UNLOCKING THE POTENTIAL OF THE PRIVATE SECTOR—FOR PEACE, STABILITY AND PROSPERITY

FRAGILE AND CONFLICT-AFFECTED COUNTRIES
In West Bank and Gaza, persistent conflict and the lack of a local currency makes doing business even more challenging. That’s why IFC’s trade finance program with the Bank of Palestine is so critical in a territory where unemployment is nearly 30 percent.

Trade finance opens doors to increased investment in financial institutions in the world’s toughest markets. IFC’s relationship with Bank of Palestine started with the Global Trade Finance Program (GTFP) in 2008, opening a $3 million line of credit and access to a global network of bank partners. IFC’s trade line also was the start of a far deeper relationship, including providing mortgages for Palestinians and an equity stake, which helped improve corporate governance, risk management, and environmental and social standards.

IFC is helping to provide much needed jobs, raise standards, and open the economy to the world. For example, Pal Gardens, which employs about 2,500 seasonal agricultural workers, imported sorting and grading equipment through the GTFP, enabling the cherry tomatoes and dates it grows in the Jordan Valley to meet the exacting standards of supermarket chains in Europe.
FRAGILE AND CONFLICT-AFFECTED COUNTRIES
A DEVELOPMENT PRIORITY

THE PRIVATE SECTOR IS AN ESSENTIAL DRIVER OF DEVELOPMENT IN THE WORLD’S MOST CHALLENGING MARKETS

Achieving the ambitious goals the World Bank Group set in 2013—to end extreme poverty and boost shared prosperity by 2030—will require us to work even harder in countries affected by fragility and conflict, where 50 percent of the world’s poor are projected to live by then.

These countries cannot rely on aid alone. Where inequality and unemployment are extremely high, infrastructure is basic or destroyed, and most jobs are in the informal sector, economic growth and job creation are critical.

There are more than thirty countries and territories around the world that the World Bank Group has classified as “Fragile and Conflict Situations.” IFC, part of the World Bank Group, is committed to making a difference through the private sector by catalyzing economic growth and job creation in these countries. Jobs are the main pathway out of poverty and essential for jumpstarting economic activity and promoting social cohesion. They restore confidence in institutions and are central to breaking cycles of violence.

The private sector provides 90 percent of jobs in developing countries—and offers a transformational and sustainable solution. The vast needs of fragile and conflict-affected countries can only be met if private enterprises are able to grow, create employment, provide the goods and services people need to improve their lives and generate the tax revenue that allows governments to provide essential services.

But private sector development cannot occur in a vacuum. It requires an approach that works together with governments to truly accelerate this growth. In partnership with the private and public sector, IFC is committed to increasing our engagement in countries affected by conflict and instability, both through investments and through programs that will attract crucial additional private investment.
CÔTE D’IVOIRE

ENERGY FOR GROWTH

The difficult conditions in conflict-affected countries require effective collaboration among development partners. In Côte d’Ivoire, IFC worked closely with its World Bank Group partners and other institutions to rebuild the power infrastructure to meet the growing electricity demand in the country.

To help modernize the Azito power plant, IFC arranged a $345-million package funded by the five European development finance institutions and the West African Development Bank, and provided $125 million of our own funds. The World Bank helped put in place the necessary regulatory framework for investing in the sector. MIGA provided political risk insurance to the investors.

As the largest independent power generators in Sub-Saharan Africa, the modernized Azito plant will produce 50 percent more energy without using any additional gas and serve more than 2 million people. It will help ease power shortages and lower electricity costs for the population.

IFC also invested $100 million in a risk sharing facility to support Société Ivoirienne de Raffinage, which supplies refined petroleum for Côte d’Ivoire and its landlocked neighbors, such as Mali and Burkina Faso. IFC’s work in Côte d’Ivoire is helping to deliver vital commodities at lower costs to homes and businesses and fuel the country’s new momentum for growth.

RIGHT—
Azito thermal power plant, Côte d’Ivoire
IFC’s private sector expertise

Stimulating growth in key sectors

IFC works to unleash the power of the private sector in fragile and conflict-affected countries by removing the key constraints to growth. We do this through a combination of investments and advisory services, partnering with governments and the private sector to promote shared prosperity in places where other investors hesitate to go.

We help our clients achieve inclusive, sustainable growth—by financing private investments, mobilizing capital in international financial markets, and providing advice to businesses and governments in critical sectors.

Investing in energy and other critical infrastructure is pivotal to unlocking economic growth in these difficult markets. Providing affordable, consistent access to electricity removes one of the primary barriers to growth cited by businesses. Better infrastructure improves connectivity, helps goods reach their markets faster, and boosts exports and growth.

