce resources, IFC has continued to provide significant capital to developing countries. We have increasingly brought in other investors to supplement our own growing investments. In FY12, for example, such investors accounted for nearly $5 billion—roughly a quarter of our overall investment commitments.

Unlocking new sources of capital is central to our approach. We do so by encouraging businesses in developing countries to invest in other developing countries, by tapping the resources of private equity funds, and by finding a variety of creative ways to free up capital wherever it's needed most.

# MOBILIZING FOR MAXIMUM IMPACT




$2.7 *billion mobilized in syndicated loans*



**1,460 MILES**

LENGTH OF THE VITAL KENYA-UGANDA RAILWAY

# THE POWER OF MOBILIZATION

From Mombasa on the Indian Ocean to the shores of Lake Victoria, the Kenya-Uganda railway crosses about 1,500 miles of arid scrublands, highlands, and valleys. It is a vital transport and trade link for East Africa.

Only a few years ago, the rail network was deteriorating after decades of scarce funding and inadequate management. Accidents were frequent. Turnaround times for railcars were unpredictable.

Private investment was essential to bringing this historic line back on track. In 2011, we teamed up with several financial institutions, drawing in about $274 million in financing for the new railway owner, Africa Railways Ltd. The owner invested in new equipment and brought in technical experts to build a faster, safer railroad.

Mobilizing funds from other investors—who invest alongside us—is a central aspect of our strategy. It allows us to achieve more than we could on our own. It allows us to pool not only funding but also knowledge and expertise.

Our record of strong and consistent profitability enables us to mobilize capital effectively. In FY12, we worked with banks, international financial institutions, sovereign funds, foundations, and other partners to mobilize nearly $5 billion for development—about $1.1 billion more than we mobilized in FY07 (see Operational Highlights on page 25).

IFC typically mobilizes third-party resources through our syndicated lending program, the oldest and largest among multilateral development banks. By providing a variety of syndicated loan products, we let other investors join us in investments in challenging markets. In FY12, we mobilized $2.7 billion in syndicated loans.

IFC Asset Management Company is a fast-growing component of our mobilization efforts. A wholly owned subsidiary of IFC, it lets investors benefit from our expertise while delivering strong equity returns and development impact. In FY12, IFC Asset Management Company accounted for $437 million of the funds we mobilized and committed.

Joining us in the railway project were three European development-finance institutions—FMO of the Netherlands, DEG of Germany, and Proparco of France—and a fund managed by IFC Asset Management Company. The Egypt-based private equity firm Citadel Capital SAE also played a key role.

Improvements in the railway already are evident. Cargo volumes have increased by 8 percent. The frequency of passenger trains has doubled. The accident rate has been cut nearly in half. We could not have done that alone.

*Left*
Once prone to delays and accidents, the now privately owned Kenya-Uganda railway has undergone a significant turnaround, with IFC's help.

*Right*
IFC helped Colombia raise funds for the $2.7 billion Ruta del Sol highway, one of the country's key transport arteries.

# $10

*million invested in earthquake-devastated Haiti*

## FREEING UP CAPITAL FOR DEVELOPMENT IN EMERGING MARKETS

For small businesses in developing countries, obtaining a loan is difficult. It could soon become much more so.

In the wake of the global economic crisis, regulators are eager to find ways to keep taxpayers from having to pay for bank bailouts. Under new global rules, banks will have to raise more than $600 billion in capital to cover potential losses. Banks will face hard choices as the rules take effect in 2013.

One choice could be to reduce lending—particularly to small and medium enterprises in emerging markets, where capital requirements are relatively high.

We anticipated that challenge—and helped establish an innovative fund to enable banks to increase loans to emerging-market SMEs without running afoul of capital limits. This year, IFC invested $100 million in the new Capital Release and Redeployment Fund, which is managed by the private-equity firm Christofferson, Robb & Company.

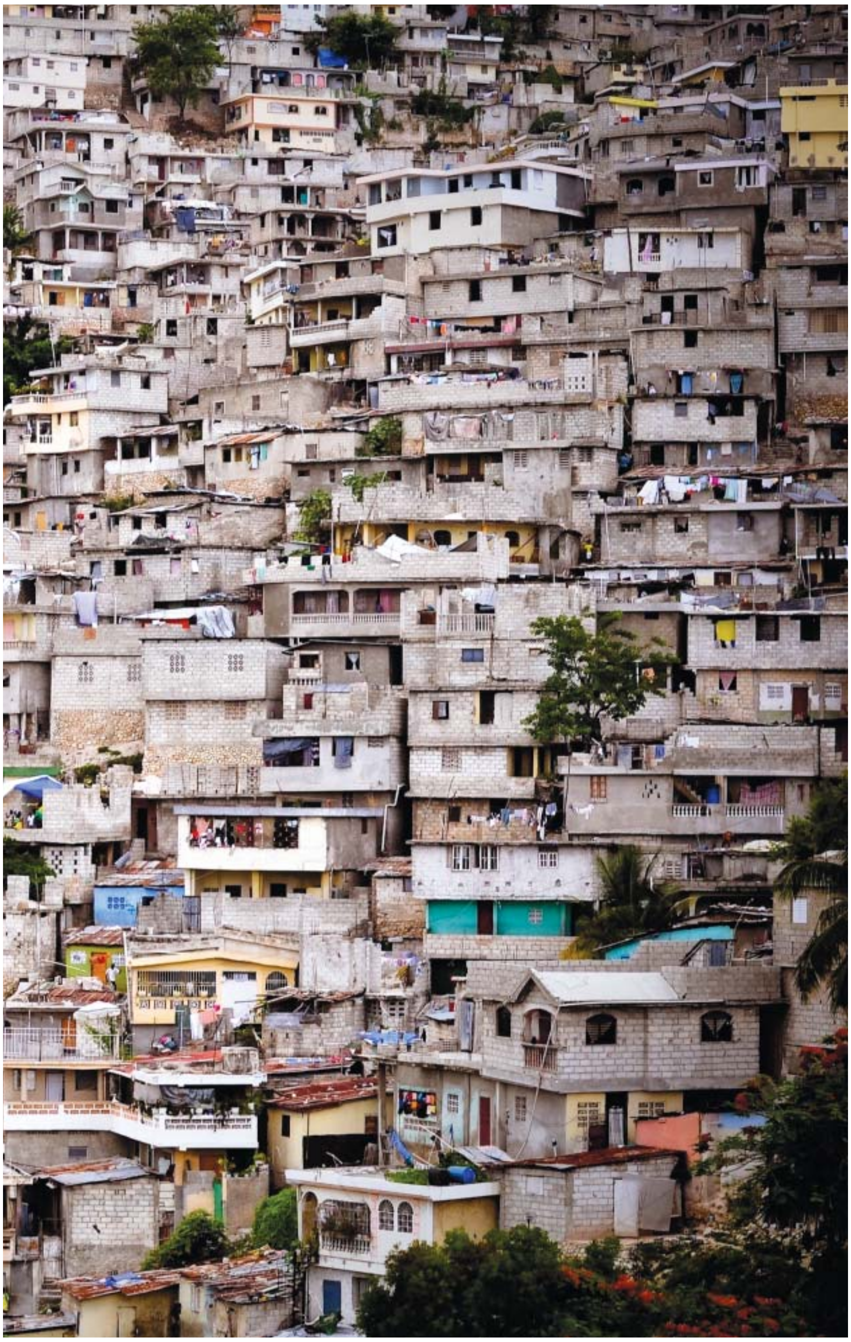
The fund allows banks to transfer some of the credit risks of SME loans to third parties, freeing up capital for further lending. It is expected to attract an additional $300 million from other investors, which would facilitate up to $4 billion in lending to SMEs in emerging markets.

IFC has a long record of innovation in tapping new sources of capital to support development in emerging markets—especially in times of crisis and uncertainty. Private-equity investment can play a significant role here, as our experience shows.

We are a significant backer of private-equity funds in emerging markets, and have invested in them since the 1980s. Our private-equity portfolio of $3 billion is invested in about 180 funds across the world. By investing in these funds, we bring our performance standards and policy requirements to them, which can help enhance the environmental and social performance of their projects.

We back private-equity funds because they provide capital and expertise to small and medium enterprises. In 2011, our private-equity investments helped support about 795,000 jobs—nearly a third of all jobs provided by our clients.

We are often the first private-equity investor in some of the poorest countries. This year, we made our first private-equity investment in earthquake-devastated Haiti. We expect our $10 million investment in Leopard Capital's Haiti Fund to support affordable housing, renewable energy, and food production.



IN FY12, WE MADE OUR FIRST PRIVATE EQUITY INVESTMENT IN HAITI

# THE GROWING IMPORTANCE OF SOUTH-SOUTH INVESTMENT

IFC financing is helping Turkey's Zorlu Energy build a wind farm that will help alleviate Pakistan's severe power shortages.

**20%**

of investment volume is in South-South projects

Emerging economies need private capital. But it all can't originate in developed countries, where economic uncertainty can squeeze banks' ability—and willingness—to lend.

The movement of capital from one developing or middle-income country to another—South-South investment—is an increasingly important way to deepen financial markets, generate growth, and put new sources of funds to use.

It's also a strategic priority for IFC. Over the past eight years, such investment has accounted for up to 20 percent of our projects and commitment volumes—increasingly in the poorest countries, in Africa, and in the Middle East. According to the Independent Evaluation Group, it has yielded strong development outcomes and helped raise environmental and social standards.

IFC is working with Chinese banks and companies to ensure that their growing investments in other parts of the world aren't just profitable, but also sustainable. By adhering to robust environmental and social standards, these projects will be more successful in the long haul, with direct benefits for the poor.

In FY12, IFC invested $1.5 billion in 41 South-South projects. We arranged a $115 million financing package for Ghana Vodafone, including $72 million in parallel loans from China Development Bank and the Export-Import Bank of China. The deal, marking the first time Chinese banks have participated in an IFC mobilization in Africa, uses the banking sector to anchor environmental and social standards, a new avenue for our work. The transaction will have an impact on the poor—by making telecommunications services more reliable and affordable, and by spurring competition.

South-South investment doesn't flow only out of China. We're also helping private sector funds move into the country's poor regions. IFC is working with XacBank, Mongolia's fourth-largest bank and the country's leading microfinance lender, and other investors to set up a microcredit company in Xinjiang, one of China's poorest and most remote provinces. The project will create jobs and promote entrepreneurship by expanding access to finance for small and medium enterprises.

IFC also encourages African countries to invest across their borders, a trend that can help economies emerge from years of conflict and create an environment conducive to entrepreneurship.

In FY12, we provided $2.8 million to help Nigeria's Vitafoam expand in Sierra Leone. The investment, IFC's first manufacturing project in Sierra Leone since the country's civil war ended a decade ago, demonstrates the significance of investment between African countries and sends a signal that Sierra Leone is open for business. Most crucially, the project will produce jobs and government revenues, and reduce Sierra Leone's dependence on imports.

# 25%

*of trade-finance commitments support farmers and agribusiness*

Our Global Trade Finance Program has issued more than 12,500 guarantees totaling $19 billion since 2005, more than half of which went to the poorest countries. Our work has opened the door for us to engage in more than 15 fragile and conflict-affected areas. Of the trade-finance guarantees issued under the program, more than 80 percent has benefited small and medium enterprises. More than 25 percent of our commitments under the program has supported farmers and agribusinesses.

In addition, our Global Trade Liquidity Program has supported $21 billion in trade since it was launched in 2009. In FY12, our commitments in the two programs totaled $6.1 billion—a 23 percent increase over FY11.

## WHY TRADE FINANCE MATTERS FOR DEVELOPMENT

International trade powers economic development—and trade depends on the availability of finance. Yet, for businesses in developing countries, trade finance is one of the first things to become inaccessible in times of financial turbulence.

This year, the economic downturn in developed countries hurt businesses in Asia, Africa, and Latin America. Several European banks, traditionally big suppliers of trade finance, cut back in many developing countries. As the availability of trade finance dwindled, its cost rose significantly.

IFC has stepped in to bridge the gap, playing a leading role among multilateral development banks. Over the last few years, we have significantly increased our investments in trade finance, launching an array of innovative global initiatives to expand it in developing countries. This year, we also became the first international financial institution to begin measuring the development impact of our work in trade finance.

We think trade finance is a significant area of opportunity to expand our development impact. That's partly because the private sector can't fill the need on its own—the "market gap" in trade finance is at least $25 billion, by some estimates. But it's also because we've found that trade finance allows us to make progress on all of our strategic priorities, helping improve the lives of people who need us most.

**80%**

**OF TRADE-FINANCE GUARANTEES BENEFIT SMALL AND MEDIUM BUSINESSES**

# *Stay Connected*
# *Web and Social-Media Resources*

IFC's website, 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 IFC's Annual Report 2012 provides downloadable PDFs of all materials in this volume and translations as they become available. It is available at www.ifc.org/annualreport. The website also provides more information on sustainability, including a Global Reporting Initiative index.

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www.ifc.org

*Social Media Index*
www.ifc.org/SocialMediaIndex

*Annual Report*
www.ifc.org/AnnualReport

www.ifc.org/annualreport

For more information on several key topics, please visit the following Web resources:

*The IFC/World Bank* Doing Business *report*
www.doingbusiness.org

*The joint IFC and World Bank Women, Business, and the Law project*
http://wbl.worldbank.org/

*IFC/World Bank enterprise surveys*
www.enterprisesurveys.org

*IFC issue briefs*
www.ifc.org/issuebriefs

*IFC's project mapping tool*
www.ifc.org/projectmappingtool

Africa—the Power of the Private Sector
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# RESULTS

ANNUAL REPORT 2012

# RESULTS

IFC's strong financial position—and record of success in good times and bad—helps our clients in the private sector create opportunity and improve lives in the poorest areas of the world.

CONTENTS




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# DELIVERING ON OUR VISION

IFC STRIVES TO DELIVER WHAT CANNOT BE OBTAINED ELSEWHERE.

# Scorecard
## *Delivering on Our Vision*

*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.*

## OUR STRATEGIC FOCUS AREAS

### 1
### STRENGTHENING THE FOCUS ON FRONTIER MARKETS

IDA countries, fragile and conflict situations, and frontier regions of middle-income countries

### 2
### ADDRESSING CLIMATE CHANGE AND ENSURING ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Developing new business models and financing instru-ments, setting and raising standards

### 3
### ADDRESSING CONSTRAINTS TO PRIVATE SECTOR GROWTH IN INFRASTRUCTURE, HEALTH, EDUCATION, AND THE FOOD-SUPPLY CHAIN

Increasing access to basic services and strengthening the agribusiness value chain

### 4
### DEVELOPING LOCAL FINANCIAL MARKETS

Building institutions, mobilizing resources, and introducing innovative financial products

### 5
### BUILDING LONG-TERM CLIENT RELATIONSHIPS IN EMERGING MARKETS

Using the full range of our products and services to guide clients' development and assist cross-border growth

# Scorecard
## *IFC's Performance on Strategic Pillars*

| Indicator | Performance FY12 | FY11 |
|---|---|---|
| **DEVELOPMENT RESULTS** | | |
| Investment Projects Rated High (DOTS score)[1] | 68% | 67% |
| Advisory Projects Rated High[2] | 72% | 67% |
| **FOCUS AREAS** | | |
| **FRONTIER MARKETS** | | |
| Number of Investment Projects in IDA Countries | 283 | 251 |
| Commitments in IDA Countries (millions) | $5,864 | $4,867 |
| Advisory Services Expenditures in IDA Countries (millions)[3] | $ 122 | $ 107 |
| Commitments in Sub-Saharan Africa (millions) | $2,733 | $2,150 |
| Commitments in Middle East and North Africa (millions) | $2,210 | $1,603 |
| **CLIENT PARTNERSHIPS** | | |
| Number of South-South Investment Projects | 41 | 32 |
| Commitments in South-South Investment Projects (millions) | $1,515 | $1,034 |
| **CLIMATE CHANGE** | | |
| Climate-Related Investments (millions)[4] | $1,621 | $1,671 |
| **INFRASTRUCTURE, HEALTH & EDUCATION, FOOD** | | |
| Commitments in Infrastructure, Health & Education, and Food[5] (millions) | $3,642 | $2,200 |
| **LOCAL FINANCIAL MARKETS** | | |
| Commitments in Financial Markets (millions)[6] | $9,375 | $8,176 |
| Commitments in Micro, Small and Medium Enterprises Sector (millions)[7] | $6,077 | $6,020 |

Notes:

1 DOTS scores: Percentage of client companies with development outcomes rated high as of June 30 of the respective year, for a rolling average of 6 years of approvals (2003–2008 for FY12).

2 FY12 and FY11 ratings are based on a review of completion reports filed in calendar years 2011 and 2010, respectively.

3 FY11 and FY12 figures reflect improved methodology for measuring Advisory Services expenditures in IDA countries, incorporating regional projects.

4 Includes investments in energy efficiency (EE) and renewable energy (RE).

5 Commitments of IFC's Infrastructure, Communications and Information Technologies, Subnational Finance, Health & Education, and Agribusiness departments (not the entire food supply chain).

