IFC
THE FIRST SIX DECADES

LEADING THE WAY IN PRIVATE SECTOR DEVELOPMENT

International Finance Corporation
WORLD BANK GROUP
DECADES OF EXPERIENCE

A HISTORY

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THE FIRST SIX DECADES

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6 DECADES OF EXPERIENCE
IFC International Finance Corporation
WORLD BANK GROUP

SECOND EDITION

THE INSTITUTIONS OF THE WORLD BANK GROUP

THE WORLD BANK GROUP

is one of the world's largest sources of funding and knowledge for developing countries, consisting of five institutions with a common commitment to reducing poverty, increasing shared prosperity, and promoting sustainable development.

IBRD

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
lends to governments of middle-income and creditworthy low-income countries.

IDA

INTERNATIONAL DEVELOPMENT ASSOCIATION
provides interest-free loans—called credits—and grants to governments of the poorest countries.

Together, IBRD and IDA make up the **World Bank.**

IFC

INTERNATIONAL FINANCE CORPORATION
is the largest global development institution focused exclusively on the private sector. It helps developing countries achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments.

MIGA

MULTILATERAL INVESTMENT GUARANTEE AGENCY
was created in 1988 to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives. MIGA fulfills this mandate by offering political risk insurance (guarantees) to investors and lenders.

ICSID

INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
provides international facilities for conciliation and arbitration of investment disputes.

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MESSAGE FROM THE EXECUTIVE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Great challenges require great solutions.

2016 marks the first year of implementation of the Sustainable Development Goals—a global initiative that depends on the collective ability of governments and the private sector to mobilize trillions of dollars a year to advance prosperity and peace. It's a year in which investors are growing increasingly risk-averse toward emerging markets. It's a year in which conflict and violence are displacing and impoverishing millions.

IFC was created for challenges of this kind. Sixty years ago, our founders set us on a course to "create conditions conducive to the flow of private capital" in less developed areas of the world—to intervene wherever "sufficient private capital is not available on reasonable terms." We've been doing so ever since—venturing ever more deeply into the world's toughest markets.

Throughout, we have adapted to meet the needs of the times. Initially, we helped bring leading multinational companies to developing countries. As businesses in these countries began to thrive, we moved our people and offices closer to them—to help them promote prosperity in less-developed areas of the world. In doing so, IFC built up an unmatched body of knowledge and experience in sustainable private sector development.

We learned how to do difficult things in the most difficult places. We began to deliver advice alongside our investments, helping the poorest and most strife-ridden countries establish the basic conditions necessary for entrepreneurship to thrive and prosperity to take root. Across the world, we helped our clients see the benefits of social inclusion—particularly gender equality—and environmental sustainability.

We did all of this profitably—and we channeled the profits back into poorest countries. Since 2007, IFC has contributed more than $3.5 billion of its income to support the work of International Development Association (IDA), a World Bank Group institution that makes grants to the poorest countries.

Today, conventional sources of development finance are constrained. But far larger unconventional ones remain untapped. Global institutional investors have an estimated $70 trillion of assets under management, of which only a tiny fraction reaches the developing world. It's our job to find new investment outlets for this massive pool of capital, working with the World Bank, IMF, and other partners on policy and regulatory reforms that will help create new markets and opportunities.

Our history puts us in a unique position to take on this future agenda.

PHILIPPE LE HOUÉROU

ABOUT IFC

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in developing countries.

Established in 1956, IFC is owned by 184 member countries, a group that collectively determines its policies.

IFC has six decades of experience in the world's most challenging markets.

With a global presence in more than 100 countries, a network consisting of hundreds of financial institutions, and more than 2,000 client firms, IFC has been leading the way in private sector development.

This is its story.

IFC'S MANDATE

IFC's charter, the Articles of Agreement, provides the basis for its work in "encouraging the growth of productive private enterprise" in three broad ways:

INVESTING
ALONGSIDE OTHERS
in private enterprises that contribute to development without government guarantees

MOBILIZING
CAPITAL FROM OTHERS
by bringing investment opportunities to investors

ADVISING
to help stimulate private capital flows and improve the investment climate

IFC ARTICLES OF AGREEMENT

The International Finance Corporation (hereinafter called the Corporation) is established and shall operate in accordance with the following provisions:

ARTICLE I

Purpose
The purpose of the Corporation is to further economic development by encouraging the growth of productive private enterprise in member countries, particularly in the less developed areas, thus supplementing the activities of the International Bank for Reconstruction and Development (hereinafter called the Bank). In carrying out this purpose, the Corporation shall:

(i) in association with private investors, assist in financing the establishment, improvement and expansion of productive private enterprises which would contribute to the development of its member countries by making investments, without guarantee of repayment by the member government concerned, in cases where sufficient private capital is not available on reasonable terms;

(ii) seek to bring together investment opportunities, domestic and foreign private capital, and experienced management; and

(iii) seek to stimulate, and to help create conditions conducive to, the flow of private capital, domestic and foreign, into productive investment in member countries.

The Corporation shall be guided in all its decisions by the provisions of this Article.

IFC CEOs: A CHRONOLOGY

MARCH 2016 – PRESENT
PHILIPPE LE HOUÉROU

2012 – 2016
JIN-YONG CAI

2006 – 2012
LARS H. THUNELL

1999 – 2005
PETER L. WOICKE

1994 – 1998
JANNIK LINDBAEK

1984 – 1994
SIR WILLIAM RYRIE

1981 – 1984
HANS A. WUTTKE

1977 – 1980
MOEEN QURESHI

1974 – 1977
LADISLAUS VON HOFFMAN

1969 – 1974
WILLIAM S. GAUD

1961 – 1969
MARTIN M. ROSEN

1956 – 1961
ROBERT L. GARNER

IFC HISTORY IN A NUTSHELL

This is a story of **experience**—an unparalleled body of knowledge built up in the toughest markets, under the most challenging conditions, and applied to address the world's most urgent development challenges.

Six decades ago, a few dozen countries made a calculated bet on the transformative potential of the private sector in developing countries. They put up $100 million in capital and established IFC to reinforce the work of the World Bank in spurring growth and development. Today, IFC is the largest global development institution focused on the private sector, having delivered nearly $250 billion in financing to businesses in emerging markets.

Throughout its history, IFC has introduced new approaches to meet the needs of developing countries. Initially, it helped to bring leading multinational companies to developing countries—beginning in 1957, when IFC invested alongside Siemens in Brazil. In addition, as businesses in these countries began to thrive, IFC deployed its staff to local markets to be closer to clients. Over time, IFC helped **drive growth** by providing investment and advice, and by mobilizing resources from other capital providers.

IFC consistently brought to bear a distinctive set of advantages in working with the private sector to end extreme poverty and boost shared prosperity—a history of **innovation**, a **mandate** for global **influence**, an understanding of the demonstration effect of its actions, and a determination to achieve measurable development **impact.**

SIX DECADES OF EXPERIENCE HAVE TAUGHT IFC…

- **How to maximize development impact** and business results in the toughest social, political, and financial environments.
- **How to mobilize and leverage capital** beyond its own resources, attracting private investors that otherwise might not invest in riskier markets.
- **How to build partnerships** that create markets, expand economic opportunity, and push the boundaries of social and environmental stewardship.

Those capabilities have made IFC a key player in global efforts to address shared challenges such as climate change and pandemics. IFC plays a prominent advisory role in major initiatives of the United Nations and the Group of 20 nations. It acts as a trusted liaison between the public and private sectors, bringing business solutions to the challenges of development.

Today, the challenges of development are simultaneously **global** and **local**. Trillions of dollars must be mobilized each year if the world is to achieve the Sustainable Development Goals—including ending poverty—by 2030. Poverty is increasingly concentrated in fragile and conflict-affected areas of the world, where it is hardest to eradicate. Climate change threatens to force tens of millions of people in developing countries into poverty.

IFC is uniquely positioned to leverage the capabilities of the private sector to address these challenges. **Six decades of experience** and a record of innovation and thought leadership in private sector development have made the organization essential for creating opportunity where it's needed most.

THE IFC BRAND

IFC has built up a strong brand identity over six decades of experience. The corporate brand is expressed in the logo—adding IFC's acronym, full name, and World Bank Group affiliation alongside the World Bank Group's globe and using its colors.

In use since 2014, the current logo is in turn part of a larger visual identity system that also includes colors, typefaces, and implementation guidelines applied consistently to all communications material as part of IFC's brand management.

IFC's visual depiction has evolved considerably over the years, with today's logo the culmination of several other usages that appeared on earlier annual report covers and other marketing materials during different eras of IFC history. The years marked at right show the first year these logos appeared on annual report covers.

1956
In the early years the name was fully spelled out on report covers, supported by the official legal seal rather than a logo. The acronym and relationship to the World Bank were included in all communications from the outset.

1961
In the 1960s IFC began using an early logo, combining the acronym and the full name.

1969
Starting in 1969, the logo was modified, adding the affiliation to the World Bank Group (a term that was first used in the 1960s).

1973
For more than two decades starting in 1973, the IFC acronym was primarily used alone, generally in blue and at times adding the full name.

1993
Starting in 1993, an enclosed globe was added to the logo.

2005
In 2005 the enclosed globe element was modified further, increasingly using blue as the primary corporate color.

2014
The current IFC logo was adopted as part of a larger new World Bank Group visual identity system.

IFC BY THE NUMBERS

- **$200 billion:** in financing for IFC's own account delivered to businesses in emerging markets.
- **$50 billion:** mobilized by IFC's loan-syndications program from more than 500 financing partners in over 115 emerging markets.
- **$7 billion:** raised from other investors by IFC Asset Management Company.
- **$1.3 billion:** value of IFC's advisory portfolio, including over 700 projects in about 100 countries.
- **$3.5 billion:** contributed to International Development Association since 2007.
- **$2.56 billion:** growth of paid-in capital from $100 million in 1956.
- **$19.5 billion:** in local-currency financing provided across 71 currencies.
- **$5.1 billion:** raised through issuance of green bonds as of FY16 end.
- **3,757:** staff from more than 140 countries, with more than half located outside the United States.
- **104:** offices in 98 countries, with more than 2,000 private sector clients.

(Note: some numbers are approximate)

Creating Opportunity Where It's Needed Most: A tagline summing up IFC's vision, introduced in 2007 and used ever since.

THE EVOLUTION OF IFC'S BRAND VALUE PROPOSITION

For six decades, IFC has steadily adapted to meet the evolving needs of emerging markets. Its ongoing growth—and increased delivery of investment, advice, and development impact—reflects an enduring ability to adjust its business model to address the changing needs of the times.

Although mandated from the outset to invest, advise, and mobilize capital for private sector development, IFC began in 1956 with a primary emphasis on loans. Equity investment and loan syndication functions were soon added. As more countries joined IFC and demand increased, a wider array of other products was introduced: expanded advisory services, new knowledge-based services, and a broader range of investment vehicles.

Along the way, IFC's global network of clients and partners grew dramatically—as did its financial resources and breadth of staff skills. By the time of its 50th anniversary in 2006, this growth had considerably enhanced IFC's ability to deliver on its founding vision.

In 2007 IFC summed up its vision for the new millennium in a single phrase: *Creating opportunity for people to escape poverty and improve their lives*. Two years later, this vision grew into a defining corporate tagline, *Creating opportunity where it's needed most*. It has remained in place ever since.

During this period, IFC also redefined its own story to become the story of those whose lives it improves. Its story was their story. Poised at the intersection of innovation and impact, IFC was showing that it was uniquely positioned to make a difference in the 21st century, boosting **the private sector's essential role** in addressing the greatest development challenges of the day. IFC had become the world's leading global development institution focused on the private sector, working with clients to provide solutions to challenges that cannot be solved by government alone.

