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Press Release

Independent Evaluation of IFC Finds Success in Infrastructure and Finance, but Calls for Greater Country Focus

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Washington, D.C., August 1, 2007 – The Independent Evaluation Group (IEG) of the International Finance Corporation (IFC) fully discloses today for the first time its *Independent Evaluation of IFC's Development Results*. The findings, which cover the last 10 years, indicate that IFC has effectively pursued its goal of promoting sustainable private sector investment in developing countries while maintaining its own profitability. IFC has performed well in its strategic priorities of investing in infrastructure and financial markets, as well as working in low-income and/or high-risk countries. At the same time, IEG finds that IFC must strengthen its country-level strategic focus to complement its sectoral and regional involvement.

Addressing the unique needs of countries, through such a focus is crucial for a stronger development impact in a number of ways. It would help produce a greater impact on the quality of growth including socio-economic and environmental aspects. It would put IFC in a better position to design appropriate risk mitigation products tailored to country needs. And it would allow IFC to cope better with an economic downturn -- and help exploit synergies within the World Bank Group in all these respects.

“IFC can build on its achievements of the last 10 years, adapting its internal structure and processes to better meet the development needs of the countries and better understand the development impacts of its operations. In addition, IFC could do more to address areas where it has not placed much emphasis in the past, such as sustainable rural development, with a focus on agribusiness, rural micro finance, and the environment” said Marvin Taylor-Dormond, Director of IEG at IFC.

Since 1991, IFC has invested around \$50 billion in developing countries. Based on more than 600 IFC supported investment projects evaluated between 1996 and 2006, IEG found that on average, 59 percent yielded high development outcomes, with an improvement in this rate to 66 percent in 2006. Overall, most IFC-supported projects delivered results in terms of their financial, economic performance, as well as contribution to the private sector

development. (Ratings of IFC supported projects cannot be directly compared with those of more public sector oriented development institutions.)

At the sector level, projects in infrastructure, extractive industries, and financial markets generally performed better than the average, whereas projects in general manufacturing and services, private equity funds, and health and education (the last two are relatively new sectors for IFC), have generally not done as well. For example, IFC investment projects in Brazil's port sector were successful from a development outcome perspective as they generally helped reduce tariffs for importers and exporters, created better paid local employment and induced follow-on investments in local transport.

Regionally, stronger development results were achieved in Europe and Central Asia, while projects in Sub-Saharan Africa often performed poorly. These results were influenced by their corresponding business climate conditions, with projects in countries with improving business climates (such as Romania and Turkey) achieving significantly better results than those in counties with stagnating, or deteriorating business climates (most of Sub-Saharan Africa).

IEG's report identifies five factors that have significantly influenced the development results of IFC-supported projects. They are: 1) changes in the quality of a country's business climate following project approval by IFC; 2) the industry sector in which an investment is made; 3) the quality of the project sponsor; 4) the level of product market, client company, and the project type risks; and 5) IFC's work quality, particularly in terms of project appraisal and financial structuring.

In the context of record private capital flows to developing countries, and IFC's own efforts to further expand and localize its operations, the report draws out a number of important strategic implications for IFC. Vinod Thomas, Director-General, Evaluation, World Bank Group, remarks: "IFC role is increasingly crucial in unleashing private sector energies to help address the daunting problems of global development. For that it is crucial for IFC to build its programs integrally within country-level strategies as well as to link them to global initiatives. In this respect, greater collaboration within the World Bank Group itself could produce large gains -- for example, by ensuring that the work on a better business climate or stronger private sector development by one wing dovetails with the work on greater environmental and social sustainability by the other. "

To view IFC Senior Management's response and download the report, please visit:

<http://www.ifc.org/ieg/iedr2007>