The Power of Partnership and Mobilization

These are extraordinary times. They are also times when IFC can have considerable impact. They are times that are exceptionally difficult for many people in emerging markets, who are feeling the impact of a global financial crisis that may push more than 50 million of them back into poverty.

Never has there been greater need for IFC and its vision: That people should have the opportunity to escape poverty and improve their lives.

Financing options have dropped precipitously for the private sector, a key engine of recovery, job creation, and economic growth throughout these countries. Under these harsh conditions, much of the recent momentum in poverty reduction is unfortunately at risk.

Yet as the largest global development institution focused on the private sector, bolstered by a strong financial position, sound risk management policies, and a talented and diverse global staff, IFC is contributing to the international community's response to the crisis. Guided by our vision, we are working with our partners to mobilize new resources, and supporting our clients and member countries with investment and advisory services at a time when they need us the most.

In doing so, we have had to think creatively, prioritizing our actions in areas where we can make the greatest difference.

As a result, we have joined forces with others on several major new crisis response initiatives, supporting banks, trade finance, microfinance institutions, and infrastructure projects, as well as refocusing our advisory services around emerging needs. We have also begun developing a Sovereign Fund, joined a new multilateral initiative to finance businesses in Central and Eastern Europe, and begun actively looking for solutions in other key areas such as food supply and distressed asset recovery.

Our shared vision is
That people should have the opportunity to escape poverty and improve their lives.

Our core values are
- Excellence
- Commitment
- Integrity
- Teamwork

Our purpose is
To create opportunity for people to escape poverty and improve their lives by:
• Promoting open and competitive markets in developing countries
• Supporting companies and other private sector partners where there is a gap
• Helping to generate productive jobs and deliver essential services to the underserved

In order to achieve its purpose, IFC offers development impact solutions through firm-level interventions (direct investments and advisory services), standard-setting, and business enabling environment work.
The Power of Partnership and Mobilization

These are extraordinary times.

They are also times when IFC can have considerable impact.

They are times that are exceptionally difficult for many people in emerging markets, who are feeling the impact of a global financial crisis that may push more than 50 million of them back into poverty.

Never has there been greater need for IFC and its vision:

- Strengthening our focus on Africa and other frontier markets
- Developing local financial markets
- Building long-term client relationships
- Addressing climate change and sustainability
- Focusing on private infrastructure, health, education, and the food supply chain

Partnerships are essential to all of these efforts.

We partner with clients, with donor governments, development finance institutions, and many other organizations to carry out this agenda.

Many of the stories in this collection reveal the power of partnership, mobilizing resources to create opportunity and improve people’s lives.

At a time of both great adversity and great opportunity in the global economy, this is our story. We are a global partner in times of change.

Lars H. Thunell
Executive Vice President and CEO

Highlights of IFC’s Reach

- $94 billion in micro, small, and medium enterprise loans by client financial institutions
- $54 billion in local purchases of goods and services by client companies
- 18.2 million water distribution customers
- 5.5 million health care patients
- Activities in more than 130 countries

(NOTE: Data for calendar year 2007)
IFC is responding to the global economic downturn with a series of large-scale initiatives, helping developing countries weather the storm with a broad package of targeted investments and advisory services. The initiatives help companies hold their own in challenging times—keeping people at work, products on the shelves, and money in the banks.

CRISIS RESPONSE: IFC’s Strategy

Providing Liquidity Support

Trade
The global crisis is steering private capital away from emerging markets and into lower-risk assets. Vital commercial trade finance lines are being cut, creating a need for new funding in previously well-financed sectors. IFC has two complementary programs to support trade finance:

- IFC has expanded its Global Trade Finance Program from $1 billion to $3 billion, guaranteeing risks that commercial banks will not take—especially for smaller companies in the poorest countries—and allowing support for an additional $18 billion in trade. Now active in 68 countries, the program expects to add an additional $18 billion in trade.

- A new Global Trade Liquidity Program will work on a larger scale, teaming IFC with Standard Chartered Bank, Standard Bank of South Africa, other major international banks, and development partners to support $50 billion of trade throughout the financial crisis.

Infrastructure
The crisis also threatens many upcoming infrastructure projects that are expected to play an important development role:

- IFC’s new Infrastructure Crisis Facility supports viable private sector or public-private partnership projects (PPPs) that face financial distress because of the crisis. Debt and equity components will provide short- to medium-term financing and advisory services to help governments design or redesign PPPs. Plans include:
  - Ensuring a minimum level of continued new project activity where restarting project development plans could otherwise take several years;
  - Investing up to $300 million or its equivalent in the facility’s equity fund, with other investors expected to provide at least $1.2 billion.