By 2011 IFC had further refined its brand value proposition—Innovation, Influence, Demonstration, and Impact—and focused more on leveraging the power of partnerships in seeking transformational results.

Today, IFC's work continues to evolve, supporting an ambitious global agenda that is moving from billions to trillions in financing for development.

Ultimately, what distinguishes IFC in the marketplace is its role as a Bretton Woods institution—a World Bank Group member with unique depth of knowledge and experience that is well positioned to help create and develop new markets.

SIX DECADES OF EXPERIENCE

INNOVATION
INFLUENCE
DEMONSTRATION
& IMPACT

ORIGINS

1947
World Bank President John J. McCloy appoints New York financier **Robert L. Garner** as vice president of the Bank.

GLOBAL CONTEXT

1945:
WWII ends in a divided Europe

1945:
Soviet-occupied countries adopt command economies

1947:
Indian independence from the U.K.

1957
IFC's first loan: $2 million to help Siemens' Brazilian affiliate manufacture electrical equipment.

1959
First syndication: IFC mobilizes $2 million from a group of banks for Brazilian pulp and paper company Champion Celulose.

1960
First investment in Africa: a $2.8 million loan package for Kilombero Sugar Co. in Tanzania.

1961
IFC's charter amended to allow equity investments—in time, a key to its profitability.

1957:
European Economic Community created; Ghana becomes first Sub-Saharan African country to gain independence.

1973
First housing finance project: IFC becomes a founding shareholder in start-up Davivienda of Colombia, then adopts that same model in 1978 with HDFC in India.

1974
IFC's $17.3 million investment and advice to Republic of Korea's **LG Electronics** helps it become one of the first globally competitive emerging-market companies.

1976
First SME finance project: $2 million loan for Kenya Commercial Bank to lend to smaller local companies.

1973:
Chile begins gradual transformation from statist to a liberalized, world-integrated economy

1975:
End of Vietnam War

1975:
Microsoft founded

1976:
Apple founded

1979:
Deng Xiaoping begins reforms to open China's economy

1948-49
Garner and colleagues propose a new institution to stimulate private investment, working alongside others and taking full commercial risk.

1950s-60s

1956
IFC opens under Garner's leadership with $100 million in capital.

1948:
Israel created

1949:
People's Republic of China created

1950–1953:
Korean War

1955:
IBM invents the first hard disk (5 MB)

1956:
Morocco becomes first North African country to gain independence from France

1962
First equity investment: about $500,000 stake in Spanish auto parts manufacturer Fábrica Española Magnetos.

1970s

1971
IFC Capital Markets Department created to strengthen local banks, stock markets, and other financial intermediaries—which eventually become IFC's largest area of emphasis.

1972-74
Advisory services and field offices: for the first time IFC sends experts to Jakarta to help build the country's first securities markets.

1962:
Cuban Missile Crisis

1968:
Prague Spring

1969:
Apollo 11 moon landing

1973:
OPEC oil crisis begins vast wealth transfer to oil-producing nations

1980s

1980
First investment in **Tata Group**, India: Tata Iron and Steel Company borrows $38 million from IFC.

1981
IFC coins the phrase **"emerging markets"**—changing the financial world's perception of developing countries and defining a new asset class.

IFC creates the Emerging Markets Data Base—basis of the world's first emerging markets stock index.

1984
IFC launches the first publicly traded emerging market country fund, the NYSE-listed **Korea Fund**.

1982:
Debt crisis begins in Latin America, leading to a "lost decade"

1984:
Privatization era begins with Thatcher government's sale of British Telecom

1985
IFC provides investment-climate reform advice to China, leading to the creation of FIAS, IFC's largest multi-donor trust fund. FIAS continues to operate in 80 countries today.

1988
Amid the Latin American debt crisis, IFC helps several Mexican conglomerates reduce their debt, leading to the creation of IFC's first advisory department, **Corporate Finance Services.**

1989
IFC receives its **first triple-A credit rating**—key to a major multi-currency borrowing program that by 2016 tops $15 billion a year.

1990s

1990
IFC designs Poland's Multi-Track Privatization Program.

GLOBAL CONTEXT

1989:
Fall of Berlin Wall

1990:
Nelson Mandela freed in South Africa

1991:
Fall of the Soviet Union

1991:
India launches market-based reforms

2000s

2002
Amid worsening economic conditions in Argentina, IFC starts a series of **countercyclical investments**, beginning with $60 million for agribusiness client AGD.

2003
Leading commercial banks launch the **Equator Principles**, modeled on IFC's own standards.

IFC and World Bank publish first ***Doing Business*** report, helping establish a global benchmark for countries to improve their investment climate.

2004
IFC launches its first large-scale **gender** initiative, encouraging projects to help local women-owned businesses.

IFC oversees creation of the Emerging Market Private Equity Association, or **EMPEA.**

2000:
Millennium Development Goals launched at a United Nations summit

2001:
September 11 attacks

2001:
Goldman Sachs economist Jim O'Neill coins the acronym BRICs to refer to Brazil, Russia, India, and China

2002:
Euro notes and coins go into effect

2004:
Argentina's sovereign debt default

2004:
Facebook founded

2009
Having decentralized to be closer to its clients, IFC has more than 50 percent of its staff in the field for the first time.

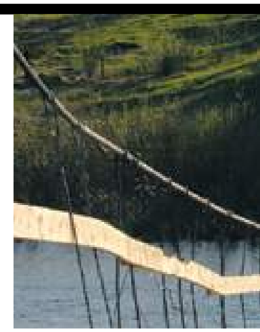
IFC Asset Management Company is founded. By 2016, it will have raised more than $7 billion in investor funds.

2010s

2010
IFC launches a private sector window in the $1.25 billion **Global Agriculture and Food Security Program (GAFSP),** a new World Bank Group initiative formed at the G-20's request.

2012
A year after conflict ends in Côte d'Ivoire, IFC finances the expansion of the country's largest thermal power plant, **Azito**.

IFC launches its **Pan-African Domestic Medium-Term Note Program.**



2011:
Arab Spring begins

1992

IFC coins the phrase **"frontier markets."**

IFC leads one of Russia's first privatization programs, auctioning 2,000 businesses in Nizhny Novgorod.

1996

IFC enters the microfinance sector with a $3 million stake in ProFund, which is focused on Latin America and the Caribbean.

In one of our first investments in a conflict-affected state, IFC helps launch Bosnia's microfinance pioneer (now ProCredit Bank).

IFC leads Africa's largest privatization: the $70 million sale of the government's stake in Kenya Airways to KLM.

1998

IFC adopts new environmental and social review procedures and safeguard policies. (later renamed the Performance Standards).

Responding to the **Asian financial crisis**, IFC begins a five-year, nearly $1 billion countercyclical investment and advisory package to strengthen clients in Korea.

1993:
European Union created

1994:
NAFTA takes effect, increasing US-Mexican-Canadian trade

1995:
UN World Conference on Women sets global agenda for gender equality

1995:
Widespread commercial use of the Internet begins

1997:
Asian financial crisis

1998:
Russian financial crisis

1998:
Google founded

1999:
Anti-globalization protests at WTO meeting in Seattle

2005

Launch of IFC's **Global Trade Finance Program.**

Launch of IFC's first **Panda bond** in China.

2006

New **IFC Performance Standards**

2007

IFC's $5 million investment in FINO, a start-up Indian IT firm, helps expand access to finance for people in rural areas.

2009

The G-20 launches its **Financial Inclusion initiative**, naming IFC its SME finance adviser.

Responding to the global financial crisis, IFC provides €2 billion to an international effort to maintain commercial bank lending in Central and Eastern Europe.

2006:
Microfinance leader Muhammad Yunus wins Nobel Peace Prize

2007:
Al Gore documentary *An Inconvenient Truth* wins an Academy Award, focusing world attention on climate change

2008:
Global financial crisis begins

2013

Launch of the **World Bank Group's twin goals**—ending extreme poverty and boosting shared prosperity.

The People's Bank of China pledges $3 billion to IFC's new **Managed Co-Lending Portfolio Program**, becoming the new syndications program's first investor.

2014

IFC's first offshore **Masala bond** in Indian rupees issued in London. The program has now grown to $3 billion.

2015

IFC plays a key role in highlighting the importance of the private sector in achieving the **Sustainable Development Goals.**

As part of the coordinated World Bank Group response to the **Ebola crisis** in West Africa, IFC provides $225 million to help local banks maintain lending to local SMEs.

A thought leader at historical international climate change talks in Paris, IFC showcases emerging-market clients with innovative climate-smart solutions.

2013:
Emerging markets account for more than 50 percent of world GDP for the first time

2015:
Launch of Sustainable Development Goals

2015:
3.2 billion Internet users and even more mobile-phone accounts worldwide

IFC founder
Robert Garner.

PROLOGUE

ORIGINS OF IFC

1956: Robert Garner takes the helm at the newly launched IFC.

March 1947: New leadership arrives at the World Bank, a first-of-its-kind institution founded along with the International Monetary Fund just three years earlier at the historic Bretton Woods conference, and operating since June of 1946.

It was the early post–World War II era. A new period of international cooperation was just beginning—one needing a central nexus point, providing intellectual and financial resources at a significant scale to help countries rebuild, re-engage, and move forward.

From the outset, this new entity—formally called the International Bank for Reconstruction and Development—was to be global in nature. "In a world dominated by nation-states," its official historians wrote 50 years later, "the new Bank was indeed a multilateral institution: It was owned and governed by national governments, but it was not formally or legally the creation of any of them."

The new president starting work at the World Bank that day in March 1947 was prominent New York attorney John J. McCloy, whose predecessor departed after leading the institution through its earliest months. As his vice president, McCloy brought a man of bold and singular vision: **Robert Garner**, a senior financial executive at General Foods Corp. in New York who had been recommended by Morgan Stanley co-founder Harold Stanley.

Working closely together, McCloy and Garner led the World Bank's initial lending to governments, beginning with a $250 million reconstruction loan to France just two months after they arrived. The first loan to a developing country followed the next year—$13.5 million for hydropower development in Chile.

In doing this groundbreaking work alongside McCloy, Garner brought a keen sense of the role private business could play in international development, one that few others shared at the time. "It was my firm conviction that the most promising future for the less-developed countries was the establishing of good private industry," Garner recalled in his 1972 memoirs.

It was a big goal—one that he knew would require "a new approach, if we were going to be influential."

THE CONTEXT OF IFC'S CREATION

It was clear at the time that private sector development was being restricted by several factors. There was a serious lack of both domestic savings and the institutions and incentives necessary to channel what savings there were into productive ventures.

Local entrepreneurs with promising businesses frequently could not find the necessary capital for launch or expansion. Managerial and technical skills were scarce, and there was little opportunity to acquire industrial expertise. The ability to identify, define, and implement investment projects was severely limited. Foreign direct investment from industrialized economies was also small. Aside from the extractive industries, most businesses from wealthier nations typically had no knowledge of the opportunities in the developing world, and many of those that did were hampered by risk perceptions.

It was a time, then, of serious structural problems that distorted and restricted the allocation of private capital and expertise so essential to creating jobs and reducing poverty in developing countries. The recognition of these problems defined what would become the most important dimension of IFC's operations—its **catalytic role.**

From the beginning, Garner viewed IFC as a means to stimulate private investment, acting as a catalytic agent in the chemistry of entrepreneurship, investment, and production. He recognized that IFC should not compete

THE WORLD TAKES NOTE

1955

ISTANBUL, Turkey, Sept. 15 (UP)—The president of the World Bank said today that the proposed International Finance Corporation probably would begin operations early next year.

