



# 3

PART 3

## MEASURING UP

***Priorities, Scorecard, Lessons***

How IFC's unique combination of investment and advice maximizes our development impact.

## Strategic Priorities

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

### Focus Areas

1

#### STRENGTHENING THE FOCUS ON FRONTIER MARKETS

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

2

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

Developing new business models and financing instruments, 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

## The Scorecard

### *IFC's Performance on Strategic Priorities*

Indicator	Performance	
	FY11	FY10
<b>DEVELOPMENT RESULTS</b>		
Investment Projects Rated High (DOTS Score) <sup>1</sup>	67%	71%
Advisory Projects Rated High <sup>2</sup>	67%	63%
<b>FOCUS AREAS</b>		
<b>FRONTIER MARKETS</b>		
Number of Investment Projects in IDA Countries	251	255
Commitments in IDA Countries (millions)	\$4,867	\$4,881
Advisory Services Expenditures in IDA Countries (millions) <sup>3</sup>	\$ 107	\$ 95
Commitments in Sub-Saharan Africa (millions)	\$2,150	\$2,428
Commitments in Middle East and North Africa (millions)	\$1,603	\$1,572
<b>CLIENT PARTNERSHIPS</b>		
Number of South-South Investment Projects	32	71
Commitments in South-South Investment Projects (millions)	\$1,034	\$1,654
<b>CLIMATE CHANGE</b>		
Commitments in Energy Efficiency and Renewable Energy (millions)	\$1,671	\$1,644
<b>INFRASTRUCTURE, HEALTH, EDUCATION, FOOD</b>		
Commitments in Infrastructure, Health and Education, and Food <sup>4</sup> (millions)	\$2,200	\$3,173
<b>LOCAL FINANCIAL MARKETS</b>		
Commitments in Financial Markets (millions) <sup>5</sup>	\$8,176	\$6,654
Commitments in Micro, Small, and Medium Enterprises Sector (millions) <sup>6</sup>	\$6,020	\$5,279

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 six years of approvals (2002–2007 for FY11).

2 For Advisory Services, development effectiveness ratings are for calendar years 2010 and 2009 (FY11 = CY10; FY10 = CY09).

3 FY10 and FY11 figures reflect improved methodology for measuring Advisory Services expenditures in IDA countries, incorporating regional projects.

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

5 Commitments of IFC's Financial Markets department.

6 Includes direct MSME borrowers, financial institutions with MSMEs accounting for more than 50% of their business clients, 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 the poor a chance to better their lives.

Through the clients we invest in, IFC creates opportunities 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 support to expand or upgrade their facilities, improve environmental performance, strengthen corporate governance, and improve their management systems and adherence to industry standards.

We provide advisory services to both firms and governments. Most of our advisory work with firms is provided alongside our investment services, to maximize impact. Our work with government clients ranges from supporting reforms to their investment climates to helping design and implement public-private partnerships for infrastructure and other basic services.

#### EMPLOYMENT



In 2010, IFC's investment clients provided 2.4 million jobs, including about 890,000 through investments in private equity and investment funds, about 366,000 in agribusiness, about 356,000 in manufacturing and services, and about 302,000 in consumer and social services.

- IFC invested in a private equity fund whose investee companies provided direct jobs to more than 93,000 people in 2010.
- In India, IFC invested in a tea production company that provided employment for almost 32,000 people in 2010.
- In Turkey, IFC invested in a glass producer that employed more than 17,000 people, 30 percent of whom were locally recruited and trained.
- In Burkina Faso, Liberia, Rwanda, and Sierra Leone, our advisory work to help governments improve their investment climate was estimated to have helped create more than 50,000 jobs.

#### CUSTOMERS



In 2010, IFC's investment clients:

- Provided 9.7 million loans totaling \$140 billion to micro, small, and medium enterprises—of which about 8 million loans involved microfinance.
- Provided basic utilities to over 111 million customers. This included water distribution to 20 million people, power generation and distribution to about 74 million, and gas distribution to more than 17 million.
- Provided almost 180 million phone connections.
- Provided health services to 7.5 million patients and education to 1 million students. IFC's investment in a private hospital group in the Middle East and North Africa allowed the group to treat more than 1 million patients in 2010.

