

## WHO BENEFITS FROM IFC'S PROJECTS: PROFILES BY INDUSTRY

IFC's investments throughout the developing world are diversified across a wide array of industries. **How projects contribute to a country's development varies by sector, since the profile of impacted stakeholders varies by industry.** We examined the expected benefit profile across industry sectors.<sup>1</sup> The review shows the main expected development impacts cluster around three to five main stakeholders per industry that benefit from project activity, and often through more than one channel (see Figure 1).

Figure 1: Expected Development Impacts by Industry Group<sup>2</sup>

	<b>ECONOMIC PERFORMANCE</b>						<b>ENVIRONMENTAL &amp; SOCIAL (E&amp;S)</b>				<b>PRIVATE SECTOR DEVELOPMENT IMPACT</b>						
	<b>Employees</b>		<b>Govt.</b>	<b>Customers</b>			<b>Suppliers</b>	<b>Neighbors</b>				<b>Competitors</b>					
	Increased Employment	Training	Increased Wages	Taxes Paid	Better Quality Product	Lower priced product	New Good or Service	Increased Demand for Supplies	Adoption of Standard E&S	Improved EMS / Compliance	Increased resource use efficiency	Community Development	Improved Access to Infrastructure	Demonstration Effects	Improved Investment Climate	Adoption of Corp. Governance Program	Improved Corp. Governance @ Fund level
<b>Agribusiness</b>	*			*	*			*	*								
<b>Private Equity &amp; Investment Funds</b>						*			*				*	*			*
<b>Global Financial Markets</b>						*			*				*	*	*		
<b>Health &amp; Education</b>		*	*	*	*	*						*	*				
<b>Infrastructure</b>					*	*				*			*	*			
<b>Global Information &amp; Communication Technologies</b>	*			*	*	*							*	*			
<b>Manufacturing</b>	*			*	*	*			*								
<b>Oil, Gas, Mining and Chemicals</b>	*			*				*	*		*						

### Agribusiness (CAG): Greater Impact for Poor Stakeholders

The main beneficiaries of agribusiness projects include employees (farmers), the government, customers, neighbors, and upstream suppliers (farmers and micro, small, and medium enterprises (MSMEs)). The agribusiness sector is a priority sector for IFC, given that about two thirds of the labor force in least developed countries is employed in agriculture. In fact, the review showed that development impact through increased employment is expected to occur in 84% of agribusiness projects, versus a 39% IFC average. Total employment reach by IFC clients in the agribusiness portfolio amounted to 138,893 in 2006.

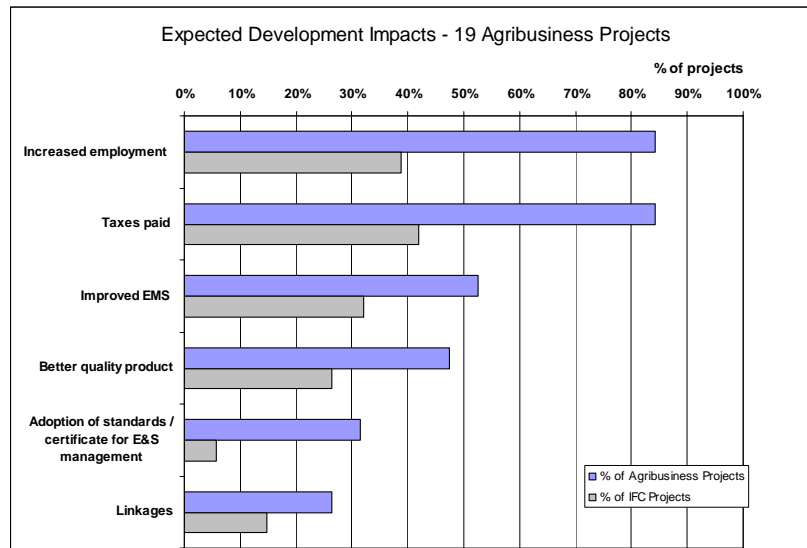
It appears that **investments in agribusiness are more successful than average at generating employment for the poor.** Furthermore, poor farmers that are not directly employed by IFC client-companies, but instead provide input supplies to these companies, also stand to

benefit from increased demand for their products. IFC client-companies in the agribusiness sector created linkages with over 530,000 farmers by the end of 2006. Moreover, in the same time-period, supply chain linkages in the sector reached over 56,000 MSMEs.

