

IFC's Products and Services

Investment Products

Equity and Quasi-Equity

IFC risks its own capital by buying shares in project companies, other project entities, financial institutions, and portfolio or private equity funds. We generally subscribe to between 5 and 20 percent of a company's equity. We will not normally hold more than a 35 percent stake or be the largest shareholder in a project. We are a long-term investor in our projects. When it comes time to sell, we prefer to exit by selling shares either in a trade sale or, if liquidity permits, in a capital market following a public offering.

With quasi-equity instruments, we invest through products that have both debt and equity characteristics. Some instruments, like subordinated loans and convertible debt, impose fixed-repayment schedules. Others, such as preferred stock and income notes, do not require such rigid repayment arrangements.

Loans and Intermediary Services

We finance projects and companies through our A-loans, which are for IFC's own account. IFC cannot accept government guarantees as security for its loans. The maturities of A-loans generally range between seven and 12 years at origination, but some loans have been extended to as long as 20 years. IFC's loans are provided in major currencies and in an increasing number of emerging market currencies.

We carry out comprehensive due diligence before investing in any project. Because of our extensive lending experience in developing countries, we are uniquely qualified to evaluate the risks associated with projects. We are willing to extend loans that are repaid only from the cash flow of the project, with only limited recourse or without recourse to the sponsors.

We also make loans to intermediary banks, leasing companies, and other financial institutions through credit lines that result in further on-lending. These credit lines are often targeted to small businesses.

Syndicated Loans

Syndicated loans, or B-loans, are a key part of IFC's efforts to mobilize private sector financing in developing countries, thereby broadening our development impact. Through this mechanism,



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financial institutions share fully in the commercial credit risk of projects, while IFC remains the lender of record. Participants in IFC's loans share in the advantages that IFC derives as a multilateral development institution, including its *de facto* preferred access to foreign exchange. Where applicable, these participant banks are also exempted from the mandatory provisioning requirements that regulatory authorities may impose.

Structured Finance

IFC also offers structured finance solutions to clients, enabling them to raise a significantly larger amount of capital than that represented by IFC's own exposure. This is especially important for mobilizing local currency funds in the domestic market from institutional investors and financial institutions.

Through partial credit guarantees of debt instruments, IFC uses its triple-A credit rating to help clients diversify their funding sources, extend maturities, and obtain financing in their currency of choice. IFC also helps clients structure securitizations and risk-sharing facilities, transactions that allow a client to sell off part of the risk associated with a pool of assets. IFC is continuing to develop other structured products in response to clients' financing needs.

Risk Management

IFC's risk management products provide clients with access to long-term derivatives markets. Currency-hedging instruments allow clients to hedge their foreign exchange exposures, typically related to foreign currency borrowings. With the development of emerging market derivatives, IFC offers hedges into local currency where these markets exist. IFC also provides derivative products to enable clients to manage their interest rate and commodity price risks.

Technical Assistance and Advisory Services

Technical assistance further complements IFC's investment activities by offering advisory and training services to governments and private companies in developing countries. IFC delivers many of these services through donor-supported technical assistance facilities that focus on either a region or a strategic aspect of development. IFC also manages trust funds supported by donor governments and has established a funding mechanism that sets aside a portion of the Corporation's net income as a contribution to donor-funded operations.

IFC collaborates with the World Bank through several joint units dealing with aspects of private sector development, including policy issues, sector advice, and specific transactions. Our activity includes advice on competition policy, privatization structuring, and policy analysis of the investment climate.

Much of our technical assistance and advisory services aims to improve business practices of the companies and financial institutions in which we invest. The focus includes upgrading compliance with international standards, especially in the areas of corporate governance and environmental and social performance. Efforts promote development of smaller enterprises, create links between these enterprises and larger companies, and help our clients increase their community development activities in the areas where they operate.