6 Commitments of IFC's Financial Markets excluding Funds and Private Equity.

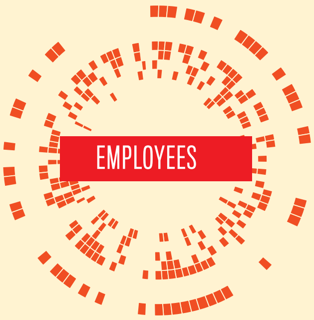
7 Includes direct MSME borrowers, financial institutions with more than 50% of their business clients being MSMEs, and any other investments that specifically target MSMEs as primary beneficiaries.

# Creating Opportunity Where It's Needed Most
## *Who Benefits?*

IFC and our clients make a wide range of contributions in developing countries. Our clients' success can have ripple effects across an economy, giving many people—including the poor—a chance to better their lives.

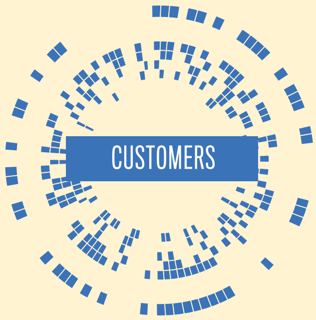
Through our clients, we create opportunity for workers and their families, local communities, suppliers, investors, and the customers who buy what they produce. Our clients generate significant tax revenues for national and local governments—resources available for assisting the poor. They can use IFC's financing and advice to expand or upgrade their facilities, improve environmental performance, strengthen corporate governance, and improve their management systems and adherence to industry standards.

Our advice complements our investments and provides support to firms and governments—to maximize impact. Our work with governments ranges from supporting reforms to their investment climates to helping design and implement public-private partnerships for infrastructure and other basic services.




Our investment clients provided 2.5 million jobs, including nearly 800,000 through private-equity and investment funds, almost 450,000 in core infrastructure, nearly 390,000 in agribusiness and forestry, and almost 370,000 in manufacturing.

- In India, IFC invested in a private-equity fund whose portfolio companies employed almost 12,000 people, including a growing number of women.




Our investment clients provided 23 million loans totaling $201 billion to micro, small, and medium enterprises. In addition, they provided power, water, and gas to almost 148 million customers and established 172 million phone connections. They also provided health services to more than 12 million patients, and education to nearly 1 million students.

- In 2011, a client in China provided water to 2.6 million residential customers–and sewage and wastewater services to 5.5 million customers.
- A client in Tunisia increased its portfolio of micro loans to more than $45 million, and its portfolio of SME loans to about $1.8 billion.
- In Sri Lanka, an IFC client provided phone service to nearly 40 percent of the country's 18.3 million phone customers.
- In Moldova, our Advisory Services supported a new radiology and diagnostic imaging center that will help improve health care for more than 100,000 patients a year.

## LOCAL COMMUNITIES

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

- In 2011, a client in Azerbaijan spent $7 million on community-development programs.
- As a result of IFC's capacity-building advisory services for local suppliers in Guinea, international mining companies have signed more than $4 million in new procurement contracts with local SMEs.

## SUPPLIERS

Our investment clients generated significant contracting opportunities for local suppliers, including almost $40 billion worth of goods and services procured by our manufacturing and services clients. Our agribusiness clients reached 3.3 million farmers.

- In 2011, a South African mining client purchased more than $640 million in goods and services from local suppliers.
- In India, IFC invested in a cement company that created 300 jobs and indirectly supported 7,200 jobs in its supply and distribution chain, in one of the country's poorest states.
- In Bangladesh, an agro-processing client reached more than 10,000 farmers and more than 45,000 MSMEs in its supply chain.

## ENVIRONMENT

Our projects are helping address climate change and advancing environmental and social sustainability.

- Our Russia Sustainable Energy Finance Program facilitated close to $34 million in financing for nearly 71 energy-efficiency projects. In total, the program annually reduces energy costs for Russian enterprises by $29.7 million.
- Through our advisory work with seed companies in Bangladesh, we helped train more than 22,000 farmers and 600 dealers and retailers on the use of stress-tolerant seeds and sustainable production practices. With our support, the Ministry of Agriculture introduced seven new stress-tolerant seed varieties for local farmers to use.

## GOVERNMENT

Last year, our investment clients contributed almost $22 billion to government revenues. This includes more than $6 billion from oil, gas, and mining; nearly $5 billion from core infrastructure; and almost $3 billion from manufacturing. Half our advisory work is directly with governments.

- An oil and gas client in Latin America paid nearly $2.2 billion in taxes and other government payments.
- A client in Iraq contributed more than $500 million in taxes and other payments to the government.
- In Liberia, our advisory work helped the government establish the Liberia Business Registry, which helped reduce the average number of days needed to start a business from 20 to six.
- In Sao Tome and Principe, our advisory work helped the government streamline its company-registration process into a one-stop shop, cutting the average number of days needed to start a business from 144 to 10.

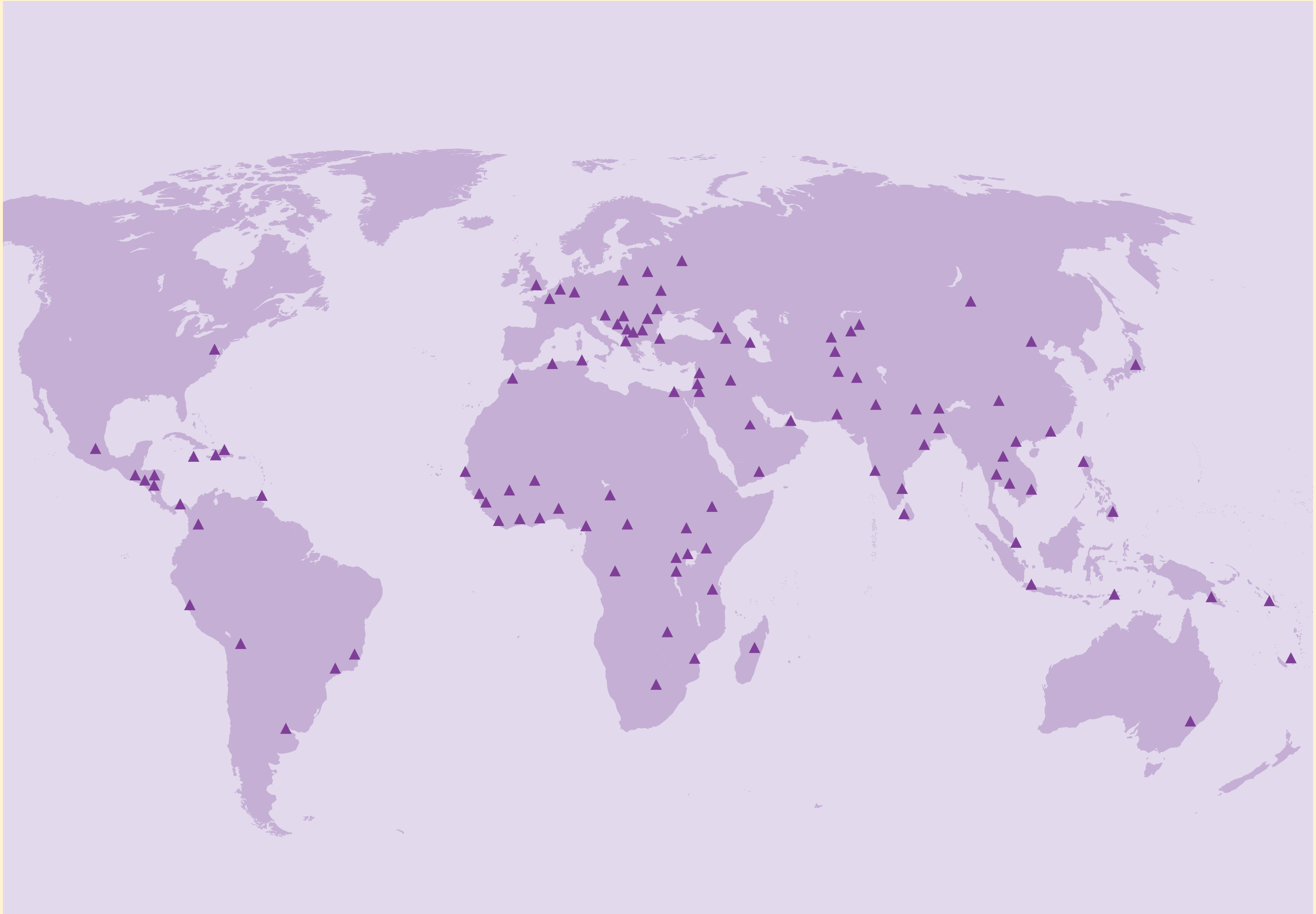
## OUR BUSINESS + EXPERTISE

OUR EXPERIENCE—IN EVERY REGION OF THE WORLD, AND IN NEARLY EVERY INDUSTRY—ALLOWS US TO PROVIDE A UNIQUE SET OF ADVANTAGES TO OUR CLIENTS.

# Where We Work

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

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



June 2012

# Our Three Businesses

IFC's three businesses—Investment Services, Advisory Services, and IFC Asset Management Company—are mutually reinforcing, delivering global expertise to clients in developing countries.

They give us a special advantage in helping the private sector create opportunity in these countries—our investments and advice can be tailored to a client's specific needs, and in innovative ways that add value. Our ability to attract other investors to our projects brings additional benefits, introducing our clients to new sources of capital and better ways of doing business.

## IFC INVESTMENT SERVICES

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

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

In FY12, we invested about $15.5 billion in about 576 projects, of which nearly $6 billion went to projects in IDA countries. In addition, we mobilized nearly $5 billion to support the private sector in developing countries.

## PRODUCT LINES

### LOANS

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

While IFC loans traditionally have been denominated in the currencies of major industrial nations, we have made it a priority to structure local-currency products. IFC has provided local-currency financing in more than 50 local currencies, including Colombian pesos, Indonesian rupiah, Kazakhstani tenge, Moroccan dirhams, Peruvian nuevos soles, Philippine pesos, Rwandan francs, and Zambian kwachas.

In FY12, we made commitments for nearly $6.7 billion in new loans.

### EQUITY

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

We invest directly in companies' equity, and also through private-equity funds. In FY12, equity investments accounted for nearly $2.3 billion of commitments we made for our own account.

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

## TRADE FINANCE

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

In FY12, trade finance accounted for about $6 billion—more than a third of the commitments we made for IFC's own account. Our Global Trade Liquidity Program has supported $21 billion in trade in developing countries since it was launched in 2009.

## SYNDICATIONS

IFC's Syndicated Loan Program, the oldest and largest syndicated lending program among multilateral development banks, is an important tool for mobilizing capital to serve development needs. Since its establishment in 1957, the program has mobilized over $40 billion from more than 550 financial institutions—for more than 1,000 projects in more than 110 emerging markets.

In FY12, IFC syndicated $2.7 billion in loans. This included B-loans and parallel loans, 38 percent of which went to borrowers in IDA countries and frontier regions. Borrowers in the infrastructure sector received 41 percent of the total volume mobilized. We expanded our investor base, adding 11 emerging-market banks, three development-finance institutions, a western European fund, and a Middle Eastern commercial bank. IFC's syndicated-loan portfolio totaled $11.2 billion in FY12.

IFC INVESTED

$15.5

BILLION IN ABOUT 580 PROJECTS.

THE IFC GTLP HAS SUPPORTED

$21

BILLION IN TRADE SINCE 2009.

IFC SYNDICATED

$2.7

BILLION IN LOANS IN FY12.

## STRUCTURED FINANCE

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

## CLIENT RISK-MANAGEMENT SERVICES

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

## BLENDED FINANCE

IFC combines concessional funds—typically from donor partners—with our own resources to finance initiatives and achieve development impact that would otherwise be unattainable. We have applied this approach in three areas of strategic priority: climate change, agribusiness and food security, and finance for small and medium enterprises. We have blended concessional funds alongside our own for more than 15 years. Since FY07, we have deployed more than $250 million of donor funds, catalyzing more than $3 billion of IFC and private sector financing.

# IFC ADVISORY SERVICES

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

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

We operate in 105 countries, with more than 630 active projects. Funding comes from donor partners, IFC, and clients. In FY12, advisory services program expenditures totaled nearly $200 million, up about 8 percent from FY11. In all, 65 percent of our program was in IDA countries, and 17 percent was in fragile and conflict-affected areas.

## BUSINESS LINES

### ACCESS TO FINANCE

IFC helps increase the availability and affordability of financial services for individuals and for micro, small, and medium enterprises. Our priorities are to help our clients provide broad-based financial services and to build the financial infrastructure necessary for sustainable growth and employment. At the end of FY12, we had an active portfolio of 245 projects—valued at $295.7 million—that promoted access to finance in 71 countries. In FY12, our advisory program expenditures totaled about $63 million, of which 64 percent was in IDA countries, and 16 percent was in fragile and conflict-affected areas.

### INVESTMENT CLIMATE

We help governments implement reforms that improve the business environment and encourage and retain investment, thereby fostering competitive markets, growth, and job creation. Our priorities are to design and support regulatory reforms that support business- and trade-friendly environments while also helping resolve legal and policy weaknesses that inhibit investment. At the end of FY12, IFC had an active portfolio of 129 investment-climate projects in 60 countries, valued at $226.7 million. In FY12, our advisory program expenditures totaled $57 million, of which 77 percent was in IDA countries, and 25 percent was in fragile and conflict-affected areas.

IFC ADVISORY SERVICES WORKS IN

105

COUNTRIES WITH MORE THAN 630 ACTIVE PROJECTS.

AT THE END OF FY12, IFC HAD AN ACTIVE PORTFOLIO OF

173

SUSTAINABLE-BUSINESS PROJECTS IN 59 COUNTRIES, VALUED AT $266 MILLION.

65%

OF ADVISORY SERVICES PROGRAM EXPENDITURES WERE IN IDA COUNTRIES.

### PUBLIC-PRIVATE PARTNERSHIPS

We help governments design and implement public-private partnerships in infrastructure and other basic public services. Our advice helps governments achieve long-term economic growth and better living standards by harnessing the potential of the private sector to increase access to public services such as electricity, water, health, and education while enhancing their quality and efficiency. At the end of FY12, we had an active portfolio of 85 PPP projects in 46 countries, valued at about $106 million. In FY12, our advisory program expenditures totaled $30 million, of which 55 percent was in IDA countries, and 13 percent was in fragile and conflict-affected areas.

### SUSTAINABLE BUSINESS

We help companies adopt environmental, social, and governance practices and technologies that create a competitive edge. We seek the broad adoption of these practices to transform markets and improve people's lives. We help advance women in business, strengthen small-scale farmers and small firms, and engage the private sector in climate-change solutions. At the end of FY12, we had an active portfolio of 173 sustainable-business projects in 59 countries, valued at $265.8 million. In FY12, our advisory program expenditures totaled $48 million, of which 59 percent was in IDA countries, and 10 percent was in fragile and conflict-affected areas.

# IFC ASSET MANAGEMENT COMPANY

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

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

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

As of June 30, 2012, AMC had approximately $4.5 billion in assets under management. It manages funds on behalf of a wide variety of institutional investors, including sovereign funds, pension funds, and development finance institutions. Its current fund portfolio is as follows:

## AMC FUNDS

### IFC CAPITALIZATION FUND

The $3 billion IFC Capitalization Fund consists of an equity fund of about $1.3 billion and a subordinated debt fund of about $1.7 billion. Launched in 2009, the capitalization fund helps strengthen systemically important banks in emerging markets, bolstering their ability to cope with financial and economic downturns. The fund is jointly supported by a $2 billion investment from the Japan Bank for International Cooperation and a $1 billion investment from IFC. From its inception through the end of FY12, the fund made investment commitments totaling $1.3 billion in 11 commercial banks in Bahrain, Honduras, Malawi, Mongolia, Oman, Papua New Guinea, Paraguay, the Philippines, Serbia, and Vietnam, and in one regional African bank.

### IFC AFRICAN, LATIN AMERICAN, AND CARIBBEAN FUND

The $1 billion IFC ALAC Fund was launched in 2010 and has commitments from IFC, the Dutch pension fund manager PGGM, Korea Investment Corporation, State Oil Fund of the Republic of Azerbaijan, United Nations Joint Staff Pension Fund, the Abu Dhabi Investment Authority, and a Saudi government fund. The fund co-invests with IFC in equity investments across a range of sectors in Sub-Saharan Africa, Latin America, and the Caribbean. From its inception through the end of FY12, the fund made investment commitments totaling $361 million.

THE AVERAGE INTERNAL RATE OF RETURN ON IFC'S EQUITY INVESTMENTS HAS EXCEEDED

20%

A YEAR.

AMC HAD

$4.5

BILLION IN ASSETS UNDER MANAGEMENT AT THE END OF FY12.

### THE AFRICA CAPITALIZATION FUND

The $182 million Africa Capitalization Fund was established in FY11 to invest in systemically important commercial banking institutions in northern and Sub-Saharan Africa. Its investors include the African Development Bank, European Investment Bank, OPEC Fund for International Development, Abu Dhabi Fund for Development, Sumitomo Mitsui Banking Corporation, and Commonwealth Development Corporation. As of the end of FY12, it had made two investment commitments totaling $11.5 million, in Ghana and Malawi.