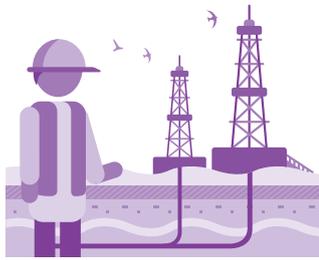
## LOCAL COMMUNITIES



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

- Last year, our investment clients spent more than \$156 million on community development programs, and our advisory services provided training to 330,000 people as part of our efforts to help firms improve the quality and impact of their community spending.

## SUPPLIERS



In 2010, IFC's investment clients generated billions of dollars for domestic suppliers. Those clients purchased \$21.5 billion from suppliers in the manufacturing sector and \$8.8 billion in the consumer and social services sector. Agribusiness investment clients reached 2.5 million farmers.

- IFC's investment in a Mexican limestone processor is helping expand production of a raw material for basic industry and for the construction sector. The company purchased more than \$100 million from national suppliers in 2010.
- In China, IFC's investment in a grain processing company reached 430,000 farmers last year.
- Training provided to farmers and small and medium enterprises in 18 countries enabled them to increase their annual sales by nearly \$200 million.

## ENVIRONMENT



Many IFC investment and advisory projects are helping address climate change and advancing environmental and social sustainability. In 2010, IFC advisory services reached 200 entities through cleaner production audits and broader workshops, and facilitated around \$40 million in financing for cleaner production in Russia alone.

## GOVERNMENT



Last year, IFC's investment clients contributed more than \$20 billion to government revenues. This includes about \$8.2 billion from the infrastructure sector; \$5 billion from the oil, gas, and mining sector; and \$2.5 billion from the manufacturing sector.

- One of Nigeria's leading telecommunications service providers—an IFC client—contributed \$682 million in payments to the government last year.
- A Brazilian energy company supported by IFC contributed \$3.7 billion in taxes to the government in 2010 alone. Around half of IFC's advisory projects focus on serving government clients.
- Last year, we helped governments in 30 countries design and implement more than 60 regulatory reforms to improve their investment climates.
- In Haiti, Jamaica, Maldives, the Philippines, and Sierra Leone, we helped governments to design and implement public-private partnerships for infrastructure that also generated \$1.6 billion in fiscal savings to governments.

## Lessons Learned

As a learning institution, we constantly assess our strengths and weaknesses—and put the findings into practice. It makes our investments, advice, and mobilization more effective.

Working with the Compliance Advisor/Ombudsman and the Independent Evaluation Group, IFC addresses the concerns of people affected by our work and gauges our performance. We evaluate the “cross-cutting” effects a single project can have on multiple industries and regions. Applied routinely, this approach builds credibility and trust, and enhances our accountability with stakeholders.

### STRENGTHEN OUR FOCUS ON POVERTY



IFC’s purpose is to give people the opportunity to escape poverty and improve their lives. Faster economic growth helps. But the pattern of growth is crucial too. Growth must benefit everyone—not just a lucky few.

This year a report from the Independent Evaluation Group (see page 92) shed new light on the issue. It found that IFC’s approach to fighting poverty has evolved in the right direction—with a growing emphasis on supporting private sector growth that can benefit the poor and the vulnerable.

But we can do more. IEG urged us to strengthen our focus on poverty, saying more of our projects should have explicit objectives regarding poverty alleviation or growth that benefits the poor. It said that we should broaden the universe of poor countries in which we invest, building upon the significant expansion of IFC investments in the poorest countries in recent years. It recommended that we expand our investments in agribusiness, health, education, and infrastructure—sectors that are better at promoting inclusive growth.

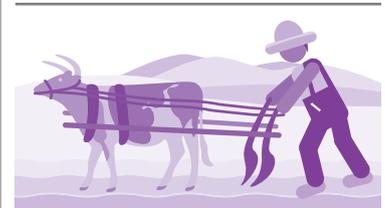
Poverty is a challenge of enormous scale and complexity, and IFC has spent decades thinking about the best way to harness the power of the private sector to alleviate it. Our approach, as a result, is to be selective—intervening wherever we think we can make the greatest difference, and wherever we think we can introduce innovations that open up markets and strengthen industries with

the greatest capacity to serve neglected populations.

The IEG report was timely, because its broad recommendations coincided with our own recognition that it’s possible in many instances to achieve both broad-based growth and inclusiveness. Our strategy emphasizes that approach. For example, we have an Inclusive Business Group within IFC that is designed to support companies that provide goods, services, and jobs to people at the base of the economic pyramid (see page 50).

