



# Future Directions for IFC Technical Assistance

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**I**n FY2002, IFC's Donor Funded Operations providing technical assistance (TA) maintained their steady growth of recent years. Donor countries provided the bulk of these funds, which are complemented by contributions from IFC's own budget resources and staff time and, in some programs, by contributions from other World Bank Group sources.

## Focus on Frontier Markets

The global economic slowdown and economic crises in several major markets, combined with a sharp drop in private capital flows and the growing reluctance of many strategic investors, continue to present serious development challenges for our member countries. In this context, IFC's core strategy continues to focus on:

- “Frontier” markets—countries, or sectors within a country, with limited access to capital. Market interventions are in the form of investments, advisory work (such as privatization), project facilities, and TA. IFC relies heavily on technical assistance programs to help in the difficult investment climate.
- High-impact sectors, including domestic financial markets and infrastructure, whose impact generally goes well beyond the investment itself.
- Support for small- and medium-size enterprises (SMEs).

Because of the uncertain business environment, IFC is also giving more emphasis to supporting countries affected by volatile capital flows and to improving its own profitability, which has been under pressure over the past few years on account of several emerging market crises.

## Promoting Sustainable Development

IFC has made sustainability a corporate priority and has thus continued to work with donors to enhance the development impact of its operations and programs. IFC is helping its clients to become aware of the opportunities to be gained from pursuing sustainability beyond existing minimum standards. In making the business case for sustainability, IFC seeks to show private firms how they can improve their financial returns while also addressing such important concerns as the environment, business-community relations, corruption, and corporate governance.

## Strengthening Partnerships with Donors

IFC continues to expand its partnership with the donor community in helping to promote sustainable practices as a way to leverage its development objectives and in-house expertise. The business case for sustainability is often more difficult to make for firms in developing countries, who risk being left behind in this important area and finding themselves at a competitive disadvantage if they do not adopt sustainable practices. The challenge for IFC is to promote sustainability without departing from our core mandate to follow commercial principles. A strengthened partnership with the donor community helps leverage IFC's work in promoting sustainability in developing countries where the benefits of sustainability are not immediately apparent or where firms are too small to afford the initial costs of incorporating sustainability into their strategic plans and activities. Sustainability and strengthened partnerships were the overriding themes of the IFC Donor Roundtable held in Belgrade in April 2002 and organized by IFC's Trust Funds Department. (p. 8)

## Increased Donor Funding for Technical Assistance

In recognition of the growing importance of TA in private sector development, the following donor-funded programs were established during the year.

- **Social and Environmental Facilities.** Three new facilities were recently established in IFC's Environment and Social Development Department:
  - *The Corporate Citizenship Facility* will help firms engage in public goods and community development activities that enhance their development impact beyond the narrow transaction.
  - *The Sustainable Financial Markets Facility* will strengthen the capacity of financial institutions and markets in environmental and social assessment.
  - *The Environmental Opportunities Facility* will help finance projects addressing local, as opposed to global, environmental issues. Projects might be aimed, for example, at reducing pollution or improving the use of scarce resources such as water and energy.
- **IFC-Netherlands Carbon Facility.** The *Netherlands Ministry of Housing, Spatial Planning, and*

*Environment* recently signed a three-year, €44 million agreement with IFC to develop clean projects in developing countries to help reduce global warming while also providing the Netherlands with credits toward its carbon dioxide reduction target laid out in the Kyoto Protocol.

- **Dutch Partnership Programs.** The *Ministry of Foreign Affairs* and *Ministry of Economic Affairs of the Netherlands* both entered into partnership programs that put all IFC TA programs funded by the ministries under streamlined structures. These facilitate contributions to stand-alone trust funds, various SME facilities, Foreign Investment Advisory Service (FIAS) programs, the Private Enterprise Partnership, and other programs while reducing administrative burdens.
- **Italian TA Trust Fund for the Federal Republic of Yugoslavia.** The *Italian Ministry of Economy and Finance* established this trust fund to finance privatization, financial reform, and foreign investment promotion activities in the Federal Republic of Yugoslavia (Serbia and Montenegro).
- **Bavaria TA Trust Fund.** This trust fund, established by the *State of Bavaria, Germany*, will help finance project development activities in Europe, Latin America, and Asia.