### IFC RUSSIAN BANK CAPITALIZATION FUND

The $275 million IFC Russian Bank Capitalization Fund was established in June 2012 to invest in licensed commercial banks, bank holding companies, and other bank-related investment vehicles in Russia, either privately owned or government-owned and on a clear path to privatization. The fund currently has commitments from IFC, the Russian Ministry of Finance, and Russia's Vnesheconombank.

# Our Industry Expertise

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

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

## AGRIBUSINESS AND FORESTRY

Agribusiness has an important role to play in poverty reduction. The agricultural sector often accounts for at least half of GDP and employment in many developing countries. For that reason, it is a strategic priority for IFC.

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

IFC helps companies set benchmarks for responsible production, in line with industry best practices. In FY12, our new commitments in agribusiness and forestry totaled slightly more than $1 billion, accounting for about 7 percent of commitments for IFC's own account.

## FINANCIAL MARKETS

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

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

We focus on small and medium enterprises, microfinance, trade, and climate change, among others. IFC is a leading investor in microfinance. We create innovative products to help the poor and address important development challenges. We are rebuilding our investments in housing finance and are supporting the development of capital markets in light of the global financial crisis. In FY12, our commitments in financial markets totaled about $3.4 billion, about 22 percent of commitments for IFC's own account.

## CONSUMER AND SOCIAL SERVICES

Private health care and education are fundamental to human and economic development—health care plays a key role in improving the quality of life, while education is a powerful instrument for reducing poverty and growing human capital.

IFC is the world's largest multilateral investor in these sectors. We work to increase access to high-quality health and education while also helping strengthen job-creating sectors such as tourism, retail, and property. We help improve standards of quality and efficiency, facilitate the exchange of best practices, and create jobs for skilled professionals. We focus on helping client companies increase their development impact.

In addition to making direct investments in socially responsible companies, our role includes sharing industry knowledge and expertise, funding smaller companies, raising medical and education standards, and helping clients expand services to lower-income groups. In FY12, our new commitments in consumer and social services totaled about $1.4 billion, or nearly 9 percent of IFC's commitments for our own account.

## INFRASTRUCTURE

Modern infrastructure spurs economic growth, improves living standards, and can play a vital role in addressing emerging development challenges, including rapid urbanization and climate change.

It is also an area in which the private sector can make a significant contribution, providing essential services to large numbers of people, efficiently, affordably, and profitably. This is IFC's focus: supporting private infrastructure projects whose innovative, high-impact business models can be widely replicated.

We help increase access to power, transport, and water by financing infrastructure projects and advising client governments on public-private partnerships. We add value by devising innovative projects and public-private partnerships in difficult markets. We mitigate risk and leverage specialized financial structuring and other capabilities. In FY12, our new commitments in this sector totaled about $1.4 billion, or about 9 percent of commitments for IFC's own account.

## MANUFACTURING

The manufacturing sector plays a vital role in creating opportunity and reducing poverty in developing countries. IFC's manufacturing clients tend to create or maintain more employment than those in any other sector.

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

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

In FY12, our new commitments in the manufacturing sector totaled slightly more than $1 billion, or nearly 7 percent of commitments for IFC's own account.

## OIL, GAS, AND MINING

Industries that can harness natural resources are vital for many of the world's poorest countries. They are a key source of jobs, energy, government revenues, and a wide array of other benefits for local economies. In Africa, in particular, large-scale sustainable investments in these industries can create equally large-scale gains in economic development.

IFC's mission in the oil, gas, and mining sector is to help developing countries realize these benefits. We provide financing and advice for private sector clients. We also help governments adopt effective regulations and strengthen their capacity to manage these industries across the value chain.

We support private investment in these industries, and we work to ensure that local communities enjoy concrete benefits. We also help develop small local companies, engage with communities to improve projects' long-term development benefits, and foster transparency and governance to combat corruption. In FY12, our new commitments in the sector totaled $491 million, or about 3 percent of commitments for IFC's own account.

## TELECOMMUNICATIONS AND INFORMATION TECHNOLOGY

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

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

IFC increasingly helps clients move beyond their own national borders and into other developing markets. In FY12, our new commitments in this sector totaled about $247 million.

# Standard Setting

## IFC PERFORMANCE STANDARDS

Rising demand for natural resources. Population growth. Economic disparity. Climate change. These are just some of the challenges that require a long-term, strategic response from the private sector.

IFC believes that doing business sustainably drives positive development outcomes while helping companies find opportunities for growth and innovation in a fast-changing world. Our Performance Standards define our clients' roles and responsibilities for managing their projects in a sustainable way.

They help companies identify risks and potential impacts. They help them devise solutions that are good for business, good for investors, and good for the environment and communities. This can include reducing costs through improved energy efficiency, increasing revenue and market share through environmentally and socially sound products and services, or forging better stakeholder relations through robust engagement.

These standards help improve the lives of people in developing countries—from safer working conditions to cleaner water to more effective community engagement.

In IFC's own portfolio, we have seen how good environmental and social performance correlates with long-term financial performance. Our clients also appreciate and see the difference. In a recent survey, 93 percent of our clients said they believed that IFC's environmental and social requirements were helpful to their long-term business interests.

Since they became effective in 2006, IFC's Performance Standards have become globally recognized as a leading benchmark for environmental and social risk management in the private sector.

In addition, 15 European development-finance institutions and 32 Export Credit Agencies from countries belonging to the Organisation for Economic Co-operation and Development refer to the Performance Standards in their operations. Governments such as Bangladesh, Canada, China, and Vietnam use IFC's standards to help inform their thinking on how companies—particularly in the financial and extractive sectors—can move toward sustainable practices.

IFC's eight Performance Standards are part of IFC's Sustainability Framework (see page 36), which has been updated following an 18-month consultation process. Updates became effective on January 1, 2012. More information is available at http://www.ifc.org/performancestandards.

## OUR PERFORMANCE STANDARDS

1
ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

2
LABOR AND WORKING CONDITIONS

3
RESOURCE EFFICIENCY AND POLLUTION PREVENTION

4
COMMUNITY HEALTH, SAFETY, AND SECURITY

5
LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT

6
BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES

7
INDIGENOUS PEOPLES

8
CULTURAL HERITAGE

## SUSTAINABLE AGRICULTURE

How companies make use of land, water, and other natural resources, while providing jobs and food to meet the needs of a growing population, can have profound impacts for future generations.

IFC works with our clients and partners to promote sustainable agriculture. We're helping to build a global consensus for sustainable production, improving the standards under which a variety of commodities are produced, processed, and traded.

We support agricultural commodity roundtables, such as the Roundtable for Sustainable Palm Oil, established in 2004. Through a collaboration with the Indonesia Palm Oil Producers Association, Unilever, HSBC, WWF, Oxfam, and others, the first certified sustainable palm oil became available in November 2009. Since then, more than 5.7 million metric tons—about 11 percent of the global supply of palm oil—have been certified.

Our environmental and social standards help companies produce responsibly while improving their performance. For example, we worked with TechnoServe, a nongovernmental organization, to help thousands of Ethiopian coffee farmers raise their incomes by increasing the quality and quantity of coffee they produce.

With our help, Ethiopian coffee cooperatives reduced their water consumption and improved wastewater management. All 49 cooperatives supported by TechnoServe received sustainable-coffee certification that allows them to become Starbucks suppliers. Higher sustainability standards enabled the cooperatives to access new markets and earn premium prices for their coffee.

IFC works with agricultural clients to strengthen supply chains, particularly with regard to labor, safety, and biodiversity issues. We are building a global map that will help flag country-specific environmental and social risks for 150 commodities.

## CORPORATE GOVERNANCE

Improving corporate governance—among our clients and across the private sector in developing countries—is a priority for IFC.

We provide advice on best practices for improving board practices, strengthening shareholder rights, and enhancing risk management and corporate disclosure. We also advise regulators, stock markets, and others with an interest in improving corporate governance. We are ramping up our corporate governance programs in underserved areas of the world—especially in Africa, Latin America, and South Asia.

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

We provide this in a variety of ways—including establishing the IFC Corporate Governance Methodology, a system for evaluating corporate governance risks and opportunities that is recognized as the most advanced of its kind among development finance institutions. This methodology is the basis for a common approach to corporate governance now implemented by 29 development finance institutions working in some of the most challenging markets.

Through the Global Corporate Governance Forum, a multi-donor trust-fund facility, and regional projects in developing countries, IFC also helps drive the corporate governance agenda among policymakers, regulators, leading corporate directors' organizations, and the business media. We also develop corporate governance tools and products to address our clients' needs.

### The Equator Principles

The Equator Principles, an environmental and social risk-management framework used by 77 financial institutions worldwide, are based on IFC's standards.

OUR PEOPLE + PRACTICES

IFC'S COMMITMENT TO ALLEVIATING POVERTY AND CREATING OPPORTUNITY FOR THE DEVELOPING WORLD'S MOST VULNERABLE PEOPLE IS REFLECTED IN OUR CORPORATE CULTURE.

Our history shows we learn from experience and take on new challenges. Our staff is better positioned than ever to maximize IFC's development impact. More than half of us are based in developing countries, close to the clients and communities we serve. We are also more diverse than ever—nearly two-thirds of our staff hail from developing countries.

## THE IFC WAY

A strong corporate culture is central to any organization's ability to succeed and adapt to new challenges. 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.

### OUR VISION

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

### OUR VALUES

Excellence, Commitment, Integrity, Teamwork, and Diversity

### OUR PURPOSE

To create opportunity for people to escape poverty and improve their lives by catalyzing the means for inclusive and sustainable growth, through:

- Mobilizing other sources of finance for private enterprise development
- Promoting open and competitive markets in developing countries
- Supporting companies and other private sector partners where there is a gap
- Helping generate productive jobs and deliver essential services to the poor and vulnerable

To achieve our purpose, IFC offers development-impact solutions through firm-level interventions (direct investments, advisory services, and the IFC Asset Management Company); by promoting global collective action, by strengthening governance and standard setting; and through business-enabling-environment work.

### 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

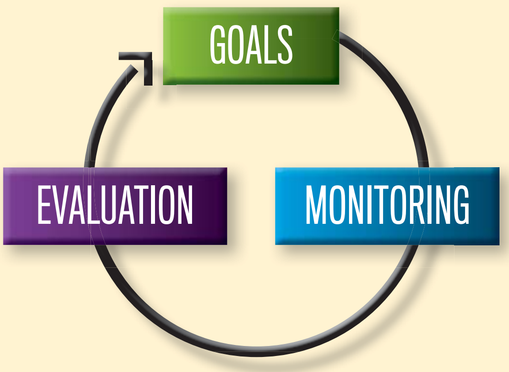
Excellence Commitment Integrity Teamwork Diversity

# How We Measure Development Results

Measuring the results of our work is critical to understanding how well our strategy is working—and whether IFC is reaching people and markets that most need our help.

Our results-measurement system helps drive IFC strategy and operational decision-making. It features three mutually reinforcing components: the IFC Development Goals, a monitoring system to measure development results, and a system to evaluate the outcomes and impact of our activities. Besides development results, we also track IFC's "additionality"—the distinctive advantages and benefits of our involvement in a project.

This deliberate and systematic approach allows us to track progress of our projects throughout their life cycle and incorporate lessons learned into our operations so we can improve future goal-setting and project design. It is integral to IFC's efforts to become more results-focused and to increase transparency and accountability to stakeholders.




## THE IFC DEVELOPMENT GOALS

The IFC Development Goals are targets for reach, access, or other tangible development outcomes that projects signed or committed by IFC are expected to deliver during their lifetime.

Some of these goals are still in the testing phase. But they are increasingly being used as a strategic management tool. In formulating their FY13–15 strategies this year, for example, most IFC departments didn't just set targets for investment commitments and advisory work. They also discussed IDG targets.

The goals have also proved useful in encouraging our staff to work across departments and advisory business lines, adopting cross-cutting and programmatic approaches to enhance our development impact.

The IFC Development Goals are not intended to cover every project. Yet we agree that the goals need to cover a significant share of IFC's business to be useful as a strategic management tool. We aim for the goals to cover most of our activities. We will use our monitoring and evaluation systems to verify whether results promised by the IDGs materialize over time.

We received positive feedback about the goals from external stakeholders at an outreach event in September last year. Based on their recommendations, we made some changes to the goals and indicators. We also made modifications to reflect what we have learned after two years of testing. Discussions continue on how to account for other priority areas of IFC's work–such as investment climate–without adding undue complexity.

To address concerns that the goals could create a skewed focus on projects with larger reach figures at the expense of projects in smaller countries with a more challenging business environment, we are testing an approach that could be used to provide appropriate weighting to projects in smaller and poorer countries.

Moreover, to capture the extent to which IFC can claim credit for incremental changes in the reach of a client company, contribution rules are being monitored in department scorecards, in conjunction with the piloting of the IFC Development Goals. These rules are based in part on the relative magnitude of our investments and their specific type–whether they are debt or equity, for example.

IFC moved two goals from testing to full implementation in FY13–the IDGs for health and education and for financial services. In addition, we are developing specific targets for the IDG on economic growth. Other IDGs are expected to go live in FY14.

The IFC Development Goals

**1: Agribusiness**
Increase or improve sustainable-farming opportunities

**2: Health and Education**
Improve health and education services

**3: Financial Services**
Increase access to financial services for individuals, microenterprises, and SME clients

**4: Infrastructure**
Increase or improve infrastructure services

**5: Economic Growth**
Increase the value added by IFC clients to their respective country's economy

**6: Climate Change**
Reduce greenhouse-gas emissions

## MONITORING AND TRACKING RESULTS

We use our Development Outcome Tracking System to monitor the development results of IFC's investment and advisory services. Among international financial institutions focused on private sector development, DOTS is the leading system for measuring development results.

For Investment Services, DOTS covers—after certain exclusions—1,535 companies under supervision. This report focuses on 668 out of about 720 investments approved between 2003 and 2008, which are mature enough to be rated and recent enough to be relevant. The FY12 ratings reflect our clients' 2011 data and performance. Every year, the group of investments we report on shifts by one year. The report also addresses the current reach of all active investments in IFC's portfolio. Reach indicators measure the number of people reached by IFC clients or the dollar benefit to particular stakeholders, regardless of IFC's investment size.

DOTS does not typically track certain projects, including projects that are expansions of existing ones, split projects, and certain financial products such as rights issues.

IFC was the first multilateral development bank to report on development results for its entire portfolio, and have them assured by an external firm. With the rollout of a DOTS framework for the Global Trade Finance Program this year, we are the first institution to start measuring the development results of trade finance not only at the program level but also at the project level.

For Advisory Services, DOTS covers all projects that are active, completed, or on hold, dating back to FY06. The FY12 ratings are defined as a review of 166 completion reports filed in 2011, of which 133 could be assessed. The rolling average is based on a review of 529 completion reports filed in calendar years 2009 through 2011, of which 414 were assessed. Projects that could not be assessed for development effectiveness were non-client-facing—or their outcome and impact results had not been achieved by the review date.

## EVALUATING RESULTS

Systematic evaluation is essential for enhancing the development impact of our investment and advisory services by feeding lessons learned back into projects and strategy. By revealing the factors for success or failure, evaluations can help us understand what we need to do more of—and less of—to achieve our mission.

In the past, our evaluations focused on advisory projects. IFC is implementing a new evaluation strategy that encompasses both investment and advisory projects, in a way that aims to maximize opportunities for learning. The new strategy has four primary objectives: (1) credibly articulate IFC's development impact; (2) learn how to maximize the effectiveness of IFC interventions; (3) provide useful business intelligence to clients and partners; and (4) exchange knowledge with external actors.

In particular, the new strategy will focus attention on the poverty-reduction effects of our

## How IFC Monitors Results

DOTS allows for real-time tracking of development results throughout the project cycle. At the outset of a project, IFC staff members identify appropriate indicators with baselines and targets. They track progress throughout supervision, which allows for real-time feedback into operations, until project closure.

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, industry, and business line.

For Investment Services, the overall DOTS score is a synthesis of four performance areas (financial, economic, environmental and social performance, and broader private sector development impacts) that are informed by standardized industry-specific indicators, comparing actual results against expectations. To obtain a high rating, a project must make a positive contribution to the host country's development.

For Advisory Services, the overall DOTS score or development-effectiveness rating is a synthesis of the overall strategic relevance, efficiency, and effectiveness (as measured by project outputs, outcomes, and impacts). At project completion, intended results are compared with achieved results. Some results—medium-term outcomes and longer-term impacts—may be unknown at project completion but can be examined post-completion.

work that typically cannot be captured by monitoring and tracking alone.

IFC has been conducting formal self-evaluations across its operations since 2005, and our investment in evaluation has been growing steadily ever since. Evaluations are undertaken at project, programmatic, and/or thematic levels, as well as at the level of donor-funded facilities, countries, and regions.