As we strengthen our focus on inclusive growth, we are also redoubling our effort to measure the impact of our projects on poverty alleviation and inclusion—so we can use that information to drive IFC’s strategy. We have introduced the IFC Development Goals (see page 79) to measure who benefits—and in what scale—from our activities. We believe our projects make a significant contribution to the fight against poverty. We aim to find better ways to quantify that contribution.

### ADDRESS THE DILEMMAS OF PRIVATIZATION



Private sector investment sometimes triggers a strong reaction from groups worried about its impact on basic human needs and indigenous cultures. The potential for conflict between civil society, developers, and governments is most intense when the private sector invests in areas that are typically seen as public services—water, power, and transportation

projects—or finances large-scale agriculture ventures that may displace poor farmers.

Questions about the benefits of private sector development and fears of a potential “land grab” have intensified with recent surges in food prices and mounting demand for bio-fuels. The Organisation for Economic Co-operation and Development expects private sector investment in agriculture to continue rising rapidly, posing dilemmas for the rural populations that make up most of the world’s poor.

Over the years, IFC has been a leader in addressing those concerns—most significantly through our Performance Standards and the development of the Equator Principles (see page 72).

That work continues today. Working with our colleagues in the World Bank Group and the Compliance Advisor/Ombudsman, IFC is finding ways to navigate the conflicts that may arise with privatization and working to reduce the dangers of land grabs. We follow the World Bank Group’s Principles for Responsible Agro-Investment, which focus on respect for land and resource rights, food security, transparency, consultation, and sustainability.

And we’re learning from CAO’s experience, which tells us that project developers and governments can be better prepared if they anticipate the possibility of conflict between diverse stakeholders. Effective grievance mechanisms, especially when implemented early in the design of a project, can help address conflict.

Moreover, CAO has found that governments are willing to participate in alternative dispute resolution and other problem-solving processes when they are given incentives and assurances. Offers of dialogue, inclusion, participation, and collaboration are not enough to defuse conflict.

**WE CONSULTED  
NEARLY**

**350**

**STAKEHOLDERS  
DURING OUR  
PALM OIL REVIEW.**

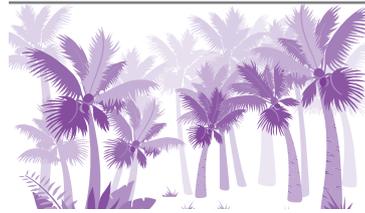
**WE INVESTED**

**\$4.9**

**BILLION IN THE  
POOREST  
COUNTRIES  
IN FY11.**

We work to ensure that our projects have tangible benefits for local communities and stakeholders. We are committed to supporting initiatives that do just that.

#### IMPROVE STANDARDS FOR THE PALM OIL SECTOR



In many developing countries, palm oil is an essential driver of economic growth and job creation. It is the leading cooking oil in the developing world, and an ingredient in packaged products—from ice cream to detergents and cosmetics. Around 6 million people work in the sector worldwide, most of them small farmers.

But there are environmental and social costs associated with palm oil production, including deforestation, biodiversity loss, and increased carbon emissions that occur when tropical forests are cleared and peatlands are drained. So when an audit by the World Bank Group’s Compliance Advisor/Ombudsman identified deficiencies in the way we applied our Performance Standards to assess investments in a large palm oil trader and refinery, we took a deeper look at the sector to ensure that we are supporting development in a way that preserves natural resources and respects indigenous communities. As a sign of our commitment, we didn’t make any new investments in the sector while we developed a strategic approach to guide our engagement in the sector.

Beginning in November 2009, we spent more than a year consulting with stakeholders and experts around the

world, discussing key issues facing the palm oil sector and the role of the World Bank Group. The talks were extensive. All told, we met face-to-face with almost 350 stakeholders from 30 countries, a group that included representatives of the private sector, governments, civil society organizations, indigenous groups, smallholders, donors, and others. We also held “e-consultations” with 282 people from 51 countries and convened a global multi-stakeholders’ meeting in Frankfurt, Germany, with 59 participants from 14 countries.

The feedback we received from stakeholders during the 18-month review—all of which is catalogued on our website—shaped a new strategic framework to guide our decision making on the selection, design, and implementation of palm oil projects. IFC and the World Bank will work together to identify opportunities to strengthen government policies and regulations, and promote best practices in the private sector. Under the new framework, we also will give priority to palm oil projects that boost smallholders, benefit rural communities, make use of already degraded lands, and focus on improving productivity of existing plantations.

More information on IFC and palm oil is available at [www.ifc.org/palmoilstrategy](http://www.ifc.org/palmoilstrategy).