Introducing IFC: Focus on Emerging Markets

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Director, Western Europe
19 June 2012
I. About IFC

II. IFC in ECA

III. IFC in MENA

IV. IFC Value Added to Business
IFC is a Member of the World Bank Group

**IBRD**
International Bank for Reconstruction and Development
Est. 1945
- **Role:** To promote institutional, legal and regulatory reform
- **Clients:** Governments of member countries with per capita income between $1,025 and $6,055.

**IDA**
International Development Association
Est. 1960
- **Role:** To promote institutional, legal and regulatory reform
- **Clients:** Governments of poorest countries with per capita income of less than $1,025

**IFC**
International Finance Corporation
Est. 1956
- **Role:** To promote private sector development
- **Clients:** Private companies in member countries

**MIGA**
Multilateral Investment and Guarantee Agency
Est. 1988
- **Role:** To reduce political investment risk through insurance
- **Clients:** Foreign investors in member countries

**Shared Mission:** To Promote Economic Development and Reduce Poverty
IFC’s Vision and Purpose

*People should have the opportunity to escape poverty and improve their lives*

- Promoting open and competitive markets in developing countries
- Supporting companies and other private sector partners where there is a gap
- Helping generate productive jobs and deliver essential services to the underserved
- Catalyzing and mobilizing other sources of finance for private sector development
Strategic Priorities

- Strengthening the focus on *frontier markets* - IDA countries, poorer regions of middle-income countries, fragile and conflict-affected situations
- Building *long-term client relationships* in emerging markets
- Addressing *climate change* and ensuring environmental and social sustainability
- Promoting private sector growth in *infrastructure, health, and education*, and the food supply chain
- Developing *local financial markets*
ICF’s Global Reach

- 3,400+ staff in over 100 country and regional advisory services offices worldwide
IFC’s Three Complementary Businesses

**IFC Investment Services**
- Direct Support to Companies

**IFC Advisory Services**
- Advice
- Problem-solving
- Training

**IFC Asset Management Company**
- Wholly owned subsidiary of IFC
- Private equity fund manager
- Invests third-party capital alongside IFC

**Investment Services**
- Equity/Quasi Equity
- Loans
- Trade Finance
- Risk Management
- Mobilizations

**Advisory Services**
- Investment Climate
- Access to Finance
- Sustainable Business
- Infrastructure

**Asset Management**
- IFC Capitalization Fund
- Africa/Latin America
- Others to come...
IFC - over $85 billion Invested in Emerging Markets since 1956

FY11 Total committed IFC financing: US$18.7 billion

IFC in a nutshell

World Bank Group affiliation
3,400 + staff in 80 countries

S&P, Moody’s AAA

Committed 2011 $18.7 billion
- Syndicated $6.5 billion
- Own Account $12.2 billion

518 new projects in 102 countries

Portfolio $42.8 billion

# of companies 1,732
# of countries 103
# of equity invmts 668
IFC Is Continuing to Grow

• New commitments
  • $ Billions
  
  • New projects

* "Mobilization" for 2006 and 2007 includes structured finance, loan participations, and parallel loans.
Fiscal Year 2011 Highlights

• **Investments:** 518 new projects in 102 countries

• **Advisory services:** $207 million in project expenditures

• **$18.7 billion in financing:** $12.2 billion for IFC’s own account, $6.5 billion mobilized

• **$55.2 billion committed portfolio,** representing investments in 1,737 firms

• **IDA countries** account for half of IFC projects overall (by number of projects):
  - $2.2 billion invested in Sub-Saharan Africa
Industry Groups: Leveraging Global Knowledge for Clients

- **Infrastructure & Natural Resources**
  - Power
  - Renewables
  - Transport
  - Utilities
  - Water
  - Telecoms
  - Oil & Gas
  - Mining
  - Chemicals
  - Sub-national Finance

- **Financial Markets**
  - Banking
  - Sustainability and Climate Change Fin.
  - Private Equity/ Funds
  - Housing Finance
  - Insurance
  - Microfinance
  - SME Banking
  - Trade Finance
  - Securities Markets

- **Manufacturing, Agriculture & Services**
  - Agribusiness
  - Forestry
  - Healthcare
  - Life Sciences
  - Education
  - Manufacturing Industries
  - Energy Efficient Machinery
  - Other Services