Most evaluations are led by external evaluation experts, supervised by IFC evaluation specialists, and draw on best-practice approaches. Evaluations are planned and implemented in partnership with staff across IFC, and integrated into project and program design early in the lifecycle whenever possible.

The new evaluation strategy complements the work of the Independent Evaluation Group (see page 30)—which reports directly to IFC's Board of Directors and is charged with providing its own assessments and lessons of experience. IEG's evaluations incorporate findings from IFC's own monitoring and evaluations. IFC's evaluation staff works closely with IEG to discuss work programs, share knowledge, and align efforts whenever possible.

## INVESTMENT RESULTS

Development results for IFC investment operations remained essentially stable in FY12, after a decline in the previous year that had been driven mainly by effects of the global and European financial crisis and events in the Middle East and North Africa. The overall development outcome score—68 percent—continued to exceed IFC's long-term target of 65 percent.

Underlying regional and sector ratings also remained nearly stable. Success rates in IDA countries rose to 65 percent, up from 59 percent last year, driven primarily by stronger performance of IDA projects in Central Asia and the Middle East and North Africa. IDA countries represent a challenging business environment, so IFC often makes investments in combination with advisory services. Analysis has shown that the combination increases the chances of achieving good development results.

Although overall regional changes were marginal, underlying trends varied. Development results in financial markets across Sub-Saharan Africa and South Asia improved. In the former, this was driven by a more strategic programmatic approach in the sector. In both regions, ratings of manufacturing declined. South Asia's manufacturing sector was affected by the economic slowdown in India, which hurt clients' bottom lines.

In Europe and Central Asia, ratings of projects in Central Asia improved significantly–by 29 percentage points, which also drove up IDA results. This was driven mainly by greater strategic focus. Ratings in the Middle East and North Africa also stabilized, primarily because of positive performance in manufacturing, services, and financial markets. Political and economic uncertainty in the region, however, continues to adversely affect clients' financial performance, especially in Egypt and Tunisia.

Ratings of projects in East Asia and the Pacific improved because of better performance of new projects in financial markets in the Philippines, and stronger performance of existing projects across manufacturing, agribusiness, and services in China.

In Latin America and the Caribbean, development results in Mexico improved as the U.S. economy recovered. However, some early-stage projects in extractive industries and in financial services exhibited some project-specific challenges, resulting in a slight overall decline in performance.

Clients continued to achieve significant development impact through their reach. In Sub-Saharan Africa, the number of farmers reached increased by almost 50 percent in calendar year 2011–to 380,000, or 20 percent of IFC's total. In Europe and Central Asia, the number of loans to micro, small, and medium enterprises rose to over 2.6 million from 1.1 million. In Asia, such loans increased to 11 million from 3.4 million. In Latin America and the Caribbean, 13 million customers obtained water connections, a 37 percent increase over the previous year. In the Middle East and North Africa, our clients provided 17 million phone connections–20 percent of the IFC total.

Sectoral ratings remained virtually stable. The most significant changes were in the scores for the telecommunications, media, and technology sector and the oil, gas, and mining sector, which declined. Success rates for telecommunications, media, and technology projects declined by eight percentage points to 56 percent. Success rates for oil, gas, and mining projects dropped by 14 percentage points to 69 percent.

Within the telecommunications, media, and technology sector, performance declined most in East Asia and the Pacific and in South Asia, reflecting the riskier nature of the venture-capital-type information-technology investments. In oil, gas, and mining, poor success rates of new projects–and successful projects leaving the rating cohort–in Sub-Saharan Africa and Latin America drove down the performance.

Clients in these sectors, however, continued to expand their reach. IFC clients in oil, gas, and mining provided about 22 million gas connections–almost a 30 percent increase over the previous year. These clients generated $6 billion in tax revenues, more than clients in other sectors, and provided over 100,000 jobs.

Indirect job creation could be much higher. Several studies conducted by IFC showed that indirect jobs–in the supply chain or distribution network–are often a multiple of the direct jobs provided. A study of an IFC client in Ghana showed that for every mining job provided by the client, 28 jobs were supported throughout the economy.

Success rates rose for projects in financial markets and funds because of better performance of existing projects in the rated portfolio. This might reflect the effects of stronger

## Expanding Our Insights into Job Creation

IFC is conducting a study to better understand how the private sector creates jobs. The findings will be used to influence our own strategy for private sector development. They will also inform the World Bank Group's *2013 World Development Report on Jobs*.

We know some things about job creation, but we still don't know enough about what works best in what circumstances. For example, what types of activities—direct investments, efforts to strengthen supply chains, improving access to finance, infrastructure, or the investment climate—are most likely to have the largest effects on job creation? How do these different activities affect different societal groups, including women, young people, and the poor?

The results will be available in December 2012. Here are some preliminary findings:

### Companies face four main obstacles to job creation:

- *Access to finance*—particularly for micro, small, and medium enterprises.
- *Access to infrastructure*—particularly, reliable power in lower-income countries.
- *Investment climate*—complicated and costly laws and regulations can impede business creation and expansion.
- *Education and skills*—a lack of adequately trained workers can impede hiring.

### The indirect impact of IFC's client companies can be significant, but difficult to measure:

IFC's clients directly provided 2.5 million jobs in 2011.

- Yet the indirect effects of their work can be large—for example, every job provided by an IFC gold-mining client in Ghana supported jobs for 28 others in the wider economy.
- These indirect benefits vary by country and industry.

More information about the study is available at: www.ifc.org/jobcreation.

banking supervision—at least in Europe—in the face of the crisis. The improved performance of banks nearly doubled the number of SME loans that our clients provided—to 3.3 million. The number of microfinance loans provided increased to nearly 20 million from 8 million.

Projects in agribusiness and forestry improved in most regions. The rating for the manufacturing sector rose, mainly because of projects in East Asia. In terms of reach, the manufacturing, agribusiness and services sectors directly provided over 1 million jobs, approximately 30 percent of which went to women. Clients also expanded their reach to 12 million patients this year, an increase of almost 70 percent.

## DOTS PERFORMANCE CATEGORIES: INVESTMENT SERVICES

| Performance Category | General Indicators and Benchmarks | Examples of Specific Indicators Assessed against Targets |
|---|---|---|
| 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 |
| Economic Performance | Returns to society, e.g., economic returns at or above 10 percent or the weighted-average cost of capital | Economic return on invested capital, number of connections to basic services, loans to small enterprises, people employed, tax payments |
| Environmental and Social Performance | Project meets IFC's Performance Standards | Environmental and social management systems, 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 |

## DOTS PERFORMANCE CATEGORIES: ADVISORY SERVICES

| Performance Category | General Indicators and Benchmarks | Examples of Specific Indicators Assessed against Targets |
|---|---|---|
| Strategic Relevance | Potential impact on local, regional, national economy | Alignment with country strategy |
| Efficiency | Returns on investment in advisory operations | Cost-benefit ratios, project implemented on time and budget |
| Effectiveness | Outputs, outcomes, and impacts. Project contributes to improvement for the client, the beneficiaries, and the broader private sector | Improvements in operations, investments enabled, increase in revenues for beneficiaries, cost savings from policy reforms |

# ADVISORY SERVICES RESULTS

Development effectiveness ratings for IFC Advisory Services increased for the third consecutive year in FY12. Seventy-two percent of advisory projects that closed during the year and that could be assessed for development effectiveness were rated high. This represents an increase of five percentage points over the rolling average of our performance from FY10 through FY12.

Ratings were better in every business line, and significant improvements were made in a number of regions—Europe and Central Asia, Sub-Saharan Africa, and South Asia. The Middle East and North Africa region experienced lower ratings, largely attributable to the political turmoil and economic crisis. Ratings also improved for operations in IDA and fragile and conflict-affected situations—climbing to 74 percent and 77 percent from 68 percent and 73 percent, respectively, over the three-year rolling average.

Behind these ratings lie record numbers of people benefiting from the kinds of market transformations we help to catalyze and accelerate. Our Investment Climate business line assists client governments in implementing reforms that improve the business environment and encourage and retain investment, thereby fostering competitive markets, growth, and job creation. These projects, many undertaken in collaboration with other parts of the World Bank Group, supported 56 reforms in 33 countries in 2011 (33 in 20 IDA countries; 15 in nine fragile and conflict-affected situations).

Our Access to Finance business line helps to increase the availability and affordability of financial services for individuals and micro, small, and medium enterprises by working with financial intermediaries to design and test new business models, and strengthening their risk-management systems. In partnership with IFC Investment Services, IFC Advisory Services worked with 88 financial intermediary clients that provided over 7.6 million microfinance and SME loans (63 percent in IDA countries, up from 57 percent last year), totaling $31.9 billion. Joint Investment and Advisory Services activities also supported eight clients that provided 40,000 housing finance loans, totaling $1.4 billion.

Our Public-Private Partnerships business line helps client governments design and implement PPP transactions in infrastructure and other basic services. In 2011, we helped clients sign five contracts with private operators (60 percent of them in IDA countries), which are expected to improve access to infrastructure and health services for over 16 million people, in addition to mobilizing nearly $5 billion in private investment.

Our Sustainable Business Advisory business line works with companies to adopt environmental, social, and governance practices and technologies that create a competitive edge. In 2011, we provided capacity-building to over 245,000 people (77 percent of them in IDA countries), including farmers, entrepreneurs, and SMEs management.

## Addressing the Global Food Crisis through Advisory Services

Advisory services are an important part of IFC's response to the global food crisis. IFC is harnessing the contributions of all four of our advisory business lines for greater impact. We support the agribusiness and food processing sectors along the full value chain, both directly to companies and governments and indirectly through intermediaries (for example, traders or financial institutions). Highlights for 2011 include:

- Our Investment Climate business line supported regulatory reform in Armenia that eliminated Soviet-era standards that restricted firms from adopting global food-safety standards throughout their production processes. These improvements increase the competitiveness of locally produced agricultural goods and boost internal food security. Similar reforms were supported in Moldova and Ukraine. This business line is developing an Africa Agribusiness Strategy and will be rolling out similar strategic exercises in other regions.
- Our Access to Finance business line helped develop and launch nine standard agri-insurance products into the Ukrainian market, enhancing farmers' access to finance by fulfilling collateral requirements for working-capital loans: more than 2,500 agri-insurance contracts were issued with a notional value of almost $800 million.
- Our Public-Private Partnerships business line helped the Indian state of Punjab design and launch a PPP to allow a private firm to build, own, and operate a 50,000-metric-ton storage facility for wheat to feed people living below the poverty line. As a result of these improved storage facilities, 500,000 of India's poorest are expected to receive better nutrition each year. The success of this project is expected to lead to its replication on a wider scale, both within India and beyond.
- Our Sustainable Business Advisory business line worked with a sugar mill in North India to strengthen the client supply chain through intensive training and capacity-building of the company's extension workers and farmers. More than 2,000 farmers were trained on new agronomy practices. On average, yields increased by more than 70 percent in the second year from baseline levels. The company is now scaling up to reach more farmers, and IFC is engaging with other sugar companies on productivity, water efficiency, and other activities.

## THE IFC DEVELOPMENT GOALS

| Goal | FY12 IDG Target | FY12 IDG Commitments | Percent of Target Achieved |
|---|---|---|---|
| Increase or improve sustainable-farming opportunities | Benefit 365,000 people | 1.03 million people | 283% |
| Improve health and education services | Benefit 1.68 million people | 9.32 million people | 555% |
| Increase access to financial services for individuals and microfinance clients | Benefit 15.85 million people | 32.84 million people | 207% |
| Increase access to financial services for SME clients | Benefit 1.17 million people | 1.54 million people | 132% |
| Increase or improve infrastructure services | Benefit 19.25 million people | 32.81 million people | 170% |
| Reduce greenhouse-gas emissions | Reduce by 1.70 million metric tons of $CO_2$ equivalent per year | 1.79 million metric tons | 105% |

Note: Data on "IDG Commitments" in this table reflect both investment and advisory operations and are subject to specific rules that prorate IFC's contribution to our clients' achievements (see page 18). The IDG on greenhouse emissions was piloted in the South Asia and Eastern Europe and Central Asia regions, so data here refers to these two regions only.

## DEVELOPMENT REACH BY IFC'S INVESTMENT CLIENTS

| | Portfolio CY10 | Portfolio CY11 | New Business FY12 |
|---|---|---|---|
| **Investments** | | | |
| Employment (millions of jobs)[1] | 2.4 | 2.5 | 0.2 |
| **Microfinance loans**[2] | | | |
| Number (million) | 8.0 | 19.7 | 10.5 |
| Amount ($ billions) | 12.62 | 19.84 | 10.63 |
| **SME loans**[2] | | | |
| Number (million) | 1.7 | 3.3 | 0.9 |
| Amount ($ billions) | 127.82 | 181.25 | 29.60 |
| **Customers reached with services** | | | |
| Power generation (millions) | 41.9 | 41.9 | 4.7 |
| Power distribution (millions)[3] | 49.4 | 49.2 | 0.9 |
| Water distribution (millions) | 20.1 | 34.3 | 6.4 |
| Gas distribution (millions)[4] | 17.2 | 22.4 | NA |
| Phone connections (millions) | 179.7 | 172.2 | 1.4 |
| Patients reached (millions) | 7.5 | 12.2 | 11.1 |
| Students reached (millions) | 1.0 | 0.9 | 1.2 |
| Farmers reached (millions) | 2.5 | 3.3 | 1.1 |
| **Payments to suppliers and governments** | | | |
| Domestic purchases of goods and services ($ billions) | 39.51 | 49.84 | 4.18 |
| Contribution to government revenues or savings ($ billions) | 20.28 | 21.73 | 5.71 |

CY10 and CY11 portfolio data are not strictly comparable, because they are based on a changed portfolio of IFC clients. The values for FY12 new business are incremental, that is, target minus baseline. Unlike the IDG figures, they do not apply contribution rules.

1 Portfolio figures for employment include jobs provided by Funds, while New Business figures include jobs that are expected to be added by Funds.

2 In many cases, results reflect also contributions from IFC Advisory Services. Portfolio reach figures represent SME and microfinance outstanding loan portfolio of IFC clients as of end of CY10 and CY11, for MSME-oriented financial institutions/projects. 222 and 268 clients were required to report their end-of-year SME and microfinance portfolios in CY10 and CY11, respectively. 195 and 252 clients did so for CY10 and CY11, respectively. The missing data were extrapolated.

3 In FY12, IFC adjusted its methodology to better estimate the numbers of residential individuals reached in these sectors.

4 One client in East Asia and the Pacific contributed 20.4 million of Gas Distribution customers in CY11.

## INVESTMENT SERVICES DOTS SCORE BY PERFORMANCE AREA, FY12 % Rated High

| | Unweighted | Weighted |
|---|---|---|
| Development Outcome | 68% | 72% |
| Financial Performance | 51% | 60% |
| Economic Performance | 60% | 66% |
| Environment & Social Performance | 69% | 70% |
| Private Sector Development Impact | 76% | 79% |

## INVESTMENT SERVICES DOTS SCORE BY INDUSTRY, FY11 VS. FY12 % Rated High

| | 2011 | 2012 |
|---|---|---|
| IFC Total | 67% | 68% |
| Infrastructure | 77% | 76% |
| Funds | 68% | 73% |
| Agribusiness & Forestry | 70% | 72% |
| Financial Markets | 66% | 70% |
| Oil, Gas & Mining | 83% | 69% |
| Manufacturing | 59% | 63% |
| Consumer & Social Services | 59% | 57% |
| Telecommunications & Information Technology | 64% | 56% |

## INVESTMENT SERVICES DOTS SCORE BY REGION, FY11 VS. FY12 % Rated High

| | 2011 | 2012 |
|---|---|---|
| IFC Total | 67% | 68% |
| East Asia and the Pacific | 76% | 80% |
| South Asia | 72% | 73% |
| Latin America and the Caribbean | 74% | 72% |
| Sub-Saharan Africa | 63% | 64% |
| Europe and Central Asia | 60% | 61% |
| Middle East and North Africa | 56% | 60% |

## ADVISORY SERVICES DOTS SCORE BY BUSINESS LINE % Rated High

| | FY2010 to FY2012 | FY2012 |
|---|---|---|
| Overall Advisory Services | 67% | 72% |
| Access to Finance | 68% | 78% |
| Investment Climate | 70% | 71% |
| Public-Private Partnerships | 52% | 53% |
| Sustainable Business | 69% | 74% |

## ADVISORY SERVICES DOTS SCORE BY REGION % Rated High

| | FY2010 to FY2012 | FY2012 |
|---|---|---|
| Overall Advisory Services | 67% | 72% |
| East Asia and the Pacific | 65% | 64% |
| Europe and Central Asia | 77% | 100% |
| Latin America and the Caribbean | 79% | 75% |
| Middle East and North Africa | 48% | 30% |
| South Asia | 77% | 85% |
| Sub-Saharan Africa | 65% | 78% |

# Our Staff

IFC's employees are diverse. They are our most important asset. Representing more than 140 countries, our staff brings innovative solutions and global best practices to local clients.

We work in 104 offices in 95 countries. More than half of us—56 percent—are based in field offices, an increasing percentage that reflects our commitment to decentralization. Most IFC staff also hail from developing countries, 65 percent in all, a diversity that enriches our perspective and underscores our focus on areas where private sector development can have the biggest impact.