The government also benefits from agribusiness projects more than from the average IFC project. Increments in tax revenue for the governments of least developed countries are especially beneficial in addressing fiscal deficits.

IFC's investments also help to modernize agricultural operations in emerging markets. Neighbors, such as all those benefiting from improved environmental management systems, frequently gain from such improvements. Finally, in nearly half of all agricultural projects approved, customers stand to benefit from higher quality products. Figure 2 summarizes the expected development impact of agribusiness projects.

**Figure 2: Expected Development Impacts: Agribusiness**



**Private Equity and Investment Funds (CFN) & Global Financial Markets (CGF):  
Reaching Underserved Clients & Underpinning Development**

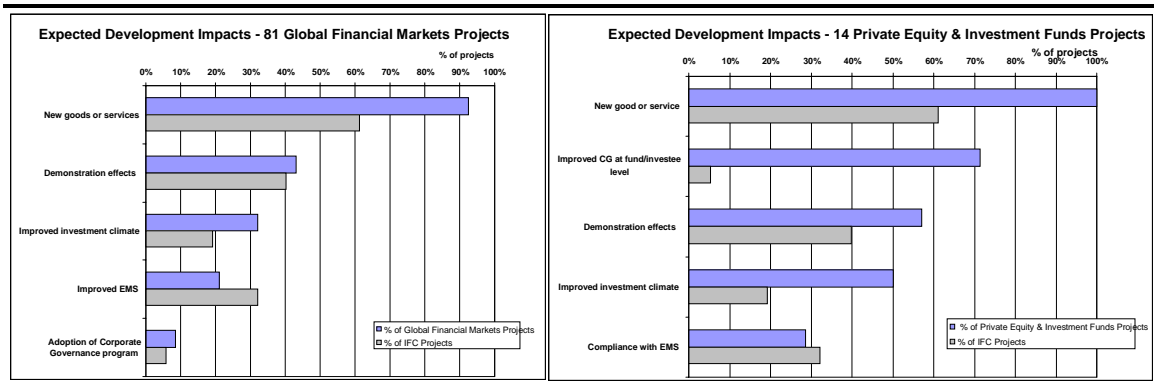
The main beneficiaries of our Private Equity & Investment Funds as well as Global Financial Markets projects are very similar given the nature of these industries. The main development results of IFC's investments in both of these sectors stem from impacts on customers and competitors.

For private equity and investment funds, these customers are comprised of company start-ups, small businesses, and high-growth companies. In 2006, funds supported by IFC reached about 300 investee companies and 164 MSMEs. Without its investments in funds IFC might not otherwise be able to reach small companies and business start-ups, as these are stakeholders that are traditionally underserved in developing markets. In fact, **all fund projects approved in 2006 were expected to provide a new service**, compared to 61% of IFC projects.

Amongst Global Financial Market projects, 93% were expected to provide new goods or services. These projects contribute to the development of financial markets in expanding services, such as in the housing market or the availability of funds for SMEs. Such development impacts are important because their reach extends beyond the financial markets, via multiplier effects through loans to customers thus underpinning the development of the entire host economy. In 2006, IFC client companies provided 719,000 loans to SMEs for over \$52 billion and 4.3 million microfinance loans for \$5 billion.

The second most frequent beneficiaries are competitors – impacted via 3 different channels in the case of funds: demonstration effects, an improved investment climate, and improved corporate governance. In the case of financial markets, competitors are impacted via 3 channels as well: demonstration effects, an improved investment climate, and the implementation of corporate governance programs. Such impacts can have catalytic effects that lead to further investment by competitors and contribute to further deepening of financial markets in emerging countries through 2<sup>nd</sup> and 3<sup>rd</sup> round effects – thus augmenting the reach to local entrepreneurs and firms. Figure 3 summarizes the expected development impact of investment funds and financial market projects.

