



Investing in Progress

with Experience, Innovation, and Partnership

The International Finance Corporation invests in private sector enterprises and provides technical assistance and advisory services, helping to reduce poverty and improve people's lives. In fiscal 2005, IFC played a key role in promoting a sustainable private sector in developing and transition countries. The Corporation set a record in its profitability and achieved measurable development impact.

This fiscal year...

- To support **tsunami relief**, IFC set up a matching grant program for partner companies in East and South Asia. IFC also established a tourism loan facility to support the recovery.
- IFC established the **Global Trade Finance Program**, which helps banks deliver trade financing by providing risk coverage in difficult markets.
- With the World Bank, IFC continued to assess the **investment climate** of developing countries, including through the annual *Doing Business* report.
- Through **structured finance and local currency financing**, IFC arranged an increasing number of innovative transactions that build domestic financial markets.
- IFC increased investments in **renewable energies** and helped develop the market for **carbon finance**.
- The Corporation **advised governments** on bringing private participation into infrastructure, health care, and other public services, with 25 such transactions underway in FY05.
- With donors, IFC sponsored **financial markets technical assistance** in more than 60 countries, with emphasis on access to finance for small businesses and on high-risk or low-income economies, particularly in Africa and the Middle East.
- IFC launched **key initiatives** to support women entrepreneurs and grassroots businesses; the Corporation also helped set up a regional association of African business schools and assisted private companies in addressing HIV/AIDS.
- IFC reviewed its **Safeguard Policies, Policy on Disclosure of Information, and Environmental, Health, and Safety Guidelines** through broad consultation with stakeholders, including governments, IFC clients and partners, and representatives of civil society.
- Malta and Timor-Leste joined IFC, bringing membership to **178 countries**.

Strategic Objectives

- *Expanding access to finance.* IFC works with financial institutions to broaden access to finance, with emphasis on smaller enterprises, housing finance, and leasing. IFC's advice and innovative products also strengthen financial markets.
- *Increasing private participation in key sectors.* In infrastructure and social sectors, IFC promotes new approaches that increase private participation in delivering crucial services.
- *Helping successful enterprises grow.* With many client companies poised to become competitive global players, IFC provides long-term financing and global experience to raise standards and improve performance.
- *Focusing where needs are greatest.* In high-risk and low-income countries, IFC uses its capital and advice to demonstrate the viability of private enterprises and to help governments improve the investment climate.
- *Ensuring sustainability.* IFC applies its expertise in corporate governance and environmental and social development to strengthen clients' operations and to improve practices throughout the project finance community.

OPERATIONAL RESULTS SUMMARY, FY05

New projects committed:	236, in 67 countries
Total financing committed:	\$6.45 billion
Financing committed for IFC's own account:	\$5.37 billion
Syndications mobilized from other financial institutions:	\$1.08 billion
Total committed portfolio:	\$19.3 billion*
Loans as a % of committed portfolio:	77%
Equity as a % of committed portfolio:	17%
Guarantees as a % of committed portfolio:	5%
Risk management products as a % of committed portfolio:	1%

*For IFC's own account as of June 30, 2005.

RESOURCES AND INCOME, FY05

Operating income	\$1.95 billion
Net income	\$2.02 billion
Paid-in capital	\$2.4 billion
Retained earnings	\$7.4 billion
Borrowings for the fiscal year	\$2.0 billion
Net worth	\$9.8 billion



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Highlights of FY05 Operations

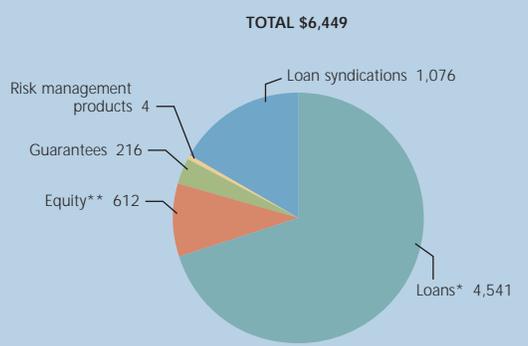
IFC's operating income rose to a record \$1.95 billion in FY05, from \$982 million in FY04. The strong growth reflected significant realized gains on sales of investments, robust dividend income from the equity portfolio, greater loan portfolio income, and the positive impact of a release of loss reserves.

At June 30, 2005, IFC's committed portfolio was \$19.3 billion, an increase of 7.6 percent over the previous fiscal year. IFC also held and managed for participants \$5.3 billion in syndicated loans. The committed portfolio included 1,314 companies in 119 countries.

How

IFC offers a full range of investment products; the Corporation also increasingly provides technical assistance and advisory services to private sector enterprises and related government agencies.

COMMITMENTS BY PRODUCT, FY05
Includes IFC's account and syndications (millions of U.S. dollars)



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

IFC also mobilized \$1.1 billion through structured finance related to guarantees, loans, and equity investments.

What

IFC is active in all commercial sectors in its developing member countries. Funding is often accompanied by assistance on industry best practice, corporate governance, environmental and social issues, and links with local small businesses.