- FY11 Commitments: $18.7 billion (Including Mobilization)
  - Infrastructure & Natural Resources: $5.5 B
  - Manufacturing, Agriculture and Services: $2.5 B
  - Financial Markets: $10.7 B
Investments by Industry, FY11

Commitments for IFC’s Account: $12.2 Billion
Investments by Region, FY11

Commitments for IFC’s Account: $12.2 Billion

- Sub-Saharan Africa 18%
- East Asia and Pacific 16%
- Latin America and the Caribbean 25%
- Europe and Central Asia 22%
- Middle East and North Africa 13%
- South Asia 6%
- Global >1%
Advisory Services is the Second Pillar of IFC Operations

Advisory Services Trend - Project Expenditures (US$ Millions)

- Development impact of IFC’s projects significantly increases when investment and advisory services are combined
- 66% of Advisory Services project expenditure in FY11 was in IDA countries
IFC Advisory Services At A Glance

- Advisory Services have grown significantly since late 1990s in response to strong client demand and growing support from partners. At FY11:
  - Active portfolio of 662 projects, with funding commitments of $838 million
  - Around 1,000 staff, with nearly 80% based in the field.

- Since July 2010, business has been organized into 4 global business lines:

<table>
<thead>
<tr>
<th></th>
<th>Access to Finance</th>
<th>Sustainable Business</th>
<th>Investment Climate</th>
<th>Public-Private Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>Works mainly with financial</td>
<td>Works at firm and sector level to develop</td>
<td>Works with governments to create an enabling</td>
<td>Works with governments to design and implement</td>
</tr>
<tr>
<td></td>
<td>intermediaries to expand access to</td>
<td>inclusive, environmentally sustainable,</td>
<td>environment to increase role of private</td>
<td>PPP transactions.</td>
</tr>
<tr>
<td></td>
<td>financial services</td>
<td>and efficient markets</td>
<td>sector in growth and development</td>
<td></td>
</tr>
<tr>
<td>Portfolio</td>
<td>243</td>
<td>210</td>
<td>144</td>
<td>65</td>
</tr>
<tr>
<td>Projects (#)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio</td>
<td>$295.8</td>
<td>$242.1</td>
<td>$207.4</td>
<td>$92.7</td>
</tr>
<tr>
<td>Value ($m)</td>
<td></td>
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</tr>
</tbody>
</table>
Advisory Services by Business Line, FY11

Total Project Expenditures: $207 Million

- Access to Finance 31%
- Investment Climate 27%
- Sustainable Business 29%
- Public Private Partnerships 13%
Advisory Services by Region, FY11

Total Project Expenditures: $207 Million

- Sub-Saharan Africa: 25%
- East Asia and Pacific: 13%
- South Asia: 11%
- Latin America and Caribbean: 9%
- Europe and Central Asia: 17%
- Middle East and North Africa: 8%
- Global: 17%
- Middle East and North Africa: 8%
- East Asia and Pacific: 13%
- South Asia: 11%
- Latin America and Caribbean: 9%
- Europe and Central Asia: 17%
- Global: 17%
- Sub-Saharan Africa: 25%
IFC Asset Management Company, LLC

AMC was established as wholly-owned subsidiary of IFC set up to mobilize capital from third party investors using international best practices to ensure that fiduciary responsibilities to investors are held in the utmost regard by an independently managed team of investment professionals.

Mission

- Achieve superior investment returns
- Foster sustainable development in emerging markets

Investment Performance
- Return-driven culture
- Extensive due diligence
- Focus on entry and exit terms

Value-added Partner
- Growth capital
- Minority investments
- Long-term investment horizon

Development Impact
- Catalyzing foreign direct investment
- High governance standards
- Multiple performance metrics
IFC’s Asset Management Company (“AMC”) Mobilizes Financing for Emerging Markets

• AMC, a wholly-owned subsidiary of IFC, fulfills IFC’s strategic objective to build a new business line to manage third-party capital

• It follows IFC’s successful track record of investments in emerging markets (i.e. over 23% real IRR in last 10 years), and relies on IFC’s investment process and standards

• AMC makes independent investment decisions

• It currently manages three funds:
  - The **IFC Capitalization Fund** (US$3 billion from IFC, JBIC)
  - The **IFC African, Latin American and Caribbean Fund** (US$1 billion from sovereign & pension funds, and IFC)
  - The **Africa Capitalization Fund** (US$120 million committed, of which US$55 million is available for investments, by three IFIs)