Microfinance
Although commercial microfinance as a whole continues to perform well, the private capital it has started attracting in recent years is now virtually unavailable. To help this critical industry rebuild, market confidence and maintain its momentum in the fight against poverty:

- IFC and German development bank KfW have created a Microfinance Enhancement Facility with initial funding of $500 million. Three of the industry’s leading private fund managers (BlueOrchard Finance, responsAbility Social Investments AG, and Cyrano Management) will oversee funds, ensuring rapid deployment and cost efficiency.
  - More than 100 microfinance institutions will receive needed refinancing.
  - The initial focus will be on large players with extensive reach.
  - The initiative will support 60 million low-income borrowers in the world’s poorest countries.

Investing in Leading Local Banks
As losses mount among private banks, local financial sectors will need strengthening. But developing countries lack the resources to take the same approach as the U.S. and several European countries. Even in countries receiving IMF support, local banks often prefer to receive new private capital in order to stay independent.

- The IFC Capitalization Fund will provide additional capital for major banks in developing countries so that they can keep lending and supporting economic recovery and job creation through the crisis.
  - The fund will make subordinated loans and equity or equity-linked investments in major private banks or state-owned banks on a clear path to privatization.
  - The fund will make subordinated loans and equity or equity-linked investments in major private banks or state-owned banks on a clear path to privatization.

Enhancing Advisory Services
IFC Advisory Services are being refocused to help clients weather the crisis. Priorities include:

- Scaling up specific existing programs in response to growing client needs;
- Designing new crisis-response programs in risk management and nonperforming loan management;
- Raising up to $60 million from donors to supplement IFC resources for advisory work at the firm and bank level (such as risk management and corporate governance) as well as in policy reform (in areas such as insolvency frameworks).

Rebuilding Financial Infrastructure
Between them, the world’s nationally owned investment funds manage trillions of dollars. It is a vast pool of public capital that is always seeking attractive returns—but until now has too rarely considered private companies in Sub-Saharan Africa and Latin America and the Caribbean, seeing too many obstacles standing in the way.

A new $1 billion IFC equity fund bridges this gap, presenting attractive new opportunities for a class of investors that may not be familiar with Africa and Latin America and the Caribbean today, but can be a significant force in their development going forward.

Part of IFC’s Sovereign Funds Initiative, this approach allows national pension funds, sovereign funds, superannuation funds, and sovereign endowments from IFC shareholder countries to co-invest in IFC’s equity transactions. It draws on a proven track record that has brought IFC average internal rates of return of more than 20 percent on its equity and equity-related investments in Africa and Latin America and the Caribbean together since 1990 (calculated as of the end of 2008). IFC will invest up to $200 million in the fund, managing it as a fully commercial entity that will also create opportunity and improve people’s lives in both regions.

**IFC’S DIRECT EQUITY INVESTMENTS IN SUB-SAHARAN AFRICA AND LATIN AMERICA AND THE CARIBBEAN**

*From mid-1990 to end-2008*
Contents

■ ACCESS TO FINANCE

Pakistan
■ Keeping Trade Alive
  Ramping Up the Response 4

Georgia
■ Local Banks
  Strengthened with IFC Support 6

Malawi
■ Small and Medium Enterprises
  Driving Job Creation 8

■ INFRASTRUCTURE

Panama
■ The Panama Canal
  An Essential Expansion 10

Global
■ Water
  A Cleaner, Healthier Future 12

■ CLIMATE CHANGE

Global
■ Renewable Energy
  For a Sustainable Future 14

Russia
■ Energy Efficiency
  Cutting Costs, Raising Profits 16

■ SUSTAINABILITY

Global
■ Setting Standards
  The Better Cotton Initiative 18

Peru
■ Tax Revenues
  Change Point for Local Communities 20

■ PARTNERSHIPS

Global
■ IFC and the European Union
  Partners in Development 22

■ FRONTIER MARKETS

Southeast Europe
■ The Roma
  Poorest of Europe’s Poor 24

Bangladesh
■ Factory Jobs
  Lifeline for the Future 26

■ LESSONS FROM THE PAST

■ Crisis Response: IFC’s Track Record
  Korea: 1997-98 30
  Argentina: 2004 31
These are drastic times, requiring dramatic action. The linchpin of the global economy, international trade, is expected to decline this year for the first time since 1982. IFC and other international organizations must do all they can in response: keeping trade flowing is essential to saving jobs and curbing the impact of the crisis on people in the developing world.

As global conditions worsened in September and October 2008, Pakistan faced its own crippling combination—political uncertainty, a balance of payments crisis, and a country rating downgrade. Foreign bankers grew especially wary. Many raised rates and cut their country exposure dramatically, leaving Pakistani banks hard-pressed to support clients’ short-term import and export transactions.