Robert L. Garner, vice president of the bank, said the I. F. C. could expect a mass of applications as soon as it opened. He added that one of the biggest problems would be to sift out a reasonable number of projects worthy of serious investigation.

Mr. Garner said the finance corporation would have initial capital of $100,000,000. Membership will be open only to members of the bank. He said the purpose of the I. F. C. would be to stimulate the flow of private capital into under-developed areas.

Mr. Garner named a number of restrictions he said were essential to this purpose. They were:

¶The I. F. C. must limit its financing to productive private enterprise.

¶It may use its resources only in association with private investors.

¶It is not to undertake any financing for which, in its opinion, sufficient private capital could be obtained on reasonable terms.

¶It shall not assume responsibility for managing any enterprise.

¶I. F. C. investments are not to be on bargain terms.

A CATALYZING AGENCY

President Eisenhower has sent a special message to Congress urging approval of United States membership in the proposed International Finance Corporation, to be affiliated with the International Bank for Reconstruction and Development.

1955

I. F. C. IS STAFFED, SET FOR BUSINESS

1956

against or replace private capital, and would never be a panacea for the problems of development. However, IFC could be one of many tools brought to bear on those problems.

This became the blueprint for a new institution that could finance private enterprise without the World Bank's requirement for government guarantees. Garner and his colleagues made the case persistently for several years, gradually winning over the skeptics—and in the process establishing a culture of long-term commitment and dedication to the cause that would become a lasting hallmark of IFC. "I missed no opportunity during my travels of promoting the idea with top government officials," he later wrote.

BUILDING MOMENTUM

A major political boost came in March 1951 from Nelson Rockefeller, a former U.S. Assistant Secretary of State and grandson of the world's wealthiest man, oil tycoon John D. Rockefeller. Chairing an influential U.S. presidential advisory board in international development, the younger Rockefeller urged the formation of **"an International Finance Corporation"** to support local private enterprise as part of a larger set of recommendations. This proposed IFC would support development by making loans to private businesses in developing countries, but only on the condition that it would take no government guarantees, always work alongside other private investors, and never manage its investee companies. U.S. President Harry Truman quickly endorsed the idea.

After four years of negotiations, IFC won acceptance from the World Bank's board of country shareholders in 1955, opening in 1956 with Garner at the helm.

IFC began with a staff of only 12 people, $100 million in initial capital, and no authorization to make the equity investments that Garner desired and that would later be key to IFC's unique impact and financial sustainability. Garner's early leadership was critical. Reflecting later on these initial days, Garner's chief aide, Richard Demuth, called him a man not just of "tremendous work, but tremendous toughness," one who always insisted that "we operate not as a public institution, but as a business institution."

IFC's First Headquarters: Inside the World Bank, Washington, DC.

THE FOUNDING VISION

“The view of management was that if these countries were really going to develop…the only way they were going to really increase the production of goods and have people get more jobs, raise the standard of living, and build up their countries was through the development of private enterprise, industry, and agriculture.

“After a few years, some of us began to realize that the Bank was not the best type of instrument to finance purely private business. We began to work on the idea of a separate institution affiliated with the Bank, but with separate capital and separate organizations which could deal directly with private industry. It took about seven or eight years to get the idea accepted, but finally it was in 1956, and IFC was set up: the principle was that it would operate in conjunction with private business and in partnership if possible with private investment capital.

“Just as I felt private business has been largely responsible for everything built in my country, it was the thing that could be the most important element in the economic growth of these other countries.

"IFC will be able to do a great many constructive things that no public institution is doing.”

WORLD BANK/IFC ARCHIVES ORAL HISTORY PROGRAM
INTERVIEW WITH ROBERT L. GARNER, JULY 19, 1961

GROWING SUPPORT

Though IFC would grow dramatically over time, Garner knew all too well that it would never have enough money to make a major difference strictly with its own investments. The goal was always to serve as an honest broker and lead the way in attracting much larger pools of capital from other private investors. This defining mission remains intact today.

Chile, 1956: Robert Garner (second from right), leads IFC's first overseas mission.

Business leaders in the poorer countries embraced the idea. "The dynamic force of private enterprise is strengthened considerably by initiatives such as IFC," Brazilian CEO Vicente De Paula Ribeiro said at an IFC seminar at the 1958 World Bank/IMF Annual Meetings in New Delhi. "It accelerates its spread and process of growth by acting as a catalyst."

By 1959, IFC had a $19.8 million portfolio of investments in 11 countries, reporting to its shareholders that every dollar invested from its own resources was matched by three dollars from the private sector. "Private industrial growth provides developing countries with a vigorous force in their economic development and distributes its benefits widely among the people," Garner wrote in that year's annual report. "IFC's objectives are to assist and stimulate this growth by associating with private business and investment capital, both from the more highly-developed and the developing countries."

Always eager to do more, Garner also pushed for IFC to **provide formal advisory services**, which would take time to develop. While staying clear of politics, he urged staffers to support reforms that would **improve the investment climate** in developing countries, sensing the potential impact in a developing world where he saw not just extreme poverty, but "growing markets, untapped raw materials and abundant labor able to acquire modern skills."

In one of his final acts before retiring in 1961, Garner at last convinced the shareholders to agree to one of his original agenda items: expanding IFC's role by amending the charter to allow **equity investments** and other financial instruments.

When Garner retired, World Bank President Eugene Black provided words of acknowledgment. Garner, he said, "was a pioneer."

DECADES 1–3

1950s–1960s
1970s
1980s

BEGINNING WITH INNOVATION

Committed to innovation from the outset, IFC started as a small, Washington-based institution.

In these early years, IFC worked to increase the private sector's growth and contribution to development, well before these essential ideas had widespread international acceptance.

Wherever possible, the institution focused on "firsts"—as it has ever since.

Initially IFC worked mainly alongside foreign multinationals in key sectors such as manufacturing, mining, and agribusiness.

Over time, the approach widened, as IFC found ways to help local companies obtain financing in their own countries, and support governments' efforts to improve the investment climate.

CHAPTER 1

EVOLVING THE APPROACH

Bristol de México: An early IFC client in the aircraft repair industry.

At first, IFC pursued its mission on a transaction-by-transaction basis—growing gradually and learning lessons that would later allow it to work at a much larger scale.

Working without a large capital base, IFC could at first offer only limited amounts of financing. Demand was high, nonetheless, with hundreds of proposals received in the first year. The first investments were confined to loans, typically in the $200,000 to $3 million range, to finance industrial projects in Latin America and Asia. Supplementing private capital, they supported "firsts" of various kinds that could stand as points of progress in private sector development—something that would become a hallmark of IFC operations.

IFC's first investment came in September 1957. It was a $2 million, 15-year loan to help the local affiliate of German electrical equipment manufacturer Siemens build Brazil's first integrated assembly plant to supply local utilities.

Located near São Paulo, the new plant would "fill a real gap," investment officer Hans von der Goltz wrote in his credit analysis report. "So far there is no producer of heavy electric equipment in the country," he added. "In the list of industrial development priorities, the production of heavy electric equipment ranks very high because of the great emphasis put on the development of power."

Other loans in this same pioneering spirit followed in that first year, including:

- $600,000 to help the U.S.-Mexican joint venture Engranes y Productos Industriales, S.A., launch Mexico's first manufacturing plant for specialized automotive parts.
- $520,000 for Bristol de México, a local company tied to Bristol Aeroplane Co. of the UK. It was building Mexico's first aircraft engine overhaul and repair facility, serving national airline Aeroméxico.
- $2.2 million to develop the Mantos Blancos copper mine in Chile, using new metallurgical ore treatment technologies that were just coming into use that year.

Many more loans ensued in different markets in the coming years, financing steel products plants in India and Pakistan, textiles in El Salvador, and cement production in Thailand. In **1960, IFC first invested in Africa** with a $2.8 million loan package for the new Kilombero Sugar Co. operation in Tanzania (then called Tanganyika).

But this selected, loan-only approach could only go so far. After five years, the institution was making less of a mark on the world than expected, having approved just $44 million in total lending by 1961. In response, IFC challenged its own status quo.

“It was time for the idea of change,” recalled Martin Rosen, who succeeded Robert Garner at IFC’s helm in 1961. “In the opinion of many, IFC would do no more than pick at the fringes of its problems unless its scope was greatly widened.”

This new thinking led to three dramatic shifts that soon became core aspects of IFC’s business model, in each case catalyzing much greater results over time.

1959: FIRST MOBILIZATION

The Articles of Agreement encouraged IFC to focus not just on investing its own resources, but on mobilizing additional capital from others. The first step in this key direction was **IFC’s first loan syndication:** $2 million raised from commercial banks in 1959 for Brazilian pulp and paper producer Champion Celulose. Packaged alongside IFC’s own loan, the financing supported a new bleached sulfate wood pulp mill then being built at Mogi Guacu in the state of São Paulo. The mill still operates today, now owned by one of the world’s largest pulp and paper companies, International Paper.

By putting a trusted stamp of approval on this high-priority start-up, IFC was able to mobilize more capital from other investors than it could provide alone. This capability soon became a critical aspect of IFC’s approach to financing development. Today, IFC’s loan-syndication program is the oldest and largest of its kind among multilateral development banks. The program has mobilized approximately $50 billion for more than 1,000 emerging market projects.

Affiliate of World Bank Making Its First Investment in Africa

International Finance Corp. Helping to Build a Sugar Project in Tanganyika

The International Finance Corporation, equity financing affiliate of the International Bank for Reconstruction and Development [World Bank], announced yesterday that it had made its first investment in Africa.

The international organization is joining Dutch and British financial interests in putting up the equivalent of about $6,400,000 to grow and mill sugar cane for Tanganyika, British East Africa, which has always had to import sugar.

The partners of I. F. C. will be the Colonial Development Corporation, a British company, the Netherlands Overseas Finance Company and Vereenigde Klattensche Cultuur Maatschappij, another Dutch enterprise. With the I. F. C., they will put up £2,300,000 of an estimated development cost of £3,210,000 ($8,988,000).

Additional financing will come from an issue of convertible preferred stock and a trade supplier’s credit. The sugar company, Kilombero Sugar Company, Ltd., is selling £700,000 ($1,960,000) of convertible preferred shares to the Standard Bank of South Africa and the Colonial Development Corporation. These shares are to be reoffered to Africans and other residents of Tanganyika. The supplier’s credit will total about £210,000 ($588,000).

Kilombero Sugar is acquiring a concession of land from the Tanganyikan Government on the Great Ruaha River in the Kilombero Valley. About 7,000 acres are to be cleared for growing sugar cane. A mill with an initial refining capacity

The New York Times June 3, 1960
Cross marks sugar project

Continued on Page 45, Column 2

1960:
New York Times coverage of IFC’s first African transaction.

1962: FIRST EQUITY INVESTMENT

Equally important was addressing the charter's initial restriction against making equity investments, something that at first had hindered IFC's ability to be a catalyst of private sector capital flows in emerging economies. Equity investments provide critical but scarce long-term growth capital. Private enterprises need this capital to reach their potential, and economies need this capital in order to develop. Without the ability to make these investments and become a shareholder of client companies—to have a true seat at their tables—IFC's role would always be limited.

Following the **1961 charter revision** that granted this authority, IFC took up the challenge, actively working as an equity investor to strengthen the capital structure of client firms. It all began in 1962 with an approximately $500,000 stake in Spain's Fábrica Española Magnetos, a manufacturer of automotive electrical components. The company used the money to expand its Madrid factory and build a new one in Treto.

At the time, it was not uncommon for IFC to invest in Western Europe. In many ways, Spain was still an emerging market in 1962 and considered fully worthy of IFC support. Building on this initial investment in the Spanish factory (later acquired by Bosch Group of Germany), IFC began using its new equity tool to encourage a widening pool of other investors to share risks and rewards in the developing world. Today, equity investment represents approximately 30 percent of IFC's $52 billion global portfolio.

