IFC's Financial and Technical Support in Latin America and the Caribbean

November 10, 2006
Presentation Outline

- IFC Mission
- IFC Value Proposition
- Latin America & Caribbean Region (LAC): Economic and Social Challenges
- IFC’s response and strategy
IFC’s Mission:

- “To promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people’s lives”
Our Value Proposition: Sustainable Development

- Long-Term Capital
- Project Finance Expertise
- Tech Assistance (DFO)
- E & S Standards (Equator)
- SMEs and Project Dev Facilities
- Municipal Finance
- Stamp of Approval
- Research (Doing Business)
- Environmental Finance
- Structured & Local Finance
- Mobilization

Our Value Proposition: Sustainable Development
Regional Context

- Economic and Social Challenges faced by the Latin America and Caribbean Region
### LAC: Economic and Social Challenges

| **MACROECONOMIC** | Fiscal prudence, debt management, Free Trade Agreements |
| **MICROECONOMIC** | Doing business is cumbersome and expensive |
| **INFRASTRUCTURE** | Poor, needs unmet, logistics expensive |
| **FINANCE** | Underdeveloped financial sector; limited access to credit, scarce LT credit |

*Benefiting the “haves” much more than the “have nots”*
LAC’s Challenge: Persistent Poverty...

Share of people in LAC with less than $1 and $2 a day (1989-2003)

Share of people with less than $1 a day (MDG projections)

(Source: SEDLAC, LCSPP)
...because of Low and Volatile Growth...
... and Entrenched, High Inequality.

- LAC worse than other regions
- Brazil → income of the richest 2% is 150 times larger than the income of the poorest 15%
- Bolivia: top 10% income is 120+ times bottom 10%
- Chile → 30+ times

Source: Inequality in Latin America and the Caribbean: Breaking with History? World Bank 2003; CEPAL 2004

Back to Impact of Policies in LAC
IFC’s Response to These Challenges
Our Regional Strategy Focuses on 4 Core Areas

Goal: Equitable Growth

1. Improve environment for businesses
2. Invest in Infrastructure
3. Access to Finance
4. Focus on Sustainability
**IFC’s Portfolio in LAC**

<table>
<thead>
<tr>
<th>Committed portfolio for IFC's account</th>
<th>FY06</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6,299</td>
<td>6,124</td>
</tr>
<tr>
<td>Committed portfolio held for others</td>
<td>2,328</td>
<td>2,179</td>
</tr>
<tr>
<td><strong>TOTAL PORTFOLIO</strong></td>
<td><strong>8,627</strong></td>
<td><strong>8,304</strong></td>
</tr>
</tbody>
</table>

**IFC Commitments in LAC - FY06**

(From IFC’s own account and syndications)

- **Infrastructure, 28%**
- **Financial Markets, 24%**
- **Oil, Gas, and Mining, 24%**
- **General Manufacturing, 5%**
- **Agribusiness, 14%**
- **Funds, 2%**
- **Information and Technology, 1%**
- **Municipal Funds, 0%**
- **Health and Education, 2%**

**Commitments (US$ millions)**

- Financing for IFC’s own account
- Syndications

<table>
<thead>
<tr>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
<th>FY06</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,258</td>
<td>918</td>
<td>1,218</td>
<td>1,398</td>
</tr>
<tr>
<td>374</td>
<td>385</td>
<td>374</td>
<td>888</td>
</tr>
</tbody>
</table>

**FINANCING FOR IFC’S OWN ACCOUNT**

- FY03: 1,258 million
- FY04: 1,218 million
- FY05: 1,398 million
- FY06: 1,747 million

**SYNDICATIONS**

- FY03: 918 million
- FY04: 374 million
- FY05: 385 million
- FY06: 888 million

**TOTAL PORTFOLIO**

- FY03: 6,299 million
- FY04: 6,124 million
- FY05: 8,627 million
- FY06: 8,304 million
## Lending a Hand
Top multilateral arrangers of bank loans in Latin America, 1980-2005

