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50
YEARS

**International
Finance Corporation**
World Bank Group

SUSTAINABILITY BUSINESS **INNOVATOR**

Promoting environmental and social innovation in the private sector





“The power of the private sector lies in its capacity to innovate. IFC’s privileged position at the intersection of finance and development attracts people with new ideas and donors with the power to realize them in the markets where they are needed most.”

RACHEL KYTE, *Director*
Environment and Social Development Department

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ENVIRONMENTAL, SOCIAL AND MORE

IFC has long supported its client companies not only to be profitable but to have a positive impact on communities and the environment. We leverage the private sector to promote sustainable energy, clean air, clean water, biodiversity, higher labor standards, and equal opportunities for women. Our mission often calls for new ways of doing business and much of this innovation is made possible by the support of forward-thinking donors.

This is why IFC mobilized donors to create the Sustainability Business Innovator, a program with a threefold focus: to incubate innovative business initiatives that deliver environmental and social benefits, to demonstrate their commercial attractiveness, and to encourage their independent replication in the private sector in emerging markets.

The Innovator brings together a team with a well-established track record of success. In this report you will see practical examples of what our team has achieved using valuable donor funds.

The range of actions of the Sustainability Business Innovator is a good example of the far-reaching effect of environmental and social interventions. Its results show that the Millennium Development Goals are linked and can be achieved by partnerships such as the Innovator, bringing together donors, IFC, and the private sector.

MONITORING AND EVALUATION

Many of our projects are complex and pioneering by their nature and take time to bear fruit, making it difficult to isolate the full extent of their impact. However, we are learning continuously and we apply the lessons learned. IFC is continuing to improve its monitoring of project performance by introducing more systematic data collection. It has also upgraded the capacity of its staff to plan and collect monitoring information.

For instance, senior manager supervision is now required every six months for each project and staff prepare a project completion report upon its conclusion. These mechanisms should indicate to task leaders when adjustments must be made to improve the prospects for favorable outcomes. Furthermore, as the systems and the quality of data improve, so will the quality of evaluation reports for donors, management, and other IFC stakeholders.

PRACTICE AREAS OF THE SUSTAINABILITY BUSINESS INNOVATOR



IFC's work in **Biodiversity** combines conservation, risk mitigation, and business opportunity. It is directed at supporting companies interested in the sustainable use of biodiversity resources, developing business models that are based on nature, and moving markets to more sustainable practices.

Cleaner Technologies supports projects in cleaner technologies with environmental benefits which could not be supported by traditional financing alone. It helps to catalyze innovative businesses initiatives and to turn them into powerful demonstration projects.



Gender Entrepreneurship Markets helps to better leverage the untapped potential of women in emerging markets while at the same time integrating gender issues into IFC's approach to its investments.

Social Responsibility aims to improve the social performance of private companies as well as to demonstrate the business and social benefits of corporate social responsibility to the wider private sector in emerging markets.



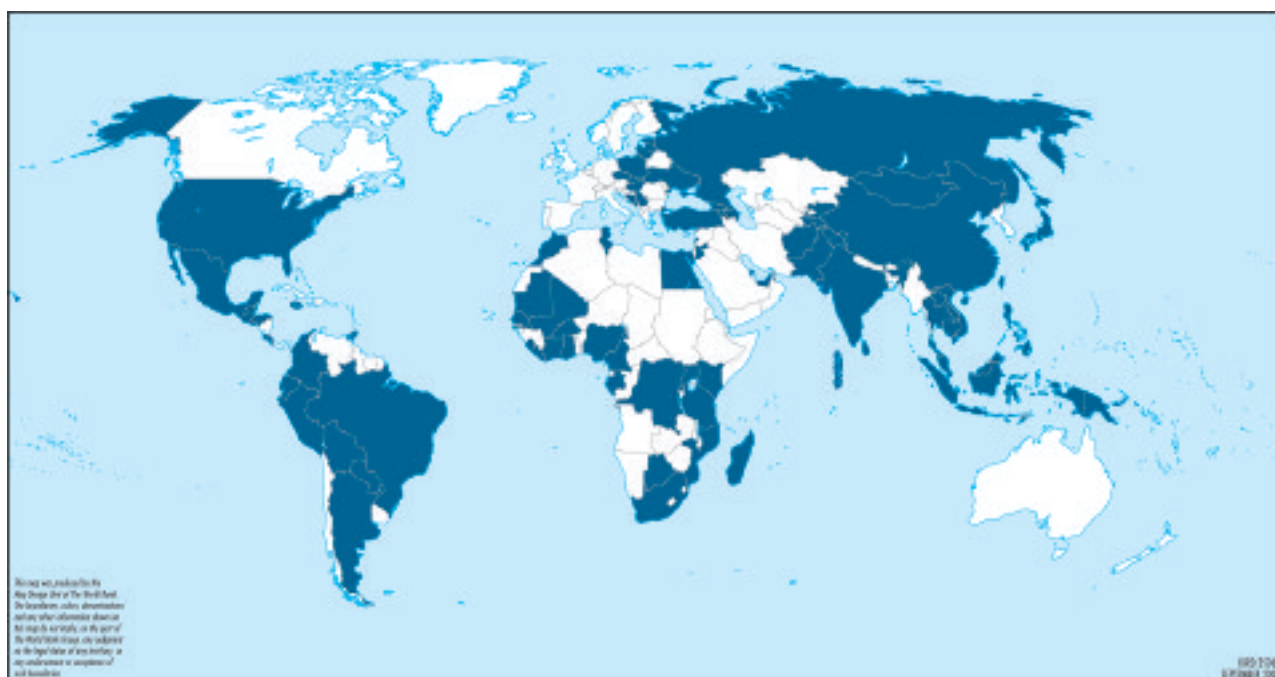


The **Sustainable Energy** practice area promotes the development of markets for renewable energy and energy efficiency. It does so by removing market barriers that deter private investments in sustainable energy, such as lack of information on opportunities or technologies, perception of excessive commercial or technical risks, or high market development costs.