Madrid, 1962:
Signing of IFC's first equity investment, in Spanish auto parts manufacturer Fábrica Española Magnetos.

I.F.C. Charter Shift Allows
Investment in Equities

Strengthening the Private Sector: IFC's role from the beginning, in Brazil (left) and other countries.

1962: FIRST FOCUS ON FINANCIAL INSTITUTIONS

In addition to launching its first loan syndications and equity investments, IFC's innovations in the early 1960s included its first work to **strengthen local financial markets.** At the time, such markets were typically too underdeveloped to support large-scale private sector development on their own. The earliest work in this sector—now the largest component of IFC's portfolio—involved joint support with the World Bank to local development finance corporations (DFCs), specialized institutions financing local businesses that otherwise had limited access to capital. In 1962, IFC set up a dedicated DFC department. Over the next six years, IFC, together with the World Bank, invested $560 million in DFCs in 15 countries, often also providing contracted management and staff training. Some of these clients became major forces in their countries' development over time.

The best known example is the precursor of what is today India's largest private financial institution, ICICI Bank. Founded at the World Bank's initiative in 1955, the Industrial Credit and Investment Corporation of India was at first a relatively small institution that received extensive World Bank funding and additional IFC technical support for many years. Redefined as ICICI Bank in 1994, it has now evolved into a major financial power, with the rupee equivalent of $109 billion in assets as of March 2016.

Also significant was Korea's first private industrial investment institution, the Korean Development Finance Corporation (KDFC), which IFC helped launch as a founding shareholder in 1967. A $702,000 equity commitment for KDFC came alongside $5 million in loans from the World Bank and $17 million from foreign and domestic investors. IFC would provide critical capital for the national takeoff that would follow, as the bank changed its name and evolved over time, first to Korean Long-Term Credit Bank and later to KB Kookmin Bank. Today, Kookmin is one of the four largest banks in the country and stands as one of the world's great development success stories. This innovative investment, IFC's first in Korea and an early case of crowding in private capital, came at just the right time.

"When we helped to set up the KDFC in 1967, exports were around $250 million a year," IFC's William Diamond said later. "When I went back for a review of their structure with them in 1977, 10 years later, exports had hit $10 billion a year. The city of Seoul was a different world compared to the one I had first gone to in '67."

Korea, 1969: IFC chief Martin Rosen (center) visits.

FUTURE DIRECTIONS

Yet even with these three significant new product lines, the IFC of the mid-1960s remained a small player with only limited success in delivering on its vision. A significant turning point came in 1969 with the release of a major report on the future of development finance from a blue-ribbon panel of experts headed by former Canadian Prime Minister Lester B. Pearson. In many ways, it changed the course of IFC history.

Lester B. Pearson: A former Prime Minister of Canada who encouraged IFC to take on a larger role.

Created at the World Bank Group's request in 1967, the **Pearson Commission** spent nearly two years traveling the world to investigate a wide variety of topics, including the volume and terms of aid, the debt burden of developing countries, trade, private investment, and more. One of its key findings was that IFC could have a powerful role in international development, but only if it stepped up its activities.

A NEW STRATEGY FOR GLOBAL DEVELOPMENT

by Lester B. Pearson — Nobel Peace Prize, 1957

LESTER B. PEARSON, Prime Minister of Canada from 1963 to 1968, was awarded the Nobel Peace Prize in 1957. [illegible]

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Not only is the question of development difficult and complex in itself; but we have been examining it during a tense and difficult period in human affairs. The tone of the times is doubtful and discordant. A decade which began with the all but total liquidation of the old colonial order has ended with man walking on the moon.

Goals reached often serve only to illuminate the long, dangerous road ahead. The absence of war has not brought peace, but an uneasy twilight zone darkened by the shadow of total destruction. Concern for the rights and dignity and freedom of all men has not only sharpened conflict over how to protect these essential values but has revealed that there are multitudes who still do not enjoy them.

The implausible speed of technological change has exposed and rendered less tolerable the glacial pace of social transformation. Unprecedented economic progress in many areas has

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The commission's report criticized the narrowly defined IFC of the 1960s for "overemphasizing profitability as an investment criterion and not taking project initiatives," wrote historian Jonas Haralz in the World Bank's official 50th anniversary history book. New World Bank Group President Robert McNamara agreed, encouraging IFC to start thinking bigger. His call for more changes signaled a redefinition of IFC's commitment to development impact.

The first change was the hiring of IFC's first economics adviser, a sharp-thinking International Monetary Fund official from Pakistan, Moeen Qureshi. He would go on to become IFC's chief and, later, his country's Prime Minister.

Qureshi energized the intellectual environment in IFC, adding new analytic rigor to IFC projects that until then had been evaluated almost exclusively on financial terms.

It was in this new environment that IFC brought in Wall Street venture capitalist David Gill to launch the **Capital Markets Department**, soon to be home to some of the institution's most innovative work.

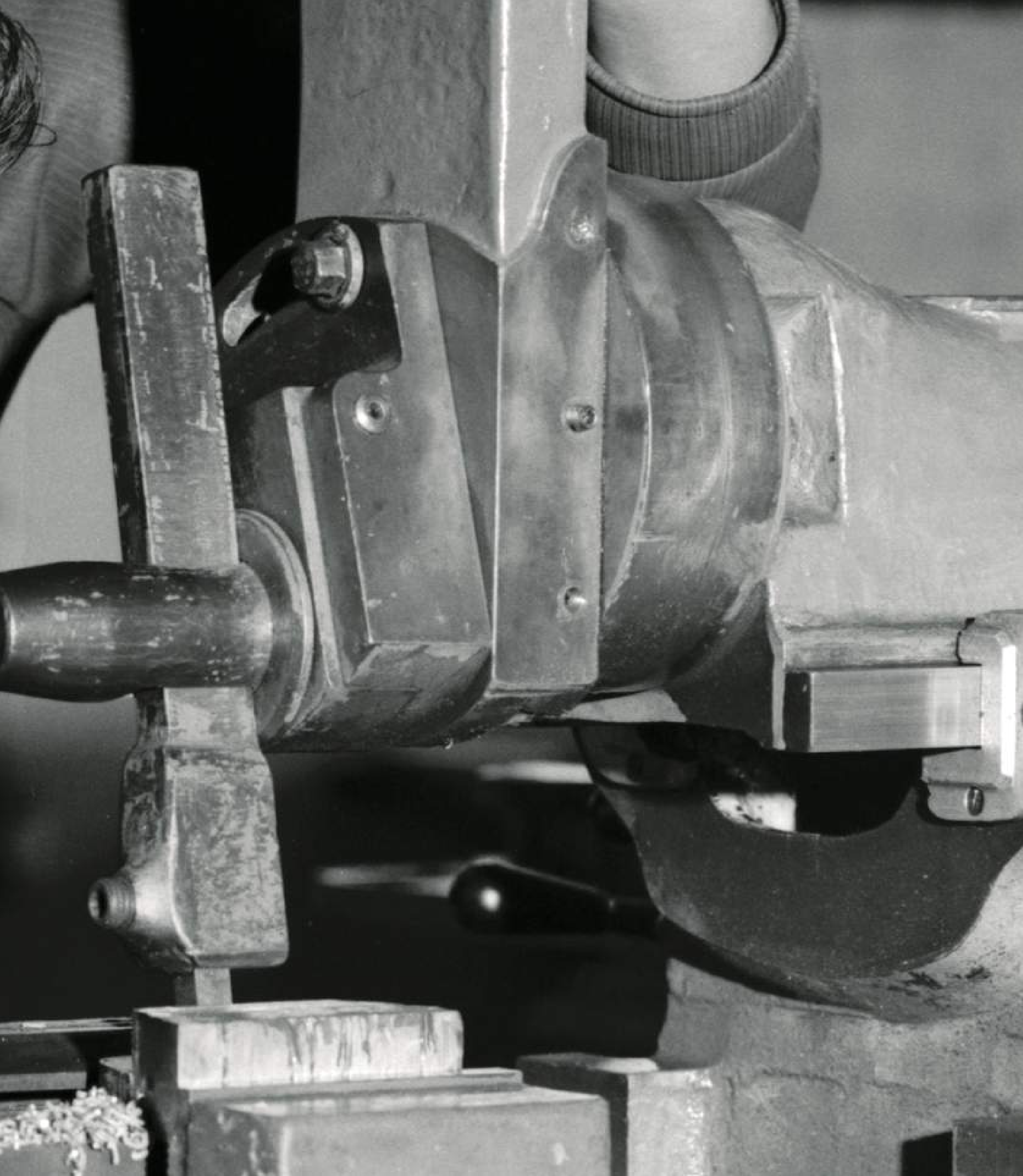
LESSONS OF EXPERIENCE

Ch. 1: Evolving the Approach

Development finance requires an ever-growing set of tools, adapted and refined over time in response to global needs.

Venezuela: Part of IFC's early emphasis on Latin America.

Mexico, 1962



CHAPTER 2

STRENGTHENING THE FINANCIAL SECTOR

Access to Finance: A cornerstone of development, strengthened in many countries by IFC.

September 1970: IFC charts a new course.

World Bank President Robert McNamara, a one-time president of Ford Motor Company, had received the Pearson Commission's report and was ready to give his response. Speaking at the World Bank Group/IMF annual meetings in Copenhagen, he fully endorsed the commission's findings, including its call for IFC to "give greater emphasis to the development implications of its investments."

Pearson and his team had been deeply concerned about the world's rising population and the growing gap between rich and poor. While strongly supportive of increased foreign aid, they opened their report with recommendations for two key market-based solutions:

- Free and equitable trade
- Promotion of mutually beneficial flows of foreign private investment

To help get there, the report urged a much stronger role for IFC—not just in finance but in development. Few noticed at the time, but the Pearson Commission had sensed the unique ability of capital markets to channel local savings into productive investment, thus fueling local entrepreneurship, creating jobs, and **reducing poverty**.

Anticipating the distant economic future with uncanny precision, the Pearson report observed that as poor countries' economies grew, "the need for aid should eventually subside" and that foreign direct investment and access to capital markets "would then increasingly meet the demand for development finance."

"IFC has done some useful work in this area," the authors had written in 1969, "but it is in a position to do very much more."

The commitment to this groundbreaking work began in 1971, with the creation of IFC's Capital Markets Department, an act of "profound importance," according to historian Jonas Haralz. It was a pioneering effort from the outset, one that involved a combination of investment and knowledge sharing in order to help countries develop deep, efficient, local capital markets as a foundation of a thriving private sector.

Indonesia: IFC Capital Markets Director David Gill meets with government officials outside Jakarta, 1975.

The department's founding director, David Gill, later recalled the time in his 2012 memoir, *Tales of a Financial Frontiersman*:

"After doing what we could to help improve the financial infrastructure, the logical next step was to help establish the appropriate financial companies to operate in the markets. We worked in every financial subsector—banking, leasing, housing finance, securities firms, insurance, venture capital, investment companies and related management companies. As access to foreign capital was another objective, we also promoted what came to be called country funds to encourage foreign portfolio equity investment. And, finally, we participated in initial public offerings of stocks and bonds in local markets."