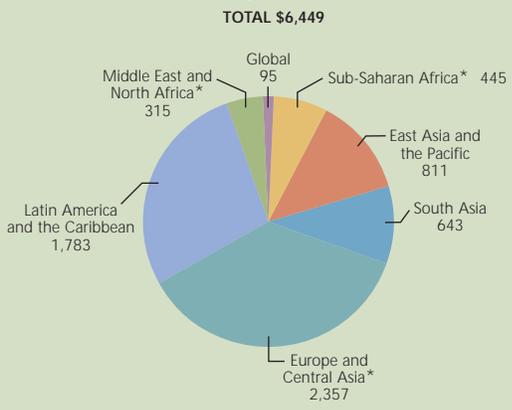
COMMITMENTS BY SECTOR, FY05
Includes IFC's account and syndications (millions of U.S. dollars)

Finance and insurance	\$2,227	34.5%
Transportation and warehousing	561	8.7
Industrial and consumer products	552	8.6
Primary metals	330	5.1
Pulp and paper	327	5.1
Utilities	322	5.0
Oil, gas, and mining	314	4.9
Agriculture and forestry	278	4.3
Chemicals	237	3.7
Nonmetallic mineral product manufacturing	222	3.4
Accommodation and tourism services	203	3.1
Information	200	3.1
Collective investment vehicles	188	2.9
Wholesale and retail trade	143	2.2
Food and beverages	139	2.2
Textiles, apparel, and leather	84	1.3
Plastics and rubber	41	0.6
Education services	39	0.6
Construction and real estate	23	0.3
Health care	20	0.3
TOTAL COMMITMENTS	\$6,449	100%

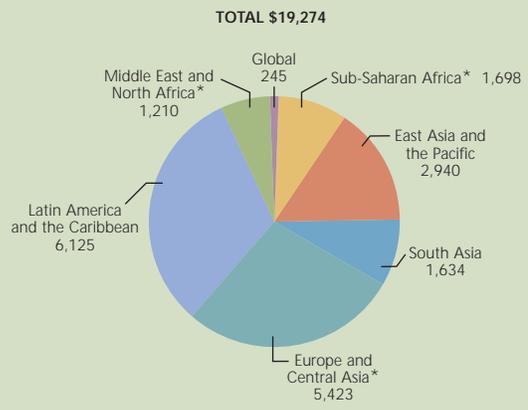
Where

IFC invests in companies and financial institutions in all developing regions. The 2005 Annual Report provides a full list of investment commitments. (Projects involving more than one developing region are classified as "Global.")

COMMITMENTS BY REGION, FY05
Includes IFC's account and syndications (millions of U.S. dollars)



INVESTMENT PORTFOLIO BY REGION, FY05
For IFC's account (millions of U.S. dollars)



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

Regional Overview for FY05

See IFC's Annual Report for more information on the year's regional activities.

Sub-Saharan Africa

Commitments: 30 projects in 14 countries
Total financing: \$445 million for IFC's account

IFC is working to address Africa's development through a combination of investment and technical assistance. IFC's new investments include a microfinance institution and a cement producer in Nigeria, a black economic empowerment transaction with a South African bank, and innovative funding for private schools in Ghana. Technical assistance is being delivered through the new Private Enterprise Partnership for Africa, a joint program with IDA at the World Bank, and other initiatives; the focus includes leasing, export promotion, reforms of business regulation, and helping companies respond to the challenges of HIV/AIDS. IFC also initiated several infrastructure advisory assignments this year and concluded a successful private concession for a port in Madagascar.

Europe and Central Asia

Commitments: 67 projects in 15 countries
Total financing: \$2.4 billion (\$1.9 billion for IFC's account)
(\$419 million in syndications)

In the region's financial sector, IFC continues to be active in restructuring and privatizing existing institutions and in promoting the development of housing finance, leasing companies, and securitization. In infrastructure, the Corporation is emphasizing investments in the energy and transportation sectors and helping privatize utilities in potential EU accession countries. IFC is also expanding access to financing and business expertise for smaller enterprises, targeting strategic industries through building supply chains and access to markets, and working to improve the investment environment and strengthen corporate governance. Examples of investments in the region include vehicle leasing operations, a household appliance manufacturer, discount retail outlets, a gas distribution company, and hospitals.

East Asia and the Pacific

Commitments: 40 projects in 11 countries
Total financing: \$811 million (\$740 million for IFC's account)
(\$72 million in syndications)

IFC's focus includes deepening and diversifying the region's financial systems, strengthening corporate governance and environmental performance, and improving the climate for private investments in infrastructure. The year saw financial sector investments that support housing finance, leasing, and increased lending to smaller enterprises; in Malaysia, IFC became the first supranational to undertake a bond issue using Islamic finance. Infrastructure investments include a shipping firm in China and an electricity distributor in the Philippines that combines hydroelectric and photovoltaic power. The technical assistance work of IFC's four regional facilities includes innovative partnerships to establish more sustainable supply chains for industries in China and Indonesia.