Sustainable Investing seeks to demonstrate the business case for sustainable investing in emerging markets private and listed equity, and disseminate best practice.



COUNTRIES OF INTERVENTION



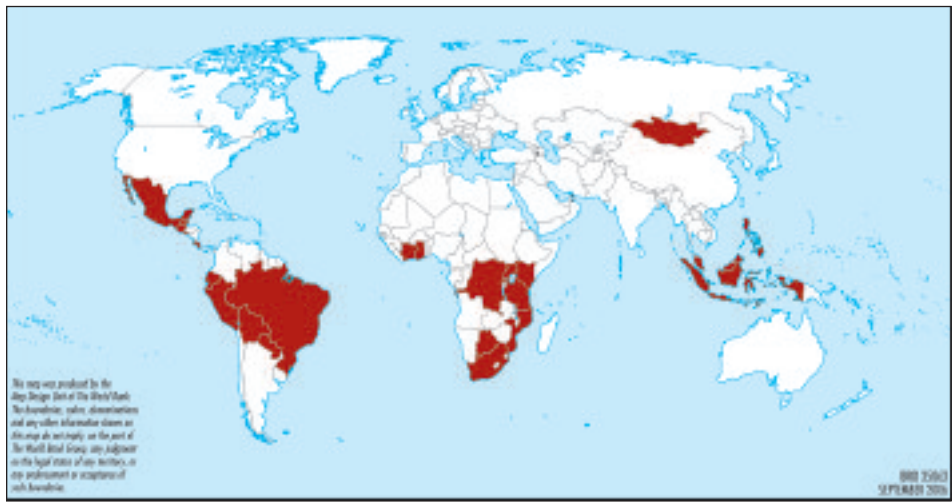


BIODIVERSITY

Biological diversity supports life and the possibility to adapt to change. As the basis for many development sectors (agriculture, forestry, fisheries, tourism, water resources), biodiversity yields several goods and services, such as food products, clean air, and medicine. Numerous companies depend on these products, either through their core business or supply chain. Even if it does not represent a central concern to their operations, many responsible companies are also getting involved in the active protection

of biodiversity and thus making a positive contribution to their corporate image. IFC's work in biodiversity combines conservation, risk mitigation, and business opportunity. It is directed at supporting companies interested in the sustainable use of biodiversity resources, developing business models that are based on nature, and moving markets to more sustainable practices. Each approach emphasizes environmental benefits as well as commercial viability and benefits to people.

COUNTRIES OF INTERVENTION



Belize	Côte d'Ivoire	Kenya	Peru
Bolivia	Ecuador	Malaysia	Philippines
Botswana	El Salvador	Mexico	Rwanda
Brazil	Ghana	Mongolia	South Africa
Congo, Dem. Rep.	Guatemala	Mozambique	Tanzania
Costa Rica	Indonesia	Paraguay	Uganda

HOW IT WORKS:

- IFC helps businesses to seamlessly blend biodiversity protection with better overall business management, bringing them improved performance and reputation, reduction in supply chain risks and production costs, access to new markets and increased company value.
- IFC will also help businesses to develop new revenue streams from nature. Bio-businesses, such as eco-tourism, derive value from nature by applying a practice or technology that maintains nature. IFC does this mostly through financial intermediaries which, in turn, support micro, small and medium-sized enterprises.
- In addition, IFC works closely with several partners to provoke large-scale changes in given industry sectors that have a high impact on natural habitats. It will seek to transform markets by promoting the use of sustainable practices. IFC is applying this approach in the ornamental fish market, as well as in high impact commodities, including palm oil, sugar, soy beans, cocoa, and others.
- IFC works with financial institutions, think tanks, non-governmental organizations and other research institutions to develop new financial products beneficial to biodiversity.

“Each approach emphasizes environmental benefits as well as commercial viability and benefits to people.”

ECO-TOURISM TO PROTECT BIODIVERSITY IN THE AMAZON

The Inka Terra Reserve, occupying 8,500 hectares in the Peruvian part of the Amazon rainforest, is home to a considerable biological diversity, including 136 species of mammals, 366 species of birds, 83 species of reptiles, and 362 species of ants, many of which have not been found elsewhere in Peru. However, the reserve was being degraded by illegal logging, excessive hunting, and encroachment, and the local communities have a very low income. This is why IFC committed \$725,000 from the Global Environmental Facility to support conservation projects linked to an innovative eco-tourism operation in the Amazon. The goal was to stop biodiversity degradation and provide a replicable model for engaging the private sector in achieving financial sustainability for protected areas. The project has completed construction of a canopy walk, with two more tourism attractions on the way. Simultaneously, the project has been working with local communities in the area to develop agro-forestry and aquaculture initiatives that will increase their income and reduce the pressure on natural resources.



SMALL AND MEDIUM BUSINESSES AS AGENTS OF CHANGE

To abate threats to biodiversity conservation in Latin America and the Caribbean, IFC committed \$1 million from the Global Environmental Facility to support an innovative \$10 million fund and technical assistance facility. Sponsored by The Nature Conservancy, Eco-Enterprise Fund is an environmental NGO based in Costa Rica and focusing on small and medium-sized businesses that work with non-governmental organizations and/or the local community in environmentally and socially beneficial partnerships. It has approved 20 investments for a total commitment of over \$5 million that have leveraged more than \$22 million in co-financing in sectors including organic agriculture, sustainable harvesting of forest products, aquaculture and eco-tourism. These companies have generated over \$90 million in sales, partnered with 99 local communities and conservation groups, and protected more than 15,000 hectares of natural habitat. Overall, the financial performance of these investments has been mixed. This is largely due to the difficult economic environment in which they operate, the fact that many are start-ups or young companies, and the innovative character of a biodiversity-based business model.