• Funds are staffed with dedicated teams of professionals

• Future funds are also planned, each designed to leverage IFC’s deal flow, unparalleled investment experience, and development impact
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MEDIUM TO LONG TERM:
Inclusive Growth & Jobs

Increase Access to Finance:
- Strengthen MSMEs
  - Targeted credit lines to the priority sectors (agribusiness, energy efficiency)
- Support for regional banks
- Banking sector consolidation
- NBFIs

Improve Infrastructure Services:
- Develop PPPs and municipal finance
- Invest in private sector infrastructure in transport, logistics, and renewables
- Improve access to services

Facilitate Competitiveness & Diversification:
- Increase value added of production (especially in manufacturing and agribusiness)
- Enable the growth of SMEs
- Investment climate and corporate governance

SHORT TERM: Economic Stabilization

Crisis Response

Financial Sector
- Sustain and Support Growth: Risk capital to banks; LTF for SME & priority sector lending. Advisory for NPL and risk management and investment in NLPs.
- Supply liquidity: Working capital & STF to maintain supply chains & trade flows.
- Includes support to Western European Bank subsidiaries in ECA to diminish the impact of deleveraging

Real Sector
- Provide local currency, STF, equity & mezzanine capital to support both portfolio clients & new clients with strong fundamentals.
- Advisory in risk management.

Support Portfolio Clients

Mobilization

Increase Access to Finance:
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Infrastructure Services:
- Develop PPPs and municipal finance
- Invest in private sector infrastructure in transport, logistics, and renewables
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Facilitate Competitiveness & Diversification:
- Increase value added of production (especially in manufacturing and agribusiness)
- Enable the growth of SMEs
- Investment climate and corporate governance

Mitigate Climate Change

Increase Regional Integration (e.g., South-South, Frontier, Trade)
IFC Investment Portfolio in Europe & Central Asia

$10.1 B Committed ($8.44 B Outstanding) in 538 projects

Outstanding Portfolio by Sub-Region (US$M)
- Turkey $2,128 26%
- Russia $1,894 23%
- Central Asia $493 6%
- Caucasus $481 6%
- EU-B $286 4%
- W. Balkans $1,012 13%
- Belarus & Ukraine $737 9%
- Regional $266 1%

Outstanding Portfolio by Sector (US$ M)
- MAS $2,538 30%
- INFRA $1,529 18%
- Gty + RM $676 6%
- QE-Equity Type $115 1%
- QE-Loan Type $1,304 15%
- Loan $4,848 58%

Regional = CE Region, EE Region, SE Region
ECA is IFC’s largest global exposure

Outstanding Portfolio by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>US$ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe and Central Asia</td>
<td>8,437</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>7,770</td>
</tr>
<tr>
<td>East Asia and the Pacific</td>
<td>4,391</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>3,755</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>3,542</td>
</tr>
<tr>
<td>South Asia</td>
<td>3,387</td>
</tr>
<tr>
<td>World</td>
<td>1,263</td>
</tr>
</tbody>
</table>

Committed Portfolio has nearly quadrupled in 10 years

Portfolio Composition has evolved:

- **Loans** make up 54% of portfolio, compared to 70% 10 years ago.
- **Quasi-equity products** (loan and equity type) have increased from 8% of portfolio to 16% in 10 years.
- **Guarantees** (including Trade Finance) make up 10% of portfolio, compared with 0% 10 years ago.
ECA FY11 Program: Record Commitments of $4.3 Billion

FY11 Investment Commitments: $4.3 billion in 114 projects
($2.7 bn for IFC’s account, $1.6 bn mobilized)

Commitments in Areas of Strategic Focus:

- **MSMEs**: $1.6 B of finance + targeted advisory
- **Climate Change**: 900m tons of CO2 avoided; $370 m via IS/AS programs; 34% of Advisory expenditures
- **INFRA**: $1 bn mobilized + targeted PPP advisory
- **IDA**: 42% of Advisory expenditures
- **South-South**: 7 projects, $200 m
- **Mobilization**: $1.6 billion + $20 million in donor funding for AS
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MENA Overview