Suddenly many of Pakistan’s largest private financial institutions needed another solution to their trade finance needs. IFC stepped in, providing seven Pakistani banks with a combined $140 million in guarantees since September 2008 to support transactions in agricultural products, oil, iron, and other industrial sectors—playing an important role in the broader economy at a critical time.

IFC has provided its most active local trade finance client, Habib Bank, with $58 million in guarantees to keep things moving during this period. This has supported 17 different transactions, including some with small and medium enterprises in the all-important textile industry. It means smaller producers in Karachi, Faisalabad, and other cities can still import essential raw materials and equipment, ship their yarn, cloth, and fabric to buyers overseas—and keep their people employed.

As with all transactions in our Global Trade Finance Program, the Pakistan guarantees have seen no defaults. We are now increasing the program substantially, attracting more private Pakistani banks and many others in an initiative that will underpin $18 billion in trade globally over the next three years.
The conflict in Georgia in the summer of 2008 created many levels of economic uncertainty, including massive withdrawals from local banks, which lost 13 percent of their total deposits in just one month’s time. The disruptions triggered a chain reaction of problems that threatened lasting damage to the Georgian banking system, causing a near halt to mortgage lending and blocking money from flowing in other critical credit markets. “Operations could hardly have been more difficult,” wrote a leading industry voice, the Financial Times publication The Banker.

This was a painful reversal for a poor country that had experienced remarkable growth rates and new foreign investment in recent years. These gains had been the result of a concerted commitment to reform, including efforts to root out corruption, strengthen the legal environment, and generally make Georgia an easier place to do business.

IFC responded swiftly to the turmoil, helping craft a $200 million financing package for the country’s leading financial institution, the Bank of Georgia. Finalized in December 2008, the transaction included $100 million each from IFC and the EBRD, helping stabilize the Georgian banking sector and ensuring that money could move despite ongoing global financial instability. The strong show of support continued a long-term IFC relationship with the Bank of Georgia that has been growing with investment and advisory services since 2000. Our ongoing support has helped the bank start the mortgage industry in Georgia, extending more than 20,000 mortgages of its own and sparking competition from others that has significantly improved home loan terms for borrowers.

Such individual bank-level efforts are at the heart of IFC’s crisis response mandate to help leading emerging market banks continue lending to consumers even during the current downturn. It fills a critical gap as wealthier nations focus inward to shore up their own troubled banks.

**Local Banks Strengthened with IFC Support**

The conflict in Georgia in the summer of 2008 created many levels of economic uncertainty, including massive withdrawals from local banks, which lost 13 percent of their total deposits in just one month’s time. The disruptions triggered a chain reaction of problems that threatened lasting damage to the Georgian banking system, causing a near halt to mortgage lending and blocking money from flowing in other critical credit markets. “Operations could hardly have been more difficult,” wrote a leading industry voice, the Financial Times publication The Banker.

This was a painful reversal for a poor country that had experienced remarkable growth rates and new foreign investment in recent years. These gains had been the result of a concerted commitment to reform, including efforts to root out corruption, strengthen the legal environment, and generally make Georgia an easier place to do business.

IFC responded swiftly to the turmoil, helping craft a $200 million financing package for the country’s leading financial institution, the Bank of Georgia. Finalized in December 2008, the transaction included $100 million each from IFC and the EBRD, helping stabilize the Georgian banking sector and ensuring that money could move despite ongoing global financial instability. The strong show of support continued a long-term IFC relationship with the Bank of Georgia that has been growing with investment and advisory services since 2000. Our ongoing support has helped the bank start the mortgage industry in Georgia, extending more than 20,000 mortgages of its own and sparking competition from others that has significantly improved home loan terms for borrowers.

Such individual bank-level efforts are at the heart of IFC’s crisis response mandate to help leading emerging market banks continue lending to consumers even during the current downturn. It fills a critical gap as wealthier nations focus inward to shore up their own troubled banks.
Ruth Thindwa may serve the tastiest chicken lunches in all of Malawi. Just ask her many satisfied customers. In 2007, she and her husband used their entire savings to open a small restaurant in the country’s business hub, Blantyre. It was a risk, but soon her delicious roast chicken, stewed beans, and other local favorites had built a steady following. By 2008 she was ready to expand, increasing the restaurant’s workforce and boosting her income. Ruth turned to NBS Bank, a local institution that is becoming a leading small business lender with IFC’s help.

NBS lent Ruth 350,000 kwacha (about $2,300) so she could raise her own chickens, giving her restaurant a reliable and cost-effective supply. But as a 23-year-old, first-time entrepreneur with little formal business training, she needed more than just loans. She entered IFC’s Gender Entrepreneurship Markets (GEM) program that supports women entrepreneurs across Africa and the Middle East.