PROTECTING THE SECOND MOST BIODIVERSE ECOSYSTEM IN THE WORLD

The Coral reefs of the Philippines and Indonesia are the second most biodiverse ecosystem on earth. However, an unregulated trade for aquarium fishes has taken its toll on the region. The wrong fish are too often taken from the wrong places at the wrong time, resulting in over fishing and stock depletion. This is why IFC used \$6.6 million in grants from the Global Environmental Facility, with a cofinancing of \$6.9 million from other partners, to convert a substantial portion of the industry into a trade based on marine conservation, sustainable use, and sustainable livelihoods that contribute to poverty alleviation and food security. One of the key mechanisms was to create a certification for fishermen who use sustainable techniques. After only one year, close to 250 hectares are now designated as no-take zones and tens of thousands of fishes are now harvested by certified fishermen.





CLEANER TECHNOLOGIES

The uncertainty associated with new markets, new technologies, and new ways of doing business can often create barriers to the spread of cleaner technologies which would otherwise have dramatic positive impacts on the environment and people's lives. The Cleaner Technologies practice area was therefore established to support projects which could not be supported by traditional financing alone.

Utilizing in-house expertise in cleaner technologies and knowledge of local emerging market conditions, the Cleaner Technologies

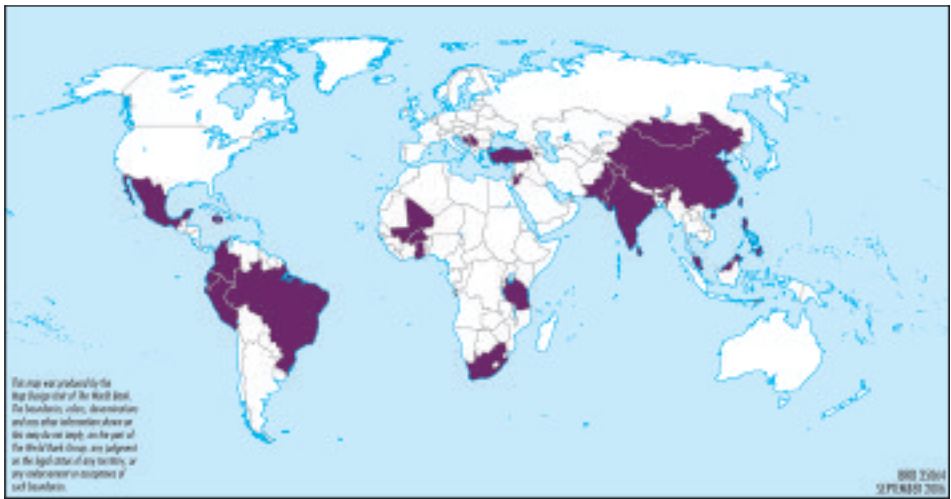
team helps to catalyze innovative business initiatives and to turn them into powerful demonstration projects.

The practice area operates in the fields of cleaner production, sustainable energy (efficiency, renewable and cleaner energy), water (access to clean water, waste water management), waste (minimization, solid or hazardous waste management), and air quality management. It is also active in the area of environmental management systems and the sustainable use of natural resources.

HOW IT WORKS:

- Cleaner Technologies promotes both demand for and supply of cleaner technologies. Demand is stimulated mainly through technical assistance offered to potential buyers and supply is promoted mainly through investments in providers of cleaner technologies.
- The practice area uses grants and risk capital, such as debt and equity. It chooses the instruments that deliver the least subsidy necessary to catalyze action by the private sector. It also seeks to demonstrate the financial viability of an innovation at the earliest opportunity.
- Cleaner Technologies works with entrepreneurs, large corporations and financial intermediaries to promote greater investment in cleaner technologies.

COUNTRIES OF INTERVENTION



Bosnia and Herzegovina	Ecuador	Mali	Serbia
Brazil	Ghana	Mexico	South Africa
Burkina Faso	India	Mongolia	Sri Lanka
China	Jamaica	Pakistan	Tanzania
Colombia	Jordan	Peru	Turkey
	Malaysia	Philippines	

“Cleaner Technologies promotes both demand for and supply of cleaner technologies.”

STIMULATING DEMAND FOR CLEANER TECHNOLOGIES

IFC used donor funds to provide a cleaner production audit for the Chaîne Azalai Hôtels, an African group with four hotel operations in Mali and Burkina Faso. Now that they are available, the results of this audit are expected to improve the operational procedures leading to important savings in energy and water as a result of implementing the recommendations of the audit through a number of investments over the next two years. The cleaner production recommendations could increase the net income of the hotel group by over 50% while reducing water and energy use. This is an example of how cleaner production strongly aligns environmental and financial benefits.



COGENERATION TECHNOLOGY BRINGS ENVIRONMENTAL BENEFITS TO INDIA

In 2006, IFC used donor funds to invest \$600,000 of equity in Turbotech, a designer and manufacturer of small turbines for cogeneration applications, based in Bangalore, India. The engagement of the facility has catalyzed a similar investment in equity by a local investor of up to \$600,000 and the extension of a loan from a bank of up to \$421,000. This has provided Turbotech with the funding it needs to potentially triple its sales to \$5.7 million in three years by expanding its manufacturing capacities and launching a new line of gas turbines.

Turbotech uses aerospace technology to bring cogeneration applications to Indian industries at an attractive scale and price. Customers have recouped the cost of Turbotech's energy conservation steam turbines in as little as 12 months by reducing the purchase of electricity. At the same time, these turbines are reducing carbon dioxide and sulfur dioxide emissions by an estimated 90% compared to grid-supplied electricity, which is mostly generated by low sulfur coal-fired plants. If Turbotech achieves its 2010 sales target, its turbines will have reduced carbon emissions by 1 million tons of CO₂ per year.



