Chapter VII

International Finance Corporation (IFC)

The International Finance Corporation (IFC), part of the World Bank Group, continued in fiscal 2003 (1 July 2002–30 June 2003) to promote sustainable 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. To address the environmental and social consequences of development, IFC made sustainability a top priority in its investment and advisory activities.

During fiscal 2003, IFC’s membership remained at 175.

Financial and advisory services

In fiscal 2003, more than 67 per cent of IFC’s new investments were in the priority sectors of finance, infrastructure, information technology, health and education. The share of those investments in frontier countries, either high-risk or low-income, was 28 per cent. IFC intensified its efforts in the areas of trade facilities, microfinance, housing finance, risk mitigation, local currency financing and securitization. Its structured finance operations included the use of bond issues to mobilize funding for clients beyond IFC’s own exposure. In addition, IFC’s activities responded creatively to the evolving needs of the private sector in developing countries and staked out new ways of doing business.

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. It included the rapid response online knowledge service that offered 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 49 advisory projects in fiscal 2003, with the largest programmes in Africa (12 projects), followed by Europe and Central Asia (11), and Asia and the Pacific (11).

Throughout fiscal 2003, the donor community provided cumulative contributions of $178 million to support the technical assistance trust funds (TATF) programme, which included a budgetary allocation from IFC’s own resources of $11 million. Since inception of the programme in 1988, donors had approved more than 1,250 technical assistance projects. The TATF programme financed feasibility studies, sector studies, advisory activities on privatization and policies to strengthen the business environment in developing countries, and assessed the environmental and social impacts of investment projects.

Regional projects

In fiscal 2003, the new projects for which IFC committed about $5 billion were grouped under six regions.

In sub-Saharan Africa, despite a difficult political environment, IFC completed projects with significant development impact in particularly challenging countries and sectors and supported leading investments in conflict-affected countries. IFC’s commitments in the region amounted to $167 million.

In East Asia and the Pacific, IFC strategic priorities included assistance to improve the investment climate, develop local financial markets, and expand private provision of physical and social infrastructure. IFC also aided domestic enterprises, promoted corporate and financial sector restructuring and reached out to small businesses. IFC’s commitments in the region totalled $583 million.

In South Asia, IFC provided loans and technical assistance to help companies restructure their operations, access longer-term funding, forge effective partnerships, adopt innovative technologies and reach new markets. IFC’s commitments totalled $386 million in new investments in the region.

In Europe and Central Asia, IFC priorities emphasized the financial sector, small businesses and privatization, and focused on investments that had a broad development impact with a commitment to responsible environment and social performance. IFC also provided technical support to small and medium-sized enterprises (SMEs). It committed financing in the region for a total of $1.4 billion.

In Latin America and the Caribbean, political or economic issues hampered the performance of the private sector in Bolivia, Colombia, the Do-
minican Republic and Jamaica, while Venezuela suffered a serious economic downturn stemming from internal political issues. Given the retreat of external financing, demand for lending was strong. Demand also increased for IFC support for refinance, corporate finance and trade financing. In fiscal 2003, IFC committed financing amounting to $2.1 billion in the region.

In the Middle East and North Africa, increased turmoil marked the year. The war in Iraq, the continued unrest in the West Bank and Gaza, and concerns about spillover effects reduced the economic prospects in much of the region. IFC’s focus in the region reflected corporate objectives: frontier markets, high-impact sectors, SMEs and sustainability. IFC commitments in the region amounted to $279 million.

Financial performance

In fiscal 2003, IFC’s operating income was $528 million, compared with $161 million in fiscal 2002. IFC’s committed portfolio at the end of fiscal 2003 was $16.8 billion, up from $15.1 billion in fiscal 2002. The portfolio consisted of loans, equity investments, risk management products, and guarantees in 1,378 companies in 117 countries.

Capital retained earnings

As at 30 June 2003, IFC’s net worth reached $6.8 billion, compared with $6.3 billion at the end of fiscal 2002.

Secretariat

As at 31 December 2003, IFC employed 2,206 staff, of whom 1,487 were in the Professional or higher categories and 719 were in the General Service category.

NOTE: For further details of IFC activities, see International Finance Corporation 2003 Annual Report, published by the Corporation.