“The GEM training was wonderful,” Ruth said. “I learned about better bookkeeping, accounting, and many ways to improve my business. I also met other women who were running successful businesses, and now am ready to go back for another loan so we can decorate the restaurant and buy new kitchen equipment.”

Today Ruth is well on the way to doubling her number of daily customers. Helping promising small business owners like her break through is central to IFC’s strategy in low-income regions, especially in places where they have trouble accessing finance and business advice.

IFC has given NBS Bank a $5 million loan and extensive advisory services to build its small and medium enterprise (SME) loan portfolio. In the last two years the bank has lent successfully to more than 500 smaller clients, helping create employment and build businesses in a country where millions have trouble finding steady work.

Ruth Thindwa’s chicken restaurant is one of Malawi’s best—built with loans from IFC’s Africa Micro, Small, and Medium Enterprise Finance Program and related business advice for women entrepreneurs.
The Panama Canal
An Essential Expansion

As soon as it opened almost a century ago, the Panama Canal changed the game in global trade. The first man-made link between the world’s two largest oceans, Atlantic and Pacific, it allowed export goods to reach key markets faster than ever before.

Ninety-five years later, the 80-kilometer waterway is one of the developing world’s most successful infrastructure projects—and in need of major upgrade to accommodate the 21st century’s increased traffic and larger cargo ships.

With IFC’s help, a $5.25 billion expansion project that will double the canal’s capacity by 2014 is going ahead on schedule, fully financed even in today’s severe economic climate.

A key part of IFC’s global commitment to strengthening infrastructure, the effort will create up to 7,000 construction jobs for local workers. It will also generate $13 billion in revenues earmarked for new government development programs—vital in a country where 40 percent of the people are poor.

Yet for all its importance, this high-visibility megaproject faced difficulties last year. An initial plan that had counted on commercial banks providing extensive financing had to be revamped as global financial markets deteriorated in the second half of 2008.

But the project was too critical to shelve. Despite the difficult conditions, IFC provided $300 million alongside the Inter-American Development Bank and others as part of a $2.3 billion package from development finance institutions that filled the financing gap.

With infrastructure needs growing and financing options shrinking, IFC is taking this experience global. Our new Infrastructure Crisis Facility and other initiatives will support high-priority projects, ensuring that key efforts like the Panama Canal expansion can move forward as planned even in uncertain times.

The world depends on shipping that passes through the Panama Canal. When the global credit contraction threatened its $5.25 billion expansion, IFC financing helped the project go ahead as planned.
Clean water is a basic human need. But in Bose Raju’s small Indian village, it had long been a luxury. Like a billion other people in the world, he simply didn’t have it, leaving his health at serious risk. “Never in my lifetime did I think we would find a solution to the problem of unsafe water,” he says.

Now he has: IFC client WaterHealth International’s low-cost ultraviolet technology. An innovative, bottom-of-the-pyramid business solution, it quickly filters out the microbes, allowing the firm to sell healthy, purified water for less than a penny a liter—prices even the poor can afford.

WHI entered the Indian market in 2005, soon after receiving IFC’s early-stage $1.2 million investment. This helped attract more from others like Dow Chemical of the U.S. and India’s ICICI Bank, and today the firm sells clean, affordable water in more than 200 Indian communities. Additional IFC financing is backing WHI’s new $32 million expansion, enough to make an impact on the waterborne diseases that claim hundreds of thousands of lives each year in India—more than any other country.

Twenty percent of the world’s population faces water shortages today, numbers that may rise dramatically if climate change and population growth pressures continue in the coming decades.

IFC provides a multifaceted response. We focus just as hard on agribusiness, an industry that accounts for 70 percent of world water use, much of it fraught with waste. To show that water conservation is good business, we strengthen clients like Jain Irrigation, India’s largest provider of micro irrigation systems. Its technology has helped local farmers increase their water efficiency by as much as 95 percent, and will now be sold in Africa and the Middle East as well.

This is IFC’s global water strategy—building the private sector’s role in averting what could be the world’s next great crisis.
The debate is over; consensus has been reached. To avoid the worst effects of climate change, the world must start moving to cleaner power sources.

It is an essential transition, one that only the private sector can drive. IFC can help in many ways, including finding new markets for proven technologies that will make a major difference, starting with wind. If adequately financed, it could meet nearly a third of the world’s electricity needs by mid-century, saving billions of tons of carbon dioxide emissions in the process.

The needs are greatest in emerging economies hungry for new power. Three years ago AES Corporation—a global power company we’ve financed in Cameroon, El Salvador, Pakistan, and other countries over the years—saw opportunity in Bulgaria, a country that had long relied on antiquated power plants. AES began planning one of emerging Europe’s largest wind farms, a 156-megawatt site at Kavarna, near the Black Sea coast. But Bulgaria’s regulatory climate for renewable energy was new and untested, limiting commercial banks’ interest in financing such a large-scale project.