CREATING BUSINESSES TO BRING CLEAN DRINKING WATER

This year, IFC invested a final \$340,000 in WaterHealth International (WHI), bringing its investment to a total of \$1.2 million. WHI helps supply affordable drinking water to some of the poorest communities in the world, with operations now in the Philippines, Sri Lanka, and India. Over the period of IFC's engagement, WHI has transformed from an equipment supplier to a franchiser of water stores and systems. It is estimated that WHI now serves 266,000 clients through over 40 small and medium enterprises and company-owned water stores. Notably, WHI is serving 52,000 people in regions of Sri Lanka that were hit by the tsunami of 2004, thanks to a grant of \$250,000 from the US Trade and Development Agency trust fund at IFC and \$946,000 in contributions from Global Giving, Acumen Fund, and in-kind contributions from the company. This water purification infrastructure is expected to serve 100,000 people adversely impacted by the tsunami for the next 5 years, at which time the local communities will take over the operation, giving a long-term impact to an emergency intervention.





GENDER ENTREPRENEURSHIP MARKETS

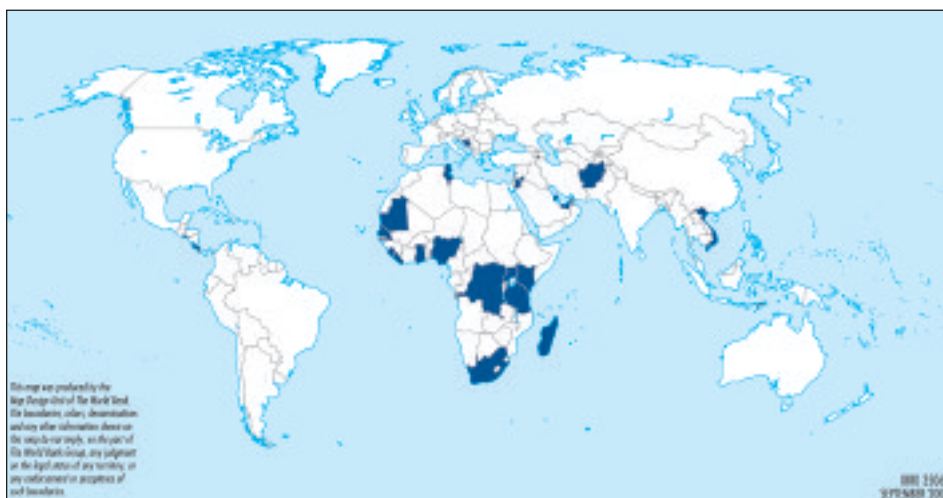
Gender inequalities in national legislation, policy, or practice inevitably prevent the equal participation of men and women in the private sector. Women lack formal property rights in many countries and are often not recognized as valuable customers by financial institutions, limiting their ability to start or grow their own businesses. Specific legal impediments or cultural norms mean that women are also more likely to be stuck in the informal sector. These realities represent a significant lost opportunity for women as well as the wider private sector.

Gender Entrepreneurship Markets (GEM) helps to better leverage the untapped potential of women in emerging markets while at the same time integrating gender issues into IFC's approach to its investments. The program was launched in 2004 to introduce a systematic focus on gender as a comparative advantage for clients, and has developed a mix of tools to facilitate replication and scaling up of a gender focus across regions and departments.

HOW IT WORKS:

- The team's work involves advisory services to governments on removing discriminatory laws and regulations through gender and growth assessments which involve extensive consultation with women's business associations and civil society groups.
- It also helps financial intermediaries to reach out to the women's market for both profit and social good.
- Finally, it provides a gender dimension to IFC investment projects, for instance by ensuring women's small and medium enterprises benefit from linkages created by the investments.

COUNTRIES OF INTERVENTION



Afghanistan	Ghana	Mauritania	Tunisia
Bahrain	Jordan	Nigeria	Uganda
Bosnia	Kenya	Senegal	United Arab Emirates
Congo, Dem. Rep.	Lebanon	Sierra Leone	Vietnam
Costa Rica	Liberia	South Africa	
El Salvador	Madagascar	Tanzania	

“IFC helps to better leverage the untapped potential of women in emerging markets.”

INCREASING WOMEN'S ACCESS TO FINANCE IN NIGERIA

The majority of businesses in the informal sector in African countries are run by women who are most likely to be excluded from the formal sector. They tend to have fewer employees than male-owned businesses, and generate less revenue. Women have cited access to finance as the key constraint that is preventing them from growing their businesses and thereby contributing more to their country's economy and their families' well-being. For example, in Kenya, where women entrepreneurs make up nearly half of all micro, small, and medium-sized business owners, they have less than 10 percent of the available credit.

Since January 2006, IFC has been working to address this issue in Nigeria. IFC structured a \$15 million line of credit for women entrepreneurs with Access Bank. It focuses on working with Access Bank to improve product and service delivery to women entrepreneurs, and on providing these women with financial and business skills to improve their profile as bankable businesses. This program is the first of its kind at IFC, and GEM is seeking to replicate this model with partnership support for training and technical assistance.



REMOVING GENDER-SPECIFIC BARRIERS IN THE BUSINESS ENABLING ENVIRONMENT

As part of GEM efforts to ensure that women as well as men benefit from improvements in the investment climate, GEM has developed a Gender and Growth Assessment and an accompanying Voices of Women Entrepreneurs tool. Piloted in Uganda at the request of the Minister of Finance, the assessment uses a highly consultative process to analyze legal and regulatory barriers facing women entrepreneurs, and provides a roadmap of needed reforms. The assessment found that women are disproportionately affected by red tape and corruption, and suggested that the country could gain as much as 2% growth per year by addressing gender specific issues. A gender coalition of seven local women's organizations was formed to take the report's recommendations forward through advocacy.