- **Sweden PBS TA Trust Fund.** The *Swedish International Development Cooperation Agency* has established this trust fund to finance TA to prepare the Privredna Banka Sarajevo in Bosnia-Herzegovina for privatization.

## Future Programs for Delivering TA

In keeping with IFC's spirit of strengthened partnerships, IFC is working closely with its donor partners to develop a number of TA concepts into implementable programs. These would go beyond discrete TA assignments to become broader-based, multi-year, multi-donor programs or facilities that address technical assistance needs in a more comprehensive and strategic manner and often within a longer-term context. Some of these programs are outlined below:

- **A Global Approach to Financial Markets TA.** This proposed facility aims to strengthen access to and the quality of financial services in developing countries by organizing IFC's current and anticipated financial markets TA and advisory work under three global themes: institution building for mainstream financial banks; diversification into nonbank financial services; and increased financing for SMEs. (p. 27)

- **The Sustainable Mining Facility.** This facility would be a flexible mechanism funded by traditional donor countries as well as private sector companies. It would help junior mining companies in frontier markets at an early stage in the project cycle by working with them in these major areas: advice on environmental and social assessment; capacity building for local communities and local governments; community development plans; sector and feasibility studies; and dissemination of best practices. (p. 49)

## Existing Facilities and Programs for Delivering TA

The existing facilities and programs through which IFC delivers donor-funded TA are highlighted below, with further details presented in later chapters. The full operating details are provided in regular reports to program donors.

## Technical Assistance Trust Funds Program

The TATF program mobilizes funds from donor governments to finance the hiring of consultants to provide technical assistance to firms and governments in IFC's developing

member countries with a view to promoting private sector growth. The program is currently supported by 40 bilateral trust funds provided by 22 donor government agencies. The program is administered under the articles of individual trust fund agreements negotiated between IFC and each donor agency. The sectoral and geographic coverage of the TATF program reflects IFC's overall strategic priorities as established annually as well as the priorities of individual donors. A number of donor governments have more than one trust fund within the program. Each agreement defines the geographic area or type of technical assistance that may be funded. Under TATF donor agencies work closely with IFC in the selection, approval, and follow-up evaluation of individual TA assignments.

## SME Facilities

To support the special needs of small- and medium-size enterprises, IFC manages, on behalf of a broad range of donors, a group of specialized field-based facilities and programs. They offer a variety of important technical assistance and advisory programs and services for SMEs in developing countries with limited access to capital, ranging from the preparation of business plans for

investment projects to broader capacity-building initiatives. These facilities are formed as collaborative ventures between participating donor governments and IFC, usually for a fixed period and subject to review and renewal. Each has its own unique but similar arrangements regarding TA provision, management, and reporting.

Existing and approved facilities and programs include:

- 1986: Africa Project Development Facility (APDF)
- 1988: South Pacific Project Facility (SPPF)
- 1989: African Management Services Company (AMSCO)
- 1997: Mekong Project Development Facility (MPDF)
- 2000: Southeast Europe Enterprise Development (SEED)
- 2000: China Project Development Facility (CPDF)
- 2001: SouthAsia Enterprise Development Facility (SEDF)
- 2002: North Africa Enterprise Development Facility (NAEDF)
- 2002: SME Pilots and Partnerships, Linkages Program, and SME Business Enabling Environment Program

Planned facilities and programs include the Indonesia Enterprise Development Facility.

## Private Enterprise Partnership

The Private Enterprise Partnership (the Partnership) is a special IFC program that provides a structured approach for TA in the former Soviet Union. Established in May 2000, the Partnership now serves ten countries: Armenia, Azerbaijan, Belarus, Georgia, the Kyrgyz Republic, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. The Partnership enables IFC to consolidate its TA activities and work closely with its donor partners to promote private sector development in the region.

