

# Message *from* IFC's Executive Vice President

I am very pleased to be able to present to you this comprehensive report on IFC's donor-supported technical assistance (TA) programs. As in previous years, support from you, our donor partners, was significant—you provided over \$65 million in new commitments—and I would like to thank all of you for your continuing confidence in our approach to private sector development and poverty reduction.

Our **strategy** remains strongly oriented toward frontier markets and frontier sectors. Now more than ever I am convinced that TA is absolutely critical in implementing this strategy. This conviction has grown from my visits to many of our client countries, from advice we have received from senior individuals with a lot of investment experience, and the success achieved by many of our TA programs. In many countries TA will be central to IFC's interventions; you will find evidence of this in the recent strategic initiative on Africa, where advisory services and capacity building activities are a large and integral part of the strategy.

In the last year our TA programs have focused on the frontiers. Some of the numbers from our technical assistance activities will illustrate this focus:

- Over 90 percent of the TA assignments funded by the Technical Assistance Trust Funds (TATF) program were in low- and lower-middle-income countries.

## REPORT *from the* IFC

IFC regularly provides commercial financing globally and has extensive experience in evaluating and extending credit to financial institutions in emerging markets. The mission of IFC is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives. IFC finances private sector investments in the developing world, mobilizes capital in the international financial markets, helps clients improve social and environmental sustainability, and provides technical assistance and advice to governments and businesses. From its founding in 1956 through FY03, IFC has committed more than \$37 billion of its own funds and arranged \$22 billion in syndications for 2,990 companies in 140 developing countries. IFC's worldwide committed portfolio as of FY03 was \$16.8 billion for its own account and \$6.6 billion held for participants in loan syndications.

- Over 50 percent were in high-risk countries.
- Over 10 percent were in countries with a high incidence of poverty.

Our TA delivery mechanisms are also comprehensive. Facilities (both SME facilities and the Private Enterprise Partnership) now cover all the developing regions with strong field-based networks, and our HQ-based programs (such as TATF and the Social & Environmental Facilities) are able to provide complementary support. The critically important Financial Markets TA is now organized and managed with a central focus to enable maximum value.

IFC attacks poverty by supporting the private sector – which is a huge creator of jobs – and also uses our presence in the marketplace to leverage the opportunity to do more, and to persuade our partners to do more.

The withdrawal of the foreign private sector from emerging markets has increased the demand for our services. It has also meant that we have had to adapt our business and be more involved in earlier stages of project development, making much more use of TA. To enable us to do this more productively, over the last year we have undertaken two important initiatives, with the objective of improving the organization and delivery of these services. Firstly, we have “unbundled” our activities, recognizing those that are more closely linked with our traditional investment activities and those that are purely of an advisory or capacity building nature. Secondly, we are working to measure the impact of advisory activity. This review is in progress, and we will be reporting to our Board on a regular basis.

We have also started developing different models of PPPs – Public Private Partnerships – and an investment in power in Tajikistan is a good example. It used donor funding for early stage TA, has commercial financing for the project itself, while using donor and IDA money to enable a lifeline tariff support mechanism for those who cannot afford to purchase the power.

We are also focusing on another important area. The World Bank Group has been aware that in many of its client countries, much of the responsibility for providing infrastructure and other critical services in our client countries has been transferred to municipalities and other

subsovereign tiers of governments. To be able to respond to the requirements of these entities, there is a need for the World Bank Group to become involved in stand-alone financing of their investment needs. In this context the World Bank Group created a new unit, the Municipal Fund. With staff from both the Bank and IFC, its objective is to gain market knowledge in this sector by making a few investments in municipalities and entities controlled by municipalities, without sovereign guarantees. Armed with this knowledge and the experience gained through pilot transactions, the team will develop ideas for the World Bank Group to respond to market needs. This will be done in close consultation with other multilaterals, bilaterals, donors, international municipal/mayoral associations, private financial institutions, rating agencies, and civil society to ascertain the specific needs of the sector. The Fund is currently processing its first investment, the Tlalnepantla Municipal Water Conservation Project in Mexico.

IFC’s perceived mandate and focus have become much broader than the “transaction orientation” of the past. The use of TA at an earlier stage, with IFC in the role of project developer, is different from what we did even ten years ago. This is a challenge for IFC and its partners. For us to do what is demanded of us where we have a comparative advantage, we will need a much more planned and stable source of TA funding, not ad hoc pools of money. I foresee that more and more of what we will need to be doing in the pursuit of poverty reduction through the development of the private sector will require the coordinated support of all our development partners, including the generous donors who have supported us through the years. We have to be able to handle this in a streamlined and efficient manner, without creating administrative overheads for our partners, while simultaneously meeting mutual development objectives. We need donors to “buy in” to our strategic development objectives and partner with us over the longer term.

IFC is committed to follow through on this role and seeks to work in close collaboration with our donor partners in doing so. Our shareholders and our Board support these partnerships, as evidenced by the fact that in the budget for FY04, IFC has allocated \$33.4 million from net income as our contribution toward technical assistance and advisory work, a vote of confidence to match that given to us by you, our donor partners.



A handwritten signature in black ink, appearing to read 'Peter Woicke'.

**Peter Woicke**  
*IFC Executive Vice President*  
 September 2003