

IFC in Fragile and Conflict Situations

At a Glance

- The World Bank Group has identified 33 countries and territories as ‘fragile or conflict-affected’ in FY2015.
- **1.2 billion people** live in countries affected by fragility and conflict. OECD’s [“States of Fragility 2015” report](#), which uses a broader set of countries than the World Bank, states that over 40% of the world’s poor currently live in fragile states. This number is expected to reach 60% by 2030.
- Addressing the challenges of FCS is critical to meeting the WBG goals of ending extreme poverty and building shared prosperity.
- IFC is an integral part of the international effort to move fragile states away from the margins, enabling them to entrench stability and growth. In partnership with the World Bank Group, development partners and clients, IFC stimulates private investment and growth in FCS.
- **Economic growth and employment** are critical to reducing fragility. The private sector plays a key role, providing 90 percent of jobs in developing countries. Private companies often deliver essential goods and services in FCS, and create tax revenues for governments.
- More than 70% of FCS rank in the bottom quartile of the World Bank Group’s *Doing Business* rankings. Firms in FCS cited access to power, access to finance and political instability as the top three barriers to growth (World Bank Enterprise Surveys). Alleviating the barriers to business growth underpins IFC’s strategy in FCS.
- Challenges to private sector development in FCS have been made worse in many countries by destroyed infrastructure, weakened government institutions, social trauma and political instability.

What IFC is Doing

- IFC works with private companies, financial institutions, governments and development partners to improve investment climate, increase access to finance, support entrepreneurs and attract investment to fund infrastructure and other essential sectors in FCS.
 - IFC’s activities in FCS have grown significantly in recent years. During FY14, IFC’s activities in FCS included \$948 million of investments in FCS, of which
 - \$638 million was invested from IFC’s own account; \$505 million was in long-term financing and the remainder in trade finance.
 - \$310 million was mobilized from other investors

Results

- IFC and its partners support is enabling many fragile states to make remarkable strides, harnessing the power of the private sector to rebuild their economies.
- IFC’s **Public-Private Partnerships** team is helping fragile states secure more reliable access to quality basic services. In **Afghanistan**, decades of conflict destroyed the country’s power infrastructure, leaving only 25 percent of its population connected to the grid. The national power utility, Da Afghanistan Breshna Sherkat (DABS) sought IFC’s advice on finding a private sector partner to help them reduce losses, increase reach and efficiency. In 2014, Dubai-based Power Generation Solutions, in partnership with the Afghanistan Holding Group, was selected for the four-year PPP contract, which IFC helped structure. The project will provide electricity to 300,000 people, and is being implemented with financial support from the United States Agency for International Development.
- The **Conflict Affected States in Africa Initiative** (CASA) is supporting private sector growth in nine countries in sub-Saharan Africa. CASA works with private and public sector partners to help Africa’s fragile states strengthen entrepreneurs and smaller businesses, and attract investment for infrastructure projects that demonstrate large development impact. CASA is supported by donor partners Ireland, the Netherlands, and Norway. Denmark and Sweden offer CASA additional support in select countries.
- **Côte d’Ivoire**: IFC invested \$125 million in the Azito power project, and mobilized an additional \$225 million from development finance partners. The project will modernize the Azito power plant, enabling it to produce 50 percent more energy without using any additional gas. Upon completion, the facility

will provide power to more than 2 million people in Cote d'Ivoire. MIGA is providing [breach of contract cover](#) to equity investor and lead sponsor Globeleq. IFC subsequently financed a major expansion of the CIPREL IV power plant, providing more than \$130 million and mobilizing approximately \$310 million from other investors. This plant will become the largest power plant in the country, and together with Azito, will provide a significant energy boost to help propel Côte d'Ivoire's economic growth.

- **Myanmar:** As part of its support for the financial sector in Myanmar, IFC is lending \$2 million to ACLEDA Bank of Cambodia to establish a new microfinance institution, ACLEDA MFI Myanmar. This new institution aims to provide loans to more than 200,000 people – mostly small businesses– by 2020. Along with its financial investment, IFC will also advise ACLEDA MFI Myanmar on delivering microfinance services, risk management, and responsible finance strategy. IFC will also provide Yoma Bank Ltd. with a \$5 million in financing to support its growth strategy, also including an expansion of its lending to small and medium enterprises. IFC is also undertaking work in the energy sector with a mandate signed in 2014 to provide technical support and assistance in transforming the Yangon Electricity Supply Board, or into a commercially viable corporate entity.
- As **Iraq** faces the need to rebuild its infrastructure, one critical element had been missing – cement. IFC partnered with Lafarge Cement to address this gap. IFC's \$70 million loan financed Lafarge's acquisition and rehabilitation of the Kerbala cement plant in Iraq, bolstering the construction sector, which is also a key source of jobs.
- Created in 2008 with a \$100 million allocation from IFC, the **SME Ventures** program invests in fund managers in frontier/fragile states, and provides risk capital for high-growth SMEs. With this model, IFC is demonstrating to global financiers that local companies have huge potential to grow, even in tough markets. SME Ventures has created four funds, which work in different regions. The West Africa Ventures Fund supports around 20 firms in Liberia and Sierra Leone, which provide basic services, such as a bakery, hatchery, logistics and bottled water. Beyond capital, SME Ventures provides technical assistance to entrepreneurs in management skills and industry knowledge to place them on surer footing for growth.

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