Improving access to finance gives entrepreneurs and companies the capital they need to expand, invest, and become engines for job creation.

Developing agribusiness increases productivity and food security, and improves livelihoods for the small farmers that make up a significant portion of employment through the value chain in fragile and conflict-affected countries.

IFC also assists clients through its expert advisory services and specialized programs, allowing us to address the complex challenges that exist in post-conflict and other fragile contexts—such as the relationship between national and local governments and the private sector; strengthening individual firms’ commercial capacity; and improving the business environment.

For example, IFC’s Conflict-affected States in Africa Program (CASA, see page 8) operates in post-conflict countries in Sub-Saharan Africa, bringing a conflict-sensitive approach to the advisory programs to stimulate investment in these markets.
Providing access to finance for the poorest of the working poor, entrepreneurs at the ‘base of the pyramid’—who are often in remote, rural locations—requires a cutting edge approach. That’s why the role played by IFC client FINCA is so critical.

In 2011, IFC made its largest investment in a microfinance network, working with FINCA and like-minded investors to create a new structure, FINCA Microfinance Holding Company LLC, beginning the transformation of FINCA’s subsidiaries from not-for-profit micro lenders into a network of deposit-taking institutions and banks, with a stronger capacity.

This relationship has helped FINCA expand their outreach to the lowest-income entrepreneurs in some of the world’s poorest countries with new service offerings. These include products tailored for hard-to-reach-rural areas, and the introduction of innovative channels of delivering their products, such as point-of-sales machines in shops and other outlets.

FINCA’s subsidiaries now reach more than a million people, the majority of whom are women, with operations in over 20 countries, including Afghanistan, Democratic Republic of Congo, Haiti, Kosovo, and Malawi.

A loan from FINCA helped Malawian entrepreneur Pauline Phodagoma start a business that blossomed into a successful salon and boutique, enabling her to build a new home and send her sisters to university.
PARTNERING FOR IMPACT

WORKING TOGETHER TO TRANSFORM THE PRIVATE SECTOR

To enhance its impact in fragile and conflict-affected countries, IFC takes a partnership approach, whether it be with private companies, with governments, or with other development partners. We work with large firms to help them expand into these markets in sustainable and inclusive ways, and with smaller, local clients to strengthen them both financially and operationally.

As part of the World Bank Group, IFC also works closely with the World Bank and with the Multilateral Investment Guarantee Association (MIGA) to deepen the effectiveness of our work in fragile and post-conflict areas. Together we develop country strategies that include actionable plans to develop the private sector and seek to bring World Bank and MIGA tools into our projects that can deepen our impact in these markets. For example, the World Bank is able to guide governments in regulatory reforms in sectors such as power that will provide attractive conditions for private investment; and the formal IFC-MIGA partnership brings a unique set of political risk guarantee products and an understanding of the dynamics and management of political risk that enable clients to invest most effectively in fragile and conflict-affected countries.

Private sector development in these difficult markets also requires IFC to work in close cooperation with donor partners. For instance, in response to a call from the G-20 to address the trillion-dollar finance gap for small and medium enterprises, IFC established the Global SME Finance Facility to address financial inclusion, with fundamental support from the United Kingdom’s Department for International Development. This program mobilizes donor and commercial finance to address the persistent financing gaps for SMEs in emerging markets, with a particular focus on SMEs in fragile and conflict-affected countries and on women-owned SMEs.

As a leading practitioner of private sector development, we also help shape the agenda with other important international bodies. IFC is helping the g7+—a self-nominated group of more than a dozen countries affected by conflict and fragility—advance their agenda to develop robust private sectors. These partnerships on all levels help IFC promote the private sectors in ways that increase shared prosperity.
Businesses operate in a dynamic landscape. Environmental and social sustainability issues have become increasingly important for the private sector, especially in fragile and conflict-affected countries where instability and low institutional capacity can present inherent risks to doing business.

IFC believes that doing business sustainably drives positive development outcomes. Our Sustainability Framework promotes sound environmental and social practices, encourages transparency and accountability, and serves as an integral part of our approach to risk management.

At the core of the framework are IFC’s Performance Standards that have become recognized as a global standard for environmental and social risk management in the private sector. When a project is proposed for financing, IFC conducts a rigorous social and environmental impact assessment as part of overall due diligence. This assessment looks whether a project adhered to IFC Performance Standards and looks at the client’s capacity to manage potential impacts. An Action Plan is devised in coordination with the client to fill in any gaps and ensure that standards are met over time. IFC supervises each project throughout its investment lifespan, monitoring client commitments to environmental and social performance.

