

Chapter VII

International Finance Corporation (IFC)

The International Finance Corporation (IFC), part of the World Bank Group, continued in fiscal 2002 (1 July 2001–30 June 2002) 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 made sustainability a priority in its activities in order to address the environmental and social consequences of development.

During fiscal 2002, IFC membership remained at 175.

Financial and advisory services

In fiscal 2002, IFC's Board of Directors committed \$3.6 billion in financing for 204 new projects. Total project cost of the enterprises supported by IFC amounted to nearly \$16 billion, slightly below the \$16.4 billion the year before.

IFC instituted a reorganization, primarily involving financial markets and general manufacturing, designed to sharpen its focus on client service and strengthen industry expertise. The changes were expected to allow closer staff-client contact and better determine the type and location of projects.

The Private Sector Advisory Services, jointly managed by IFC and the World Bank, continued to advise Governments on policy, regulatory issues related to the investment climate and the private provision of public services. In fiscal 2002, it created the Rapid Response online knowledge service, offering clients databases of research, case studies, toolkits, benchmarking indicators, and online discussion boards on private sector development.

The Foreign Investment Advisory Service (FIAS) continued to assist Governments to develop policies and institutions to attract more foreign investment. FIAS completed 50 advisory projects in fiscal 2002, with the largest programmes in Africa (15 projects), followed by Asia and the Pacific (13) and Europe (9).

Throughout fiscal 2002, the donor community provided cumulative contributions of \$162 million to support the technical assistance and trust fund (TATF) programme, which included a budgetary allocation from IFC's own resources of \$9 million. Cumulative contributions to all IFC-

managed technical assistance programmes, including FIAS, project development facilities and the Private Enterprise Partnership totalled \$673 million. The TATF programme provided advice on privatization, assessed the environmental and social impacts of investment projects and supported capacity-building training.

Regional projects

In fiscal 2002, the new projects for which IFC committed \$3.6 billion (see above), were grouped under six regions.

In sub-Saharan Africa, IFC focused on the financial sector, infrastructure and small and medium-sized enterprises (SMEs) and on assisting indigenous entrepreneurs in building competitive businesses. IFC's commitments in the region totalled \$252 million for 37 projects in 24 countries.

In East Asia and the Pacific, IFC's strategy was to improve the investment climate, develop local financial markets and help domestic companies grow into global players. IFC placed special emphasis on reaching out to SMEs, supported infrastructure expansion and worked with corporations to accelerate restructuring. IFC committed financing of \$740 million to 33 projects in seven countries.

In South Asia, IFC promoted the development of new financial instruments and markets, private provision of infrastructure (telecommunications, power, water, transportation), investment in mid-size industrial companies, and support for innovative applications of new technologies. IFC commitments totalled \$267 million for 15 projects in five countries.

In Europe and Central Asia, IFC was active mainly in the Russian Federation and in Turkey. The latter's economy was especially hard hit as investors left the country following the 11 September 2001 terrorist attacks in the United States [YUN 2001, p. 60]. IFC activities aimed to attract additional foreign investment throughout the region and build support for further market reform, including technical assistance to create and strengthen private sector business, improve corporate governance and transparency, and finance SMEs. In Central Europe, IFC focused on social and environmental projects, while in the southern Balkan countries, where recovery from economic and political crises increased investors'

confidence, it concentrated its activities in the financial sector. IFC committed financing for 60 projects in 19 countries for a total of \$738 million.

In Latin America and the Caribbean, Brazil, Colombia, the Dominican Republic, El Salvador, Jamaica and Mexico were the region's largest recipients of IFC financing in sectors ranging from the financial to infrastructure, including airports, maritime ports and telecommunications. IFC also invested in education, health care, agribusiness, retail, manufacturing and SMEs. IFC approved 55 projects in 16 countries in fiscal 2002 compared to 54 projects in 14 countries in fiscal 2001. IFC committed financing amounting to \$1,474 million for 47 projects in 16 countries.

In the Middle East and North Africa, where the 11 September 2001 terrorist attacks [YUN 2001, p. 60], the disturbances in the West Bank and Gaza, and the wars in Afghanistan and Iraq had discouraged investment in the region, IFC focused on both smaller businesses and large infrastructure projects, committing financing for 11 projects in four countries for a total of \$137 million.

Financial performance

In fiscal 2002, IFC's operating income was \$161 million, compared with \$241 million in fiscal 2001. IFC's committed portfolio at the end of fiscal 2002 was \$15.1 billion, slightly up from \$14.3 billion in fiscal 2001. The portfolio consisted of loans, equity investments, risk management products and guarantees in 1,402 companies in 117 countries.

Capital and retained earnings

As at 30 June 2002, IFC's net worth reached \$6.3 billion, compared to \$6.1 billion at the end of fiscal 2001.

Secretariat

As at 31 December 2002, IFC employed 2,044 staff, of whom 1,357 were in the Professional or higher categories and 687 were in the General Service category.

NOTE: For further details of IFC activities, see *International Finance Corporation 2002 Annual Report*, published by the Corporation.

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