**Figure 3: Expected Development Impacts: Financial Markets and Private Equity and Investment Funds**

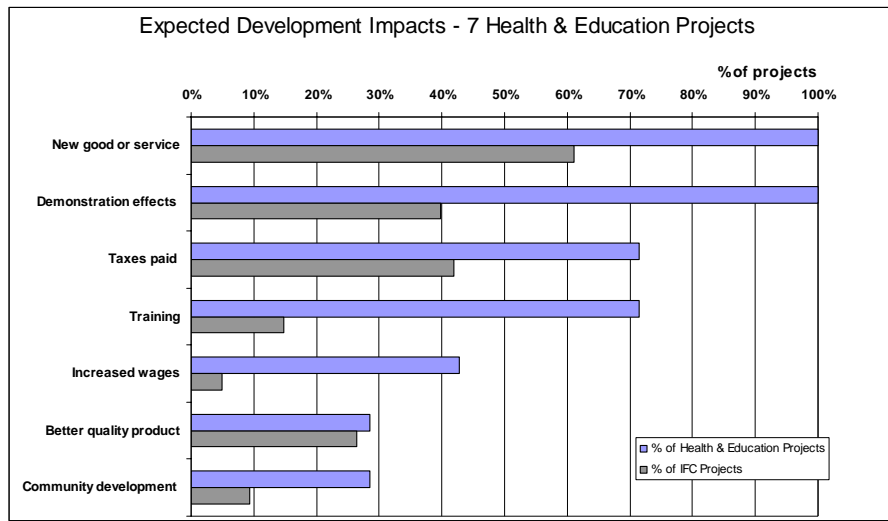


**Health & Education (CHE): Improving Quality of Life**

Of the 7 approved Health & Education projects in 2006, all were expected to provide new goods or services with customers as the main beneficiaries. These customers - patients and students - can now attain higher quality health service, have better access to pharmaceutical products, higher quality and more widely accessible education, to name a few examples. **These services are direct contributors to quality of life.** In the long run, better health care results in higher life expectancy. Furthermore, a more educated population is more productive which facilitates economic growth. This is precisely why health and education remains a priority sector for IFC. In 2006, IFC client-companies in the health and education portfolio reached 4 million patients and just over 350,000 students.

Besides customers, as gauged by frequency of expected impact, the other main beneficiaries of health and education projects are competitors, the government, and employees. With better services available and the example of how to provide them, competitors often have to respond by improving their own services; which in turn further benefits customers. The government also stands to benefit through increased tax collections or reduced subsidies for public sector provision of services. Finally, health-care workers and educators also benefit from these projects, via training or increased wages. Figure 4 summarizes expected development impacts for health and education projects.

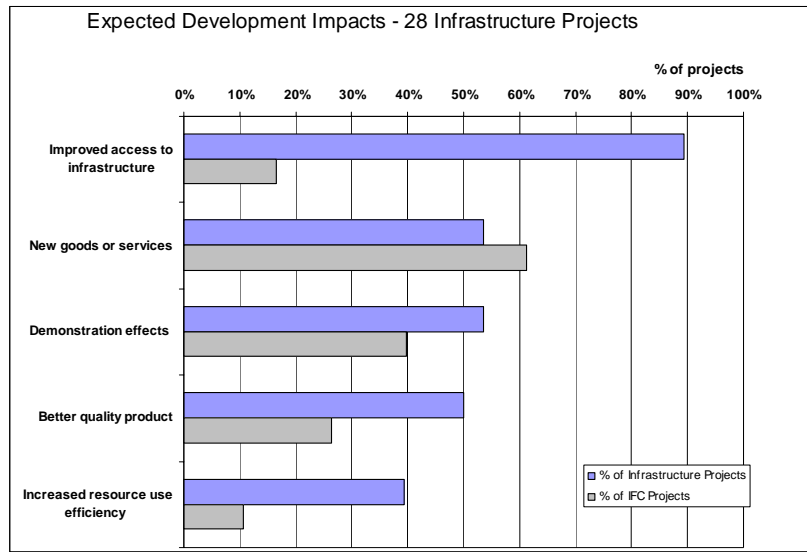
**Figure 4: Expected Development Impacts: Health & Education**