Gill's team was committed to discovering niches where the private sector could operate, then helping foreign or local co-investors establish new institutions in them, often creating new subsectors by setting up a first-of-its kind institution. In the process of broadening and deepening local financial markets, IFC pioneered new products and markets that were both profitable and impactful, including:

- Creating the **Emerging Markets Data Base** in 1981—the earliest and single most comprehensive source of stock market data on emerging markets for institutional investors
- Launching or revitalizing moribund stock exchanges in more than 20 countries
- Structuring and underwriting the first successful closed-end country fund (the **Korea Fund**, 1984) and the first global emerging markets fund (the **Emerging Markets Growth Fund**, 1986)
- Establishing the first venture capital or private equity funds in more than 20 countries

THE THAILAND EXAMPLE

This approach brought benefits to many countries. Among them: Thailand, a country that had little presence in the global economy in the 1970s, and where IFC helped foster remarkable growth over the next two decades by giving the government an early blueprint for capital market development. This included advice for creating an independent regulatory body to oversee a new local stock exchange; an existing exchange had seen its trading levels fall to almost nothing, finally ceasing operations altogether. In 1974, long-awaited legislation establishing the new exchange was enacted, followed by other terms allowing the investment of savings in the capital market. By 1975, a new basic legislative framework was in place, and the new exchange officially started trading. Known since 1991 as the Stock Exchange of Thailand, it became a mainstay of one of East Asia's strongest economies, supported by IFC's investments over the years in related institutions such as brokerages, credit-rating agencies, a mutual fund management company, and local currency bonds. The exchange has mobilized vast sums of capital to finance the country's modernization. It has become a nexus for local pension funds and retail investment opportunities, giving millions of Thai families financial security over the years.

Thailand: A founding shareholder of IFC in 1956 (left), it was a focus of early capital markets work in the 1970s, fueling industrial growth.

SMALL AND MEDIUM ENTERPRISES

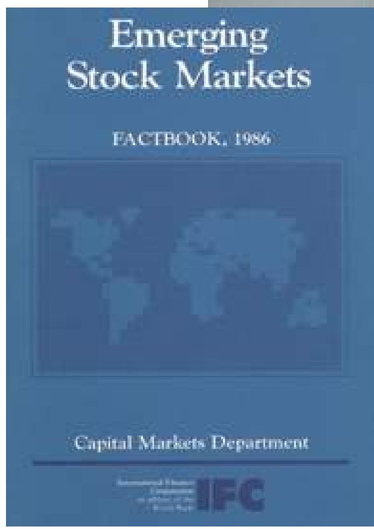
Knowing that they are the backbone of emerging market economies but too often are held back by a lack of access to capital, IFC has long made small and medium enterprises (SMEs) a focus of its work with local financial institutions. Helping local lenders see the potential in this market has unlocked vast sums of private capital for entrepreneurs who drive job creation.

It all began in 1976 with a $2 million line of credit to **Kenya Commercial Bank (KCB)**, which then provided smaller sub-loans and business advice to local SMEs. It was the first transaction of its kind in World Bank Group history, and "took some doing and a lot of hand-holding," IFC's investment officer in the transaction, Promodh Molhotra, later wrote, "but the new approach slowly began to take hold and loans began to be made successfully." Within seven years, all the loans had been repaid. The businesses that KCB had selected had all expanded profitably, helping it see the promise of the untapped SME finance market.

IFC's commitment to increasing capital flows to local SMEs grew dramatically over time, supported by new products such as the African Project Development Facility advisory initiative for SMEs, launched with UNDP and the African Development Bank in 1978 and then replicated in other markets. Today, IFC's SME finance work is global in scope, delivered through 900 financial intermediaries in 120 countries. It is part of a larger effort to mobilize private capital for the traditionally excluded—not just SMEs, but also women, youth, firms, and individuals based in rural and underserved areas.

SME Finance: IFC's support helps local banks tap this growing market.

COINING A PHRASE: EMERGING MARKETS



Beginning in the late 1970s, IFC began collecting data on emerging stock markets and gave presentations in various global forums, putting forth data on size, depth, liquidity, and the regulatory environment. This helped launch a global debate on the advantages of local stock markets and the issues involved in allowing foreign investment.

In 1980, IFC began tracking total return data since 1976 for 10 markets (Argentina, Brazil, Chile, Greece, India, Jordan, Korea, Mexico, Thailand, and Zimbabwe), showing attractive results and making a good case for increased investment. In 1981, IFC's Antoine van Agtmael made a presentation to investment bank Salomon Brothers in New York, proposing a global listed equity investment fund for developing countries. While many of the fund managers present were interested, a banker from JP Morgan made an astute observation: IFC would never get buy-in using the original proposed name, "Third World Equity Fund."

Van Agtmael agreed. He spent the weekend considering a name and came up with a new term for both the idea and the investment he wanted to promote: emerging markets. "Third world" was a term that connoted extreme poverty, shoddy goods, and hopelessness to many at the time. But "emerging markets," van Agtmael would later write, "suggested progress, uplift, and dynamism." It reframed the picture, in time becoming the universal term used in the financial world to describe developing economies.

Building on the momentum, IFC then created the Emerging Markets Data Base (EMDB), providing investors with a much-needed source of performance data in an era when information was much harder to come by than it is today. In its early days, the EMDB was used primarily as an internal research tool for IFC's equity investment program. It also served as the basis for advice given to member countries on the integration of securities markets into their economic development programs. IFC teams, armed with data and analysis based on EMDB, made their case for stocks in emerging markets as attractive investment opportunities to investors and mutual fund managers in the industrialized world. The availability of consistent and reliable information on developing-country stock markets, designed to look similar to information provided on developed markets, facilitated the marketing and performance measurement of the early emerging market–focused investment vehicles that IFC helped create.

Quantitative Data: In the 1980s IFC was a vital source of information, underscoring the growth of emerging market investing.

COUNTRY FUNDS

The next step was to create an effective channel for foreign investors to begin participating in emerging stock markets. The early emphasis was on country funds, creating pools of capital for investment in listed companies. Rather than expecting them to purchase individual shares locally, this closed-end model gave investors a means for exposure in a diversified portfolio of equities, while also offering dedicated portfolio management, brokerage, and custody services that were not previously available.

After working together with the Korean authorities for many years in developing rules and institutions to enforce security market regulations, IFC structured the groundbreaking Korea Fund in 1984 and sought co-lead underwriters to help list the fund on the New York Stock Exchange. This first $60 million listed fund in turn catalyzed a global emerging market country fund industry, in time attracting hundreds of billions of dollars in new investment.

The establishment of the Korea Fund became a blueprint for other emerging market funds. IFC's central role in the Korea Fund's development went beyond merely acting in an advisory capacity. IFC helped establish the structure and best practices approach for emerging market equity funds, creating a niche within the financial services sector that was replicated many times. Because the model could be adapted across different countries and platforms, this process continued in later iterations of country funds, even when IFC was not directly involved. This replication illustrated IFC's important catalyzing role in financial sector development in emerging markets.

By the 1990s, the equity and bond markets of the emerging economies were becoming more interesting to international investors. After the successful development of the Korea Fund, over 150 country funds for emerging markets were launched in the late 1980s and early 1990s.

GLOBAL SCALE

Building on this success, IFC's Capital Markets team decided to scale up the country fund concept. Working with a respected asset management company, the Los Angeles-based Capital Group, the team built the first global fund for securities from the developing world—as always, putting IFC's own money at risk along with that of other investors. Pension funds and insurance companies expressed interest, and by 1986 a globally diversified $50 million vehicle had been created: the Emerging Markets Growth Fund (EMGF). Today, three decades later, the fund stands at $3.3 billion.

IFC's initial steps in the mid-1980s gave rise to a new industry, one that over the years would see mainstream investors pour billions into stocks and bonds from developing countries. This catalytic effort helped local capital markets mature, do more to finance job creation, and spur savings growth around the world—heeding the Pearson Commission's early, visionary call.

LESSONS OF EXPERIENCE

Ch. 2: Strengthening the Financial Sector

Financial institutions are essential for development, bringing widespread benefits as they grow stronger.

PRIVATE EQUITY

Along with country funds that primarily invest in large companies listed on local stock exchanges, IFC also pioneered the growth of emerging market **private equity funds**, which target growing, unlisted companies. Using a model long established in industrialized economies, they mobilize capital from institutional investors and invest it in growing privately held firms, scouring the market for good business opportunities and strengthening local economies in the process.

Today this is a large-scale industry, with $29 billion invested in emerging market private equity and venture capital in 2015 alone, according to industry estimates. But it was completely unknown when IFC first entered the field in 1978 with an $877,000 investment in the Sociedad Española de Financiación de la Innovación (SEFINNOVA) private equity fund for Spain, then still considered a developing country. In the annals of the industry's history, investor Peter A. Brooke wrote in his 2009 book *A Vision for Venture Capital*, SEFINNOVA stands as "not only the first in Spain, but in the entire developing world."

From this small starting point, IFC gradually built a global portfolio of emerging market private equity and venture capital funds. By 2000, IFC had invested in more than 100 such funds, many of them the first of their kind in their markets. But the investor base at the time was almost exclusively made up of development finance institutions. As the new millennium began, few private investors were willing to tie up their money in these long-term vehicles, not knowing how local risks would affect their exit strategies.

To attract more private capital, IFC began focusing on industry standards. Working with research firm Cambridge Associates, IFC created the first performance benchmark for emerging market private equity, launching the Emerging Market Private Equity Association (EMPEA) as the industry's membership organization. This helped open the door to today's significant private investment levels, building an industry that now plays an essential role in financing job creation, growth, and development.

Today IFC has a more than $7 billion private equity portfolio, with investments in more than 280 funds.

Private Equity: Rising companies need growth capital, which helps drive job creation across emerging markets.

CAPITAL MARKET DEVELOPMENT

Over the decades, IFC has learned that strengthening the local financial landscape is a necessity in development—not a luxury.

This is why its work goes beyond supporting banks and other financial institutions to include helping build deep, liquid, and efficient **capital markets** as well. Such markets are essential for a thriving private sector. They connect large pools of savings from institutional investors to financing needs in the local economy, putting available capital to productive use.

From the early 1970s to the mid-1990s, IFC's capital-markets work focused mainly on stock markets, with the goal of expanding cross-border investment. But the Asian and Russian financial crises in the late 1990s underscored the need to bolster local-currency bond markets as well. These markets give local businesses another source of debt financing—and also eliminate foreign-exchange risks, allowing companies to access financing in the same currency as their revenues. The stronger they are, the less vulnerable local firms will be in times of financial crises.

IFC was a pioneer among international development institutions in focusing on this important agenda. In the early 2000s, IFC's Treasury began building on its traditional work of managing the Corporation's own finances, adding a strategic effort to support local capital markets. The initiative had three components: expanding IFC's local-currency solutions for clients; helping clients issue their own corporate bonds for the first time; and issuing bonds in IFC's own name to build the markets' depth and diversity.

PROVIDING LOCAL-CURRENCY FINANCE TO CLIENTS

Companies in developing countries traditionally borrow in foreign currency such as U.S. dollars or euros, exposing them to currency risk in the event of exchange rate volatility. Providing a local-currency financing alternative is particularly important for key sectors like infrastructure, housing, and small and medium enterprises—and thus something that IFC has developed as a fundamental element of its private sector investment product array.

Beginning with initial transactions in the late 1990s, IFC has now scaled up these operations significantly. In the past decade, IFC committed the equivalent of

Capital Markets: A key component of financial sector development.

Local-Currency Financing:
An essential tool for rising companies in the developing world, matching liabilities with revenues.

nearly $13 billion in local-currency financing across 60 currencies—more than any other international financial institution—through loans, swaps, guarantees, risk-sharing facilities, and other structured products. IFC also structures tailored solutions to provide local currency when domestic markets are nascent.

In Rwanda, IFC client **Bakhresa Grain Milling** needed capital in 2010 for expanded operations, such as acquiring new trucks to transport wheat from the Tanzanian port of Dar es Salaam to its flour mill in the Rwandan capital, Kigali. In response, IFC provided a local-currency loan for the equivalent of $25 million. It was made possible by a first-of-its-kind swap agreement with the **National Bank of Rwanda**—the country's central bank—that enabled IFC to swap dollars for Rwandan francs.