## WHERE WE WORK

| Location | FY04 | FY12 |
|---|---|---|
| Washington, D.C. | 1,291 (57%) | 1,670 (44%) |
| Field Offices | 963 (43%) | 2,093 (56%) |
| Total IFC Staff | 2,254 | 3,763 |

## NATIONAL ORIGINS–ALL FULL-TIME STAFF

| National Origins | FY04 | FY12 |
|---|---|---|
| Developed Countries | 963 (43%) | 1,327 (35%) |
| Developing Countries | 1,291 (57%) | 2,436 (65%) |
| Total | 2,254 | 3,763 |

## NATIONAL ORIGINS–ALL STAFF AT OFFICER LEVEL AND HIGHER

| National Origins | FY04 | FY12 |
|---|---|---|
| Developed Countries | 647 (53%) | 1,040 (43%) |
| Developing Countries | 584 (47%) | 1,381 (57%) |
| Total | 1,231 | 2,421 |

## GENDER–ALL FULL-TIME STAFF

| Gender | FY04 | FY12 |
|---|---|---|
| Male Staff | 1,121 (50%) | 1,781 (47%) |
| Female Staff | 1,133 (50%) | 1,982 (53%) |
| Total | 2,254 | 3,763 |

## GENDER–ALL STAFF AT OFFICER LEVEL AND HIGHER

| Gender | FY04 | FY12 |
|---|---|---|
| Male Staff | 844 (69%) | 1,426 (59%) |
| Female Staff | 387 (31%) | 995 (41%) |
| Total | 1,231 | 2,421 |

WE WORK IN

104

OFFICES IN 95 COUNTRIES.

65%

OF IFC STAFF HAIL FROM DEVELOPING COUNTRIES.

56%

ARE BASED IN FIELD OFFICES.

## 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 a highly qualified, diverse staff. The salary structure of the World Bank Group for staff recruited in Washington, D.C., is determined with reference to the U.S. market, which historically has been globally competitive. Salaries for staff hired in 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.

## VARIABLE PAY PROGRAMS

IFC's variable pay programs consist of several components, including recognition, annual, and long-term performance awards that support IFC's high-performance culture. These awards are designed to encourage teamwork, reward top performance, and support IFC's strategic priorities.

## 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 Vanbreda, 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: first, years of service, salary, and retirement age; 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.

## STAFF SALARY STRUCTURE (WASHINGTON, D.C.)

During the period July 1, 2011 to June 30, 2012, the salary structure (net of tax) and average net salaries/benefits for World Bank Group staff were as follows:

| Grades | Representative Job Titles | Minimum ($) | Market Reference ($) | Maximum ($) | Staff at Grade Level (%) | Average Salary/ Grade ($) | Average Benefits ($)[a] |
|---|---|---|---|---|---|---|---|
| GA | Office Assistant | 25,100 | 32,600 | 42,400 | 0.0 | 43,090 | 24,152 |
| GB | Team Assistant, Information Technician | 31,700 | 41,200 | 57,700 | 0.6 | 42,136 | 23,617 |
| GC | Program Assistant, Information Assistant | 39,100 | 50,900 | 71,300 | 9.5 | 53,698 | 30,098 |
| GD | Senior Program Assistant, Information Specialist, Budget Assistant | 46,200 | 60,100 | 84,200 | 7.9 | 67,671 | 37,929 |
| GE | Analyst | 62,100 | 80,700 | 113,000 | 9.8 | 76,179 | 42,698 |
| GF | Professional | 82,500 | 107,300 | 150,200 | 19.6 | 98,249 | 55,069 |
| GG | Senior Professional | 111,300 | 144,700 | 202,500 | 31.6 | 135,238 | 75,801 |
| GH | Manager, Lead Professional | 151,700 | 197,200 | 245,900 | 17.7 | 187,019 | 104,824 |
| GI | Director, Senior Advisor | 202,200 | 264,500 | 303,300 | 2.8 | 244,806 | 137,214 |
| GJ | Vice President | 271,800 | 304,500 | 340,900 | 0.4 | 302,422 | 169,508 |
| GK | Managing Director, Executive Vice President | 298,600 | 338,600 | 372,400 | 0.1 | 292,656 | 177,705 |

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.

a. Includes medical, life, and disability insurance; accrued termination benefits; and other nonsalary benefits.

# Our Governance

## Our Place in the World Bank Group

The World Bank Group is a vital source of financial and technical assistance to developing countries. Established in 1944, its mission is to fight poverty with passion and professionalism, for lasting results.

IFC is one of five members of the Bank Group, though it is a separate legal entity 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, 2012, IFC's paid-in capital of about $2.4 billion was held by 184 member countries. These countries guide IFC's programs and activities.

IFC works with the private sector to create opportunity where it's needed most. Since our founding in 1956, we have committed more than $126 billion of our own funds for private sector investments in developing countries, and we have mobilized billions more from others.

In working toward a world free of poverty, we collaborate closely with other members of the Bank Group, including:

- *The International Bank for Reconstruction and Development*, which lends to governments of middle-income and creditworthy low-income countries.
- *The International Development Association*, which provides interest-free loans—called credits—to governments of the poorest countries.
- *The Multilateral Investment Guarantee Agency*, which provides guarantees against losses caused by noncommercial risks to investors in developing countries.
- *The International Centre for Settlement of Investment Disputes*, which provides international facilities for conciliation and arbitration of investment disputes.

### OUR BOARD

Each of our member countries appoints one governor and one alternate. Corporate powers are vested in the Board of Governors, which delegates most powers to a board of 25 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. The President of the World Bank Group is also President of IFC.

### 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. IFC's Executive Vice President and CEO, Lars Thunell, received a salary of $365,948, net of taxes. There are no executive incentive compensation packages.

Standing from Left to Right: Rogerio Studart, Brazil; Ingrid Hoven, Germany; Agapito Mendes Dias, Sao Tome and Principe; Merza Hasan, Kuwait; Piero Cipollone, Italy; Jorg Frieden, Switzerland; Vadim Grishin, Russia; Marie-Lucie Morin, Canada; Shaolin Yang, China; Marta Garcia Jauregui, Spain; Hekinus Manao, Indonesia; Sid Ahmed Dib (Alt), Algeria; Rudolf Treffers, Netherlands; Konstantin Huber, Austria; In-Kang Cho (Alt), South Korea; Hassan Ahmed Taha, Sudan; Mukesh N. Prasad, India.

Seated from Left to Right: Ian Solomon, United States; Felix Camarasa, Argentina; Ambroise Fayolle, France; Susanna Moorehead, United Kingdom; Abdulrahman Almofadhi, Saudi Arabia; Anna Brandt, Sweden; Renosi Mokate, South Africa; Nobumitsu Hayashi, Japan.

Photo: Frank Vincent/WB Photolab

| EXECUTIVE DIRECTORS | (ALTERNATE) |
|---|---|
| Abdulrahman M. Almofadhi | Ibrahim Alturki |
| Anna Brandt | Jens Haarlov |
| Felix Alberto Camarasa | Varinia Cecilia Daza Foronda |
| Piero Cipollone | Nuno Mota Pinto |
| Agapito Mendes Dias | Mohamed Siekieh Kayad |
| Ambroise Fayolle | Anne Touret-Blondy |
| Jorg Frieden | Wieslaw Leonard Szczuka |
| Marta Garcia-Jauregui | Juan Jose Bravo Moises |
| Vadim Grishin | Eugene Miagkov |
| Merza H. Hasan | Ayman Alkaffas |
| Nobumitsu Hayashi | Yasuo Takamura |
| Ingrid G. Hoven | Wilhelm Michael Rissmann |
| Konstantin F. Huber | Gino Alzeta |
| Hekinus Manao | Dyg Sadiah Binti Abg Bohan |
| Renosi Mokate | Muhtar Mansur |
| Susanna Moorehead | Stewart James |
| Marie-Lucie Morin | Kelvin Dalrymple |
| Mukesh N. Prasad | Kazi M. Aminul Islam |
| Ian H. Solomon | Sara Aviel |
| Rogerio Studart | Vishnu Dhanpaul |
| Hassan Ahmed Taha | Denny Kalyalya |
| Javed Talat | Sid Ahmed Dib |
| Rudolf Treffers | Stefan Nanu |
| John Henry Whitehead | In-Kang Cho |
| Shaolin Yang | Bin Han |

## OUR MEMBER COUNTRIES–STRONG SHAREHOLDER SUPPORT

Capital Stock by Country

| | |
|---|---|
| Grand Total | 100.00% |
| United States | 24.01% |
| Japan | 5.95% |
| Germany | 5.43% |
| France | 5.10% |
| United Kingdom | 5.10% |
| Canada | 3.43% |
| India | 3.43% |
| Italy | 3.43% |
| Russian Federation | 3.43% |
| Netherlands | 2.37% |
| 174 Other Countries | 38.32% |

# Accountability

## INDEPENDENT EVALUATION GROUP

The Independent Evaluation Group generates lessons from evaluations to contribute to IFC's learning agenda. Independent of IFC management and reporting directly to IFC's Board of Directors, IEG aims to strengthen IFC's operational performance and inform strategy and future directions.

IEG's evaluation system is designed to accommodate a wide variety of investment operations and technical assistance and advisory services operations. IEG continuously assesses and improves the quality of IFC's evaluation policies, practices, and instruments to ensure that they remain relevant to evolving corporate and stakeholder success standards and learning needs. It independently validates IFC's self-evaluation ratings.

In FY12, IEG validated 45 percent of eligible IFC investment projects, and 78 percent of eligible advisory projects. IEG communicates these final ratings to IFC staff and aggregates them in its annual evaluation of World Bank Group results and performance, which includes a sample of IFC investment and advisory projects.

In its FY12 report *Results and Performance of the World Bank Group*, IEG commented on IFC's unique capabilities and constraints in addressing the needs of the private sector via the World Bank Group's Country Assistance Strategy framework. In the second phase of IEG's evaluation of the Bank Group's response to the global economic crisis, IEG concluded that IFC maintained broadly constant levels of investment and response initiatives. It found that IFC somewhat overestimated the potential adverse effects of the crisis and recommended that IFC review its stress-test methodology to optimize its strategy for future crises.

Another major evaluation this year covered youth employment. IFC focuses on job creation regardless of beneficiary age, so IEG recommended that in countries where youth employment has been identified as an issue, IFC and the Bank Group should adopt a comprehensive youth strategy and categorize its data by age, so that the effects on youth specifically can be seen.

IEG prepared several notes that summarize its findings. These included notes on extractive industries in IFC-supported projects and lessons regarding South-South investments. In addition, IEG made several presentations to European development institutions, focusing on private investment. Consistent with corporate transparency procedures, IEG's reports are publicly disclosed on its website: http://ieg.worldbankgroup.org.

IN FY12, IEG VALIDATED IFC EVALUATION RATINGS FOR

45%

OF ELIGIBLE INVESTMENT PROJECTS AND

78%

OF ELIGIBLE ADVISORY PROJECTS.

## OFFICE OF THE COMPLIANCE ADVISOR/OMBUDSMAN

The Office of the Compliance Advisor/Ombudsman is the independent recourse mechanism for IFC and the Multilateral Investment Guarantee Agency. Reporting directly to the World Bank Group President, CAO responds to complaints from people affected by IFC and MIGA projects with the goal of enhancing social and environmental outcomes and fostering greater public accountability of IFC and MIGA.

CAO fulfills three complementary roles—it provides dispute resolution between affected communities and IFC clients, it ensures IFC's compliance with relevant environmental and social standards, and it delivers independent advice to the President and IFC senior management. In doing so, it enables people's concerns about IFC activities to be addressed quickly and effectively, and provides public assurance that systemic weaknesses in IFC projects are identified and addressed.

Since CAO was established in 1999, the office has addressed 103 complaints related to 68 IFC projects in 35 countries. This year, CAO handled more complaints and requests for audits than in any previous year—33 cases in all. The increase is attributable in part to CAO's improved accessibility and stronger outcomes delivered in recent years.

CAO is nearing completion of its compliance investigation of 188 IFC financial sector investments involving 63 clients—out of a sample of 844 made between 2006 and 2011. This work aims to provide assurance about IFC's social and environmental performance when investing through third-party entities. CAO's report, expected in the first quarter of FY13, will assess whether the business activities IFC supports through the financial sector are aligned with IFC's values of being socially and environmentally sound.

SINCE 1999, CAO HAS ADDRESSED

103

COMPLAINTS RELATED TO 68 IFC PROJECTS IN 35 COUNTRIES.

CAO appraised 10 IFC projects this year to assess whether an audit of IFC's performance is merited. Of these, one—an electricity privatization project in Kosovo—is being audited by CAO. CAO is monitoring IFC's response to two audits in the agribusiness sector.

In its dispute resolution work, CAO settled a complaint from landowners in Georgia affected by the BTC Pipeline in less than six months, closed a case in Turkey regarding labor relations in the manufacturing industry, and is monitoring implementation of agreements related to one oil palm case in Indonesia. CAO is also facilitating 10 collaborative dispute resolution processes in Cambodia, Cameroon, Indonesia, Nicaragua, Papua New Guinea, and Uganda.

More information is available at www.cao-ombudsman.org.

# Partnerships

## FORMING PRODUCTIVE PARTNERSHIPS

IFC works with governments, foundations, and other multilateral organizations to foster innovative partnerships to reduce poverty and improve people's lives. In a time of economic turbulence, budget constraints, and emerging development challenges, that work is more important than ever.

Our partners increasingly look to us for thought leadership, convening power, and clear evidence of development impact. We deliver that in all aspects of our work. In FY12, IFC and our donor partners worked together to address the world's most urgent development challenges, including food security, small and medium enterprises, infrastructure, fragile and conflict-affected states, climate change, gender, and inclusive business.

We conduct regular bilateral consultations with our donor partners, and host other events to maximize our cooperation with specific partners and the donor partner community. These events include the annual IFC Donor Breakfast in the fall and the annual World Bank Group Donor Forum in the spring.

Our donor partners work seamlessly with us across our three businesses. Our collaborative approach emphasizes the power of long-term partnerships, maintains a focus on results measurement and efficiency, and provides appropriate visibility for donor partners.

## WORKING WITH DONOR PARTNERS

IFC has had a long and productive association with donor partners, particularly in Advisory Services. Increasingly these partners are also pursuing private sector investment opportunities to make public money go further—through donor-funded investments.

Donor governments, foundations, and other multilateral organizations committed more than $300 million to IFC Advisory Services in FY12. New donors included The MasterCard Foundation and Germany's Federal Ministry for Economic Cooperation and Development, or BMZ.

During FY12, our partners committed a further $460 million for donor-funded investments. These funds helped finance several IFC special initiatives, including the Global Agriculture and Food Security Program.

Here are a few highlights of our FY12 work with donor partners:

- *The United Kingdom's Department for International Development, or DFID*, contributed more than $210 million to IFC's three businesses. The funds supported our advisory work in the areas of investment climate and access to finance. They also supported IFC investments in small and medium enterprises, and climate-related investments of the IFC Asset Management Company.
- *Switzerland's State Secretariat for Economic Affairs* was a leading contributor to IFC Advisory Services in FY12, providing more than $57 million. Switzerland's contributions mostly supported IFC's work on investment climate, access to finance, and climate change.
- *The Netherlands' Ministry of Foreign Affairs* and IFC renewed a commitment to work together on shared priority areas, including fragile and conflict-affected areas, climate change, inclusive business, and food security. For nearly 10 years, the Netherlands and IFC have collaborated successfully within the Netherlands-IFC Partnership Program.
- *Austria* and IFC renewed their commitment to enhance collaboration in Eastern Europe and Central Asia, with a special focus on investment climate, access to finance, renewable energy, and climate change. IFC works closely with both Austria's Federal Ministry of Finance and the Development Bank of Austria, or OeEB.
- *Japan's Ministry of Finance* committed funding for IFC's Inclusive Business Models group and continues to fund operations in East Asia and the Pacific. This will enable IFC to find new ways to reach people at the base of the economic pyramid.
- *Canada's Department of Finance*, *the Netherlands' Ministry of Foreign Affairs*, and *the U.S. Agency for International Development* supported IFC's work in the Global Agriculture and Food Security Program, while DFID supported the Global Small and Medium Enterprise Facility. This work illustrates some of the multi-donor initiatives that IFC is leading to address global development challenges.
- *Korea's Ministry of Strategy and Finance* contributed funding to support operations of the Global SME Finance Forum—a collaborative knowledge-sharing platform housed at IFC. The agreement between Korea and IFC reflects the growing relationship between the Korean government and the World Bank Group. Korea, a former IDA country and IFC recipient, became an official donor to IFC and has taken a leading role in the G-20 process since the Seoul Summit in 2010.
- *The MasterCard Foundation* committed $37.5 million to Advisory Services to fund the Partnership for Financial Inclusion in Sub-Saharan Africa. This partnership aims to deliver financial services to more than 5 million people without bank accounts, by helping new microfinance institutions grow, by using mobile technology, and by broadening the knowledge base of what works in financial inclusion.
- *The Bill & Melinda Gates Foundation* and IFC are developing an innovative payments system in

DONOR PARTNERS COMMITTED MORE THAN

**$300**

MILLION TO ADVISORY SERVICES IN FY12 AND AN ADDITIONAL $460 MILLION FOR DONOR-FUNDED INVESTMENTS.