IFC stepped in, filling a substantial part of the financing plan and helping the sponsor manage sensitive environmental risks such as impacts on the area’s endangered birds. We provided a €40 million, 16-year loan, working alongside the EBRD and Italy’s UniCredit to bring the transaction to financial close even as market conditions deteriorated in late 2008.

The €270 million project is due to open next year. It gives Bulgaria just the right combination—increasing generating capacity while reducing emissions.

IFC plans to invest more than $3 billion in renewable energy and energy efficiency projects over the next three years.
Aleksey Timofeyev owns a thriving soft drink company in Russia’s Urals region. After more than doubling his workforce in the last five years, he faced the classic small businessman’s dilemma: how to reach the next level, raising the capital he needed to sustain growth and compete against larger, better-financed international firms.

He had a choice—either buy expensive new equipment that would allow him to expand, or risk losing market share in an increasingly competitive environment. “My priority was to find financing on attractive terms that could be arranged quickly,” he recalls.

Other local banks might have said no to a small business like his. But MDM Bank said yes. A partner in IFC’s Russia Sustainable Energy Finance Program, it tapped into a special IFC credit line that Aleksey’s firm used to borrow $200,000 and add a new, energy-efficient bottling line. It has reduced his power costs by 58 percent, helping increase profits considerably. “The outcome exceeded my expectations,” Aleksey recalls. “Not only did our company get the loan we needed, but we were also able to assess and realize our energy efficiency potential.”

He is just one of many promising small business owners in Russia benefiting from IFC’s support through the energy efficiency finance program. Funded with support from our Finnish and Danish donor partners and the Global Environment Facility, it has helped Russian entrepreneurs access nearly $64 million in local bank loans and learn from experts how to enhance efficiency. The result: environmental improvements, cost reductions, and bottom-line benefits.

The effort also has resulted in a significant environmental payoff. By replacing outdated equipment with cleaner technology, participating companies have reduced their greenhouse gas emissions by nearly 2 million tons, the equivalent of taking some 300,000 cars off the road a year.
Global Setting Standards
The Better Cotton Initiative

There are many good reasons to push for change in cotton—30 million reasons, in fact.

That’s how many farmers worldwide depend on cotton, almost all of them small-scale producers in developing countries. But too often their production methods involve dangerous pesticides, waste precious water resources, and lead to loss of animal habitat, while also exploiting workers with long hours, low pay, and forced child labor.

But these farmers feed one of the world’s most complex global supply chains. It is almost impossible to trace where their output ultimately goes, or apply the consumer pressure that has helped reform diamonds, wood products, food and beverages, and other industries. Unless many leading players in cotton come together with a long-term commitment to change, deep-rooted problems will remain.

This was the challenge IFC assumed in 2003 in working with the global conservation organization WWF to rethink cotton. The result: today’s Better Cotton Initiative, a global corporate social responsibility venture linking buyers such as Adidas, Gap, H&M, and IKEA with other leading stakeholders to build a more sustainable industry. The business case is strong: conscientious retailers in the North can protect their reputations by increasingly buying from well-regarded producers in the South, who in turn see sales expand as demand for responsibly grown cotton rises. Members help build this market by agreeing to buy primarily from producers with high social and environmental standards.

IFC brings much to the process. We have helped set “smart standards” that make sustainability part of mainstream business in much of project finance, palm oil, soy, and other key industries. And with a global network of 350 partner banks, we can help local lenders learn whether to finance potential cotton sector clients based on their social and environmental performance.

A $13 billion global industry will not change overnight. But it’s a start.

IFC, Adidas, Gap, H&M, IKEA, and others are working together to support sustainable cotton.

Farmers in Africa and other regions gain access to new markets through the Better Cotton Initiative, a far-reaching effort to build more social responsibility into production of one of the world’s most important crops.
Mining is Peru's largest industry. It has also been a controversial one, criticized at times for generating big profits for foreigners, but few benefits for those living near the mines.

It is a core issue for development—and one where IFC helps build win-win solutions.

In the past, mining tax revenues rarely reached local residents to any significant degree. Even when a new law began to put half a mine’s taxes in the hands of nearby regional and local governments in 2001, local officials could not always use the funds effectively. There was no overnight improvement.

Supported by our Canadian, U.S., and U.K. donor partners, IFC has helped bring an essential missing ingredient into this process: increased public accountability.