So far, the assessment recommendations have been incorporated into a number of key economic and gender policies. A number of Acts are being redrafted and are awaiting approval by the Attorney General. Key labor laws have also been reformed. The assessment has been replicated in Kenya, where it has been annexed to Kenya's first Private Sector Development Strategy, and in Tanzania and Ghana.



SUPPORTING PUBLIC-PRIVATE DIALOGUE IN POST-CONFLICT COUNTRIES

To support public-private dialogue in post-conflict countries, IFC worked in Sierra Leone with the Commonwealth Business Women's Network to facilitate a one-day dialogue session between women entrepreneurs, associations, and senior government officials, including the Minister of Trade and Industry. The workshop attracted over 100 women entrepreneurs, providing a platform for them to discuss key concerns relating to women's economic empowerment and the peace process, identify and share best practices, and explore new income generating opportunities for women. The event concluded with the Minister's commitment to moving the agenda forward and a report outlining key recommendations and possible next steps.

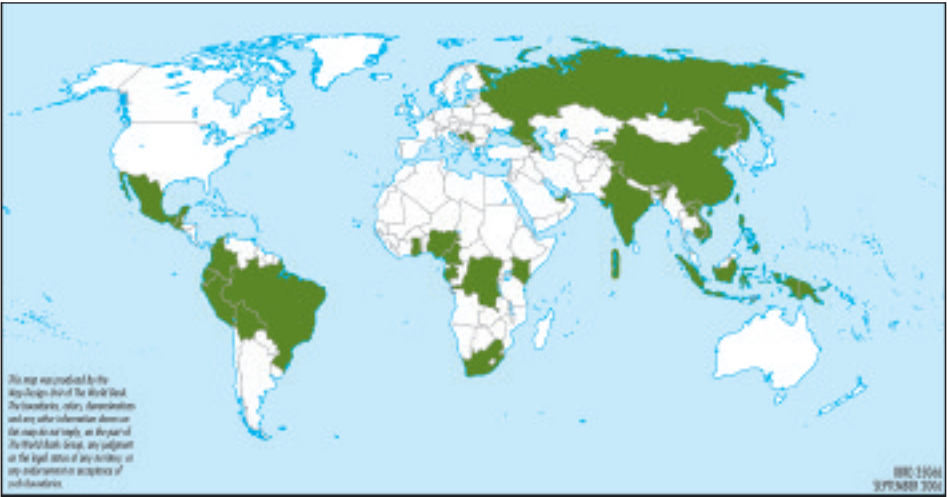




SOCIAL RESPONSIBILITY

The last decade has witnessed an increased focus on the social impact of the private sector, particularly among consumers, investors, multinational corporations, and a variety of stakeholders, including governments. Corporate social responsibility (CSR) has therefore become a business imperative in many sectors, such as the garment, extractive, and agricultural industries. Many approaches, however, tend to be tailored to multinational corporations, and are often ill-fitted to the needs of smaller firms or national firms operating in emerging markets.

COUNTRIES OF INTERVENTION



Azerbaijan	Congo, Dem. Rep.	India	Papua New Guinea
Bolivia	Ecuador	Indonesia	Peru
Bosnia and Herzegovina	El Salvador	Kenya	Philippines
Brazil	Gabon	Kyrgyz Republic	Russia
Cambodia	Georgia	Lao PDR	Serbia
Cameroon	Ghana	Maldives	South Africa
China	Guatemala	Mexico	United Arab Emirates
Colombia	Herzegovina	Nigeria	Vietnam

The Social Responsibility practice area responds to the growing need for support in this area among emerging market companies. It aims to improve the social performance of private companies as well as to demonstrate the business and social benefits of CSR to the wider private sector in emerging markets.

Drawing on IFC's global presence and experience, it assists companies in planning for community development, engaging stakeholders, designing a CSR strategy, reporting on sustainability actions, and adopting best practices in labor and human rights in the workplace.

HOW IT WORKS:

- The practice area works with companies to design local community development and stakeholder engagement programs, helping to map community profiles, identify community needs and ensuring local communities are well-placed and empowered to participate in the public consultation process around local investments. It also helps companies develop strategies for livelihood and income generation.
- It helps businesses to not only understand and operationalize CSR in their activities - providing assessments of social and environmental opportunities and impacts - but also to articulate their vision to stakeholders through CSR principles, action plans, and reporting.
- The practice area supports innovative and best practice approaches by the private sector in the management of labor and human rights at work. Among other initiatives, it provides support in improving working conditions in global supply chains, assistance to improve worker-management relations, and workplace health and safety.

“We aim to improve the social performance of private companies.”

HELPING CREATE A SUSTAINABLE BAMBOO SUPPLY IN VIETNAM

An agricultural training program supported by IFC aims to increase the income of farmers in Thanh Hoa, one of the poorest provinces in Vietnam, through improvements to the sustainability of bamboo cultivation and enhancements to the supply chain. Through provision of training and technical assistance, 533 ha of new bamboo plantations will be ready for harvest by 2010 and are expected to be operational for 20-30 years, generating roughly \$159,000 in local income over this period. The project has been instrumental in creating over 200 new jobs in planting and cultivation of bamboo. The project also established two village-based preprocessing units, employing nearly 100 people. The number of people employed in preprocessing activities is increasing rapidly through the replication of this village-based model in six other locations, bringing the total number of units to 8. The average wage in these preprocessing units is \$45 per month - three times the local average. Furthermore, it is estimated that over 80% of workers in preprocessing units come from ethnic minorities and over 60% are women. Beyond direct employment, the knock-on effects of an enhanced bamboo market are significant for the region - roughly 4,000 farmers are supplying these preprocessing centers. By providing information on bamboo pricing, the local bamboo factory's quality requirements, as well as organizing farmer groups, the project has significantly strengthened local people's position in the bamboo value chain. This, coupled with rising demand has already resulted in a 20% increase in bamboo prices bringing benefits to the entire region.



