

Debt and Asset Recovery Program

GLOBAL FINANCIAL CRISIS RESPONSE AND RECOVERY:

- As a result of the global financial crisis, businesses are facing difficulties refinancing debt and banks are dealing with rising levels of non-performing loans (NPLs). The International Monetary Fund estimates that, as a result of the crisis, the amount of distressed assets and NPLs is set to rise from \$1.5 trillion to up to \$3.0 trillion. It is estimated that up to \$1.5 trillion in emerging market corporate debt will mature in 2009.
- Such high levels of troubled assets restrict credit flows and mean individuals and businesses suffer reduced access to affordable finance.
- In response, IFC has launched the Debt and Asset Recovery Program (DARP). Through the program IFC will partner with other international finance institutions (IFIs) and private sector partners on specific projects.
- DARP aims to support real and financial sector stability, growth, and development by addressing restructuring needs, cleaning up financial systems, and restoring the health of companies and financial institutions.
- IFC will contribute up to \$1.55 billion over three years and the program expects to mobilize an additional \$4-5 billion from other IFIs and private sector partners. IFC is in discussions with IFIs including EBRD, DEG, FMO, OPIC, OeEB, and IADB on specific projects. The first deal signed under DARP will involve CRG, a restructuring fund focused on Central and Eastern Europe.
- DARP will invest both directly (in businesses that need to restructure their debt and in pools of distressed assets) and indirectly (via investment funds targeting pools of distressed assets or distressed companies). IFC will also launch a distressed asset fund.
- IFC will target debt and asset recovery in both middle income countries and in smaller, poorer developing countries. Through DARP, IFC will also provide advisory services focused on helping banks manage risks and deal with troubled assets.

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