Called Improving Municipal Investment (MIM in Spanish), our process uses three steps to ensure that the voice of the people is heard: disclosing the amount of new tax revenues received, stimulating public feedback about their initial uses, then bringing citizens and authorities together to monitor the progress of existing projects and discuss ideas for future ones that may have bigger impact. Academics, business and professional groups, NGOs, and other stakeholders are all involved, increasing the chances that tax money will be well spent.

Today, schools in the desert copper-mining regions of Tacna and Moquegua are being expanded with mining tax revenues. High in the Andes in Cajamarca, the Luis Alberto Sanchez Housing Association has a new sewage system. All are publicly funded projects that local communities had prioritized and requested in open dialogue with their elected officials.

IFC’s advisory services focus on Peru’s 12 key mining centers, which have received $600 million in new tax revenues since 2005. For the 1 million people living there, the debate now is not so much about what the mines do, but how best to use the public revenues they generate.

**Stakeholder Dialogue: Giving the people a voice.**

Mining towns across Peru have stronger schools and access to water services today, thanks to an IFC program that helps local communities make good use of tax revenues that once failed to reach them.
It is a natural partnership: the European Union, the world’s largest development assistance donor, and IFC, the top global development finance institution focused on the private sector.

A strong new relationship is growing between the two, bringing IFC and the EU’s European Commission (EC) together in an initiative that uses an index-based approach to insure against natural disasters in some of the world’s poorest countries.

Carriers in Africa and other regions rarely offer the hazard insurance familiar to industrialized countries. As a result, earthquake, flood, and hurricane victims often lose their homes in an instant with no recompense. They typically can recover only with help from a donor-funded disaster relief program, and then only after long, harrowing delays.

In response, IFC is teaming with a major insurance industry player and others to launch an index-based reinsurance company. It will transfer proven underwriting techniques to local emerging market insurance firms, allowing them to start providing index-based weather and catastrophic risk insurance. Policyholders will qualify for payouts as soon as statistical indexes for high wind speeds, reduced rainfall, and the like are triggered, without having to wait for disasters to occur. The partnership scales up earlier World Bank pilot models in Ethiopia, Malawi, Mongolia, and other countries.

The EC is the primary donor to the initiative’s related advisory services and capacity building program, providing $31 million to build local partners’ skills and support the regulatory environment, product development, and specific risk transfer projects in African, Caribbean, and Pacific countries. Other upcoming IFC/EC joint efforts will further extend the private sector’s reach in development.
Hope comes hard to the Roma. Also called gypsies, they are Europe’s most marginalized people, living on the fringe of society since arriving from India more than 1,000 years ago. Most are born poor and stay poor, held back by widespread illiteracy and unemployment. In the Balkan countries, their poverty rates can be 10 times higher than the national average. Many survive only by selling scrap metal, waste paper, and other goods to local recycling companies. IFC meets them there.

Albania’s Fadil Hyseni barely earned enough to cover his family’s needs by selling used plastic bottles. He dreamed of doing better, replacing his small cart with a used van so he could haul more goods to clients. But he was an illiterate trash-picker. No bank would lend him money. Our Tirana office was impressed by his honesty and energy, and helped Fadil borrow $6,100 from an IFC client microfinance institution. He bought the van, and his sales shot up. He now has contracts with three local recycling mills, generating income that allows him to hire other Roma and improve his home. “Nobody trusted us before,” says Fadil’s wife, Naxhije. “But now we can see some light at the end of the tunnel.”

In Serbia, IFC gave more than 1,000 Roma basic business training and explained the health and safety risks of working with recyclables. Many have since registered for essential government services for the first time. “Almost 50 Roma children from the village of Osecina now attend primary school,” says community leader Zlatomir Jovanovic. “The support we got from IFC not only enabled us to improve our recycling businesses, it helped us change the way we think about the future of our children.”

Funded with support from Austria, IFC’s recycling linkages advisory services project in Southeast Europe has reached more than 25,000 Roma to date.

Selling scrap metal and used plastics to local recycling companies is one way the Roma of Southeast Europe can earn a steady income. IFC helps them get loans and training, making a business of it.
Bangladesh

Factory Jobs
Lifeline for the Future

The garment industry employs 2.5 million people in Bangladesh. Most are poor women who travel into Dhaka from remote villages, finding relatively good-paying jobs that point the way to a better future.

But the global economic downturn and other factors are increasingly pressing supply chains to comply with international standards and produce faster, better, cheaper. The comparatively low efficiency of many of Bangladesh’s garment factories—often more than two times below global benchmarks—puts jobs at risk.

IFC works on two levels to strengthen this industry that accounts for 75 percent of Bangladesh’s export earnings, facilitating both social compliance and productivity improvements. The focus is on mid-size firms that are the most susceptible to global pressures.