ENHANCING COMMUNITY AND LOCAL ENTERPRISE DEVELOPMENT IN RAJASTHAN

IFC has enhanced the ability of Cairn Energy India Ltd. to develop the communities in Rajasthan near its project sites. IFC used donor funds to pay for an additional community development specialist in Cairn's office in Barmer, and organize a mapping study of the local business environment for small enterprises. The community development specialist has been instrumental in design and implementation of projects locally. Cairn has installed or repaired rainwater harvesting tanks in 600 villages throughout the Barmer District in Rajasthan. The company has also improved infrastructure at 9 local schools, leading in one case to an increase in attendance of 40%. The mapping study identified barriers to entrepreneurship as well as a variety of opportunities for local income generation. The company intends to commit \$1.8 million of its own funds to train local entrepreneurs on basic business skills, as part of a partnership with IFC to increase business opportunities and access to finance for local small businesses.

HELPING LOCAL PEOPLE PARTICIPATE IN CONSULTATIONS FOR PROJECTS IN THE DRC

The Kolwezi Tailings Project is based on the reclamation and treatment of stockpiled copper-cobalt tailings produced since 1952 by a mineral concentrator facility in Kolwezi, Democratic Republic of Congo. As the reclamation process is environmentally intensive, consultation with local people is key to the project's success. The Social Responsibility team has been called upon to work with local people to ensure they are well-prepared to participate in the consultation process and better able to understand the project's purpose and local impacts, and their opportunities to benefit from its presence.

Two multi-stakeholder capacity building workshops were held in 2006 with co-funding from donors through IFC and the company. Both workshops were well attended and regulators in DRC intend to replicate the process and format with other key mining projects in Katanga, with the advice of IFC. Several key stakeholders, including local NGOs have indicated that they would begin placing pressure on existing projects to demonstrate adherence to good environmental and social practices.





SUSTAINABLE ENERGY

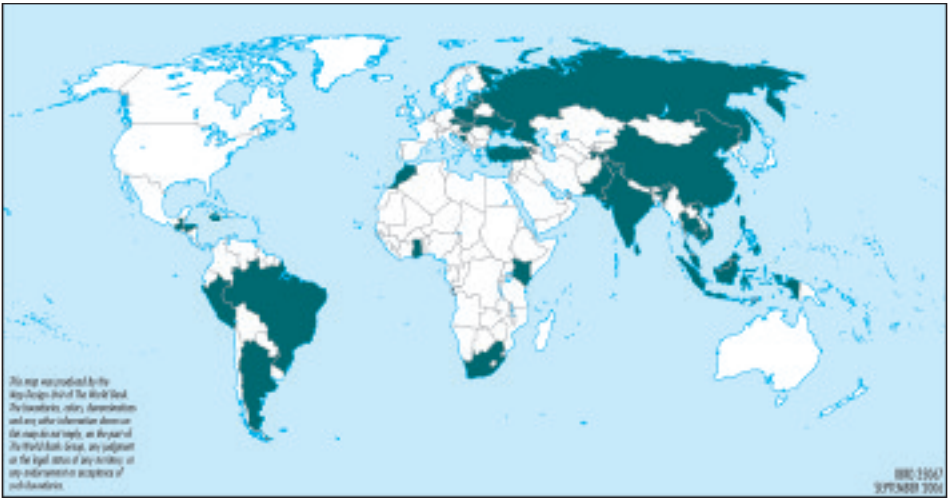
The Sustainable Energy practice area promotes the development of markets for renewable energy and energy efficiency. It does so by removing market barriers that deter private investments in sustainable energy, such as lack of information on opportunities or technologies, perception of excessive commercial or technical risks, or high market development costs. These interventions are targeted and limited in duration to create a self-sustaining market that will promote renewable energy and energy efficiency.

The Sustainable Energy team currently oversees a project portfolio of \$200 million across all regions. Importantly, this provides IFC with expertise in frontier or high impact segments of renewable energy and energy efficiency markets, thus positioning IFC to mobilize commercial finance through its complementary mainstream operations. By developing these new markets, often in partnership with private companies, IFC also catalyzes a broader private sector engagement in promoting renewable energy and energy efficiency businesses.

HOW IT WORKS:

- The practice area funds the development of commercial pilots of sustainable energy technologies with high economic and social impact. The aim is to promote understanding of the technical and market challenges, as well as opportunities for the private sector.
- IFC establishes partnerships with private companies, such as financial intermediaries or industrial and commercial entities, to provide them with a combination of credit lines, risk sharing product and/or technical assistance that reduces the initial risks and costs of investing in this sector.
- Finally, we support innovative financing solutions with high demonstration value and development impact by helping to mitigate the risks associated with investment in frontier markets.

COUNTRIES OF INTERVENTION



Argentina	Guatemala	Malaysia	Sri Lanka
Armenia	Honduras	Morocco	Tajikistan
Bosnia	Hungary	Pakistan	Thailand
Brazil	India	Peru	Turkey
Cambodia	Indonesia	Philippines	Ukraine
China	Jamaica	Poland	Vietnam
Czech Republic	Kenya	Russia	
Estonia	Latvia	Slovakia	
Ghana	Lithuania	South Africa	

“IFC catalyzes private sector engagement in promoting renewable energy and energy efficiency businesses.”

