

**The Philippines shows how political will can lead to far-reaching momentum in the energy sector.**

# 15 INTERNATIONAL FINANCE CORPORATION

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## Introduction

First, I would like to congratulate ADB for organizing this workshop on financing opportunities in a region which we believe the International Finance Corporation (IFC) has great potential. I am also grateful to ADB for giving me the opportunity to say a few words on the IFC.

IFC is the private sector arm of the World Bank, which means it provides the financial and technical assistance to projects in the private sector. Private sector means that it is at least 51 percent owned by private entrepreneurs. We understand that in the Central Asian Region and the PRC the private sector is only starting to emerge and the IFC is targeting this emerging sector.

## Lending Activities

IFC typically lends to bigger projects, i.e. projects having a total project cost of not less than \$15 million for industrial projects. In the Central Asian Region IFC's strategy has been to initially focus on the financial sector, as IFC believes that a strong financial sector is the backbone for industrial investment and growth. Consequently, IFC assisted in the establishment of the first private commercial banks in Kazakstan, Kyrgyz Republic, and Uzbekistan, and the first leasing companies in Kazakstan and Uzbekistan. IFC has also lent support to several private commercial banks in these countries through provision of lines of credit and investment in their equity.

In the industrial sector, since there was no private sector to speak of and also a lack of equity funds by local entrepreneurs, IFC decided to reach out to smaller companies and businesses under a pilot program known as “Extending IFC’s Reach” (EIR). Under the EIR, IFC is targeting projects in the small and medium enterprise sector, i.e. projects with a total cost of between \$500,000 and \$5 million. Typically these are existing companies that have recently been privatized and bought out by a group of entrepreneurs. These enterprises have been nonoperational for several years owing to obsolete equipment, lack of working capital, or even lack of appropriate technical, management, and marketing skills. After its due diligence and appraisal of each project, IFC may decide to provide the necessary financing to do it. In many cases IFC may also assist the company in identifying suitable world-class technical partners to invest in the project along with the local sponsors.

Typically, when IFC finances a project, it takes a maximum stake of up to 25 percent of the total project cost in the case of a greenfield project. For an existing company (and under the EIR) this exposure could go up to 50 percent. The financing can be in the form of debt or a combination of debt and equity.

## **Specialist Departments within IFC**

Internally, IFC is organized according to regions and specialist departments. For example, I belong to a regional department covering Central Asia, whereas transport, infrastructure, oil, gas, and mining are specialist departments. In the case of any projects falling into these sectors, the specialist departments can be contacted. In principle, IFC is keen on investments in these areas.

### **Cofinancing Activities**

In cases where there is need for more debt than IFC can provide of its own accord, IFC mobilizes cofinancing/syndications from other sources. We call these syndications B-Loans which are the cornerstones of IFC’s mobilization efforts. Through this mechanism participants share fully in the commercial credit risk of the projects, but also enjoy the advantages that IFC derives as a multilateral development institution. This structure offers financial institutions the opportunity to participate in carefully appraised loans in countries that they might not otherwise view as attractive. Historically, for each dollar of investment IFC makes in a project, it is able to attract an additional five dollars of investment.