IFC Program has more than doubled in last 5 years

- MENA investment portfolio almost doubled since FY09-concentration in Egypt, Pakistan & Jordan
- Financial markets accounts for around 50% of IFC’s commitments; commitments in power, manufacturing, & chemical sectors growing
- Steady growth in mobilization, regional & South-South projects— close to $3 B in S-S projects and annual equity investments increasing since FY09
- Advisory program scaling up in response to Arab Spring with $15m portfolio growth expected in FY12 reflecting strong growth North Africa and the Levant and increasing Access to Finance and Investment Climate reforms
• IFC approached by large regional players with higher risk appetite & confidence in long-term potential of MENA
• Strong counter-cyclical role since January 2011 to February 2012 to restore confidence in the region
• Examples of confidence boosting and high impact projects include:
  (i) **Egypt**: Orascom Construction Industries – job preservation and creation
  (ii) **Tunisia**: Equity in health provider to broaden access/quality in lower-income & remote regions
  (iii) **Jordan**: Support to a Jordanian pharmaceutical company expand regionally and share innovation/best practices
    • 20 new Advisory operations worth $16 million in areas of MSME finance and training, capacity building, resource efficiency, and business registration and licensing
    • Many investment projects are closely linked with Advisory Services in order to provide an integrated package. BLC in Lebanon – increasing outreach & lending to SMEs with gender focus (training to bank staff & women SME entrepreneurs)
Integrated Strategy focused in the right direction... now need to respond to current demands

**GROWTH & JOBS**

- **COMPETITIVE**
- **PRIVATE SECTOR**

**Corporate Governance**, esp. Family Owned Enterprises

- Reduce Infrastructure Gaps

- Restore Market Confidence, esp through Equity

- Employment Generating Manufacturing & Services

- Support Regional Players & Smaller Companies

- Strengthen Education & Health Sectors

- Regional Integration S-S & mobilization AMC

- Skills Upgrade & IT/Innovation

- **Social Inclusion** (Women & youth)

- Public-Private Dialogue

- Increase A2F (esp. # and growth of MSMEs, affordable housing)

- Introduce New Products
  - Islamic Fin, Refinancing
  - LC Financing

- Climate Change (RE/EE, Green buildings)

- Investment Climate reforms

- **Corporation Governance**, esp. Family Owned Enterprises

- Do more of as Arab Spring Response

- Corporate Governance, esp. Family Owned Enterprises
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IFC’s Value Added

Industry knowledge
Relationship with / understanding of local authorities
Expertise in emerging markets

IFC’s Products
- Capital Mobilization
- B loan program
- Credit enhancement (Partial Credit Guarantee)
- Pre-IPO stamp of approval
- Advisory Services

• Long Term Financing
• Corporate / Project / Acquisition
• Foreign / Local currencies
• Equity / Quasi-equity
• Carbon Finance
# IFC Customer Profile: Multinationals, Regional and Local

What is important about IFC to a company, by size and location

<table>
<thead>
<tr>
<th>What IFC brings to an investment</th>
<th>Multinational</th>
<th>Regional</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality stamp of approval</td>
<td>Always</td>
<td>Always</td>
<td>Always</td>
</tr>
<tr>
<td>Country risk mitigation</td>
<td>Sometimes</td>
<td>Often</td>
<td>Always</td>
</tr>
<tr>
<td>Exposure to country risk volatility</td>
<td>Always</td>
<td>Always</td>
<td>Always</td>
</tr>
<tr>
<td>Good contacts/knowledge</td>
<td>Often</td>
<td>Always</td>
<td>Sometimes</td>
</tr>
<tr>
<td>Competitive cost</td>
<td>Always</td>
<td>Always</td>
<td>Always</td>
</tr>
<tr>
<td>Long term financing</td>
<td>Always</td>
<td>Always</td>
<td>Always</td>
</tr>
<tr>
<td>Access to local currency funding</td>
<td>Always</td>
<td>Always</td>
<td>Always</td>
</tr>
<tr>
<td>Complementary funding source</td>
<td>Always</td>
<td>Always</td>
<td>Always</td>
</tr>
</tbody>
</table>

Legend:
- **Always**
- **Often**
- **Sometimes**
IFC: An Integrated Approach to Financing

- Global Sector Expertise
- Flexible Long Term Financing Solutions
- Risk Management/Insurance Expertise
- Environmental and Social Expertise
How We Finance Projects

<table>
<thead>
<tr>
<th>Project Type</th>
<th>IFC Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenfield, total cost less than $50 million</td>
<td>Up to 35% of project cost for IFC’s account</td>
</tr>
<tr>
<td>Greenfield, total cost more than $50 million</td>
<td>Up to 25% of project cost for IFC’s account</td>
</tr>
<tr>
<td>Expansion or rehabilitation</td>
<td>Up to 50% of project cost</td>
</tr>
</tbody>
</table>