## Foreign Investment Advisory Service

Established by IFC in 1985, the Foreign Investment Advisory Service is operated jointly by IFC and the World Bank, in collaboration with several donor agencies. FIAS provides advice to the governments of developing and transition countries on how they can improve their policies, programs, and institutions to make their countries more attractive to foreign investment. In implementing its activities, FIAS forms project teams made up of IFC and World Bank staff and donor-funded consultants. Since its establishment, FIAS has assisted more than 120 countries.



## Meetings with Donors and Consultant Promotional Seminars

During the year IFC staff had several formal and informal meetings with donors and consultants, both individually and in larger groups. Such meetings were intended to maintain close contact with donor agencies by discussing a range of issues, including progress with TA assignments, trust fund utilization, replenishment needs, amendments to trust fund agreements, donor funding priorities, and relationships between IFC and consultants in their countries.

The Annual Donors Breakfast, normally held as part of the World Bank Group/IMF Annual Meetings each year, unfortunately had to be canceled this year in the wake of the September 11 events. However, a Donor Roundtable, organized by the Trust Funds Department, was held in April 2002 in Belgrade, Yugoslavia. (box, this page)

The table of meetings (pp. 90-91) shows the extent of bilateral-IFC donor discussions held throughout the year, many in conjunction with consultant and business group seminars from the donor countries. These seminars provide IFC (and consultants) with an opportunity to develop contacts, to explain the TA programs and IFC's strategies and procedures, and to obtain feedback from participants. Improved contacts with the consultants and business groups are key objectives of these meetings, and they help to promote IFC's collaboration with the private sector in donor countries.

Some of the meetings that took place during the year are highlighted on pages 10-13, including donor meetings held by IFC for donor funded operations.

# IFC Donor Roundtable

**BELGRADE, APRIL 24–26, 2002**

**A broad cross-section of donor representatives attended this IFC Donor Roundtable, as did a delegation of IFC staff and management, led by Mrs. Farida Khambata, Vice President Portfolio and Risk Management. Representatives from the European Bank for Reconstruction and Development (EBRD) and the World Bank also attended. The Roundtable provided an opportunity to share with the donors IFC's strategic directions and its activities in different areas (such as TA, SMEs, environment, mining, and financial markets) within the overall context of sustainable development.**

**The Roundtable's overall theme was partnership. This theme was emphasized by holding the Roundtable in a developing country for the first time, enabling donors to observe first-hand the outcome of IFC-donor collaboration. Donors expressed satisfaction with IFC's strategic directions and the breadth of its operations. While welcoming IFC's increased focus on sustainability, they cautioned that implementing the new approach in developing country firms, particularly SMEs, would be difficult and expensive. They urged greater collaboration and less competition in TA activities between IFC and other multilateral institutions, especially the EBRD, and felt that IFC's private sector approach to development, including linkages to SMEs and sustainability, should be more clearly reflected in the**



**Country Assistance Strategy and Poverty Reduction Strategy Paper processes.**

The donors welcomed IFC's continued efforts to develop a more coordinated and streamlined approach to donor fund-raising and expressed a desire to be involved at the early stages of program development. They called for a full discussion of trust fund management strategies at the next meeting. While generally satisfied with IFC's use of donor trust funds, they saw a need for a more streamlined approval process. They encouraged IFC to continue to seek effective ways of measuring the development impact of TA. They expressed an interest in being involved in the follow-up discussions on the TA topics proposed during the Roundtable. They encouraged IFC, when proposing new TA initiatives, to take into consideration the activities of other international financial institutions and bilateral institutions in the same sector and region, and to undertake appropriate consultations with the host government.

The Roundtable concluded with a visit to Fresh & Co, a fruit juice production company in Subotica, Yugoslavia in which IFC has a US\$7.7 million investment in an expansion project, and for which the Swedish International Development Cooperation Agency had provided the TA. The project sponsor, Mr. Zivojin Djordjevic, conducted a tour of the factory and described the contribution of IFC's investment and Sida's TA to the success of his enterprise.