Bihar, one of India's poorest and most populous states. The system will enable individuals to receive government payments for health programs, using accounts held with banks or other payment service providers. The Gates Foundation provided IFC with initial funding and then scaled up the prototype system by investing an additional $2.6 million.

This year, IFC performed well in multilateral aid assessments conducted by Australia, the Netherlands, and the United Kingdom. These partners assess the performance and development impact of multilateral organizations to inform future funding decisions.

## FINANCIAL COMMITMENTS TO IFC ADVISORY SERVICES

(US$ Millions Equivalent)
[Unaudited figures]

| Governments | FY11 | FY12 |
|---|---|---|
| Australia | 8.02 | 1.57 |
| Austria | 22.98 | 25.55 |
| Canada | 33.27 | 5.63 |
| Denmark | 4.47 | 0.96 |
| Finland | 2.27 | 0.13 |
| France | 0.20 | 0.03 |
| Germany | 0.00 | 0.60 |
| Ireland | 1.10 | 1.51 |
| Italy | 10.00 | 0.00 |
| Japan | 8.95 | 9.48 |
| Korea | 2.00 | 1.00 |
| Luxembourg | 2.25 | 0.00 |
| Netherlands | 25.62 | 42.37 |
| Norway | 6.08 | 4.85 |
| South Africa | 0.78 | 0.00 |
| Spain | 2.68 | 0.00 |
| Sweden | 10.59 | 12.38 |
| Switzerland | 7.15 | 57.15 |
| United Kingdom | 16.20 | 69.94 |
| United States | 6.83 | 14.14 |
| Total | 171.42 | 247.28 |

| Institutional and Private Donors | FY11 | FY12 |
|---|---|---|
| BNDESPAR | | 3.00 |
| CTF | | 0.80 |
| Disney Worldwide Services, Inc. | | 0.05 |
| European Commission | 10.32 | 8.90 |
| Gates Foundation | 0.33 | 2.57 |
| GEF | 2.99 | |
| Inter-American Development Bank | | 1.00 |
| Islamic Development Bank | 3.00 | |
| Kauffman Foundation | 0.37 | 0.05 |
| MasterCard Foundation | | 37.45 |
| TMEA | 9.42 | |
| UN Agencies | 0.05 | 0.25 |
| Total | 26.47 | 54.08 |

## DONOR FINANCIAL COMMITMENTS TO IFC ADVISORY SERVICES

(US$ Millions Equivalent)

| Summary | FY11 | FY12 |
|---|---|---|
| Governments | 171.42 | 247.28 |
| Institutional/ Multilateral Partners | 31.64 | 10.95 |
| Private Partners/ Foundations | 0.70 | 43.13 |
| Total | 203.76 | 301.36 |

## WORKING WITH OTHER DEVELOPMENT INSTITUTIONS

Development institutions play a critical role in spurring the private sector to help improve lives and reduce poverty.

They have a track record of success in difficult environments. They provide capital when private markets become risk-averse. They provide advice that strengthens markets and makes private sector development inclusive and sustainable. In times of crisis and uncertainty, when private capital retreats, their work is indispensable.

Over the last decade, institutions such as IFC have quadrupled their financing of the private sector in developing countries—to more than $40 billion. Every dollar invested by these institutions unlocks $12 of investment from others.

For these reasons, IFC has teamed up with an array of multilateral and bilateral private sector development institutions, pooling resources to expand our reach and maximize our impact. By collaborating, we can share knowledge and design more efficient programs. Our partners, in turn, benefit from IFC's leadership position.

Collaboration has been critical in our response to global economic turbulence, allowing us to swiftly launch new initiatives to boost trade finance, recapitalize banks, and spur infrastructure investment. Recently, we joined forces with 30 development institutions to produce a study—*International Finance and Development through the Private Sector*—that makes the case for closer cooperation between the public and private sectors.

In collaboration with several development institutions, we developed a Global SME Finance Initiative to help expand the availability of financing for small and medium enterprises—a priority for the Group of 20 leading industrial and developing economies. In the Middle East and North Africa, we are working with several development institutions—including the Islamic Development Bank, the European Investment Bank, and the German development institution KfW—to address some of the region's biggest challenges.

Through the Master Cooperation Agreement, we have expanded our formal co-financing arrangements with as many as 15 development finance institutions. The agreement, which details how such institutions work together to co-finance projects led by IFC, supplements commercial finance made scarce by the crisis. We have also helped establish the Corporate Governance Development Framework, a common set of guidelines that have been implemented by 29 development finance institutions.

Collaboration among development banks is particularly important in new areas such as climate finance. We are working with a wide range of banks on harmonizing our approach to greenhouse-gas accounting and the definition of climate-related investments as a category.

# Managing Risks

## PORTFOLIO MANAGEMENT

Portfolio management plays a key role in ensuring that IFC investments result in successful and sustainable private sector enterprises.

Before making any investment, IFC carries out broad due diligence, including integrity due diligence, to ensure that the project meets all IFC standards in a number of areas—including social and environmental standards, anticorruption, corporate governance, and tax transparency. IFC also applies heightened scrutiny of projects involving offshore financial centers. Such broad due diligence has long been standard for IFC projects.

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.

IFC'S DEBT-TO-EQUITY RATIO WAS

2.7:1

AT THE END OF FY12, WELL WITHIN THE LIMIT PRESCRIBED BY OUR FINANCIAL POLICIES.

When financial difficulties arise, IFC 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.

## 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 the equivalent of more than $11.5 billion in FY12.

## LIQUIDITY MANAGEMENT

Liquid assets on IFC's balance sheet totaled nearly $29.7 billion as of June 30, 2012, compared with $24.5 billion a year earlier. Most liquid assets are held in U.S. dollars. The exposure arising from assets denominated in currencies other than U.S. dollars are hedged into U.S. dollars to manage currency risk. The level of these assets is determined with a view to ensure sufficient resources to meet commitments even during times of market stress.

### FY12 BORROWING IN INTERNATIONAL MARKETS

| Currency | Amount (USD equivalent) | Percent |
|---|---|---|
| U.S. dollar | 7,795,454,541 | 68.1% |
| Australian dollar | 2,089,827,167 | 18.2% |
| Japanese yen | 376,547,000 | 3.3% |
| Turkish lira | 334,829,244 | 2.9% |
| Norwegian krona | 290,788,182 | 2.5% |
| New Zealand dollar | 266,000,000 | 2.3% |

## 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 risk-based economic capital approach, which differentiates the capital required for assets based on statistical measures of risk.

Under our economic capital framework, IFC must maintain a minimum level of total available resources (including paid-in capital, retained earnings net of designations, 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 method of calculating capital adequacy is in line with industry best practices and is configured to provide adequate capital backing for a triple-A rating.

IFC's capital adequacy thresholds are more demanding than a triple-A rating requires. Yet we have historically exceeded our minimum capital requirements by a wide margin.

As of the end of FY12, the total resources required were $1.5 billion, while total resources available were $19.2 billion. IFC's debt-to-equity ratio was 2.7:1, well within the limit of 4:1 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 AND CORPORATE INTEGRITY

Promoting corporate integrity is an important element of IFC's effort to promote sustainable private sector development. Strong corporate integrity and good governance by our clients can lead to long-term profitability of investments, which in turn can increase IFC's opportunities for a favorable exit of our equity investments. Working to ensure the corporate integrity of all of the activities our Investment and Advisory Services support also helps us manage financial and reputational risks.

Corruption undermines public trust in open markets and the rule of law, and adds to the cost of doing business in most developing nations. IFC's initiatives to enhance openness and competition, and to promote stronger corporate governance and integrity systems, have proven to be effective tools in combating corruption.

IFC's due-diligence processes and procedures are the first line of defense against corruption in our projects. We continue to improve our information-gathering and analytical capabilities, inquiring into the background of potential partners and their stakeholders—including sponsors, management, and owners.

Our anticorruption stance is incorporated into the legal framework governing our investments. Under the World Bank Group sanctions process, persons or entities found to have engaged in corrupt, fraudulent, coercive, collusive, or obstructive practices in an IFC project can have their names published on a public website, and may be debarred from World Bank Group financing.

The World Bank Group's investigative unit, the Integrity Vice Presidency, is responsible for investigating allegations of fraud and corruption in IFC projects. The Vice Presidency's annual report can be found on the World Bank's website.

IFC participates in the cross-debarment agreement between the World Bank Group and other leading multilateral banks. Under the agreement, entities sanctioned by one participating development bank may be cross-debarred by the others for the same misconduct. The accord helps ensure a level playing field for all firms competing for multilateral development bank projects.

# Working Responsibly

## IFC'S APPROACH TO SUSTAINABILITY

Sustainability has been a key pillar of IFC's strategy for more than a decade. It brings real value to our clients by helping them manage risks, be more efficient, and remain competitive in global and regional markets.

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 environmental degradation, and address the global challenge of climate change. Social sustainability is supported through improved living and working standards, concern for the welfare of communities, consultation with indigenous peoples, and respect for key issues relevant to business and 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 a sustainable manner. We also see sustainability as an opportunity to transform markets, drive innovation, and add value to our clients by helping them improve their business performance.

## IFC'S SUSTAINABILITY FRAMEWORK

IFC's Sustainability Framework reflects our long-standing commitment to sustainable development. It helps protect people and the environment, broadens our development impact, and promotes accountability.

The framework is made up of the Policy on Environmental and Social Sustainability, which defines our responsibility in supporting project performance in partnership with clients; the Performance Standards (see page 14), which define clients' responsibilities for

### IFC's Sustainability Framework

| | Responsibilities | | Implementation Tools |
|---|---|---|---|
| IFC | Sustainability Policy | Access to Information Policy | Environmental and Social Review Procedures |
| Client | Eight Performance Standards | | Guidance Notes<br>Environmental, Health, and Safety Guidelines<br>Good Practice Materials |

managing environmental and social risks; and the Access to Information Policy, which articulates IFC's commitment to transparency.

Following an 18-month global consultation process, IFC updated the framework. Revisions, which went into effect on January 1, 2012, to reflect the evolution in good practice concerning environmental and social risk management that should be addressed at the company level, as well as developments in IFC's changing business model. They strengthen IFC's commitment to critical issues such as climate change, gender, business and human rights, and client capacity-building. Environmental and social categorization has been amended to more effectively align with the World Bank and other development financial institutions and to better capture the wide range of risks in financial intermediary operations.

Based on our experience, we have also provided better guidance to our clients on the application of the Performance Standards to different types of projects and business activities. The new Access to Information Policy (see page 41) represents a major shift from the 2006 Policy on Disclosure of Information and aligns IFC with the World Bank's Access to Information Policy. More information is available at http://www.ifc.org/sustainability.

## ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

As part of our commitment to sustainability, IFC works with clients to avoid, minimize, or compensate for the environmental and social risks and effects of their projects. We monitor clients' environmental and social performance throughout the life of IFC's investment and help identify opportunities to improve it.

When a project is proposed for financing, IFC conducts a social and environmental review as part of its overall due diligence. It takes into account the client's assessment of the project's impact as well as its commitment and capacity to manage it. The review also assesses whether the project meets IFC's Performance Standards (see page 14).

Where there are gaps, we and the client agree on an Environmental and Social Action Plan to ensure the standards are met over time. In accordance with IFC's Sustainability Framework, we rate direct investments that have some degree of risk, as reflected by their environmental and social categorization, as A, B, or C. Projects involving financial intermediaries are rated FI-1, FI-2, or FI-3, depending on the level of risk within the portfolios of these financial institutions.

For projects with moderate to significant risk, an environmental and social risk rating is given and updated, usually once a year, by our environmental and social specialists, and is based on reports provided by clients and site visits. We conduct site visits after IFC financing is committed and disbursed. This risk rating is an essential source of information for IFC management. It also enables our specialists to better prioritize their efforts during supervision. The frequency of visits depends on an investment's environmental and social risk rating and its performance against the agreed environmental and social action plan.

To strengthen IFC's environmental and social risk management, we focus on reducing the environmental and social knowledge gap in IFC's portfolio by increasing our supervision of clients. 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 past two years. The knowledge gap for FY12 was 5.6 percent—lower than the 6 percent target.

## IFC INVESTMENT PROJECT CATEGORIES

| | |
|---|---|
| A: | Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented. |
| B: | Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. |
| C: | Business activities with minimal or no adverse environmental or social risks and/or impacts. |
| FI: | Business activities involving investments in FIs or through delivery mechanisms involving financial intermediation. This category is further divided into: |
| | FI-1: when an FI's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented. |
| | FI-2: when an FI's existing or proposed portfolio is composed of, or is expected to be composed of, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented. |
| | FI-3: when an FI's existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts. |

# The Cycle of an IFC Investment Project

The following cycle shows the stages a business idea goes through to become an IFC-financed project.

## 1 BUSINESS DEVELOPMENT

Guided by IFC's strategic goals, our investment officers and business development officers identify suitable projects. The initial conversation with the client is critical in helping us understand its needs and determining whether there is a role for IFC.

## 2 EARLY REVIEW

The investment officer prepares a description of the project, IFC's role, the anticipated contribution to development and benefits to stakeholders, and any potential deal-breakers. Lessons from previous projects are considered and, in some cases, a pre-appraisal visit is conducted to identify any issues in advance. IFC senior management then decides whether to authorize project appraisal.

## 3 APPRAISAL (DUE DILIGENCE)

The investment team assesses the full business potential, risks, and opportunities associated with the investment through discussions with the client and visits to the project site. The following questions are asked: Is the investment financially and economically sound? Can it comply with IFC's Performance Standards on Environmental and Social Sustainability? Have lessons from prior investments been taken into account? Have the necessary disclosure and consultation requirements been met? How can IFC help the client further improve the sustainability of the project or enterprise?

## 7 BOARD REVIEW AND APPROVAL

The project is submitted to IFC's Board of Directors for consideration and approval through regular or streamlined procedures. "Streamlined" means that the members of the Board review the documents but don't meet to discuss the project. This option is available to low-risk projects. Certain small projects can be approved by IFC management under delegated authority. The due-diligence process and public disclosure remain the same in all cases. The Board demands that each investment have economic, financial, and development value and reflect IFC's commitment to sustainability.

## 8 COMMITMENT

IFC and the company sign the legal agreement for the investment. This includes the client's agreement to comply with the requirements of IFC's Sustainability Framework, to immediately report any serious accident or fatality, and to provide regular monitoring reports. The legal agreement also formalizes the client's Environmental and Social Action Plan.

## 9 DISBURSEMENT OF FUNDS

Funds are often paid out in stages or upon completion of certain steps documented in the legal agreement.

## 4

### INVESTMENT REVIEW

The project team makes its recommendations to IFC departmental management, which decides whether to approve the project. This is a key stage in the investment cycle. The project team and departmental management must be confident that the client is able and willing to meet IFC standards and work with us to improve the sustainability of their enterprise.

## 5

### NEGOTIATIONS

The project team starts to negotiate the terms and conditions of IFC's participation in the project. These include conditions of disbursement, performance and monitoring requirements, agreement of action plans, and resolution of any outstanding issues.

## 6

### PUBLIC DISCLOSURE

Upon completion of due diligence on environmental and social matters, review summaries and action plans are issued. These documents describe key findings and list actions to be taken by the client to close any significant compliance gap. The documents, as well as a Summary of Investment Information, are posted on IFC's website before being submitted to the Board for review. The length of the disclosure period is determined by the category of the project.

## 10

### PROJECT SUPERVISION AND DEVELOPMENT OUTCOME TRACKING

We monitor our investments to ensure compliance with the conditions in the loan agreement. The company submits regular reports on financial, social, and environmental performance, as well as information on factors that might materially affect the enterprise. Project site visits are scheduled to verify that environmental and social requirements are met. Ongoing dialogue allows IFC to help clients solve issues and identify new opportunities. We also track the project's contribution to development against key indicators identified at the start of the investment cycle.

## 11

### EVALUATION

To help improve our operational performance, annual evaluations are conducted based on a random sample of projects that have reached early operating maturity.

## 12

### CLOSING

We close our books on the project when the investment is repaid in full or when we exit by selling our equity stake. In some cases, we may decide to write off the debt. Our goal is to help the client develop practices and management systems that support a project's sustainability and that will continue long after our involvement has ended.

## What We Don't Invest In

IFC does not finance projects with substantial activity in one or more of the following areas:

- Production or trade in any product or activity deemed illegal under host-country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls, wildlife, or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora.
- Production or trade in weapons and munitions.
- Production or trade in tobacco.
- Gambling, casinos, and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which IFC considers the radioactive source to be negligible and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting in which the asbestos content is less than 20 percent.
- Drift net fishing using nets in excess of 2.5 kilometers in length.