<table>
<thead>
<tr>
<th>Rank</th>
<th>Arranger</th>
<th>US$ Billions</th>
<th>Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>International Finance Corp.</td>
<td>9.17</td>
<td>138</td>
</tr>
<tr>
<td>2</td>
<td>Japan Bank for International Cooperation</td>
<td>2.13</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>Inter-American Investment Corp.</td>
<td>1.58</td>
<td>30</td>
</tr>
<tr>
<td>4</td>
<td>Corporación Andina de Fomento</td>
<td>0.79</td>
<td>15</td>
</tr>
<tr>
<td>5</td>
<td>Export Development Canada</td>
<td>0.67</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>Brazilian National Development Bank BNDES</td>
<td>0.6</td>
<td>11</td>
</tr>
<tr>
<td>7</td>
<td>Private Export Funding Corp.</td>
<td>0.38</td>
<td>3</td>
</tr>
<tr>
<td>8</td>
<td>World Bank</td>
<td>0.22</td>
<td>2</td>
</tr>
<tr>
<td>9</td>
<td>Bancomext</td>
<td>0.17</td>
<td>4</td>
</tr>
<tr>
<td>10</td>
<td>Banco Latinoamericano de Exportaciones</td>
<td>0.15</td>
<td>4</td>
</tr>
</tbody>
</table>

*Source: Dealogic*
### IFC’s Integrated Approach: Investment + TA

<table>
<thead>
<tr>
<th>Program</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Enabling Env.</strong></td>
<td>Municipal Simplification</td>
</tr>
<tr>
<td><strong>Peru</strong></td>
<td>+ 300% business registration</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>PPPs</td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td>Regulatory Framework; 2 projects in pipeline</td>
</tr>
<tr>
<td><strong>Brazil</strong></td>
<td>4 Advisory Mandates</td>
</tr>
<tr>
<td><strong>Access to Finance</strong></td>
<td>Housing</td>
</tr>
<tr>
<td><strong>Colombia</strong></td>
<td>Created securitization co.</td>
</tr>
<tr>
<td></td>
<td>$1.4 bn Securitization</td>
</tr>
<tr>
<td></td>
<td>Financed 650K housing units</td>
</tr>
<tr>
<td><strong>SMEs</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Sustainability</strong></td>
<td>Corporate Governance</td>
</tr>
<tr>
<td><strong>Brazil</strong></td>
<td>Novo Mercado (21 companies)</td>
</tr>
<tr>
<td></td>
<td>Sustainability Index (28 cos.)</td>
</tr>
<tr>
<td><strong>Env. &amp; Soc.</strong></td>
<td></td>
</tr>
</tbody>
</table>
Operating License Procedures in Lima, Peru

- Requirements: Pre-reform 33, Post-reform 5
- Number of inspections: Pre-reform 5, Post-reform 1
- Visits to Municipality: Pre-reform 11, Post-reform 2
- Days (weighted avg.): Pre-reform 60, Post-reform 1.6

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Infrastructure

• **Utilities**
  - Water
  - Natural Gas
  - AAA Colombia – Wastewater and Solid Waste
  - Thames Water Chile – Wastewater Concessionaire in Chile

• **Energy Sector**
  - Renewable Energy
  - El Canadá - Renewable Energy – Guatemala
  - Macaé - Thermal Power – Brazil

• **Transport**
  - Airports and airlines
  - Ports and container logistics
  - Roads, buses and trucks
  - Ferrocarril Transandino S.A. – Peru
  - Norvial – Peru
  - Autoban – Brazil
  - LanChile S.A. - Chile
  - Manzanillo Port - Mexico
  - Tecon Rio Grande Port– Brazil
  - Gol and TAM -Brazil

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Strengthening the Financial Sector

**Housing Market Strategy**
- Mexico Sofoles
- Colombia NPL Securitization (Fig. 1)

**Microfinance**
- Bolivia, Peru, Mexico, El Salvador, etc.

**Credit Bureaus**

**SME lending via financial intermediaries**

**Local Currency Bonds/PCG**

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Setting Standards in Brazil

Corporate Finance Funds
Novo Mercado
Gov. Programs for Corporates
Corporate Gov. Seminars

Environmental and Social

Corporate Governance

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Contact Details

- Thank you for your Attention

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