We have partnered with the industry’s trade association to develop a comprehensive system of social compliance monitoring. To date, 2,215 factories have been audited under this program. We have also teamed with major international buyers such as Nike, Marks & Spencer, and others to promote compliance and worker health and safety standards.

At the same time, we have built a local consulting industry that helps local garment factories reengineer, cut costs, and raise productivity. When IFC started this advisory work in 2002, nothing of the kind existed. Today seven local consulting firms are turning a profit, advising the country’s key industry in ways that help it hold its own.

“The program helped us recognize and address many inefficiencies at our factory which we had not even considered,” says dress factory owner Fahim Hasan Abdullah.

The focus is on building the skills of supervisors who directly oversee floor operations. Within a month, participating firms typically show a 20 percent decrease in rejection rates.

The Bangladesh Garments Manufacturers and Exporters Association awarded its Crest of Honor to IFC in recognition of its contribution in the sector.

Creating opportunity in Bangladesh includes strengthening the garment sector, home to 2.5 million jobs. IFC has worked intensively with the industry for seven years.
Previous crises were national or regional in scope. Today’s is global.

New problems require new solutions.

But whatever the conditions, IFC knows how to help hard-hit clients recover—standing by them when others depart, providing support that benefits people throughout the economy. We will apply these lessons of the past in responding to today’s challenging conditions.
A financial tsunami hit Korea in late 1997, sending shock waves that crushed the economy the following year. GDP experienced a 7 percent contraction in 1998, as the local currency hit all-time lows against the U.S. dollar and the banking system faced devastation.

Then—as now—IFC played a major countercyclical role, stepping in as private investors cut back and helping promote recovery. We invested nearly $1 billion in Korea in the years following the crisis, bolstering banks, strengthening trade finance, and taking other steps that we are now reapplying on a larger scale globally.

IFC had co-founded Hana Bank in 1971, then watched it become an industry leader. As the 1997-98 crisis took its toll, we stood by our client, providing new money that helped boost Hana’s capital base by more than $350 million and attract German insurance giant Allianz AG as a new strategic investor. Related Japanese-funded IFC advisory services strengthened the bank’s risk management, corporate governance, and other key functions, giving IFC a seat on the bank’s board of directors that it has held ever since. A series of profitable mergers followed, allowing Hana to reemerge as a flagship of successful bank recapitalization amid troubled times. Today it has more than $100 billion in assets and is Korea’s fourth-largest bank, holding up well even in today’s global financial turmoil.

This was just one part of a larger IFC crisis response package in Korea. We provided emergency trade finance to a number of local banks, and in June 1998 became the first new foreign investor in the troubled banking sector, putting $25 million in another historic client, Korea Long Term Credit Bank, that helped it merge with the larger Kookmin Bank. IFC then joined Kookmin’s board and strengthened its accounting and loan classification practices in ways that helped attract new capital. Today, Kookmin is the country’s largest, strongest bank.
Banco de Galicia y Buenos Aires S.A. is a pivotal player in Argentina—the country’s largest privately owned bank, serving 4 million customers and providing much of the credit on which local businesses depend.

The bank plays an essential role in one of Latin America’s largest economies. But only seven years ago it was close to collapse, a victim of the Argentine crisis that had sparked a massive run on deposits throughout the banking system.

The turnaround came in large part through a landmark $1.4 billion debt restructuring achieved under IFC’s leadership in 2004, pointing Galicia to recovery after the dark days of 2001-02.

In that grim period, the highly regarded institution saw its share price drop from $20 to less than $1 and defaulted on its debt despite receiving nearly $2 billion in central bank aid. Letting it fail would have been disastrous for the local economy. So IFC—Galicia’s long-term partner and largest creditor, with $310 million in exposure for itself and partner banks—assumed leadership, agreeing to chair debt workout negotiations intended to ensure the bank’s return to prominence as the economy improved.

The process was complex, involving more than 80 different lenders, the central banks of Argentina and Uruguay, the Office of the Comptroller of the Currency of the U.S., and the Argentine stock exchange. The core legal document was 730 pages long. But when the process was completed in May 2004, it had met all its goals. Among them: attracting $300 million in new capital, mainly in the form of subordinated bonds and other instruments from the bank’s existing investors, almost all of whom showed their confidence by taking part.

Fully recapitalized, the bank quickly reemerged as a primary lender to the Argentine private sector, earning the “Argentine Bank of the Year” award in 2005 from LatinFinance magazine, which also called the IFC-led workout the year’s “Best Financial Institution Restructuring.”