# FY2002 Highlights of Donor and Promotional Meetings:

## TATF Program

### August 2001 – Washington DC

The IFC Trust Funds Department hosted an informal luncheon for the Washington-based donor counterparts. The luncheon gave IFC and donor representatives an opportunity to discuss recent TA activities at IFC, including the TATF program, SME Facilities, the Private Enterprise Partnership program, proposed new environment facilities, and financial market initiatives, and to update participants on IFC's strategic directions.

### September 2001 – Finland, Denmark, the Netherlands, Iceland, and Sweden

A team of IFC staff met with government officials and made presentations at a series of consultant seminars in Finland, Denmark, the Netherlands, Iceland, and Sweden. The consultant seminars were followed by meetings with individual consultants to explore opportunities for working with the IFC.

### October 2001 – Bavarian Trust Fund Signing, Munich, Germany

IFC signed an agreement with the State Government of Bavaria, Germany on October 26 to establish a €2.5 million trust fund to help finance private sector growth in developing countries. The agreement marks the first time IFC has established a trust fund with state government authority, rather than a national government or agency. The trust fund will enable businesses in the German state of Bavaria to work closely with IFC in private sector development in emerging markets and developing countries.

### October 2001 – Austria, France, Germany, Switzerland, Sweden, the Netherlands, and the United Kingdom

Staff from the Global Financial Markets Group and the Environment and Social Development Department went to Europe to discuss and seek early donor input regarding IFC's proposed Global Microfinance Credit Enhancement Facility, the

Global SME Credit Enhancement Facility and the three social and environment facilities (Corporate Citizenship Facility, Sustainable Financial Markets Facility, and Environment Opportunities Facility).

### April 2002 – IFC Donor Roundtable

IFC held a Donor Roundtable in Belgrade, FR Yugoslavia, on April 24-26. (box pp. 8-9)

### April 2002 – Bavaria Business Presentation

The Bavaria Ministry of Economic Affairs and the Bavarian Chamber of Industry and Commerce organized a seminar on April 22-23 in Munich. The seminar focused on the opportunities for Bavarian firms and consultants to participate in IFC's investments and technical assistance projects. During the seminar, IFC representatives discussed IFC's work in the southeastern Europe region and the infrastructure sector. In addition, Mr. Norbert Stillfried, Head of the Division for Foreign Economic

Relations in the Bavarian Ministry of Economic Affairs, discussed his ministry's interest in promoting the participation of Bavarian companies and consultants in the work of IFC.

### May 2002 – Bavarian Business Delegation

A trade delegation consisting of suppliers and consulting firms, headed by the Finance Minister of the State of Bavaria, visited IFC in May 2002. A reception was hosted by Mr. Peter Woicke in honor of the delegation and was attended by members of the local German community and other international financial institutions. A presentation to the delegation featured IFC's general commercial and development objectives, recent trends, and strategies. The purpose of the delegation's visit to Washington was to strengthen the collaboration between Bavaria's small-and-medium-size businesses and the international financial institutions.



### May 2002 – Dutch Visit to IFC

Officials from the Netherlands Ministry of Foreign Affairs visited IFC for its first policy consultation under the recently signed Netherlands-IFC Partnership Program. Under the Partnership Program, the Netherlands Ministry of Foreign Affairs has pledged a total of €11.4 million to fund various programs in CY2002.

### May 2002 – United Kingdom, Ireland, and EBRD Donors Meeting

In conjunction with the Trust Fund Director's participation in the EBRD Technical Cooperation donors meeting in Belgrade, IFC staff visited donor counterparts in London and Dublin.

In London, meetings were held with the UK Department for Trade and Industry (DTI) and the UK Department for International Development (DFID). At DTI, IFC staff reviewed the usage to date of the trust fund, and relative priorities were discussed. At DFID, IFC staff made a presentation on IFC's strategic directions focusing particularly on potential opportunities for partnerships between IFC and donor groups.