Normally, IFC would have entered into a swap agreement with a commercial bank, but countries like Rwanda that lack commercial swap markets require a different solution. Based on this experience, IFC has since entered into swap agreements with other central banks, including Paraguay's.

HELPING CLIENTS ISSUE BONDS

Another key transaction came in 2003, when an IFC partial credit guarantee helped a Chilean private university place the equivalent of $23 million in local-currency bonds with domestic institutional investors. It was the first future-cash-flow securitization by a Latin American university, allowing **Universidad Diego Portales** to finance its expansion by tapping a large new funding source.

IFC has since expanded this approach considerably—for example, acting as an anchor investor to help Zambia's largest microfinance institution raise funds in its local bond market in 2014. By investing in **Bayport Financial Services Limited**'s bond issue for the equivalent of $26.5 million, IFC sent a strong vote of confidence to the nascent market, helping its client increase access to finance in Africa.

IFC now regularly uses credit enhancements, anchor investments, and other client solutions in capital markets. They are a pillar of its work to make local bond markets a greater source of finance for private sector development.

IFC BOND ISSUES

Issuing benchmark-setting bonds in local currencies is also central to IFC's strategy. As a triple-A-rated global institution, IFC brings many benefits when it borrows locally. These include:

- Setting an important precedent that clears the way for future corporate bond issues by others
- Testing and improving domestic processes, and supporting regulatory changes on key issues such as cost of issuance and pension-fund asset allocation
- Opening local markets to new investors, particularly international ones

A milestone transaction in this area came in 2005, when IFC launched the first renminbi-denominated **Panda bond** in China's domestic capital markets. Defined as local-currency bonds from foreign issuers in the domestic markets, the Pandas have proved to be an important tool in building out the country's large capital markets and provided local-currency financing for IFC client companies in health care, SME finance, and other key sectors. The asset class has since grown dramatically, with the equivalent of more than $4 billion of Pandas issued in 2016 alone.

Overall, IFC has now issued bonds in 18 emerging market local currencies, including a Pan-African Domestic Medium-Term Note Program active in Nigeria, Zambia, Rwanda, and other countries.

IFC also advises local regulators, authorities, and institutions on best practices in capital-market development. Together, the combined investment and advisory solutions package has helped strengthen local capital markets—a crucial force for private sector development.

China: IFC Panda bonds have supported growing local companies like Aier Eye Hospital Group, now the country's largest domestic ophthalmology institution.

BUILDING INDIA'S CAPITAL MARKETS: MASALA AND MAHARAJA BONDS

Working both offshore and onshore, IFC plays an important role in strengthening India's capital markets.

Since 2014, IFC has been carrying out a $3 billion-equivalent Masala bond program attracting international investment for infrastructure projects and other priority needs in India. Initially placed by IFC, then adopted by private sector issuers as well, Masala bonds are rupee-denominated instruments issued offshore, connecting international savings with private sector investment in India. They range in tenor from three to fifteen years, stretching the yield curve and deepening the market.

The program has seen IFC issue the first green Masala bond and the first Masala bond to mobilize Japanese retail savings specifically for India's private sector. The latter opened up a new source of local-currency finance for businesses in India, while also enabling Japanese household investors to participate in the development of India's fast-growing economy.

The Masala program's success has sent a clear signal that investor demand for high-quality assets in India remains strong despite global financial uncertainties. It prompted the Reserve Bank of India to authorize Indian companies to issue similar bonds in offshore markets.

Complementing the program are IFC's onshore Maharaja bonds—local-currency bonds placed by foreign issuers in India's domestic capital markets. Under the program IFC will issue up to 150 billion rupees—the equivalent of $2.2 billion—in the country's domestic capital markets.

Together, the two programs show India's capital markets are open for business.

India: IFC's rupee-denominated Masala bonds help spark capital market development.

ADVISORY SERVICES AT IFC

Launched in the 1970s with an early focus on the financial sector, IFC has now built a large-scale, global **advisory services** business—one that has grown dramatically over the decades. Integrating knowledge of global industries and local markets, it now covers many industries and products and is an integral part of IFC's work to increase the private sector's role in development.

Complementing the other core focuses on investment and mobilization, IFC's advisory services add value to three broad categories of clients:

- Companies
- Governments
- Financial institutions and funds

Built on six decades of experience, IFC's advisory services help create new markets, unlock investment opportunities, and strengthen client performance and impact.

In 2004, for example, China sought IFC's technical support in increasing access to finance for its small and medium enterprises. The goal was to develop an appropriate legal and institutional framework to allow the use of movable assets such as receivables as collateral for loans—something that until then had been hindered by the lack of an adequate secured transactions law and the poorly functioning registries.

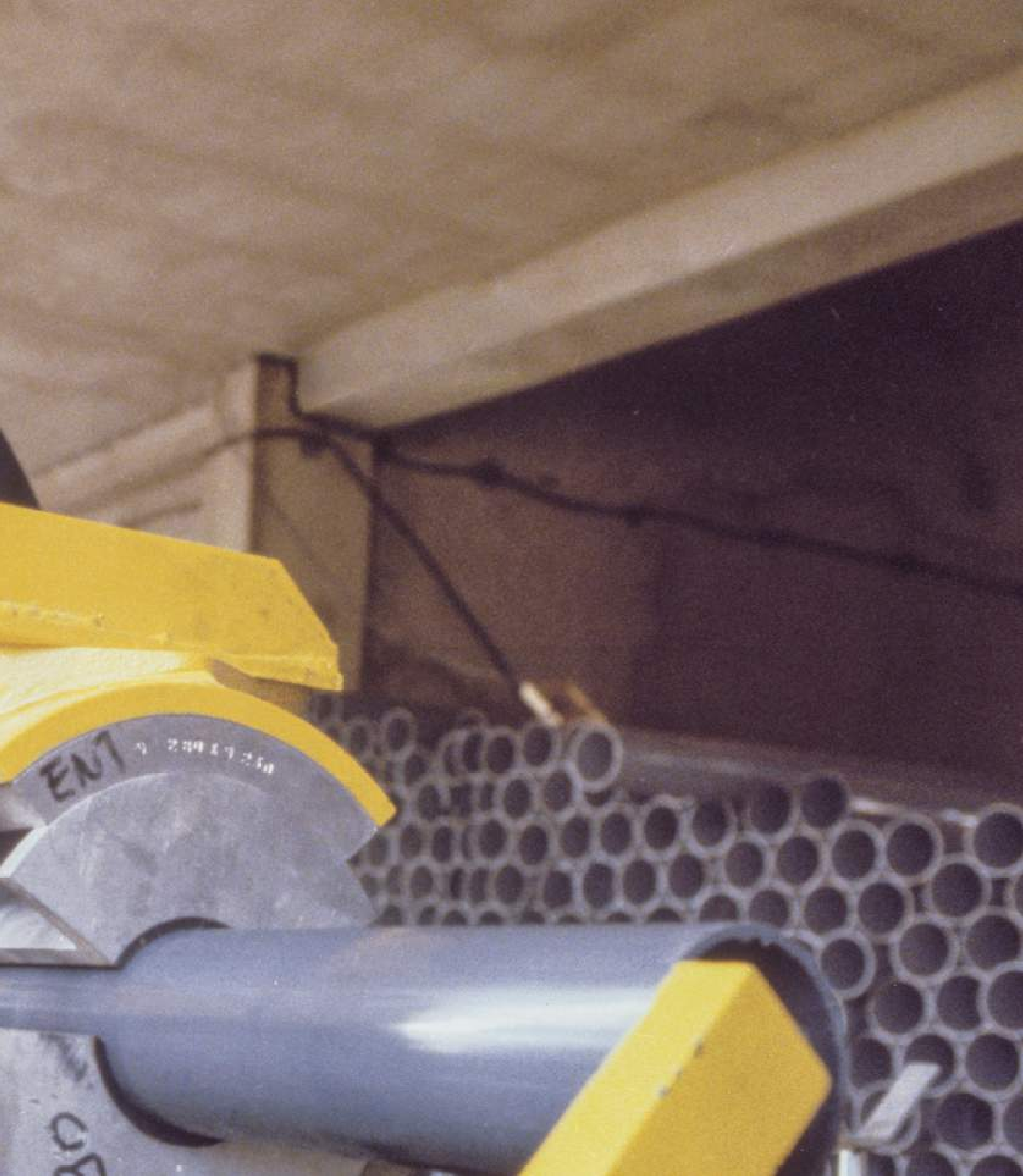
In 2007, China enacted a new property law. Adopting a number of important principles of modern secured transactions systems, the law allowed the use of movables such as receivables, set up a clearer priority rule, and provided a better basis for enforcement. That same year, China opened its first nationwide Internet-based filing system for secured transactions, incorporating all the key features of a modern movable collateral registry.

In 2011, a private consulting firm carried out an independent evaluation of IFC's role in the seven-year project, which involved close, ongoing support to Chinese government clients from IFC specialists with deep knowledge of secured transactions law, registry, and movables financing issues. The evaluation found that cumulatively the project had facilitated $3.58 trillion of accounts receivable financing involving movable assets, including more than **$1 trillion of SME lending** in China—as indicated by the collateral registry's data.

Globally, IFC's advisory services portfolio now includes more than 700 projects in about 100 countries, valued at $1.3 billion. Most of IFC's advice was delivered to clients in IDA countries—including more than 20 percent in fragile and conflict-affected areas.

IFC Advisory Services: Focused on lower-income countries, but delivered globally. In China, IFC's support helped unlock more than $1 trillion in new lending for SMEs.

Mali,
1980s



CHAPTER 3

IMPROVING THE INVESTMENT CLIMATE

Indonesia: Today's Cibinong cement plant, first financed by IFC in 1971.

From the beginning, the challenge was always larger.

No matter how much capital IFC and its partners could provide, it would never be more than a fraction of what was needed to finance the large-scale job creation required to lift countries out of poverty. That would necessitate broad and concerted government action to improve the investment climate, turning countries into more attractive destinations for private capital. But such thinking went against the grain in the early decades, when most governments believed in state-driven models of development. IFC could play a critical role in ushering in the transition, advising on reforms and financing landmark projects whose demonstration effect would clear the way for others. Ultimately, though, governments would have to show the political will to drive the reform process that would increase investment.

Robert Garner realized this in the 1950s. He knew that the perceived risks of individual companies were just one reason outside investors were holding back in developing counties. He saw bigger-picture obstacles standing in the way: restrictions on foreign ownership and control; issues in taxation, regulatory, and labor policy; and others. Garner called on governments to begin removing these obstacles in order to attract capital, spur private sector growth, and ease poverty. "Now is the time," he wrote in his introductory letter to IFC's 1959 Annual Report.