FINANCING EFFICIENT ENERGY USE IS GOOD BUSINESS FOR CENTRAL AND EASTERN EUROPE

IFC, through its Sustainable Energy practice area, has for the past eight years helped local banks finance energy efficiency projects in Central and Eastern Europe and has shown companies in these countries that investing in energy efficiency projects makes good business sense. IFC provides client banks and leasing companies with credit lines and credit enhancement packages, coupled with capacity building to assist them in structuring and marketing their financial products. The loans are used for a wide array of investments, including school and housing renovations, industrial process improvements, cogeneration facilities, biomass cogeneration, small hydro, and wind power plants. Based on these successes in Central and Eastern Europe, IFC is now promoting similar projects globally.



A GREENER CHINA: A NEW APPROACH TO FINANCING ENERGY EFFICIENCY

China is facing, simultaneously, a severe shortage of energy resources and a rapidly growing demand. While the country's government has identified energy efficiency as a priority, investments in this area face critical market barriers. In response, IFC has designed an innovative market-based energy efficiency financing model, drawing on its experience in other markets as well as its local knowledge of China. This program uses utility companies as market agents and aggregators for the marketing and delivery of energy efficiency projects, while partnering with commercial banks on new practices in risk management. The program is expected to achieve several key outcomes that support sustainable development. This new approach to energy efficiency is expected to generate \$150 million in energy efficiency investment between 2006 and 2012, while reducing greenhouse gas emissions by 5 to 10 million tons.



DEMONSTRATING CONJUNCTIVE USE OF HYDRO AND PHOTOVOLTAICS IN THE PHILIPPINES

CEPALCO, the third largest electric distribution utility in the Philippines, was considering increasing its fossil fuel generation to meet increasing demand. Instead, IFC used a \$4 million grant from the Global Environment Facility to help structure a truly path-breaking photovoltaic project that enhanced the capacity of the CEPALCO existing hydro facility. The project was inaugurated in 2004 by the President of the Philippines as the largest grid connected photovoltaic installation in the developing world. It serves as a demonstration of the conjunctive use of hydro and photovoltaic resources. With a potential of close to one megawatt of generation capacity, the project has the potential to offset nearly 11 million tons of carbon dioxide over the next 20 years.



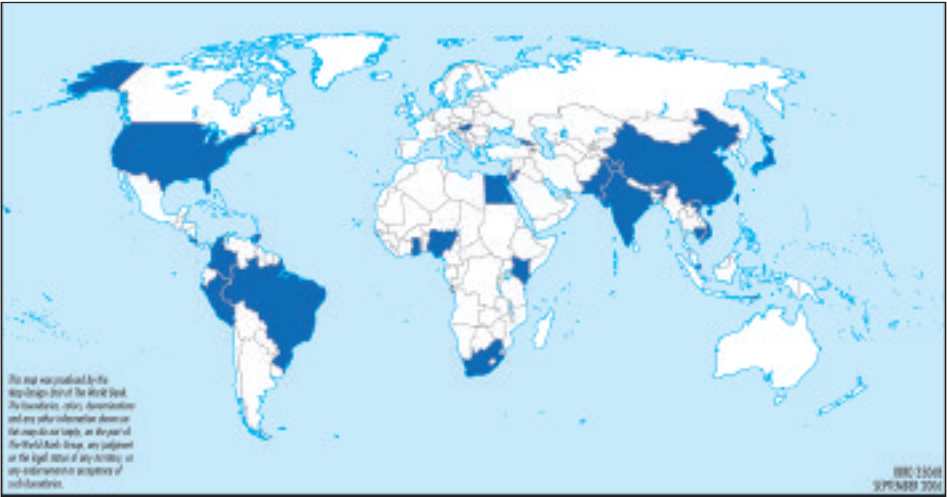


SUSTAINABLE INVESTING

An estimated \$2.7 trillion of private capital flow is currently invested globally with specific environmental or social goals or requirements linked to them. This type of sustainable investment has played a key role in developed economies as a mechanism for economically, socially, and environmentally sustainable behavior of companies. In emerging markets, sustainable investing stands to make an even greater contribution. IFC is actively working to bring the power of socially responsible investment to emerging and developing country economies.

Sustainable Investing seeks to demonstrate the business case for sustainable investing in emerging markets private and listed equity, and disseminate best practice. One of the goals of the practice area is to help increase the volume and quality of sustainable and responsible capital flows to emerging markets to \$5 billion by 2008. The wider impact of sustainable investing will be felt through economic growth, job creation, improved labor standards, environmental protection, investments in eco-efficiency, and greater corporate citizenship on the part of emerging market companies

COUNTRIES OF INTERVENTION



Brazil	Georgia	Kenya	Trinidad and Tobago
Cambodia	Ghana	Nigeria	United States
China	Hungary	Pakistan	Vietnam
Colombia	India	Peru	
Costa Rica	Japan	Singapore	
Egypt	Jordan	South Africa	

HOW IT WORKS:

- The practice area builds global leadership in sustainable investing by bringing donors, international organizations, and international financial institutions together to collaborate on sustainable investment activities.
- It focuses on market development by encouraging the provision of better information about the sustainability of emerging market companies, thereby facilitating an increase in high-quality, long-term investment flows to local capital markets from pension funds and other investors worldwide.
- Finally, it promotes new business development by providing incentives and support to new ideas and innovative approaches to sustainable investment

“We want to increase the volume and quality of sustainable and responsible capital flows to emerging markets.”

DEVELOPMENT OF A SUSTAINABILITY INDEX IN BRAZIL

Following the report “Towards SRI in Emerging Markets” and its dissemination in Brazil, the Sao Paulo stock exchange, Bovespa, sought IFC’s assistance to create a Sustainability Index to provide domestic and international investors with information on the corporate social responsibility performance of Brazilian firms. Development of the index began in 2004 and it was successfully launched in December 2005. A key goal of the Index is to provide market-based incentives for more sustainable company behavior, and the initiative includes an awareness-raising program for Brazilian companies. In the short time since its launch, the Index has consistently matched or outperformed its benchmark.



