

Message from the Executive Vice President



It is with great pleasure that I present to you this Donor Report for fiscal year 2005. This report gives you a comprehensive description of the main achievements of the partnerships between IFC and the donors in reducing poverty and in helping our member countries to achieve the Millennium Development Goals.

I offer my most sincere thanks to all of our donors. Their generous support and genuine partnerships are helping developing countries grow. With their support, we increased the level of disbursements for technical assistance and advisory services to about \$108 million, of which donors funded approximately 80 percent. It is absolutely clear to all of us that accomplishing our shared mission of reducing poverty in developing countries requires us to provide significantly more technical assistance and advisory services to facilitate and complement our investment activities and those of other investors.

I am also very pleased to report that during the year we completed a review of our strategy that resulted in developing a clearer approach for each of our geographic regions. We have now firmly positioned our technical assistance operations as a core IFC business. Broadening our donor network and strengthening our partnerships are a necessary part of this strategy.

The review of our strategy reaffirmed the continuing relevance of IFC's five strategic priorities:

- To strengthen our focus on small and medium enterprises in frontier markets, especially in Africa and the Middle East
- To build long-term partnerships with emerging global players from developing countries
- To provide global leadership in promoting sustainable development by supporting environmental and social responsibility and good corporate governance
- To address constraints to private sector participation in infrastructure, health, and education
- To promote the development of local financial markets

I am fully aware that we cannot achieve our strategic goals without the support and collaboration of our donor partners who, through their generous support, make it possible for us to stabilize the long-term funding of existing and new initiatives. Our donor-funded operations have expanded in line with the growth of our technical assistance and advisory services and will increase at a faster pace with the projected quantum jump in our investment program. With this growth, we have recognized the need to streamline our donor coordination. Therefore, we have expanded the role of our Trust Funds Department, making it the focal point for coordinating our partnerships with the donors.

The review of our strategy led to other changes in organization and operations that we implemented during the year.

- We refined our organizational structure and gave our regional department directors responsibility for defining the technical assistance strategy and approving all technical assistance operations for their regions as well as for overseeing project development facilities and private enterprise partnerships. This increased oversight and accountability will help us ensure that we make the right choices in selecting interventions both, in terms of developmental impact and of integration with IFC regional strategies.

As you will read in the regional sections of this report, during FY05 each of our regional departments focused on high-priority technical assistance and advisory activities selectively identified to respond to recognized demand. Each region increased the volume and improved the quality of such services delivered, and expanding the reach and raising the impact of its operations.

- We increased our field presence, reduced retail services and concentrated on fewer sector-wide interventions.
- We became more selective in our interventions to ensure that we respond to demand for services only in areas where we have a clearly acknowledged comparative advantage.
- In order to broaden our impact, we gave higher priority to investment climate work and improving in the business enabling environment.

IFC's mission and that of its donor partners is to stimulate private sector development to facilitate poverty reduction through growth and employment. It requires that we give higher priority to helping our member countries establish competitive investment climates. Our work in this area, which continues to expand, complements

the work of our colleagues in other parts of the World Bank Group. IFC's project development facilities and the private enterprise partnerships focused on implementing specific reforms and other practical measures to improve the investment climate in the areas of privatization, trade policy, business regulations burden and administrative costs, infrastructure, and access to financing and, to a growing extent, on business linkages programs.

- We made progress in the way we measure the results and impact of our technical assistance and advisory activities.

From the beginning of this calendar year, all our technical assistance and advisory projects have been subjected to the same rigorous approval process as our investment projects. We also require each proposal to include very clear and measurable indicators of input, output, expected outcomes, and expected impact. We have invested heavily in converting our fragmented information technology systems to facilitate project information-sharing and data capture on the same platform used for investment projects.

In closing, let me thank you, our partners, for your continuing support during the year, especially those donors with whom we entered into new partnership agreements to govern our relationships and collaboration. I hope we shall conclude similar arrangements with our other donors to cement our partnerships in pursuit of our mission to help developing countries attract private sector investment and build the strong enterprises that will drive growth, create jobs, and free their people from poverty.

Assaad J. Jabre
Acting Executive Vice President