**Infrastructure (CIN): Essential for Improved Living Standards**

Society at large is the main beneficiary of infrastructure projects. **Lack of adequate infrastructure is both a symptom and cause of poverty, and investing in closing this gap leads to improved living standards.** Infrastructure projects have wide reach and direct impacts for customers who, for example, can begin to access clean water or electricity. In 2006, IFC client companies provided electricity to 9.5 million customers and water to 15.3 million consumers. Furthermore, more widely developed infrastructure networks facilitate further private sector investment. Besides society and customers, competitors also benefit through demonstration effects: after the first private infrastructure provider starts its operations, it is much easier for the 2<sup>nd</sup> and 3<sup>rd</sup> to follow.

**Figure 5: Expected Development Impacts: Infrastructure**



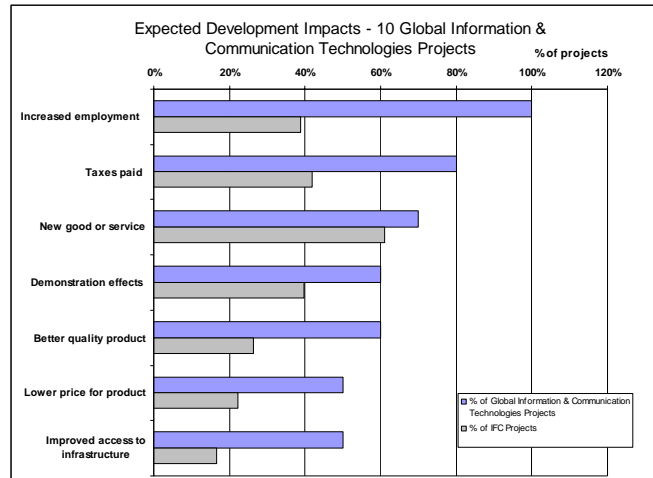
**Global Information & Communication Technologies (CIT): Getting Connected**

The main benefits of communication projects generally accrue to 4 different stakeholders: employees, the government, customers, and competitors. Communication projects generate jobs much more than the average IFC project. All 10 projects approved in this sector were expected to generate jobs, as compared to 39% of IFC projects. The government also usually stands to benefit through taxation and license fees.

Furthermore, customers are impacted via 3 different channels: new good or service, higher quality products, lower pricing, or a combination of all 3. Such improved access to communication can have substantial implications for the poor. For example, it may no longer be necessary to travel to a neighboring village for information when telephone services become available; in turn, this would allow villagers to spend their time in more productive ways. Between 2005 and 2006, IFC-supported client companies provided 53 million new phone connections.

Finally, demonstration effects are also important. When a telephone provider introduces mobile communications, other investors observe its profitability and tap into the market – thus augmenting the existing benefits for the consumer in 2<sup>nd</sup> round effects.

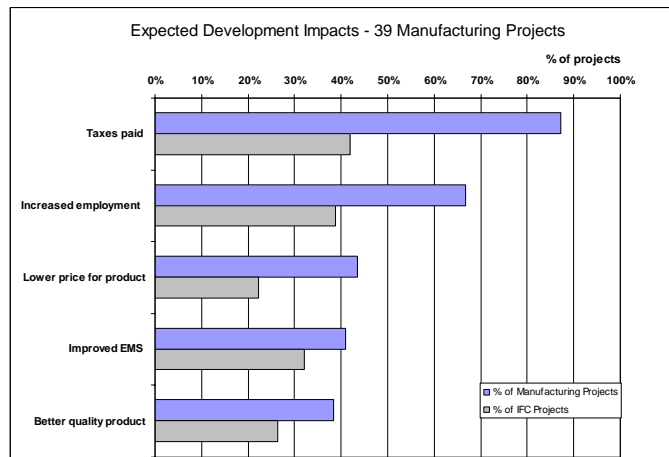
Figure 6: Expected Development Impacts: Communication