IFC clients continue to indicate that our environmental and social expertise and our attention to country and sector-specific context greatly influenced their decision to work with us. Results from the last client survey show 88 percent of clients believe that IFC’s environmental and social requirements have helped their long-term business performance. Our Performance Standards form the basis of the Equator Principles, now used by nearly 70 banks and financial institutions, including 10 from emerging markets. They’re also used as a benchmark by the Multilateral Investment Guarantee Agency (MIGA) in its operations, as well as 32 export credit agencies from OECD countries.

IFC works with clients early on in the life cycle of a project to manage potential risks before they happen. This is critical in fragile and conflict-affected situations that require a heightened focus on country and sector-specific risks along multiple decision points. In these contexts, things can happen fast. Through its Sustainability Framework, IFC is well-positioned to support clients in these dynamic environments.
LIBERIA

MINING POTENTIAL

IFC is supporting the sustainable development of Liberia’s mining sector through an investment that safeguards environmental and social standards and promotes inclusive growth. Liberia’s vast mineral potential remained largely untapped during its periods of conflict, and recent years of calm have attracted new market entrants in the mining sector.

IFC is working closely with Hummingbird Resources to help shape the company’s engagement in post-conflict Liberia. IFC’s $5 million investment for a 5.5 percent stake in Hummingbird will help the firm explore the potential of gold deposits in Dugbe, Eastern Liberia using good practice environmental and social management. Hummingbird approached IFC early on for its social and environmental expertise, particularly for its focus on biodiversity management, resettlement, and artisanal mining issues. The Dugbe project, like all IFC investments, has undergone an environmental and social impact assessment in line with IFC’s Performance Standards (see page 6). If developed, Dugbe has the potential to create significant development impact in Liberia.

By working with Hummingbird from the exploration stages onward, IFC can help ensure high standards and inclusive practices for any further development of the site. IFC’s strong reputation for high standards in the mining industry continues to attract firms eager to work with us, and by partnering with firms equally committed to such standards, we can increase the impact and sustainability of the mining sector in Liberia and other fragile states.

IRAQ

BUSINESS FOR REBUILDING

As Iraq sought to rebuild its conflict-battered infrastructure, it faced a shortage in one of the most essential elements of reconstruction: cement.

IFC has helped address this gap through our longstanding relationship with Lafarge, a leading global cement firm. We have provided $120 million to Lafarge to support its acquisition and rehabilitation of cement plants in Iraq. By providing financial support alongside the French development agency Proparco, IFC provided the reassurance necessary for Lafarge and other investors to move forward in Iraq, despite the risks.

IFC’s financing not only enabled Lafarge’s expansion, but also provided a strong signaling effect that encouraged other firms to enter the market. This is helping to increase Iraq’s cement supply and reduce its dependency on cement imports. It also lowered cement prices, resulting in lower costs for reconstruction in Iraq.

Through this partnership, IFC was able to deliver a development impact, while Lafarge was able to pursue a market opportunity. Lafarge is also committed to upholding IFC’s environmental and social standards in its plants—one of the highest such standards in the industry—and expanding its business in Iraq in a sustainable manner.
Launched in 2008 and backed by donor partners from Ireland, the Netherlands, and Norway, IFC’s Conflict Affected States in Africa initiative (CASA) is supporting private sector growth, job creation, and increased opportunity in some of the world’s poorest and least developed countries. CASA is active in Burundi, the Central African Republic, Côte d’Ivoire, the Democratic Republic of Congo, Guinea, Liberia, Mali, Sierra Leone, and South Sudan—and is also beginning work in Somalia and Zimbabwe.

With staff on the ground, CASA works with public and private sector partners and clients to improve the investment climate, support small business growth, and help countries attract investment and develop larger infrastructure projects.

In Liberia, CASA helped establish a commercial code and court and facilitated an electricity partnership that is bringing power back to the capital, Monrovia. In Sierra Leone, CASA helped develop a national small business strategy, and in the Democratic Republic of Congo, CASA was pivotal in the establishment of the country’s first special economic zone.

Over its first five-year cycle, CASA helped launch 36 long-term IFC advisory projects, helped train about 9,400 people, and advised over 1,280 public and private entities. CASA’s second phase will help IFC deepen its impact in conflict-affected countries in Africa.

ABOVE—Women in Côte d’Ivoire are benefiting from new tax laws enacted with IFC’s support.
MAKING BUSINESS EASIER

IFC’s investment and advisory work is strengthening the private sector in Afghanistan, a country plagued by conflict for most of the last four decades.