IFC has continued to support Galicia since, helping it adopt the Equator Principles on sustainable banking and lending it $50 million for SMEs in poorer parts of Argentina. We will be applying this and other related experience in our new global initiative that will help other emerging market banks weather today’s heavy financial storms.
Telling Our Story: Crisis Response
A Global Partner in Times of Change
Produced by IFC Corporate Relations Department

Photography: Sven Torfinn/Panos Pictures (Cover)
Photo Shelter (page 3)
Habib Bank, Ltd. (page 4)
Asim Hafeez/Bloomberg News/Landov (page 5)
Teresa Ha/IFC (pages 6, 7, and 17)
Jason Hopps/IFC (page 9)
Reuters (page 10)
iStock (page 11)
Paul Jeffrey/Photo Shelter (page 13)
Global Wind Energy Council (pages 14 and 15)
MDM Bank (page 16)
Naashon Zalk/Bloomberg News/Landov (page 19)
Cajamarca MIM (page 20)
Provincial Municipality of Cajamarca, Peru (page 21)
World Vision International (page 22)
Kris Triplaar (pages 23 and 28-29)
Irena Gribizi/IFC (page 24)
Munazer Chowdhury (page 27)
Nasha Lee/Bloomberg News/Landov (page 30)
Enrique Marcian/Reuters/Landov (page 31)

Design: Corporate Visions, Inc.
Printing: Mosaic
HOW TO CONTACT US

IFC has offices in more than 80 countries around the world. Please contact the nearest regional office for further information.

Headquarters
Washington, D.C.:
IFC Corporate Relations
2121 Pennsylvania Ave., N.W.
Washington, D.C., 20433 USA
Telephone: (1-202) 473-3800

Western Europe
Paris:
66, Ave. d’Iéna
75116 Paris, France
Telephone: (33-1) 4069-3060

London:
12th Floor, Millbank Tower
21-24 Millbank
London SW1P 4QP, United Kingdom
Telephone: (44-207) 592-8400

Brussels: (World Bank Office)
Avenue Marnix 17
B-1000 Brussels, Belgium
Telephone: (32-2) 522-0052

Frankfurt:
Bockenheimer Landstrasse 109
60325 Frankfurt, Germany
Telephone: (49-69) 743-48230

Central and Eastern Europe
Moscow:
36, Bldg. 1, Bolshaya Molchanovka Street
3rd Floor
Moscow 121069, Russian Federation
Telephone: (7-495) 411-7555

Southern Europe and Central Asia
Istanbul:
Buyukdere Cad. No: 185, Kanyon Ofis Blogu
Kat 10
Levent 34394
Istanbul, Turkey
Telephone: (90-212) 385-3000

East Asia and the Pacific
Hong Kong:
14/F, One Pacific Place
88 Queensway Road
Hong Kong
Telephone: (85-2) 2509-8100

Tokyo:
Fukoku Seimei Building 10F
2-2-2, Uchisaiwaicho, Chiyoda-ku 100
Tokyo, Japan
Telephone: (81-3) 3597-6657

South Asia
New Delhi:
50-M, Shanti Path, Gate No. 3
Niti Marg, Chanakyapuri 110 021
New Delhi, India
Telephone: (91-11) 4111-1000

Middle East and North Africa
Cairo:
Nile City Towers, 2005 Corniche el Nil
North Tower
24th Floor, Boulac
Cairo, Egypt
Telephone: (20-2) 246-19140/45/50

Sub-Saharan Africa
Johannesburg:
14 Fricker Road, Illovo, 2196
Johannesburg, South Africa
Telephone: (27-11) 731-3000

Nairobi:
Commercial Bank of Africa Building
Upper Hill Mara/Ragati Roads, 4th Floor
P.O. Box 30577-00100
Nairobi, Kenya
Telephone: (254) 020-275-9000

Dakar:
Fann Résidence
Rue Aimé Césaire X
Impasse FN 18 Prolongée
Dakar BP 3296
Senegal
Telephone: (221-33) 859-7100

Latin America and the Caribbean
São Paulo:
Edificio Torre Sul, Rua James Joule
65-190 andar
Cidade Mongoes
São Paulo, SP, Brazil
Telephone: (55-11) 04576-080

Mexico City:
Montes Urales, Oficina 503
Colonia Lomas de Chapultepec
Delegación Miguel Hidalgo
Mexico, D.F., 1100 Mexico
Telephone: (52-55) 4111-10003098-0130
Our shared vision is

That people should have the opportunity to escape poverty and improve their lives.

Our core values are

• Excellence
• Commitment
• Integrity
• Teamwork

Our purpose is

To create opportunity for people to escape poverty and improve their lives by:

• Promoting open and competitive markets in developing countries
• Supporting companies and other private sector partners where there is a gap
• Helping to generate productive jobs and deliver essential services to the underserved

In order to achieve its purpose, IFC offers development impact solutions through firm-level interventions (direct investments and advisory services), standard-setting, and business enabling environment work.