In Dublin, IFC staff met with officials of Ireland Aid to review the usage of their TA trust fund and to discuss the importance that Ireland Aid places on poverty reduction and the contribution of IFC's private sector work to this goal. In addition, IFC made a presentation to a group of consultants organized by Enterprise Ireland.

At the EBRD Technical Cooperation donors meeting in Belgrade, IFC staff discussed how the two institutions could continue to improve coordination on TA work, particularly in Eastern and Southern Europe and Central Asia. As a follow-up to the Belgrade meeting, a meeting was held in Washington with the EBRD to further strengthen coordination efforts.

### June 2002 – Spain, Business Presentation

The General Directorate for International Financing of Spain's Ministry of Economy and Finance, together with Instituto Español de Comercio Exterior, organized a seminar on opportunities for Spanish firms and consultants to participate in IFC's investment and technical assistance projects. During the seminar, a team from IFC discussed IFC's investment program in the

financial, food and agribusiness, and environment sectors, as well as IFC's work in introducing private sector participation in state-owned enterprises. Following the seminar, one-on-one meetings with IFC representatives and Spanish companies were held to explore specific opportunities.

### June 2002 – Greece, Business Presentation

The Greek Ministry of Economy and Finance organized seminars in Athens and Thessaloniki on the opportunities for Greek firms and consultants to participate in the World Bank Consultant Trust Funds and IFC technical assistance programs, as well as in IFC's investment activities and the World Bank's lending in the Balkan region. The World Bank and IFC representatives discussed their operational activities and processes. The Minister of Economy and Finance discussed the role of his ministry in supporting cooperation among Greek companies and companies in developing and transition economies. After the seminar, individual meetings were held between Greek companies or consultants and the team from the World Bank and IFC to explore specific opportunities.



### June 2002 – Israeli Delegation Meeting

About 20 leading Israeli companies visited IFC during the annual visit of the Israeli Export Institute organized by the Economic and Trade Office of the Embassy of Israel. TATF staff made a presentation on IFC and on the work of the World Bank Group as a whole. After the presentation, separate meetings with different industry specialists in IFC were held to explore specific opportunities.

### SME Facilities

#### December 2001 – China Project Development Facility (CPDF)

CPDF held its inaugural donor meeting in Chengdu, Sichuan Province, in early December 2002. The meeting was attended by representatives from Australia, the United Kingdom, and Switzerland, along with IFC. The donors reviewed and approved CPDF establishment and initial work plans and budgets.

### January and June 2002 – Mekong Project Development Facility (MPDF) Annual and Special Donors Meetings

MPDF held three donors meetings in FY2002. On January 18, 2002 the annual donors and advisory board meeting was held in Hanoi to review the results of MPDF operations in CY2001 and the proposed action plan and budget for CY2002. In addition two special donor meetings were held in June 2002, also in Hanoi: the first one to present and discuss the findings of the external evaluation of MPDF, carried out by an independent consultant under the guidance of IFC Operations Evaluation Group; and the second to present possible strategic directions for a next phase of MPDF (“MPDF II”). Donors were generally very pleased with the findings of the evaluation and endorsed the proposed strategic shifts, including in particular a greater focus on capacity building of local consultants and other support institutions and more efforts on improving the regulatory and institutional framework for private enterprise.

### June 2002 – South Pacific Project Facility (SPPF) Annual Donors Meeting

At SPPF’s annual donors meeting in Sydney, all donors to the SPPF (*Australia, IFC, Japan, New Zealand, and Asian Development Bank*) and representatives of the Board of Advisors confirmed their interest in and continuing financial support for its activities. They also endorsed the development of a new strategic plan to reflect a shift in the focus of SPPF as it broadens its mandate further into capacity-building work with SMEs in the region.

#### June 2002 – Southeast Europe Enterprise Development (SEED) Annual Donors Meeting

On June 5-6 SEED held its annual board meeting in Skopje, the FYR of Macedonia, . All donors (*Austria, Canada, Greece, the Netherlands, Norway, Slovenia, Sweden, Switzerland, and the United Kingdom*) were represented. The donors accepted the work plan and budget for FY2003 and endorsed the results of FY2002.