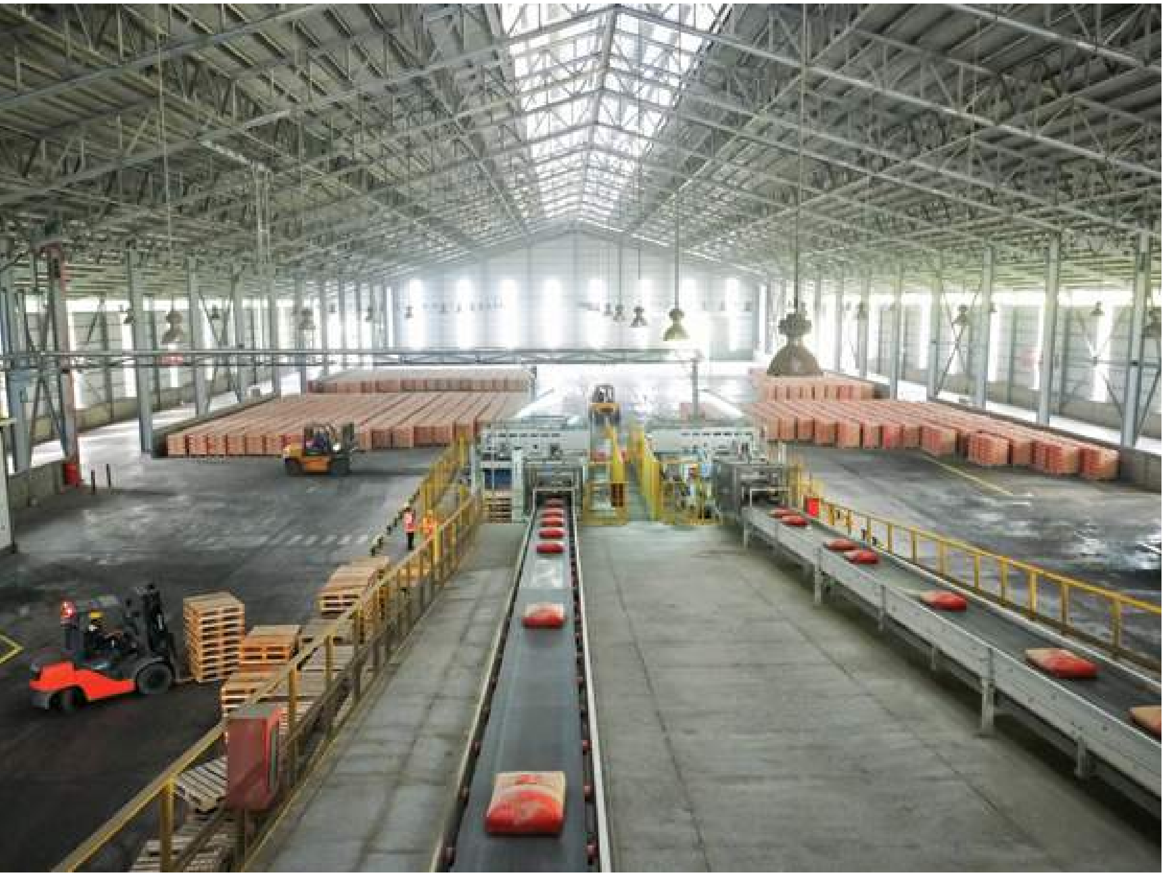
INDONESIA

It took time for the right opportunities to appear. After early behind-the-scenes efforts in the first decade, IFC's initial investment-climate work gained strength in 1967 in Indonesia, then just emerging from a traumatic period of prolonged conflict. Once stability was restored, the new Suharto government began an economic reform program. This program included a plan to start attracting foreign investment, which was negligible in Indonesia at the time.

Understanding outside investors' reluctance, the government invited an IFC team to Jakarta to help craft new laws and regulations governing joint ventures with foreign companies, and then to finance early, precedent-setting examples. Two key industries were targeted: textiles and cement.

Sensing the promise of the local market, IFC arranged for a group of leading Japanese textile manufacturers to visit Indonesia and meet potential business partners. By 1971, two modest projects emerged, soon becoming IFC's first investments in the country: new Indonesian/Japanese fabric production joint ventures called PT Unitex and PT Primatexco. Together they created 1,500 new jobs that helped increase foreign investors' interest in the country.

During this same period, IFC also helped set up a $26 million joint-venture cement plant in **Cibinong** between Kaiser Cement of the US and Gresik Cement Company of Indonesia, investing $13.1 million in financing in 1973. Within a few years, both the cement and textile industries were thriving and had attracted additional foreign direct investment, no longer needing IFC's help to make their case to investors. A larger surge in investment and private sector development then followed. Along with the government's sound pro-poor policies—including support for agriculture, education, health services, and infrastructure—this helped Indonesia's poverty rate drop from 40 percent to 18 percent between 1976 and 1996.



Indonesia: Inside the Cibinong cement plant, now owned by global building materials leader LafargeHolcim.

Yugoslavia: IFC financed automaker Zastava's expansion in 1970.

YUGOSLAVIA

Over these same years, IFC provided a similar support package of advice plus investment to Yugoslavia, which posed different challenges. Josef Tito, the longtime ruler, led a nonaligned socialist state that had begun making limited moves to liberalize the economy and attract foreign investment. In 1967 his government invited an IFC team to help with these new policies and finance future projects that they hoped would have a demonstration effect.

IFC's initial efforts focused both on translating Yugoslavia's complex accounting practices into Western terms and helping create a legal framework where foreign companies could feel confident that they could eventually take profits out of the country. For further support, in 1969 IFC helped set up a specialized investment vehicle to finance joint ventures, the International Investment Corporation for Yugoslavia (IICY). IFC contributed $2 million of the entity's initial $12 million in capital, with Yugoslavia supplying $3 million and a group of Western and Japanese banks providing the rest.

In 1970, IFC then made a large vote of confidence in the initial reform program, financing the $105 million expansion of Yugoslavia's largest automaker, **Zastava.** But the country's economic model remained an obstacle to larger-scale private sector development. Without sustained government support for policy reform, foreign direct investment in Yugoslavia could not increase dramatically in the following years, and IICY had to be closed. The IFC team learned that it was not enough to set up the foundational legal structures and provide initial financing: results also depended on ongoing political commitment. Proof of this essential concept would later be seen in the world's largest emerging market, China.

CHINA

As China began to liberalize its economy and open itself to foreign investment in the 1980s, the country asked several international development agencies for help. IFC began providing support in 1985: making its first investment in China, supporting a $79.5 million Peugeot pickup truck factory in Guangzhou, and advising on improving the laws governing joint ventures. In the course of carrying out that advisory work, IFC's team discovered a much bigger barrier to **foreign direct investment (FDI)**: Joint venture candidates would face difficulty repatriating profits earned in local currency due to restrictions in China's foreign exchange regime.

To address this critical issue, in 1986 IFC provided Chinese authorities with the results of a survey of 100 foreign companies that had expressed interest in the country. The companies' biggest concern was the difficulty of exchanging currency. Playing its honest broker role as a member of the World Bank Group, IFC was able to make a persuasive case for reform.

The Chinese government eventually agreed to gradually ease these restrictions over the next few years. After essential last steps in 1990, coupled with reforms encouraged by other development agencies, China saw an explosion in foreign direct investment. While the export-oriented sectors got most of the attention, much of this investment was aimed at the domestic market, where currency exchange was essential. Over the next 25 years, the country achieved unprecedented economic growth.

By 2016 it had **lifted 700 million people out of poverty**, more than any other country in history. In reflecting on this remarkable achievement, a World Bank analysis cited two primary factors: "China gradually reformed its economic system to allow more economic decisions to be made by market forces, which drove productivity increases, innovation, and rapid economic growth;" and "China opened up to the outside world to trade, foreign investment and ideas, which it adapted for its own particular circumstances as reforms progressed."

From that key starting point in China in 1985, IFC worked with the World Bank and the donor community to create a new body to help countries attract foreign direct investment, the Foreign Investment Advisory Service (FIAS). Over the next 12 years, it would support reforms in 108 countries. The work contributed to a time of explosive and widespread growth in foreign direct investment, with net flows to developing countries increasing from just $12 billion in 1986 to $120 billion in 1998. A program review that year concluded that while in 1985 most countries "by design or consequence" had policies that discouraged foreign investment, the opposite was now the case.

A new era had begun: the era of unlocking private investment on a much larger scale. This key part of IFC's founding vision was at last now being achieved—not by IFC alone, but by the larger combined forces of public sector policy reform and private sector response.

LESSONS OF EXPERIENCE

Ch. 3: Improving the Investment Climate

Large-scale job creation depends on a vibrant private sector, which thrives when governments are committed to setting the right conditions for business growth.

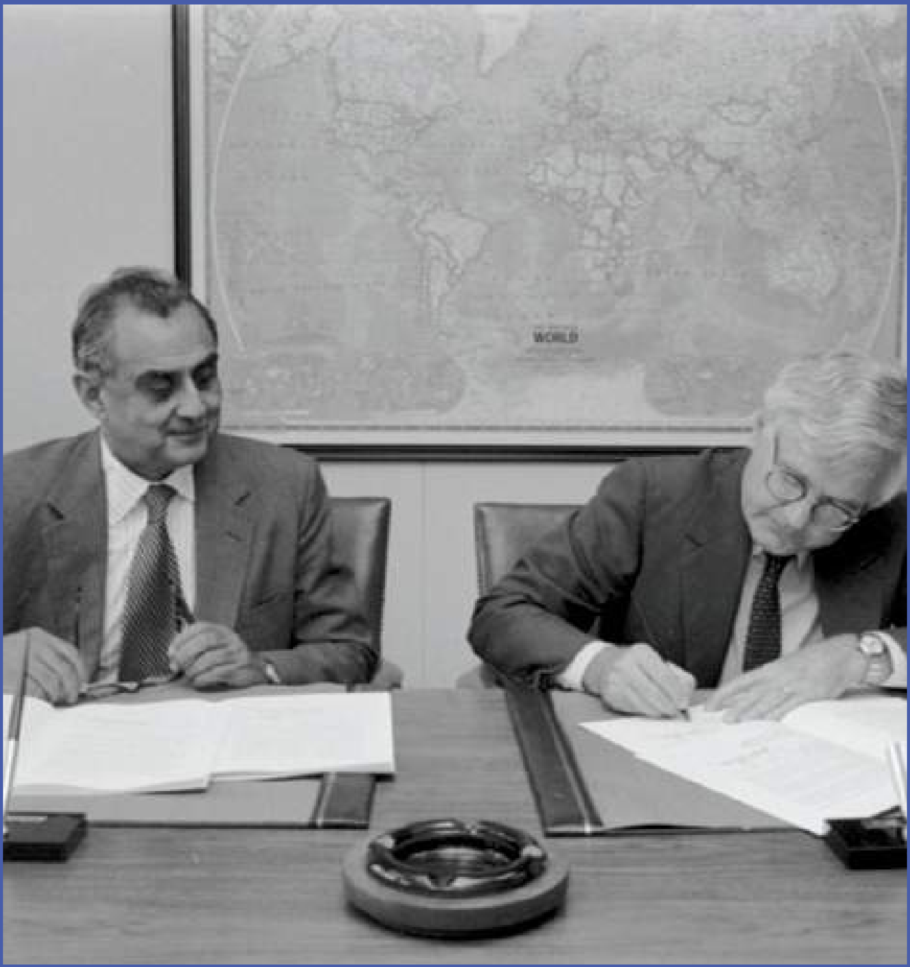
China: IFC's investment climate advice starting in 1985 came at a critical time.


150

Brazil,
2000s

CHAPTER 4

BUILDING GLOBAL AND REGIONAL LEADERS



A Strong Partnership: Syed Babar Ali (left), founder of Pakistan's leading pulp and paperboard firm, Packages, Ltd., signs an investment agreement with IFC, 1982.

While IFC initially focused on investing alongside foreign multinationals, local enterprises were always on its radar as well. Growing over time from some early examples, the process of strengthening these **cornerstones of private sector development** through long-term partnerships has become an essential part of IFC's work.

Traveling throughout Asia in 1953, three years before the creation of IFC, Robert Garner met with some of India's leading industrialists. Among them was J.R.D. Tata, then head of the country's best-known conglomerate, the Tata Group. Sensing opportunities for collaboration, Garner laid the groundwork for client relationships in India, today IFC's largest country of operations, representing a more than $4 billion portfolio. Since then, IFC has followed the same relationship-based approach with many other rising emerging market businesses.