Instability has taken a toll on institutions as well as infrastructure, such as telecommunications. To help address this challenge, IFC signed a deal with one of Afghanistan’s largest mobile network operators, Roshan. A $65 million loan has supported the roll-out of a 3G network, bringing the Internet to Afghans across all 34 provinces. Roshan expects to cover 80 percent of the population in five years and expand mobile banking services to help local businesses grow.

IFC has also spearheaded a pivotal development for Afghanistan’s financial infrastructure. In cooperation with Afghanistan’s central bank, we helped establish an electronic registry for moveable assets, making it easier for small businesses to secure loans without traditional collateral, like land. This project is improving access to credit for small businesses, the main drivers of private sector growth in transition economies.

The registry, a first for the Middle East and North Africa region, has resulted in more than $580 million of financing from financial institutions to more than 1,600 micro, small, and medium enterprises. IFC’s multidisciplinary expertise also contributed to legislative reforms, capacity building, and awareness-raising activities that are working to develop Afghanistan’s financial infrastructure. The investment is part of IFC’s wide-ranging strategy in Afghanistan to promote private sector development and financial sector growth.

INVESTING FOR GROWTH

Even in the world’s toughest markets, such as Sierra Leone, the entrepreneurial spirit is still alive and well. High potential SMEs work to meet local demands for high quality products and services, despite problems accessing capital and a tough regulatory environment.

IFC’s SME Ventures program is providing both capital and pre- and post-investment business skills training to SMEs in Sierra Leone. Through its West Africa Venture Fund, it has invested $362,000 in the country’s first commercial egg producer, helping to develop the local agribusiness sector after years of conflict and devastation. Until 2012, all commercial eggs and chicken—for Sierra Leone’s 6 million people—were imported from Lebanon, half a world away. IFC’s investment in Sierra Akker Farms now supplies day-old chicks for 200 out-growers, employing dozens of people and providing cheaper, locally sourced eggs and chickens for buyers.

IFC’s SME Ventures program also operates in the Central African Republic, Liberia, Democratic Republic of Congo, Nepal, and Bangladesh. Through carefully selected fund managers, our program helps build regulatory frameworks and establish nascent private equity industries in these countries—a vital source of investment, expertise, and job growth.
NEPAL
PUBLIC-PRIVATE DIALOGUE

Rapidly changing government counterparts and ongoing constitutional reforms have made post-conflict Nepal a challenging environment for private sector development. The Nepal Business Forum (NBF) was designed to help build consensus for reform and in turn support job creation, boost prosperity, and promote the peace building process.

Public-private dialogue, a structured mechanism for stakeholder engagement, has proven to be effective in Nepal and similar fragile states. It connects multiple stakeholders and facilitates transparent decision making to ultimately achieve more inclusive private sector reforms.

IFC is working closely with the NBF, the country’s first-ever public-private business forum, to improve interaction between the business community and government officials. To date, the government has implemented 55 of the NBF’s recommendations, yielding substantial progress in investment promotion, trade facilitation, and access to finance and energy. Reforms have generated $6.4 million in private sector savings, and a working group for female entrepreneurs has given women a greater voice in the policymaking process. Another working group has promoted collaboration on hydropower.

BOSNIA AND HERZEGOVINA
SUPPORTING OUR CLIENTS

Renewable Energy Generation
While nearly two decades have passed since Bosnia and Herzegovina emerged from its three-year war, the conflict’s deep legacy continues to influence its complex political and economic reality.

As part of its focus on increasing access to power in fragile states and addressing climate change, IFC is helping shape Bosnia and Herzegovina’s energy landscape. We are not only working with first mover energy developers, but also with the government in creating a supportive regulatory environment and with local financial institutions interested in financing such projects. IFC facilitated the construction of 40 renewable energy plants, expected to avoid 500,000 tons in carbon emissions each year while producing 92 megawatt-hours annually.

Supporting Skilled Manufacturing
IFC also invested in Bekto Precisa, a local supplier of plastic and metal products for automotive and electrical industries. The $10 million loan will help the manufacturing company sharpen its competitive edge and increase its business from international customers. Bolstering the firm’s export business will not only help employment, but will also bring much-needed foreign exchange into the country. Supporting a high value-added company like Bekto Precisa is part of IFC’s commitment to promote innovation, job creation, and productivity in post-conflict economies and contribute to their growing global competitiveness.
HAITI

FOUNDATIONS FOR GROWTH

IFC’s investments and advisory work in Haiti’s infrastructure, financial, and manufacturing sectors are helping to create jobs, provide access to basic infrastructure, and support a more inclusive economy. IFC structured the largest foreign private investment in Haiti since the 2010 earthquake, helping to privatize the national phone company, which at the time was losing $1 million a month and barely serving 20,000 customers. The resulting public-private partnership, NATCOM, now serves about 1.7 million subscribers and is expected to generate approximately $200 million in tax revenues for the government in five years.