- Umbrella for participants in IFC’s syndication program: IFC lender of record, immunity from taxation and provisioning requirements.
- IFC’s total financing (for its own account) must be less than 25% of total company capitalization, and IFC does not manage or have largest stake.
IFC Financial Products - From Debt to Equity

**Senior Debt and Equivalents**
- Senior Debt (corporate finance, project finance)
- Fixed/floating rates, US$, Euro and local currencies available
- Commercial rates, repayment tailored to project/company needs
- Long maturities: 7-12 years, appropriate grace periods
- Range of security packages suited to project/country
- Mobilization of funds from other lenders and investors, through financings, syndications, underwritings and guarantees

**Mezzanine / Quasi Equity**
- Includes subordinated loans, income-participating loans, convertibles, other hybrid instruments
- Flexible financing option commensurate with risk profile

**Equity**
- Long-term partnership without controlling interest
  - typically 5-20% shareholding
  - 6-8 year holding period
- More than a financial investor, IFC adds to shareholder value
- IFC brings technical/commercial knowledge as partner through a seat on Board of Directors
- Acting as “neutral broker” between stakeholders, IFC can provide political risk mitigation

**Risk Management**
- Currency & Interest Rate Swaps
- Caps, Collars, and Currency Derivatives
- Commodity Derivatives
Mobilizing Financing Syndication “B-Loan” Structure

- A loan is for IFC’s own account
- B loan is for the account of participant commercial banks
- Only one loan agreement signed by the borrower and IFC
- IFC is the lender of record for the entire loan (A+B)
- Structure allows participants to benefit from IFC privileges and immunities
- Better pricing/tenors than otherwise available; preferred creditor access to foreign exchange
- IFC Loans exempt from withholding taxes
Applying IFC’s Performance Standards: A Tailor-Made Process

IFC’s Performance Standards (PS)

• PS1. Social and environmental assessment and management systems
• PS2. Labor and working conditions
• PS3. Pollution prevention and abatement
• PS4. Community health and safety
• PS5. Land acquisition & involuntary resettlement
• PS6. Conservation of biodiversity and sustainable natural resource management
• PS7. Indigenous peoples
• PS8. Cultural heritage

• Meeting all 8 standards upfront not required - select PS apply to each project and most clients meet many of them already
• In areas in which clients do not already benefit from international best practices, we agree on a flexible action plan and guide them through the process
• Implementation process is tailored to client’s particular situation
## IFC’s Performance Standards: Best Practice Tools in Risk Management

### Implementing the Performance Standards Guards Against Unforeseen interruptions in Project Execution:

- Strikes or protests
- Costly environmental clean ups
- Loss of investor confidence due to unfavorable media attention

### Meeting the Performance Standards Helps to Improve the Bottom Line:

- Helps ensure smooth and continuous operations
- Maximizing local development benefits fosters good neighborly relations
- Good corporate citizenship raises project’s acceptance locally and with governments
- Optimization of resource management (water, energy, etc)
- Helps to create reliable and cost effective supply chains
- Helps attract top talent both locally and internationally
- Enhances company brand value to investors

Meeting the Standards = Stamp of Approval
Environmental and Social Risk Mitigation

IFC in-house environmental and social specialists assist clients with:

- Pollution prevention
- Cleaner production
- Socioeconomic/workplace/labor issues
- Land acquisition/resettlement/compensation
- Indigenous peoples
- Biodiversity

- Community development & consultation
- Cultural property
- Impact assessments
- E&S management systems
- Health & safety
- HIV/AIDS
- Gender empowerment
Risk Management and Insurance

IFC’s experienced in-house insurance specialists assist clients with:

- Risk assessment and guidance on mitigation, transfer and treatment
- Input into risk philosophy or risk management strategies to help identify exposures that can be handled internally, and those which are best transferred to other parties, including insurers
- Sharing of risk management best practice for regions/industries and of insurance pricing, terms and conditions
- Guidance on ways to reduce insurance costs and input into selection process for external advisors/brokers
- Claims assistance with insurers

IFC can also provide clients with financial risk mitigation instruments (interest rate swaps, currency swaps, options, forward contracts)
Supporting IFC’s Mission By:
- Developing business with European companies in emerging markets
- Mobilizing financing from commercial and development institutions for IFC’s projects and initiatives as well as donor funding for IFC Advisory Services
- Managing relationship with European stakeholders
- Communications & Outreach

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