For more information about the IFC Exclusion List, or to learn more about the treatment of financial intermediaries, microfinance institutions, and trade finance projects, please visit http://www.ifc.org /ifcext/disclosure.nsf/Content/IFCExclusionList.

## OUR FOOTPRINT COMMITMENT

At IFC, we operate our business in a way that aligns with what we ask of our clients on environmental and social sustainability. We strive to reduce the environmental impact of our day-to-day activities while striving to benefit communities wherever we have offices. That is our footprint commitment.

Using natural resources efficiently is an important part of that commitment. Electricity use in IFC's headquarters in Washington, D.C., accounts for about 20 percent of the carbon emissions generated by IFC's internal operations worldwide. By setting targets, we have steadily reduced our electricity consumption per workstation over the years, lowering it to 5,646 kilowatt hours per workstation. That reflects a 20 percent decline since 2008—and it means we achieved our target three years ahead of schedule.

We are also working to reduce waste generated by our business operations. In FY12, none of our headquarters' waste went to landfills. Instead, 306,930 pounds of paper, metals, plastic, cardboard, bulbs, and batteries were recycled, and 43,217 pounds of office supplies and furniture were donated to local charitable organizations. In addition, 594,559 pounds of waste was processed at a local waste-to-energy facility, helping provide power to local communities.

More than half of IFC's global carbon footprint is from air travel. Our new telepresence centers helped staff reduce air travel, helping our sustainability objectives. More than 4,400 video conferences were held this year, up 20 percent from FY11. These tools allow us to carry out the vital functions of our business while avoiding the environmental impact of travel.

IFC is committed to being a leader in corporate sustainability and to inspiring other companies to reduce their environmental footprint. In FY11, carbon emissions from IFC's global internal business operations totaled 44,650 metric tons of carbon dioxide equivalent. IFC has collected and reported data on our global carbon footprint since FY07.

IFC continues to be carbon-neutral for our global corporate operations. To offset our carbon footprint, IFC purchased carbon credits from a 10-megawatt biomass project in India that primarily uses stalks from cotton production, red gram, soybean, and rice husks. The Rake Power VCS project, owned by IFC client Shalivahana Green Energy Limited, will enable farmers to get a better price

## FY11 CARBON EMISSIONS INVENTORY FOR IFC'S GLOBAL INTERNAL BUSINESS OPERATIONS

Metric Tons of Carbon Dioxide Equivalent

| | |
|---|---|
| Total Emissions | 44,649.55 (100%) |
| Business Travel | 29,918.00 (67.0%) |
| Electricity | 11,992.90 (26.9%) |
| Purchased Steam | 44.43 (0.1%) |
| Water Chiller Electricity | 209.44 (0.5%) |
| Refrigerants | 1,300.65 (2.9%) |
| Mobile Sources | 759.33 (1.7%) |
| Stationary Combustion | 424.81 (1.0%) |

IFC's FY11 carbon emissions totaled approximately 44,650 metric tons of carbon dioxide equivalent ($tCO_2e$), which includes emissions from carbon dioxide, methane, and nitrous oxide.

for their agricultural products and will create opportunities for rural people to collect and transport biomass.

## OUR NEW ACCESS TO INFORMATION POLICY

As a global, multilateral finance institution with operations in many regions and sectors, IFC affects a diverse range of stakeholders. Transparency and accountability are fundamental to fulfilling our development mandate. Transparent organizations are better able to manage reputational risks and more likely to enjoy a robust license to operate.

IFC's new Access to Information Policy, which came into effect this year, will improve our ability to communicate our development impact and how we manage environmental and social risk. Increased transparency about our projects and investments will allow for more informed dialogue and feedback.

Under the policy, IFC will disclose more project-level information during all stages of our projects. The new environmental, social, and development impact disclosure requirements will also apply to investments made through financial intermediaries—an important and growing area of IFC's portfolio. This policy shift puts a greater emphasis on results reporting, consistent with World Bank Group objectives.

While IFC maintains provisions to protect commercially sensitive, deliberative, and confidential information, stakeholders may now pursue an independent two-stage appeals mechanism to challenge decisions not to disclose particular information.

IFC believes that greater transparency can improve business performance and promote good governance. We hope that over time the changes will result in better project outcomes, increased awareness on the part of affected communities, and stronger relationships with stakeholders.

For more information, visit www.ifc.org/disclosure.

## OUR ENGAGEMENT WITH CIVIL SOCIETY

IFC systematically seeks feedback from stakeholders. It's critical to our ability to deliver results.

When we reviewed our Sustainability Framework—an 18-month process that ended last year—we engaged with stakeholders, including civil society organizations in more than 16 countries. The input received helped us institute a new Access to Information Policy.

Three years ago, we began a dialogue with stakeholders on our annual report, a process that has provided substantive feedback on the material issues covered in the report. Our stakeholder panel comprises representatives from civil society, the private sector, and foundations. Each year since instituting the panel, we have begun engagement earlier in our annual report process in order to better incorporate the panel's feedback.

IFC also continues to work with the World Bank Group's Civil Society Team to reach out to civil society on a regular basis. The Compliance Advisor/Ombudsman, in collaboration with IFC project teams, also maintains close contact with local communities, civil society organizations, and other stakeholders.

This increased—and ongoing—engagement has allowed us to form a more continuous feedback loop with our stakeholders.

# 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 in the Annual Report for the financial year ending June 30, 2012, including quantitative indicators (“the Indicators”) and qualitative statements (“the Statements”). 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. The Indicators and the Statements are related to the following material areas:

Environmental and social performance and impacts of IFC’s activity

<table>
<tr><th>Material Areas</th><th>Statements</th><th>Indicators</th></tr>
<tr><td>IFC Policy</td><td>“The IFC Development Goals” (p. 18)<br>“IFC’s Sustainability Framework” (pp. 36–37)</td><td></td></tr>
<tr><td>Development effectiveness of investments and advisory services</td><td>“Advisory Services Results” (p. 23)</td><td>Investment projects Rated High (p. 3): 68%; and detailed values by industry (p. 25, and p. 29 on the flip side of this report), by region (p. 25, and p. 29 on the flip side of this report), and by performance area (p. 25); and weighted and unweighted scores (p. 29 on the flip side of this report)<br>Advisory Projects Rated High (p. 3): 72%; and detailed values by business line (p. 25) and by region (p. 25)</td></tr>
<tr><td>Environmental and social ratings</td><td>“IFC Performance Standards” (p. 14)<br>“Environmental and Social Risk Management” (p. 37)</td><td>FY12 Commitments by Environmental and Social Category (p. 28 on the flip side of this report):
<table>
<tr><th>Category</th><th>Commitments ($ millions)</th><th>Number of projects</th></tr>
<tr><td>A</td><td>931</td><td>17</td></tr>
<tr><td>B</td><td>3,629</td><td>153</td></tr>
<tr><td>C</td><td>6,975</td><td>267</td></tr>
<tr><td>FI</td><td>3,340</td><td>120</td></tr>
<tr><td>FI-1</td><td>140</td><td>2</td></tr>
<tr><td>FI-2</td><td>410</td><td>11</td></tr>
<tr><td>FI-3</td><td>37</td><td>6</td></tr>
<tr><td></td><td>15,462</td><td>576</td></tr>
</table></td></tr>
<tr><td>Engagement in the poorest countries</td><td>“Global Results” (p. 26 on the flip side of this report)<br>Section of “Sparking Growth and Opportunity in the Poorest Countries” including “Since 2005, our investments in IDA countries […] that virtually devastated the economy.” (pp. 52–53 on the flip side of this report)<br>Section of “The growing importance of South-South Investment” including “It’s also a strategic priority for IFC […] helped raise environmental and social standards” (p. 64 on the flip side of this report)</td><td></td></tr>
<tr><td>Climate change</td><td>Section of “Addressing Climate Change, an urgent priority” including “In FY12, IFC invested […] were climate-related” (p. 43 on the flip side of this report)</td><td>Commitments in Climate-related investments for FY12 (p. 3): $1,621 million</td></tr>
<tr><td>Financial inclusion</td><td>Section of “Pioneering Local-Currency Finance” including “Recognizing the risk this presents […] and CFA francs over the next decade” (p. 49 on the flip side of this report)<br>Section of “Why Trade Finance Matters for Development” including “We think trade finance […] a 23 percent increase over FY11” (p. 65 on the flip side of this report)<br>Section of “Freeing up Capital for Development in Emerging Markets” including “We are a significant backer of private equity funds in emerging markets […] nearly a third of all jobs provided by our clients” (p. 62 on the flip side of this report)</td><td>Number and amounts of microfinance loans and SME loans for CY11 (p. 24)
<table>
<tr><th>Type of loans</th><th>Number of loans (millions)</th><th>Amount ($ billions)</th></tr>
<tr><td>Microfinance</td><td>19.7</td><td>19.84</td></tr>
<tr><td>SMEs</td><td>3.3</td><td>181.25</td></tr>
</table></td></tr>
<tr><td>Evaluation of IFC’s activity</td><td>“Independent Evaluation Group” (p. 30)</td><td></td></tr>
</table>

Responsible business behavior and additionality

| Material Areas | Statements | Indicators |
|---|---|---|
| Food security | "Strengthening Food Security in Developing Countries" (p. 46 on the flip side of this report) | |
| Access to health care and education | "Helping the Poor Obtain Better Education and Health Care" (p. 47 on the flip side of this report) | |
| Responsible business | Section of "Expanding Economic Opportunities for Women" including "Women are a powerful source of economic growth [...] a quarter of which will be women-owned" (p. 56 on the flip side of this report)<br>Section of "Who benefits?" including "Our projects are helping address climate change [...] seven new stress-tolerant seed varieties for local farmers to use" (pp. 4–5)<br>"Sustainable Business" (p. 10) | |
| Mobilization | Section of "The Power of Mobilization" including "Our record of strong and consistent profitability [...] In FY12, we mobilized $2.7 billion in syndicated loans" (p. 61 on the flip side of this report) | |
| Governance | "IFC and Corporate Integrity" (p. 35) | |
| Corporate footprint | "Our Footprint Commitment" (pp. 40–41) | Carbon Emissions (p. 40): 44,650 $tCO_2$ equivalent in financial year 2012 |

Our review aimed to provide limited assurance[1] that:

1. the Indicators were prepared in accordance with the reporting criteria applicable in 2012 (the "Reporting Criteria"), consisting in IFC instructions, procedures and guidelines specific for each indicator, a summary of which is provided in the Annual Report, for the indicators related to Commitments by Environmental and Social Category (p. 28 on the flip side of this report) and Development effectiveness of investments and advisory services (p. 25) and on IFC's website and

2. the Statements have been presented in accordance with "IFC's Policy on Disclosure of Information", which is available on IFC's website[2] and the principles of relevance, completeness, neutrality, clarity and reliability 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 based on 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 to identify key statements regarding the sustainability areas listed above.
- At the corporate level, we conducted interviews with more than 25 persons responsible for reporting to assess the application of the Reporting Criteria or to substantiate the Statements.
- At the corporate level, we implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the Indicators.
- We collected supporting documents for the Indicators or Statements, such as reports to the board of directors or other meetings, loan contracts, internal and external presentations and reports, or survey results.
- 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, D.C. Within the scope of work covered by this statement, we did not participate in any activities with external

1 A higher level of assurance would have required more extensive work.
2 http://www.ifc.org/ifcext/disclosure.nsf/content/disclosure_policy
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.

stakeholders, clients, or local IFC offices nor did we conduct testing or interviews aimed at verifying the validity of information related to individual projects.

## 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 on environmental and social risks, impacts and outcomes of projects it financed directly or through financial intermediaries. This level of disclosure is in line with that of other multilateral development banks. A specific effort is made by IFC to assess its development results, notably through its Development Outcome Tracking System (DOTS) and the preparation and testing of IFC Development Goals (see p. 18).

## COMPLETENESS

The Indicators' reporting perimeter covers most relevant IFC activities. The perimeters actually covered by each indicator have been indicated in the comments next to the data in the Annual Report. In particular, regarding DOTS ratings, the Development Outcomes' ratings of IFC's Trade Finance investments are not currently reported. With the growing importance of Trade Finance activities in IFC's portfolio, IFC started the rollout of a DOTS framework to rate the development results of Trade Finance to prepare a future disclosure.

## NEUTRALITY AND CLARITY

IFC provides information on the methodologies used to establish the Indicators in the comments next to the published data or in the related sections and is available on the IFC website (links listed on p. 66 on the flip side of this report).

## RELIABILITY

We would like to note that IFC has made progress in strengthening internal controls related to "Development effectiveness of advisory services" and "Carbon Footprint." However, we note that IFC would benefit from further formalizing the reporting tools and internal controls for the indicator related to "Climate-related investments" and for the Environmental and Social component (E&S) of the investment services' development outcome. In particular, the process related to updating E&S risk evaluations should be better formalized to ensure that in all cases the most up-to-date information is being used to rate projects on their E&S performance.

## 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;
- 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, neutrality, clarity and reliability as defined by international standards.

Paris-La Défense, France, August 20, 2012

The Independent Auditors
ERNST & YOUNG et Associés

ERNST & YOUNG
*Quality In Everything We Do*

Eric Duvaud
Partner, Cleantech and Sustainability

## 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. Jim Yong Kim, 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, 2012, IFC expanded its sustainable development impact through private sector investments and Advisory Services.

# Stakeholder Review Panel Statement on 2012 Annual Report

Three years ago, IFC piloted its first stakeholder review panel on the 2010 Annual Report. The engagement helped identify issues of concern to external stakeholders and contributed to a process of mutual learning and understanding for both IFC and the panelists. Currently, the panel comprises eight experts who provide IFC with diverse external perspectives to improve the reporting of its complex work—including its dilemmas, opportunities, and results—in the Annual Report.

## BACKGROUND

This year, in response to feedback from last year's panel, IFC deepened the engagement with the panel in several key respects: (1) rather than identifying an additional set of material issues, the panel refined the material issues developed by IFC and its board; (2) it engaged with two Directors (Bill Bulmer, Director of IFC's Environment, Social, and Governance Department; and Nigel Twose, Director, Development Impact) and one Vice President (Jingdong Hua, Vice President, Treasury, Syndications, and Information Technology) from IFC on lines of work important to several material issues; and 3) it engaged with IFC earlier on the report by reviewing the draft outline. In addition, IFC sought feedback from the panel about ways to improve the value of the panel process going forward.

IFC retained a neutral facilitator to manage the process. The panel consists of experts who serve one-year terms with the possibility of one-year renewals. They participated in two conference calls and an all-day meeting to refine material issues, suggest improvements to the draft outline and first draft, and to assess IFC's responsiveness by reviewing the near-final report. The panel did not approve or endorse the 2012 Annual Report but did approve this stakeholder panel letter. Most panel members opted to be recognized for their service through a modest honorarium. Beyond reimbursement of travel expenses to some panelists, there were no other payments to panelists.

## PANELISTS

The panel comprises the following experts:

- Arvind Ganesan, Director, Business and Human Rights, Human Rights Watch
- Marina Gorbis, Executive Director, Institute for the Future
- Daniel Kress, Deputy Director, Health Economics, Bill & Melinda Gates Foundation
- Sabine Miltner, Managing Director, Sustainability, Deutsche Bank AG
- Shalini Nataraj, Vice President, Programs, Global Fund for Women
- Ruth Rosenbaum, Executive Director, Center for Reflection, Education and Action (CREA)
- Faiza Shaheen, Senior Researcher, New Economics Foundation
- Ken Wilson, Executive Director, The Christensen Fund

## MATERIAL ISSUES

The following material issues were identified by IFC and refined by the panel:

- Promoting Inclusive Growth and Human Development
- Jobs
- South-South Investment and Trade Finance
- Climate Change
- Mobilizing Funds through IFC's Asset Management Company and Syndications Business

## OVERALL FEEDBACK

The panel appreciated the tone and forthrightness of the IFC team—in particular, the Directors and Vice President who spoke about their work and shared their insights, and the Director in charge of producing the Annual Report, Bruce Moats. Panel members serving for several years observed that they have learned a great deal about IFC, enabling more nuanced and focused feedback. Panel members expressed their willingness to improve the stakeholder process in order to ensure the panel continues to add value to IFC.

Panel members applaud IFC's efforts to track and measure outcomes, especially current efforts to measure development impacts; they encourage IFC to expedite this work. The panel also supports IFC's work and approach of providing advice and guidance to the private sector to operate more sustainably, ethically and transparently. These practices are examples of how IFC innovates through experimentation by gathering lessons learned, asking for feedback and advice, and refining the practices and processes. The panel encourages IFC to include these types of stories in the report in addition to project-related work.

The Panel thought that the new section in the front of the report describing the achievements over the past five years—under the leadership of outgoing EVP and CEO Lars Thunell—provided a clearer description of IFC's strategies, role, and achievements than in prior reports. IFC should continue the practice of discussing current year's activities within a longer time horizon and including a summary of key results and learnings from IFC's strategic plan and evolving business model.