Latin America and the Caribbean

Commitments: 54 projects in 17 countries
Total financing: \$1.8 billion (\$1.4 billion for IFC's account)
(\$385 million in syndications)

IFC is emphasizing long-term financing to a wide range of corporates and investments with a broad impact on social and economic inclusion. This year IFC addressed underinvestment in infrastructure with projects in the energy and transportation sectors and continued to introduce structured finance and other innovative financial products in local capital markets. Committed projects ranged from major manufacturers, a wind power plant, and a university, to companies in the telecommunications, airline, port, and logistics sectors. Technical assistance is a rapidly growing component of IFC's work in the region, with a focus on privatization, streamlined business regulations, improved access to markets, more socially responsible enterprises, and stronger competitiveness for small businesses.

South Asia

Commitments: 20 projects in 2 countries
Total financing: \$643 million (\$443 million for IFC's account)
(\$200 million in syndications)

IFC invested in manufacturing companies to help them become internationally competitive, in tourism projects to help regional companies recover from the tsunami, and in water, power, and telecommunications projects to help sustain economic growth and improve the quality of life for communities. New investments include a port management company, a merchant hydropower plant, and emerging companies in pharmaceuticals, biotechnology, and IT outsourcing. IFC's South Asia Enterprise Development Facility continues its work to improve the business environment, strengthen providers of business services, and increase access to financing for smaller businesses.

Middle East and North Africa

Commitments: 21 projects in 8 countries
Total financing: \$315 million

With the launch of the Private Enterprise Partnership for the Middle East and North Africa, IFC increased its capacity to provide technical assistance throughout the region in addition to financing. The new facility is helping train Iraqi bankers, surveying corporate governance at banks in Lebanon, and promoting leasing in Afghanistan and Yemen. IFC's investment program this year encompassed the financial sector, manufacturing, oil and gas, education, agribusiness, and infrastructure. IFC is also providing infrastructure advisory services for irrigation in Morocco and an airport in Saudi Arabia. The Corporation provided its first-ever funding for a Murabaha facility, an Islamic finance product, and, as part of its own borrowings, launched a bond issue in Moroccan dirhams.



KENJI YUHAKU

Development Impact

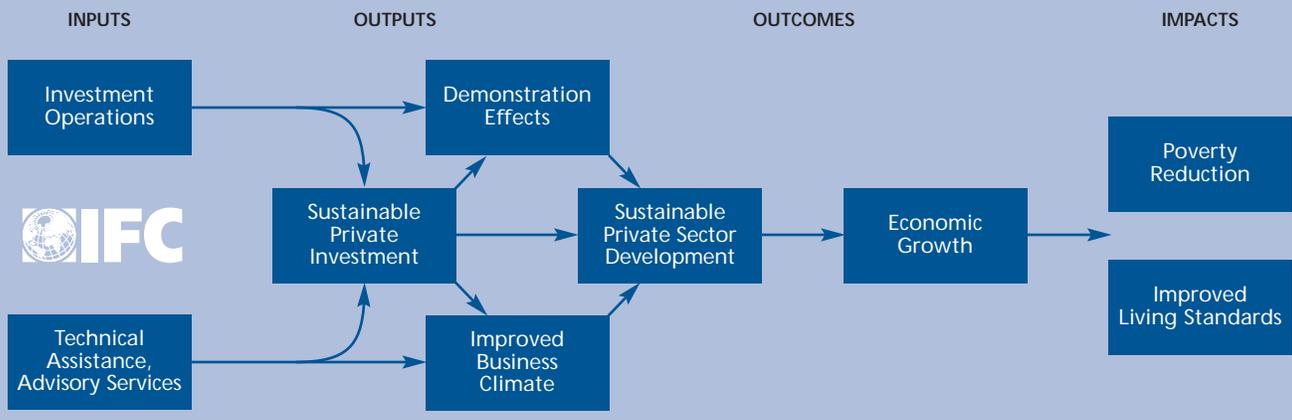
IFC continues to show positive development impact, as measured by the independent Operations Evaluation Group, which evaluates mature projects in terms of project business performance, economic sustainability, environmental impacts, and private sector development. This year's findings showed the following trends:

- Based on a synthesis of performance ratings for projects approved in 2001–2003, 59 percent of operations made positive contributions to development.
- IFC project success rates are improving generally, but

environmental, social, health, and safety performance have not improved in line with other outcomes.

- IFC has invested more, and achieved better outcomes, in key sectors—financial markets, infrastructure, information technology, and health and education—increasing their share of total commitments to 55 percent in FY05.
- The risk profile of recent commitments has improved.
- IFC has successfully steered resources toward poorer countries and regions where access to finance is most difficult.

How IFC Operations Help Reduce Poverty and Improve People's Lives



For IFC's Annual Report and information on products and services, please contact IFC Corporate Relations.

INTERNATIONAL FINANCE CORPORATION
 2121 Pennsylvania Avenue, NW
 Washington, DC 20433 USA
 Telephone 202-473-3800
 Fax 202-974-4384
 www.ifc.org