



IFC's mission 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, and provides technical assistance and advice to governments and businesses. Since its founding in 1956 through the close of the last fiscal year on June 30, 2002, IFC committed more than US\$34 billion of its own funds and arranged US\$21 billion in syndications for 2,825 companies in 140 developing countries. IFC's committed portfolio at the end of FY2002 was US\$15.1 billion for our own account and US\$6.5 billion held for participants in loan syndications.

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 US\$75.3 million in new commitments—and I thank you all for this continuing confidence in our approach to private sector development and poverty reduction.

Since I last wrote to you through this forum, a number of significant changes have taken place in the world business environment.

- The atmosphere for private sector investment worldwide has changed for the worse.
- Private money flows have declined sharply; investors who were keen to expand into emerging markets are now withdrawing.
- Country after country is going through a crisis—Argentina, Brazil, and Turkey are but three examples.

In such an environment the need for all of IFC's services in our developing member countries is higher than ever before. In anticipation of a strong demand, we have reoriented our organization to better offer the entire range of our services—funding, advice, and technical assistance—to all clients. We expect that the reorganization will also enable IFC to deliver even more effectively on its **frontier strategy**, which remains strongly oriented toward frontier markets and frontier sectors. Our TA programs are also focused on these frontiers. The small and medium enterprise (SME) facilities and the Private Enterprise Partnership program operate in some of the poorest countries in the world, while the Technical Assistance Trust Funds (TATF) program is able to provide complementary support for those essential one-off pioneering TA assignments. Some of the numbers from our technical assistance activities in Chapter 2 will illustrate:

- More than 95 percent of the TA assignments funded by the TATF program were in low- and lower-middle income countries.
- More than 55 percent were in high-risk countries.
- More than 15 percent were in countries with a high incidence of poverty.

As mentioned last year, IFC has made **sustainability a corporate priority** because of the fundamental changes that are currently affecting firms, including our clients. The new awareness of the importance of sustainability goes beyond environmental issues, extending to business-community relations, corruption, and corporate governance.



The **business case** is a key tool to help achieve sustainability globally. To develop the business case, we teamed up with SustainAbility of the United Kingdom and the Ethos Institute of Brazil to gather some evidence about why it makes sense to integrate principles of sustainability into one's business. Such evidence was already available for developed countries, and this study focused on gathering it in emerging markets. The effort was funded by a generous donor and has resulted in the publication of a new report in July 2002: *Developing Value: The Business Case for Sustainability in Emerging Markets*. The report is based on 240 case studies of big and small firms in 60 countries on all continents. Its key findings highlight the major business benefits, the ways firms achieved those benefits, and the challenges involved. The report shows that by contributing to social development or environmental improvements, many firms around the world have reduced their costs, increased revenues, found new markets, improved access to capital, addressed risks, or achieved other business benefits. There are good business reasons for doing what they did.

The business case is not always self-evident or universally strong. Where the provision of a public good directly coincides with a firm's private benefit, then that firm will bear the costs since there will be a business case. In some firms where some public goods can be delivered alongside private activity, the business case may not be as clear, or the firm may be too small to carry the often substantial costs.

In the absence of an IFC client firm's willingness to pay for the cost of delivering these "additional" public goods (beyond the benefits accruing from the productive use of capital), either the public goods are forgone or their cost is borne by IFC. IFC is limited in the noncommercial costs it is able to bear by its mandate to operate commercially and by associated profitability objectives.

But IFC's role requires us to reach beyond the core focus on commercially viable investments to engage in selected noncommercial activities when they are important to development. IFC is committed to follow through on this aspect of its role and seeks to work in close collaboration with its donor partners in doing so. Our shareholders and our Board support these partnerships, as evidenced in the budget for FY2003: IFC has allocated from net income US\$26.2 million as its 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 dark ink, appearing to read 'Peter Woicke'.

Peter Woicke
IFC Executive Vice President
September 2002