## SPECIFIC RECOMMENDATIONS

- Material issues should have a longer life and be tied to both lessons learned and results to create a compelling story of IFC's annual work.
- Results should be based on more than one year's worth of data in order to share insightful lessons learned, trends, and impacts.
- IFC faces many contradictory forces in its portfolio around issues of less carbon-intensive growth, inclusive growth that reaches women and the very poor, and the capital intensity of jobs. IFC should describe how these issues are interconnected, and how it addresses these dilemmas, more explicitly.
- This year's report provided a more comprehensive description of key lines of work, particularly Advisory Services; the panel encourages IFC to continue this approach.

# Financial Summary

## Financial Performance Summary

From year to year, IFC's net income is affected by a number of factors that can result in volatile financial performance. The overall market environment has a significant influence on IFC's financial performance.

The main elements of IFC's net income and comprehensive income and influences on the level and variability of net income and comprehensive income from year to year are:

| ELEMENTS | SIGNIFICANT INFLUENCES |
|---|---|
| **Net income** | |
| Yield on interest earning assets | Market conditions including spread levels and degree of competition. Nonaccruals and recoveries of interest on loans formerly in nonaccrual status and income from participation notes on individual loans are also included in income from loans. |
| Liquid asset income | Realized and unrealized gains and losses on the liquid asset portfolios, which are driven by external factors such as: the interest rate environment; and liquidity of certain asset classes within the liquid asset portfolio. |
| Income from the equity investment portfolio | Performance of the equity portfolio (principally realized capital gains, dividends, equity impairment write-downs, gains on non-monetary exchanges and unrealized gains and losses on equity investments). |
| Provisions for losses on loans and guarantees | Risk assessment of borrowers and probability of default and loss given default. |
| Other income and expenses | Level of advisory services provided by IFC to its clients, the level of expense from the staff retirement and other benefits plans, and the approved administrative and other budgets. |
| Gains and losses on other non-trading financial instruments accounted for at fair value | Principally, differences between changes in fair values of borrowings, including IFC's credit spread, and associated derivative instruments and unrealized gains associated with the investment portfolio including puts, warrants and stock options which in part are dependent on the global climate for emerging markets. These securities are valued using internally developed models or methodologies utilizing inputs that may be observable or non-observable. |
| Grants to IDA | Level of Board of Governors–approved grants to IDA. |
| **Other comprehensive income** | |
| Unrealized gains and losses on listed equity investments and debt securities accounted for as available-for-sale | Global climate for emerging markets equities and company-specific performance. Such equity investments are valued using unadjusted quoted market prices and debt securities are valued using internally developed models or methodologies utilizing inputs that may be observable or non-observable. |
| Unrecognized net actuarial gains and losses and unrecognized prior service costs on benefit plans | Returns on pension plan assets and the key assumptions that underlay projected benefit obligations, including financial market interest rates, past experience, and management's best estimate of future benefit cost changes and economic conditions. |

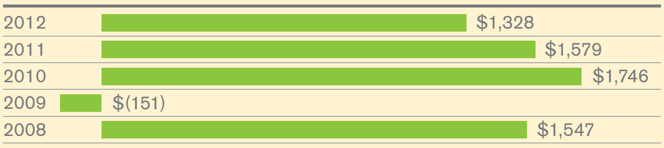
IFC has reported income before grants to IDA of $1,658 million in FY12, as compared to $2,179 million in the year ended June 30, 2011 (FY11) and $1,946 million in the year ended June 30, 2010 (FY10).

The decrease in income before grants to IDA in FY12 when compared to FY11 was principally as a result of: (i) lower unrealized income from non-trading investments and other non-trading financial instruments accounted for at fair value; (ii) higher other-than-temporary impairment losses on equities and debt securities; (iii) lower income from liquid assets; (iv) higher provisions for losses on loans and guarantees; and (v) higher administrative expenses partially offset by: (i) higher realized gains on equity investments and gains on non-monetary exchanges; (ii) lower advisory services expenses, net of advisory services income; and (iii) higher foreign currency transaction gains and losses on non-trading activities.

Grants to IDA totaled $330 million in FY12, as compared to $600 million in FY11 and $200 million in FY10. Accordingly, net income totaled $1,328 million in FY12, as compared with $1,579 million in FY11 and $1,746 million in FY10.

IFC's net income (loss) for each of the past five fiscal years ended June 30 is presented below (US$ millions):

## NET INCOME (LOSS) FOR EACH OF THE PAST FIVE FISCAL YEARS ENDED JUNE 30 US$ millions



The table below presents selected financial data for the last five fiscal years (in millions of US dollars, except where otherwise stated):

| SELECTED FINANCIAL DATA<br>As of and for the years ended June 30 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Net income highlights:** | | | | | |
| Income from loans and guarantees | **$ 938** | $ 877 | $ 801 | $ 871 | $ 1,065 |
| (Provision) release of provision for losses on loans & guarantees | **(117)** | 40 | (155) | (438) | (38) |
| Income (loss) from equity investments | **1,457** | 1,464 | 1,638 | (42) | 1,688 |
| Of which: | | | | | |
| Realized gains on equity investments | **2,000** | 737 | 1,290 | 990 | 1,219 |
| Gains on non-monetary exchanges | **3** | 217 | 28 | 14 | 177 |
| Unrealized (losses) gains on equity investments accounted for at fair value | **(128)** | 454 | 240 | (299) | 12 |
| Dividends and profit participations | **274** | 280 | 285 | 311 | 428 |
| Other-than-temporary impairment losses | **(692)** | (218) | (203) | (1,058) | (140) |
| Fees and other | **–** | (6) | (2) | – | (8) |
| Income from debt securities | **81** | 46 | 108 | 71 | 163 |
| Income from liquid asset trading activities | **313** | 529 | 815 | 474 | 473 |
| Charges on borrowings | **(181)** | (140) | (163) | (488) | (782) |
| Other income | | | | | |
| Service fees | **60** | 88 | 70 | 39 | 58 |
| Advisory services income | **269** | – | – | – | – |
| Other | **119** | 134 | 106 | 114 | 55 |
| Other expenses | | | | | |
| Administrative expenses | **(798)** | (700) | (664) | (582) | (549) |
| Advisory services expenses | **(290)** | (153) | (108) | (134) | (150) |
| Expense from pension and other postretirement benefit plans | **(96)** | (109) | (69) | (34) | (3) |
| Other | **(23)** | (19) | (12) | (14) | (3) |
| Foreign currency transaction gains (losses) on non-trading activities | **145** | (33) | (82) | 10 | (39) |
| Income (loss) before net gains and losses on other non-trading financial instruments accounted for at fair value and grants to IDA | **1,877** | 2,024 | 2,285 | (153) | 1,938 |
| Net (losses) gains on other non-trading financial instruments | **(219)** | 155 | (339) | 452 | 109 |
| Of which: | | | | | |
| Realized gains | **11** | 63 | 5 | – | – |
| Gains on non-monetary exchanges | **10** | 22 | 6 | 45 | – |
| Unrealized (losses) gains | **(240)** | 70 | (350) | 407 | 109 |
| Income before grants to IDA | **1,658** | 2,179 | 1,946 | 299 | 2,047 |
| Grants to IDA | **(330)** | (600) | (200) | (450) | (500) |
| **Net income (loss)** | **$ 1,328** | **$ 1,579** | **$ 1,746** | **$ (151)** | **$ 1,547** |
| **Consolidated balance sheet highlights:** | | | | | |
| Total assets | **$75,761** | $68,490 | $61,075 | $51,483 | $49,471 |
| Liquid assets, net of associated derivatives | **29,721** | 24,517 | 21,001 | 17,864 | 14,622 |
| Investments | **31,438** | 29,934 | 25,944 | 22,214 | 23,319 |
| Borrowings drawn-down and outstanding, including fair value adjustments | **44,665** | 38,211 | 31,106 | 25,711 | 20,261 |
| **Total capital** | **$20,580** | $20,279 | $18,359 | $16,122 | $18,261 |
| Of which: | | | | | |
| Undesignated retained earnings | **$17,373** | $16,032 | $14,307 | $12,251 | $12,366 |
| Designated retained earnings | **322** | 335 | 481 | 791 | 826 |
| Capital stock | **2,372** | 2,369 | 2,369 | 2,369 | 2,366 |
| Accumulated other comprehensive income (AOCI) | **513** | 1,543 | 1,202 | 711 | 2,703 |

| As of and for the years ended June 30 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Financial ratios:**[1] | | | | | |
| Return on average assets (GAAP basis)[2] | **1.8%** | 2.4% | 3.1% | (0.3)% | 3.4% |
| Return on average assets (non-GAAP basis)[3] | **2.8%** | 1.8% | 3.8% | (1.1)% | 3.7% |
| Return on average capital (GAAP basis)[4] | **6.5%** | 8.2% | 10.1% | (0.9)% | 9.6% |
| Return on average capital (non-GAAP basis)[5] | **9.9%** | 6.0% | 11.8% | (3.0)% | 9.0% |
| Cash and liquid investments as a percentage of next three years' estimated net cash requirements | **77%** | 83% | 71% | 75% | 62% |
| External funding liquidity level[6] | **327%** | 266% | 190% | 163% | 96% |
| Debt to equity ratio[7] | **2.7:1** | 2.6:1 | 2.2:1 | 2.1:1 | 1.6:1 |
| Total reserves against losses on loans to total disbursed portfolio[8] | **6.6%** | 6.6% | 7.4% | 7.4% | 5.5% |
| Capital measures: | | | | | |
| Capital to risk-weighted assets ratio[9] | **n/a** | n/a | n/a | 44% | 48% |
| Total Resources Required ($billions)[10] | **15.5** | 14.4 | 12.8 | 10.9 | 10.4 |
| Total Resources Available ($billions)[11] | **19.2** | 17.9 | 16.8 | 14.8 | 15.0 |
| Strategic Capital[12] | **3.7** | 3.6 | 4.0 | 3.9 | 4.6 |
| Deployable Strategic Capital[13] | **1.8** | 1.8 | 2.3 | 2.3 | 3.1 |
| Deployable Strategic Capital as a percentage of Total Resources Available | **9%** | 10% | 14% | 16% | 21% |

1 Certain financial ratios, as described below, are calculated excluding the effects of unrealized gains and losses on investments, other non-trading financial instruments, AOCI, and impacts from consolidated Variable Interest Entities (VIEs).

2 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.

3 Net income excluding unrealized gains and losses on certain investments accounted for at fair value, income from consolidated VIEs, and net gains and losses on non-trading financial instruments accounted for at fair value, as a percentage of total disbursed loan and equity investments (net of reserves) at cost, liquid assets net of repos, and other assets averaged for the current period and previous fiscal year.

4 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.

5 Net income excluding unrealized gains and losses on certain investments accounted for at fair value, income from consolidated VIEs, and net gains and losses on non-trading financial instruments accounted for at fair value, as a percentage of paid-in share capital and retained earnings (before certain unrealized gains and losses and excluding cumulative designations not yet expensed) averaged for the current period and previous fiscal year.

6 IFC's objective 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.

7 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.

8 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.

9 The ratio of capital (including paid-in capital, retained earnings, and portfolio (general) loan loss reserves) 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. IFC's Board of Directors has approved the use of a risk-based economic capital framework beginning in the year ended June 30, 2008 (FY08). Parallel use of the capital to risk-weighted assets ratio has now been discontinued.

10 The minimum capital required consistent with the maintenance of IFC's AAA rating. It is computed as the aggregation of risk-based economic capital requirements for each asset class across the Corporation.

11 Paid-in capital plus retained earnings net of designated retained earnings plus general and specific reserves against losses on loans. This is the level of available resources under IFC's risk-based economic capital adequacy framework.

12 Total resources available less total resources required.

13 90% of total resources available less total resources required.

## INVESTMENT PROGRAM

### Commitments

In FY12, total commitments were $20,358 million, compared with $18,660 million in FY11, an increase of 9%, of which IFC commitments totaled $15,462 million ($12,186 million–FY11) and Core Mobilization totaled $4,896 million ($6,474 million–FY11).

FY12 and FY11 commitments and Core Mobilization comprised the following (US$ millions):

| | FY12 | FY11 |
|---|---|---|
| **Total Commitments**[1] | **$20,358** | $18,660 |
| **IFC Commitments** | | |
| Loans | **$ 6,668** | $ 4,991 |
| Equity investments | **2,282** | 1,968 |
| Guarantees: | | |
| Global Trade Finance Program | **6,004** | 4,638 |
| Other | **398** | 529 |
| Client risk management | **110** | 60 |
| **Total IFC Commitments** | **$15,462** | $12,186 |
| **Core Mobilization** | | |
| **Loan participations, parallel loans, and other mobilization** | | |
| Loan participations | **$ 1,764** | $ 3,457 |
| Parallel loans | **927** | 1,127 |
| Other mobilization | **814** | 134 |
| **Total loan participations, parallel loans, and other mobilization** | **$ 3,505** | $ 4,718 |
| **AMC** | | |
| Sub-Debt Capitalization Fund | **$ 215** | $ 252 |
| Equity Capitalization Fund | **24** | 113 |
| ALAC Fund | **190** | 85 |
| Africa Capitalization Fund | **8** | 4 |
| **Total AMC** | **$ 437** | $ 454 |
| **Other initiatives** | | |
| Global Trade Liquidity Program and Critical Commodities Finance Program | **$ 850** | $ 1,050 |
| Infrastructure Crisis Facility | **63** | 252 |
| Public Private Partnership (PPP) Mobilization | **41** | – |
| **Total other initiatives** | **$ 954** | $ 1,302 |
| **Total Core Mobilization** | **$ 4,896** | $ 6,474 |

1 Debt security commitments are included in loans and equity investments based on their predominant characteristics.

### Core mobilization ratio

The core mobilization ratio is defined as:

$$\frac{\text{Loan participations + parallel loans + other mobilization + non-IFC investment part of structured finance which meets core mobilization criteria + non-IFC commitments in Initiatives + non-IFC investments committed in funds managed by AMC + PPP Mobilization}}{\text{Commitments (IFC investments + IFC portion of structured finance + IFC commitments in Initiatives + IFC investments committed in funds managed by AMC)}}$$

For each dollar that IFC committed, IFC mobilized (in the form of loan participations, parallel loans, other mobilization, the non-IFC portion of structured finance and the non-IFC commitments in Initiatives, and the non-IFC investments committed in funds managed by AMC) $0.32 in FY12 ($0.53 in FY11).

## AMC

The activities of the funds managed by AMC at June 30, 2012 and June 30, 2011 can be summarized as follows (US$ millions unless otherwise indicated):

| | Equity Cap Fund | Sub-Debt Cap Fund | ALAC Fund | Africa Cap Fund | Russian Bank Cap Fund | Total |
|---|---|---|---|---|---|---|
| Assets under management at June 30, 2012: | $1,275 | $1,725 | $1,000 | $182 | $275 | $4,457 |
| From IFC | 775 | 225 | 200 | – | 125 | 1,325 |
| From other investors | 500 | 1,500 | 800 | 182 | 150 | 3,132 |
| For the year ended June 30, 2012: | | | | | | |
| Fund commitments to investees: | | | | | | |
| From IFC | 36 | 32 | 48 | – | – | 116 |
| From other investors | 24 | 215 | 190 | 8 | – | 437 |
| Disbursements from investors to Fund: | | | | | | |
| From IFC | 62 | 28 | 52 | – | – | 142 |
| From other investors | 40 | 186 | 208 | 14 | – | 448 |
| Disbursements made by Fund | 97 | 208 | 174 | 11 | – | 490 |
| Disbursements made by Fund (number) | 6 | 2 | 8 | 3 | – | 19 |
| | **Equity Cap Fund** | **Sub-Debt Cap Fund** | **ALAC Fund** | **Africa Cap Fund** | **Russian Bank Cap Fund** | **Total** |
| Assets under management at June 30, 2011: | $1,275 | $1,725 | $1,000 | $55 | $– | $4,055 |
| From IFC | 775 | 225 | 200 | – | – | 1,200 |
| From other investors | 500 | 1,500 | 800 | 55 | – | 2,855 |
| For the year ended June 30, 2011: | | | | | | |
| Fund commitments to investees: | | | | | | |
| From IFC | 168 | 38 | 21 | – | – | 227 |
| From other investors | 109 | 252 | 85 | 4 | – | 450 |
| Disbursements from investors to Fund: | | | | | | |
| From IFC | 214 | 47 | 17 | – | – | 278 |
| From other investors | 138 | 316 | 64 | 1 | – | 519 |
| Disbursements made by Fund | 344 | 359 | 78 | – | – | 781 |
| Disbursements made by Fund (number) | 4 | 3 | 4 | – | – | 11 |

## ADVISORY SERVICES

The IFC Advisory Services Portfolio as of June 30, 2012 totaled $894 million, as compared to $822 million as of June 30, 2011. The breakdown of the Advisory Services Portfolio at June 30, 2012 and June 30, 2011, by Business Line, is summarized as follows (US$ millions):

| | Access to Finance | Investment Climate | Public-Private Partnerships | Sustainable Business Advisory |
|---|---|---|---|---|
| Active portfolio as of June 30, 2012 | $296 | $226 | $106 | $266 |
| Active portfolio as of June 30, 2011 | $293 | $204 | $91 | $234 |