International Finance Corporation (IFC)

The International Finance Corporation (IFC), part of the World Bank Group, continued in fiscal 2000 (1 July 1999-30 June 2000) 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. To address concerns about the environment and the social consequences of development, IFC made corporate responsibility a top priority in its investment and advisory activities.

In the aftermath of the global financial crises of the late 1990s, the Corporation helped companies to restructure and use capital more effectively. IFC increased its gross investment approvals by more than 10 per cent in fiscal 2000 and expanded investments in new sectors, such as information technology. Nearly 70 per cent of project approvals were for financial and infrastructure projects.

During fiscal 2000, IFC membership remained at 174.

Financial and advisory services

In fiscal 2000, IFC’s Board of Directors approved a total of $5.8 billion in financing for 259 new projects in 81 countries, compared with 255 projects in 77 countries in fiscal 1999. Total project cost of the enterprises supported by IFC amounted to more than $21 billion, compared with $15.6 billion the previous year. In 2000, IFC approved investments in six countries for the first time: Armenia, Chad, Samoa, Saudi Arabia, the Syrian Arab Republic and Turkmenistan.

Organizational changes were undertaken during the fiscal year to ensure that IFC’s investment, portfolio management and advisory operations were more closely aligned with strategic priorities. Several World Bank/IFC jointly managed departments, known as Global Product Groups, were created, with a focus on mining, oil, gas and chemicals, information and communication technologies, private sector advisory services, and small and medium-sized enterprises (SMEs).

Cumulative contributions to the IFC-managed technical assistance trust funds totalled $525 million in fiscal 2000, compared with a cumulative total of $451 million at the end of fiscal 1999. Projects supported by the funds during the year included a study of industries and the convening of a private sector development conference in the West Bank and Gaza; an environment audit for a gold company in Tajikistan; the conversion of a not-for-profit organization to a microfinance bank in Cambodia; and a project aimed at turning small Moldovan banks into effective financing sources for SMEs.

Regional projects

IFC approved 259 projects in 81 countries and regions in fiscal 2000. It also reconfigured its regional structure.

In sub-Saharan Africa, IFC’s priorities focused on support for private infrastructure development, expanding and strengthening financial institutions, and assisting indigenous entrepreneurs in building competitive businesses. It approved 80 projects in 25 countries in fiscal 2000, compared to 80 projects in 26 countries in fiscal 1999. As at 30 June 2000, IFC’s committed portfolio, including loans and investments, totalled $1.48 billion, up from $1.33 billion in fiscal 1999.

In Asia and the Pacific, IFC continued to rehabilitate corporate and financial sectors in market economies and assisted the development of market institutions in transition economies. IFC initiated a programme to enhance the capital and technological base of existing clients and new ventures, and strengthened commercial banks and other financial intermediaries. In addition, it developed trade finance facilities to increase exports, and supported new venture funds. In fiscal 2000, IFC approved 54 projects in 12 countries of the region, compared to 33 projects in 8 countries in fiscal 1999. Its committed portfolio totalled $6.7 billion.

In the Middle East and North Africa, IFC focused on reducing constraints on private enterprise in order to foster economic development. It increased the capacity of its field offices in Cairo, Egypt, and the West Bank to undertake investment work. The Corporation approved 16 projects for 10 countries in fiscal 2000, compared to 22 projects in 8 countries in fiscal 1999. IFC’s committed portfolio totalled $877 million.

In Europe and Central Asia, IFC was mainly active in Georgia, the Russian Federation and Ukraine where it built grass-roots programmes to...
help create and strengthen private enterprises through technical assistance in corporate governance, leasing and self-sustaining business centres. IFC activities aimed to attract further foreign investment throughout the region and build support for market reforms. Although the need for IFC as an investor was declining rapidly in Central Europe, it would continue to provide advice on the challenges facing private sector development and help countries prepare for integration into the European Union. Southern Europe presented a major development challenge, with only Croatia and Turkey reporting a per capita gross national product of more than $1,500. Significant progress was made on small-scale privatization in Central Asia, but results in the privatization of larger enterprises and in the financial sector were mixed. IFC approved 47 projects in 19 countries in fiscal 2000, compared with 61 projects in 19 countries the previous year. Its committed portfolio totalled $3.67 billion.

In Latin America and the Caribbean, lack of credit had created an unprecedented demand for multilateral development banks like IFC to provide investment financing to the private sector. IFC's regional strategy was aimed at helping private firms develop environmentally and socially responsible frontier sectors that previously had been in the hands of Governments, such as housing finance, transportation, water and sanitation, health and education. IFC also concentrated on building the domestic financial sector and directly supported middle-market firms in agribusiness, manufacturing and services. In fiscal 2000, IFC approved 58 projects in 15 countries, compared to the same number of projects in 16 countries in fiscal 1999. Its committed portfolio totalled $8.83 billion, compared to $8.23 billion in fiscal 1999.

Financial performance

In fiscal 2000, IFC's net income increased to $380 million from $249 million in fiscal 1999. The loan portfolio generated net income of $67 million, while the net income from the equity and quasi-equity portfolios recovered to $188 million, after falling to $76 million in fiscal 1999, mainly because of lower loss provisioning in fiscal 2000. Net income from IFC's invested net worth and treasury activity totalled $153 million.

IFC's committed portfolio at the end of the fiscal year was $13.5 billion, up from $12.9 billion in fiscal 1999. The portfolio consisted of loans, equity investments, risk management products and guarantees in 1,333 companies in 113 countries.

Capital and retained earnings

As at 30 June 2000, IFC's net worth reached $5.8 billion, compared to $5.3 billion at the end of fiscal 1999.

Secretariat

As at 31 December 2000, IFC employed 1,875 staff, of whom 1,182 were in the Professional or higher categories and 693 were in the General Service category.

NOTE: For further details of IFC activities, see International Finance Corporation 2000 Annual Report, published by the Corporation.