CAPTURING VALUE THROUGH ENHANCED RESEARCH

Investors are increasingly aware that non-traditional value-drivers, such as environmental and social factors, can impact investment returns. This is particularly true for investments in emerging markets, where legal and regulatory frameworks are not yet fully developed. However investors who want to consider these factors in their investment decisions are confronted with the problem that very little investment research is available in this area. To address this gap, IFC launched a grant competition inviting proposals for innovative projects that will increase the availability of investment research on the financial and risk impacts of social and environmental issues on publicly listed emerging market companies. The competition generated high quality proposals from both well-known mainstream financial institutions and start-up research firms based in developed and emerging markets. This has kick-started the discussion and knowledge transfer between different firms and markets. IFC is expecting that the project will act as a catalyst for new investment products and impact the volume of sustainable and socially responsible capital flows into emerging markets, both in terms of north-south and south-south investment.

HELPING MICROFINANCE INSTITUTIONS TO COPE WITH HIV/AIDS

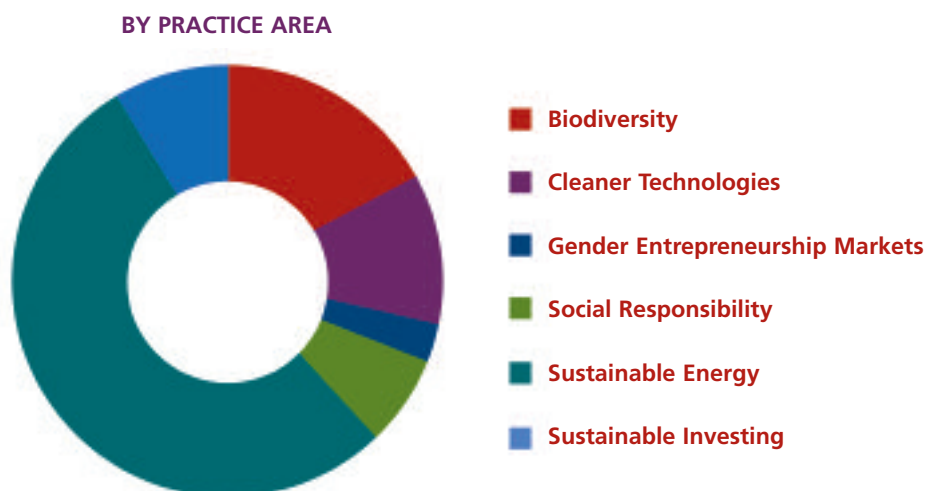
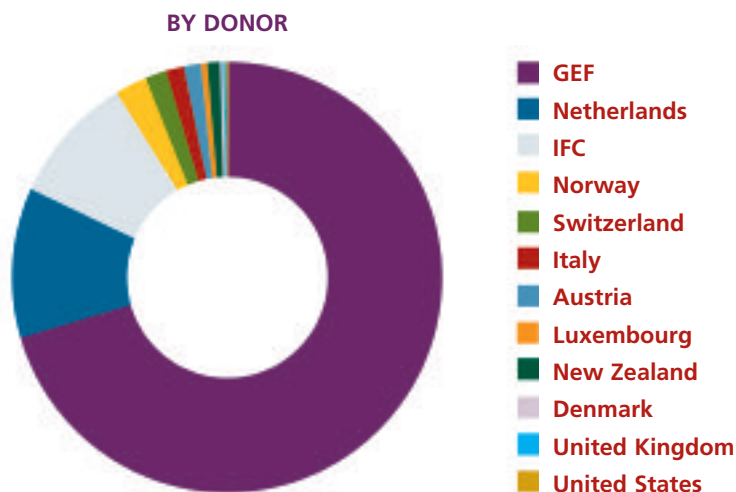
IFC worked with AfriCap, the leading African microfinance investment fund, in collaboration with the African Microfinance Network to develop tools for microfinance institutions to manage the risks presented by HIV/AIDS across the continent of Africa. Non-governmental organizations, donors, microfinance institutions and health specialist contributed to developing a guidebook outlining risks and steps for mitigation. An international workshop in Cape Town, South Africa in April 2006 was held to discuss the guidebook and to identify risk mitigation strategies of the HIV/AIDS Pandemic in small-scale financial institutions. The conference attracted 60 participants from private consulting firms, donor agencies, NGOs, and 9 African microfinance institutions. 3,000 copies of the guidebook will be disseminated throughout Africa and can be used for microfinance institutions in South Asia, the Caribbean, and other regions with growing HIV/AIDS cases.



PARTNERS FOR INNOVATION

11 donors have given \$90 million to IFC between 2002 and 2006 for sustainability business innovation while IFC has committed \$9.8 million of its own funds.

DISTRIBUTION OF FINANCIAL SUPPORT TO SUSTAINABILITY INNOVATION FROM JULY 1, 2002 TO JUNE 30, 2006



The **International Finance Corporation**, the private sector arm of the World Bank Group, is the largest multilateral provider of financing for private enterprise in developing countries. IFC finances private sector investments, mobilizes capital in international financial markets, facilitates trade, helps clients improve social and environmental sustainability, and provides technical assistance and advice to businesses and governments. From its founding in 1956 through FY06, IFC has committed more than \$56 billion of its own funds for private sector investments in the developing world and mobilized an additional \$25 billion in syndications for 3,531 companies in 140 developing countries. With the support of funding from donors, it has also provided more than \$1 billion in technical assistance and advisory services.

For more information, visit www.ifc.org.

IFC's **Environmental and Social Development Department** fulfills three functions. Managing environment and social risks associated with the projects it finances via environmental and social standards which are required of its clients companies; collaborating with client companies to find business opportunities arising from the protection of the environment and social development; exploring and developing new financial products to create new business opportunities linked with the environment and social development. IFC's environmental and social performance standards form the basis for the Equator Principles adopted by more than 40 banks worldwide

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