**Manufacturing & Services (CGM): Broad Benefits to Many Stakeholders**

Manufacturing and Services is IFC's second largest industry department and its most diverse. It covers 8 different sectors, including Forest Products, Metals, Retail, Hotels, Building Materials, etc. The main expected benefits of manufacturing and service projects accrue to the government, employees, customers, and neighbors. As gauged by 2006 approvals, 87% of manufacturing projects are expected to result in increased tax revenue for the government versus a 42% IFC average. Furthermore, investments in manufacturing and services directly benefit employees through job creation; this was expected for 67% of manufacturing projects compared to a 39% IFC average. In fact, in 2006 IFC-supported manufacturing companies provided over 400,000 jobs, the largest number among all IFC industry departments. Customers also benefit, usually through lower priced goods. Finally, society as a whole – in particular neighboring communities - stands to benefit from improved environmental management systems by IFC clients.

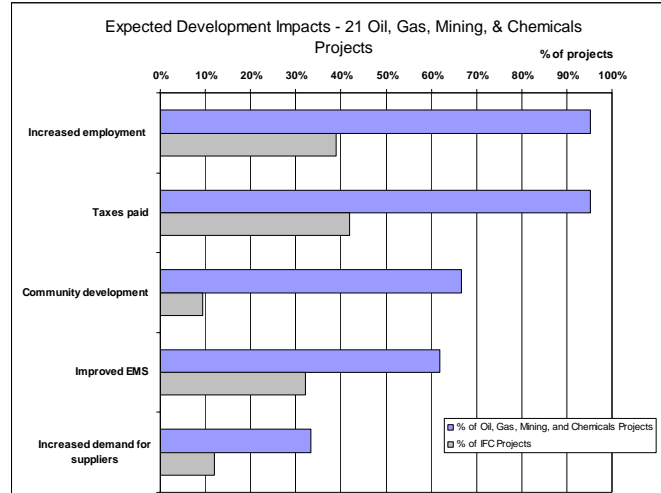
Figure 7: Expected Development Impacts: Manufacturing



## Oil, Gas, Mining & Chemicals: Significant Benefits & Challenges

The benefits of oil, gas, and mining projects also accrue to several stakeholders: employees, the government, neighbors, and suppliers. Projects in this sector have potentially large development impacts, but are also challenging in their potential negative effects on the environment and neighboring communities. This is where IFC can bring the most value-added. Neighbors were expected to benefit from oil, gas, and mining operations – precisely because IFC involvement leads to improved environmental management. In fact, 62% of projects in this sector were expected to convey this benefit, as compared to an IFC average of 32%. Moreover, 83% of our clients in the industry support community development projects – in 2006 with aggregate spending of over \$250 million. Finally, oil, gas, and mining projects benefit employees through job creation; the government through increments in taxes paid – in 2006 they provided over \$8 billion in tax revenues; and suppliers to the industry through increased demand and linkages – spending \$6.7 billion in 2006 in locally sourced goods and services.

Figure 8: Expected Development Impacts: Oil, Gas, Mining, & Chemicals



IFC invests across a wide array of industries with the common goal of promoting development, but as we have shown, the main beneficiaries of IFC's projects vary by industry. Figure 9 below summarizes who the main beneficiaries are.

Figure 9: Main Beneficiaries by Industry

Main Beneficiaries by Industry as Gauged by 2006 Approvals						
	Employees	Government	Customers	Neighbors	Competitors	Suppliers
Agribusiness	X	X	X	X		X
Private Equity & Investment Funds			X		X	
Global Financial Markets			X		X	
Health & Education	X	X	X		X	
Infrastructure			X	X	X	
Communication	X	X	X		X	
Manufacturing	X	X	X	X		
Oil, Gas, Mining & Chemicals	X	X		X		X

<sup>1</sup> The review covered projects approved in FY06.

<sup>2</sup> Data source for all figures: Board Reports for IFC Approvals FY2006.