

Chapter VII

International Finance Corporation (IFC)

The International Finance Corporation (IFC), part of the World Bank Group, continued in fiscal 2001 (1 July 2000–30 June 2001) to promote growth in developing countries, by financing private sector investments, helping to mobilize capital in the international financial markets and providing technical assistance and advice to Governments and businesses.

IFC pursued investment in fiscal 2001 under challenging circumstances—private capital flows to emerging markets continued to be depressed, private debt flows declined and lenders tended to be short-term oriented while concentrating on large, well-established businesses. Since demand for IFC services remained high under those conditions, IFC focused its resources where it could promote the strongest development impact. Over 40 per cent of its investments for its own account were in low-income or high-risk countries and over 70 per cent in its priority sectors.

During fiscal 2001, IFC membership increased to 175.

Financial and advisory services

In fiscal 2001, IFC's Board of Directors approved \$5.4 billion in financing for 240 new projects in 75 countries, compared with \$5.8 billion for 259 projects in 81 countries in fiscal 2000. Total project cost of the enterprises supported by IFC amounted to more than \$16.4 billion, down from \$21.1 billion the previous year.

Direct investment in small and medium-sized enterprises (SMEs) was de-emphasized in favour of mobilization and intermediary investment that could create models to leverage resources more effectively. IFC committed or approved support for SMEs through corporate-linked transactions, credit lines and other loans to banks in all regions. As part of its financial focus on SMEs, IFC launched a global initiative in e-finance.

In fiscal 2001, 117 advisory assignments, in more than 50 countries and regions received some \$17 million. IFC continued to provide advisory services towards building institutional capacity, establishing commercial microfinance institutions, developing secondary mortgage markets and leasing, legal and regulatory market assessments.

The Private Sector Advisory Services, established in 2000 when IFC and World Bank advisory

services were integrated, advised Government and State-owned enterprises on privatization transactions and projects that were commercially viable and environmentally and socially responsible. In fiscal 2001, focus was placed on developing activities in Eastern Europe and Southern Africa.

Cumulative contributions to the IFC-managed technical assistance trust fund (TATF) programme totalled \$582 million in fiscal 2001, compared to \$525 million in fiscal 2000. Projects supported by TATF in 2001 included advice on privatization, environmental policy, capacity-building and corporate governance practices.

Regional projects

IFC approved 240 new projects in 75 countries in fiscal 2001.

In sub-Saharan Africa, IFC focused on the financial sector, infrastructure, SMEs, and tourism. It approved 45 projects in 17 countries in fiscal 2001, compared to 80 projects in 25 countries in fiscal 2000. As at 30 June 2001, IFC's committed portfolio, including loans and investments, totalled \$1.8 billion, up from \$1.5 billion in fiscal 2000.

In Asia and the Pacific in fiscal 2001, IFC provided credit enhancement, completed restructuring transactions, and supported financial institutions in crisis-affected countries. It approved 65 projects in 15 countries compared to 54 projects in 12 countries in fiscal 2000. As at 30 June 2001, IFC's committed portfolio, including loans and investments, totalled \$6.5 billion, down from \$6.8 billion in fiscal 2000.

In Europe and Central Asia, IFC increased its emphasis on sectors and countries with the most acute need, providing assistance in legal and regulatory reform and in the improvement of management capabilities and governance practices. IFC established a regional hub in Istanbul, Turkey, to enhance operations in Southern Europe and Central Asia. The particularly difficult constraints on private sector development in the former Soviet Union countries were addressed through a technical assistance unit, the Private Enterprise Partnership. IFC established a regional programme in Central Asia to assist borrowers in developing management information and automated accounting systems, and invested in the Central Asian Early Stage Investment Fund, a venture capital fund. As European Union accession neared for many Cen-

tral European countries, IFC modified its regional strategy; it withdrew from sectors and lines of business where the private sector was ready to take over, focused on socially and environmentally sensitive sectors and stressed its catalytic role in attracting foreign direct investments (FDI) into the region. It approved 58 projects in 23 countries in fiscal 2001, compared to 47 projects in 19 countries in fiscal 2000. As at 30 June 2001, IFC's committed portfolio, including loans and investments, totalled \$3.3 billion, down from \$3.7 billion in fiscal 2000.

In Latin America and the Caribbean, with the demand for services far exceeding financial resources, IFC financed businesses where private sector participation could provide a visible impact on living standards, SMEs and firms with high growth and employment impact. Project areas included education, health and housing. IFC also provided credit lines and loans to banking institutions to build their capacity to serve small and mid-size companies. An IFC regional office was opened in Bogotá, Colombia. IFC approved 54 projects in 14 countries in fiscal 2001, compared to 58 projects in 15 countries in fiscal 2000. As at 30 June 2001, IFC's committed portfolio, including loans and investments, totalled \$8.5 billion, down from \$8.9 billion in fiscal 2000.

In the Middle East and North Africa, IFC promoted broader private sector participation, particularly in infrastructure and financial markets. In fiscal 2001, it participated in large infrastructure projects, small information technology companies, large capital market investments and institution-building investments in the financial sector. It approved 15 projects in 6 countries in fiscal 2001, compared to 16 projects in 10 countries in fiscal 2000. As at 30 June 2001, IFC's committed portfolio, including loans and investments, totalled \$1.6 billion, up from \$997 million in fiscal 2000.

Foreign Investment Advisory Service

The Foreign Investment Advisory Service (FIAS), jointly operated by IFC and the World Bank, continued to assist Governments in policy

design and institution development, in order to attract FDI.

In fiscal 2001, FIAS completed 48 advisory projects, of which 10 dealt with reviewing the legal framework for FDI, nine with reducing the administrative barriers to FDI, and five with diagnosing and identifying a country's main policy impediments to attracting productive FDI. FIAS also conducted six regional projects for groups of countries to coordinate their FDI strategies and investment promotion activities.

Financial performance

In fiscal 2001, IFC's net income was \$345 million, compared to \$380 million in fiscal 2000. The loan portfolio recorded a net loss of \$11 million. The equity and quasi-equity portfolios also recorded a net operating loss of \$10 million, compared to net operating income of \$191 million in fiscal 2000. Net operating income from IFC's invested net worth and treasury activities totalled \$280 million.

IFC's committed portfolio at the end of the fiscal year was \$14.3 billion, up from \$13.5 billion in fiscal 2000. The portfolio consisted of loans, equity investments, guarantees and risk management products in 1,378 companies in 117 countries.

Capital and retained earnings

As at 30 June 2001, IFC's net worth reached \$6.1 billion, compared to \$5.8 billion at the end of fiscal 2000.

Secretariat

As at 31 December 2001, IFC employed almost 2,000 staff, of whom about 70 per cent worked at its headquarters and about 30 per cent were stationed in over 80 IFC field offices.

NOTE: For further details of IFC activities, see *International Finance Corporation 2001 Annual Report*, published by the Corporation.

HEADQUARTERS AND OTHER OFFICE

HEADQUARTERS

International Finance Corporation
2121 Pennsylvania Avenue, NW
Washington, DC 20433, United States
Telephone: (1) (202) 473-1000
Fax: (1) (202) 974-4384
Internet: <http://www.ifc.org>
E-mail: webmaster@ifc.org

NEW YORK OFFICE

International Finance Corporation
809 UN Plaza, 9th floor
New York, NY 10017, United States
Telephone: (1) (212) 963-6008
Fax: (1) (212) 697-7020