The donors were advised that an independent mid-term review of SEED is scheduled for FY2003, to be conducted by IFC’s Operations Evaluation Group. It was agreed that the OEG terms of reference should

# Reducing Emissions:

## AN INNOVATIVE CARBON FACILITY

### JANUARY 2002 – SIGNING OF THE NETHERLANDS CDM OPERATING AGREEMENT AND A TRUST FUNDS AGREEMENT

The government of the Netherlands has committed to reduce Dutch greenhouse gas emissions by 100 million tons, and will obtain some of those emission reductions through projects in developing countries. In late 2000 the Dutch Ministry of Housing, Spatial Planning and Environment approached IFC to explore whether IFC could assist it in procuring emission reductions under the Clean Development Mechanism (CDM) of the Kyoto Protocol. In January 2002, Minister Pronk, the Minister for Environment and Mr. Wolfensohn, president of the World Bank Group, signed the IFC–Netherlands CDM Operating Agreement and a separate Trust Funds Agreement. The agreements provide for the establishment of the IFC–Netherlands Carbon Facility (INCaF) with €44 million to purchase emission reductions from eligible projects in developing countries and some additional funds to cover IFC's project processing costs. At the time of writing, the facility was processing projects to purchase emission reductions from four projects, including a biogas energy project in Southeast Asia, a biomass cogeneration project in Central America, a switch to cleaner fuels in an industrial project in South America, and a waste-to-energy project in South Asia.

be shared with the donors for comment and that they will accept the OEG report as the mid-term evaluation.

### June 2002 – Africa Project Development Facility (APDF) Annual Donors Meeting

APDF held its annual donors meeting in Abidjan, Côte d'Ivoire, on June 10. The meeting was attended by most of the APDF donors, who approved the APDF work plan for FY2003. Also discussed were the operational report and results for FY2002, in which the donors expressed their satisfaction, particularly regarding the new work in SME, consultant and financial institution training, and business linkages.

### Private Enterprise Partnership

#### September 2001 - Signing of Agreement with the Swiss State Secretariat for Economic Affairs (seco)

The Partnership signed a three-year agreement with seco establishing cooperation in Central Asia, Russia, and Ukraine. Representatives from seco visited the Partnership's operations in Moscow in April 2002 for a briefing on results achieved thus far.

### January 2002 – Signing of Agreement with Canadian International Development Agency (CIDA)

Following a series of meetings held throughout 2001 and in January 2002, the Private Enterprise Partnership finalized an agreement with CIDA setting out a five year-program of collaboration and providing a flexible framework to develop and launch new initiatives. The Partnership launched the first project included under this new agreement, the Russian Far East Business Development Program, in February 2002.

### June 2002 – Finnish Delegation Seminar

Mr. Erkii Palmqvist, Deputy Director General of the Finnish Ministry of Trade and Industry, attended the first steering committee meeting of the Partnership's Northwest Russia Leasing Development Project in St. Petersburg in June 2002. Following the committee meeting, Mr. Palmqvist declared the opening of the leasing seminar, organized by the Partnership. The seminar was attended by more than 60 representatives of Russian and Finnish companies.

### Foreign Investment Advisory Service

During FY2002, FIAS was in contact with all its donors on a regular basis. Aside from individual visits and contacts, FIAS held its annual meeting of the consultative committee of donors to the FIAS Trust Fund on October 29, 2001, in Paris. At the meeting, FIAS management described its performance during the previous fiscal year and presented a series of new initiatives related to knowledge management, project documentation, and the design of new products focusing on FDI and corporate social responsibility as well as competition policy. Donors welcomed these initiatives and appreciated the availability of more detailed information at the project level.

FIAS's Asia-Pacific Regional Office (APRO) in Sydney has been in contact with its bilateral donors, *Australia* and *New Zealand*, on a number of occasions, including a visit to Canberra in December 2001 by FIAS Manager Joseph Battat and Regional Manager Andrew Proctor. In addition, APRO has provided its donors with a biannual report detailing the current status and expected developments of FIAS activities in the region.