

## EXECUTIVE SUMMARY

1. IFC is a leader and innovator in private sector development. At a time when a strong private sector is vital for sustained growth and when the needs in developing countries are still significant, it is important for IFC to send the right signals by maintaining the momentum of its achievements while also standing ready to respond to counter-cyclical demand. As the largest global development institution focusing on the private sector and, as part of the World Bank Group, IFC has a unique role to play in promoting development of a strong private sector, doing its part for an inclusive and sustainable world.
2. *IFC has reached the development impact targets of its three-year plan.* IFC has met the Board-endorsed targets and benchmarks in all the key priority areas of the Corporate Scorecard agreed with the Board in 2005: commitments in frontier countries; in Sub-Saharan Africa; in micro, small and medium enterprises; in infrastructure, health and education; and in the financial sector. IFC's strong development results have been supported by leadership in development results measurement, with the launch of the Development Outcome Tracking System in 2005, as well as increased focus on additionality and reaching those most in need in its client countries.
3. *Scaling Up Impact.* These successes and IFC's overall growth place IFC in a strong position to build on the momentum of its achievements as it plans for scaled-up impact over the next three years. Adapting to market needs, IFC last year adopted new approaches in pursuit of its key corporate Goal of greater development impact, and has continued to build on these: (i) reaching the underserved through innovation and increased focus on poorer markets, in particular IDA countries; (ii) programmatic approaches to extend IFC's activities and impact beyond the individual project; and (iii) becoming more client-centered through further decentralization and other means in order to meet the needs of the increasingly local client-base and reach further into frontier markets. This year, recognizing the extent of the challenges and opportunities posed by climate change, IFC is proposing to add addressing climate change to its priorities as part of a World Bank Group approach. With this proposed new area of emphasis, IFC's key priorities remain as relevant as ever. They will guide IFC, working together with other members of the World Bank Group, to continue to promote inclusive and sustainable globalization in pursuit of IFC's vision that people should have the opportunity to escape poverty and to improve their lives.
4. *Balancing Developing Country Needs.* Despite strong overall growth in developing countries, there is persistent poverty, and income inequality has increased for many countries over the past two decades. Although private capital inflows continued to be strong in 2007, most international loan syndications to the private sector in developing countries were still going to non-IDA countries. International financial institutions (including IFC) have further scaled up their private sector activities, but there remain large financing gaps particularly for poorer markets and in key areas such as infrastructure investment. However, the uncertainty in many markets points to (i) the increasing likelihood that IFC will be asked to assume its counter-cyclical role, and consequently (ii) the challenges ahead in balancing demands on multiple fronts while also maintaining IFC's financial strength.
5. *Managing Growth.* IFC's compound annual growth rate over the three-year plan period (FY05-FY08) is estimated to be 23-25%, greatly exceeding what was envisaged in 2005. IFC has achieved this while increasing its focus on development impact and additionality, remaining profitable, growing its portfolio, significantly decentralizing operations,

increasing staff and adapting to emerging needs. Nonetheless, while IFC's portfolio remains strong, the growth has highlighted several areas which need strengthening, particularly in the context of IFC's shifting business mix and worsening market conditions. IFC therefore plans to devote additional resources to areas such as risk and portfolio management.

6. *Maintaining Momentum.* IFC Management thinks that the best way to meet the significant needs and challenges in developing countries and preserve IFC's ability to respond in a counter-cyclical situation is to maintain the momentum of its growth while simultaneously addressing the relevant aspects of its internal infrastructure. This Road Map presents a growth path that would enable IFC to address internal infrastructure needs, as well as compensate for the weak dollar, while keeping momentum with regard to its past achievements, and continuing the strategic shifts to greater investment in poorer frontier markets and to climate change business.
7. *Challenges.* As IFC moves increasingly to frontier markets, adds climate change activities to its areas of focus and strengthens its internal infrastructure, it remains clear that the key constraint for IFC to scale up its impact continues to be the measured pace of resource expansion, which is outpaced by increases in demand. This constraint could also impact IFC's ability to address other challenges, such as the need to assume its counter-cyclical role as markets deteriorate and to manage its human resources in a decentralizing institution. IFC is confident that, with the Board's guidance and support, it will be able to address these challenges and remain a leader in the delivery of development impact where it is most needed.
8. *Conclusion.* As IFC continues on the path of greater development impact in pursuit of its vision, it does so in the belief that maintaining the momentum of its growth is critical to its success. In this regard, Directors are particularly requested to give Management their views on the following elements:
  - a. Do Directors agree with Management's recommendation that IFC undertakes the growth path as outlined in this Road Map?
  - b. Do Directors continue to support the thrust of IFC's priority areas as described in this Paper?
  - c. What guidance would Directors give Management on the appropriate focus between counter-cyclical work and the push to the Frontier?