IFC is also supporting micro, small, and medium enterprises, which are vital to Haiti’s economy, employing about 80 percent of the country’s workers. Our equity investment in Sogebank has helped boost financing, while our advisory services helped the bank create a unit for small and medium enterprises and disburse more than 1,990 loans worth approximately $18 million, as of December 2013.

We help companies that create jobs in strategic sectors, such as manufacturing. Supported by IFC

TIMOR-LESTE

EXPANDING THE ECONOMY

Diversifying from petroleum dependency, post-conflict Timor-Leste is working with IFC to implement business reforms and drive capital to promising opportunities.

Promoting Small Businesses
Entrepreneurs in Timor-Leste used to wait 94 days to register start-ups or renew business licenses. IFC worked with the government to develop a new one-stop shop, Serviço de Registo e Verificação Empresarial, “SERVE”, with all business licensing procedures under one roof and reduced the average wait time to 5 days. SERVE has now registered over 50 businesses, and renewed hundreds of licenses at a lower cost for entrepreneurs.

IFC is also supporting two local microfinance organizations, Tuba Rai Metin (TRM) and Moris Rasik, to boost their capacity to serve small businesses seeking capital. Additionally, a $500,000 loan from IFC is supporting TRM’s transition from a nonprofit into a regulated financial institution to reach more clients across Timor-Leste—especially women, who comprise 90 percent of its borrowers.

Public-Private Partnerships
IFC is also guiding the government of Timor-Leste in attracting private partners for two infrastructure projects: construction of a new port in Tibar Bay and an expansion of Dili International Airport. These partnerships will mobilize over $300 million in private financing and increase Timor Leste’s access to markets and services as it continues to diversify its sources of economic growth.
CONTACT US

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

Juan Carlos Pereira
Head, Fragile and Conflict Situations
Telephone: (1-202) 473-7826
Jpereira@ifc.org

Betsy Alley
Fragile and Conflict Situations Coordination Unit
Telephone: (1-202) 458-1419
balley@ifc.org

Joanna Kata-Blackman
Fragile and Conflict Situations Coordination Unit
Telephone: (1-202) 458-5920
jkata@ifc.org

Ivana Curic Dowers
Partnerships and Advisory Services
Telephone: (1-202) 473-4099

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

EUROPE, MIDDLE EAST, AND NORTH AFRICA
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

SOUTH ASIA
New Delhi
Maruti Suzuki Bldg
Plot No.1, Nelson Mandela Road
Vasant Kunj
New Delhi, India 110070
Telephone: (91-11) 4111-1000

SUB-SAHARAN AFRICA
Johannesburg
14 Fricker Road, Illovo, 2196
Johannesburg, South Africa
Telephone: (27-11) 731-3000

LATIN AMERICA
AND THE CARIBBEAN
Washington, D.C.
2121 Pennsylvania Ave., N.W.
Washington, D.C. 20433 USA
Telephone: (1-202) 473-3800

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Construction of the Third Bridge in Côte d’Ivoire. (Jamie Lee/World Bank Group)

BACK COVER:
Micro insurance customers are benefitting from IFC’s programs in Haiti. (IFC)

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PRODUCED BY:
IFC Fragile and Conflict Situations Coordination Program;
Betsy Alley, John McNally, Jamie Lee, and Stephanie Liu
THE WORLD BANK GROUP’S TWO GOALS

• End extreme poverty
• Boost shared prosperity

IFC’S VALUES

• Excellence
• Commitment
• Integrity
• Teamwork
• Diversity

IFC’S PURPOSE

To create opportunity for people to escape poverty and improve their lives by catalyzing the means for inclusive and sustainable growth, through:

• Mobilizing other sources of finance for private enterprise development
• Promoting open and competitive markets in developing countries
• Supporting companies and other private sector partners where there is a gap
• Helping generate productive jobs and deliver essential services to the poor and vulnerable

To achieve its purpose, IFC offers development-impact solutions through firm-level interventions (direct investments, Advisory Services, and the IFC Asset Management Company); promoting global collective action, strengthening governance and standard-setting; and business enabling environment work.

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Creating Opportunity Where It’s Needed Most