The Indian investments began with a 1959 loan to Republic Forge Co.'s steel forging plant in Hyderabad and continued with others, including a 1963 loan to a Mahindra Group alloy steel products factory outside Mumbai. Ever since these and other early steps, IFC has identified promising local companies—in some cases assisting in establishing them—and then supported their growth. This has helped a new generation of emerging market firms compete on the global stage, with IFC accompanying them through their business cycles and evolving market environments, and offering them investment and advisory services to meet their changing needs.

The Tata relationship, for example, has grown steadily from the initial 1980 financing of its steel and hotel units—company divisions that later became significant global players. Today, Tata companies remain close IFC partners in India and other countries, even as their roles continue to evolve. Tata Power, for example, is cosponsoring the Shuakhevi Hydropower Project in Georgia, an IFC-financed 187-MW clean energy plant that is expected to open in 2017.

In Pakistan, IFC has been investing steadily since 1965 in Packages, Ltd., helping it evolve from a mid-size packaging unit into that country's largest integrated pulp and paperboard mill. This work anchored several other initiatives led by the firm's founder, Syed Babar Ali, including collaborating in the creation of the

Lahore University of Management Services in 1984. In the 1990s, IFC helped Packages establish an investment bank in collaboration with American Express and expand manufacturing operations to Sri Lanka. In 2013, IFC played a key role in brokering a relationship with Finland's Stora Enso, which took a 35 percent equity stake in Packages' paper mill, Bulleh Shah Packaging (Private) Limited.

Jordan's Nuqul Group has worked with IFC for nearly 30 years, growing in that time from a modest local trading company into a worldwide corporation embracing a number of ventures in the Middle East. "IFC, unlike other financing institutions, considers the developmental needs of the region and the role that the private sector plays in supporting the economy as a source of growth and employment," says Ghassan Nuqul, vice chairman of Nuqul Group. "By providing long-term financing and investments, IFC has supported the region's economy in several sectors including infrastructure and industry, as well as providing **access to finance**."

KOREA: LG ELECTRONICS

When Robert Garner retired in 1961, Korea had an annual per capita income of $110. It was an impoverished post-conflict country, with weak infrastructure and institutions, a painful past, and an uncertain future. Today it is a thriving OECD country with per capita income of more than $33,000 and many globally competitive companies. IFC played a part in building one of them, LG Electronics.

In the early 1970s, Gold Star, as it was then known, was a local company, successfully producing and selling appliances, radios, televisions, and a few other modest products at home, but barely known outside Korea's borders. Hoping for better things, it sought to expand production and increase its exports, which then brought in less than $20 million a year. But there was a big barrier in the way: access to finance.

Korea's commercial banks were providing little long-term credit. They had tough exposure limitations that

Jordan: IFC has supported Hikma Pharmaceuticals since 1987, providing financing and advisory services that helped it become one of the top generics companies worldwide.

Korea:
Equipment testing at IFC client Gold Star, forerunner of today's consumer electronics giant LG Electronics, 1975.

kept them from making significant new private sector loans. LG thus wanted to establish relations with foreign lenders and begin accessing the international capital markets.

Having few international partners at the time, LG turned to IFC, which had an investment staff with extensive global knowledge of industries and markets—attractive assets to clients in developing countries at a time when information was much harder to come by than it is today.

An IFC team came from Washington in 1974 and assessed LG's ambitious proposal for a new $30.9 million television tube factory. After running the numbers on the growth potential of the Korean TV market and comparing them with similar ventures in Japan, the IFC team saw that the domestic market could never absorb the new factory's entire output in the early years. They recommended a major shift in strategy for production of LG's popular black-and-white TVs: adding an export component.

On IFC's recommendation, a distribution agreement was reached with Sears, the leading retailer in the United States at the time, taking advantage of LG's position as a low-cost producer of a popular consumer product. Branded under the Sears name, the TVs soon found an eager new market in the world's largest economy.

Before 1974 was out, IFC had provided $17.3 million in long-term financing for the new factory that LG could not obtain from local banks—including $5 million mobilized from foreign lenders. In the process IFC became a shareholder in LG. This single project doubled the company's total assets. But even more important were the additional introductions IFC provided to its partners in the financial world. These newfound commercial banks would then become the source of much extra funding over time. The export business soon took off, building new customer loyalty that could then be taken up to the next level.

Korea: Gold Star assembly line, 1975.

In the next three years, the Korean company's sales would grow by an extraordinary 53 percent per year. By 1978, LG's annual exports were up to $100 million, making it one of the first emerging market multinationals to succeed on the global stage. A long-term partnership with IFC was soon underway, leading to several subsequent transactions that helped build the firm into the success it is today.

Over time, LG built a high-value brand—one that now generates more than $38 billion in sales each year and allows it to employ 66,000 people worldwide. An estimated 86 percent of these sales now come in the foreign markets that LG first entered with IFC support.

As he looks back at the story today, former IFC Vice-President Makarand Dehejia feels the key was IFC's special combination: knowledge and finance.

"That's the wonderful part of the work we did," he recalls. "We succeeded in a number of countries because we were operating around the world in a range of industries and could take this experience and spread it around, like honeybees cross-fertilizing plants. Even though we had never worked in consumer electronics before, we could advise LG on things like sourcing machinery, market risk, and capital costs, and that proved very important to them."

LESSONS OF EXPERIENCE

Ch. 4: Building Global and Regional Leaders

Engaging with local entrepreneurs and strengthening their capacity are integral to private sector development and essential for economic growth.

HDFC
PIONEERING HOUSING FINANCE IN INDIA

"Catalytic role" is one of the most important phrases in the IFC lexicon, defining the way IFC uses its ideas and capital to kick-start private sector initiatives that help create opportunity and improve people's lives.

Consider the example of India's Housing Development Finance Corporation (HDFC). The pioneer of that country's vast home-loan market, it has helped more than 5 million Indians realize the dream of owning their own homes, while also sharing its knowledge to help build the housing finance industry in various countries across Asia, Africa, and Eastern Europe.

HDFC was created with IFC's support in 1978. A founding shareholder alongside ICICI, the Aga Khan Foundation, and others at the time, IFC has invested more than $240 million in HDFC over the years, using the corporation as inspiration for its global line of business in **housing finance** that today represents more than $1 billion in committed exposure.

IFC has long since sold its equity stake in HDFC. However, a strong working relationship with the firm remains, building on IFC's original catalytic role. "It was all a case of structuring it correctly from the outset," recalls IFC's investment officer on the original transaction, Promodh Malhotra. "And there's a lesson in this. If IFC just does it 'right' at the beginning, then points the way for others in the market and gives the right signals, the market in a developing country will take care of the rest."

India: HDFC-financed housing units under construction, 1980.

LONG-LASTING PARTNERSHIPS
A KEY TO IMPACT

From its early years, IFC has focused on building long-term relationships with clients and partners—working closely over time, together achieving both strong business results and significant development impact.

Beginning in the 1960s and continuing to today, this approach often involves support for rising players in emerging markets. In these cases, IFC provides its full range of products and services to guide clients' development and assist in their cross-border growth.

More recently, IFC has also built strong relationships with global players based outside of emerging markets, co-investing with them in local firms that stand to benefit from their capital and expertise.

IFC has also had long-term relationships with many key development partner agencies and foundations that have helped identify emerging needs, shape priorities, and co-fund advisory services programs. Many partners have supported this work, but the 10 most active to date have been the United Kingdom, Switzerland, the Netherlands, Canada, the United States, Japan, Australia, the European Commission, Austria, and Norway.

Whichever the case, the goal is always the same: increasing the private sector's role in development. Examples include:

DEVELOPMENT PARTNERS

1985
IFC launches **FIAS**, its largest multidonor program, to promote investment climate reforms.

1990s
IFC expands its network to include more than 30 development partners.

2010
IFC development partners contribute more than $1 billion to fund future advisory and concessional finance programs addressing the impact of the global financial crisis.

2016
IFC development partners contribute to major funding increases for two blended finance initiatives, the **Global Agriculture and Food Security Program** (GAFSP) and the **Global SME Finance Facility**.

INFRASTRUCTURE

1990s
IFC begins financing infrastructure improvements to expand capacity of the **Panama Canal Zone**, a linchpin of global trade. This includes financing the construction of the Manzanillo International Terminal on the Atlantic coast, the Corredor Sur toll road connecting Panama City and the airport, and the revitalization of the Panama Canal Railroad Company.

2009
Amid the global financial crisis, IFC partners with four other development banks to provide $2.3 billion in financing for a major upgrade of the canal itself—the largest project at the canal since its opening in 1914.

2016
The canal completes its $5.5 billion expansion financed in part by IFC, doubling capacity and making global seaborne trade less costly and more efficient.

INDUSTRY

2000
IFC makes its first investment with Turkish industrial and financial leader **Sabanci Group,** helping its financial arm, Akbank, increase access to finance for SMEs.

2008
IFC builds a financial framework for Sabanci's energy joint venture **Enerjisa**, helping it become one of Turkey's largest private generation companies, with 7.9 million customers. This includes a more than $700 million syndication—at the time, IFC's largest ever.

2010
Kordsa, Sabanci's industrial fiber company, expands globally in three emerging markets—Argentina, Egypt, and Brazil—with IFC's support.

2016
The 16-year IFC relationship is part of the growth of Sabanci, which now has a presence in 16 countries and $17.6 billion in global combined revenue.

FINANCIAL INSTITUTIONS

2002
IFC begins its relationship with microfinance specialist **LFS Financial Systems** of Germany, co-investing with it and others to found Azerbaijan's first commercial microfinance institution.

2006
To scale up and leverage LFS' success and expertise in microfinance, IFC invests in **Access Holding**, a new commercial microfinance holding company created with LFS and partner development finance institutions to invest equity in new and early-stage microfinance institutions (MFIs) in other countries.

2007
IFC provides additional direct investment and advisory services to AccèsBanque Madagascar, the first new start-up created by Access Holding.

2016
Access Holding now holds stakes in 10 MFIs with a total of 570,000 borrowers. In addition to multiple investments in the holding company and the earlier banks in Azerbaijan and Madagascar, IFC has invested directly in the ones in Georgia, Liberia, Nigeria, Rwanda, Tajikistan, Tanzania, and Zambia.

SOVEREIGN WEALTH FUNDS

1986
The **Abu Dhabi Investment Authority** invests in the IFC-initiated **Emerging Markets Growth Fund**. It would subsequently become one of the first investors in an IFC Asset Management Company (AMC) fund.

2005
Singapore's **Temasek Holdings** co-invests alongside IFC in the **BioVeda China Fund**, the first international venture fund directed at the life sciences in China.

2010
AMC launches the IFC African, Latin American and Caribbean Fund with the Abu Dhabi Investment Authority, the **Korea Investment Corporation**, and the **State Oil Fund of the Republic of Azerbaijan** as anchor investors.

2013
Singapore's **GIC** becomes an anchor investor in the IFC Global Infrastructure Fund (GIF). GIC, IFC, and GIF go on to invest in several transactions together.

Ghana,
2013

DECADES 4–5

1990s–2000s

INCREASING INFLUENCE

As the world grew increasingly open to market-based solutions, IFC's influence also grew.

It supported the growth of rising local companies, pushed the frontiers of privatization, and developed the most comprehensive framework then in existence to manage projects' environmental and social risks.

CHAPTER 5

BROADENING THE PRIVATE SECTOR'S ROLE

1992: Russia's first fully transparent public privatization auction, supported by IFC in the city of Nizhny Novgorod.

By 1996, IFC had been operating for 40 years and had much valuable experience to share.

The core ideals of private sector growth that it had always championed were no longer considered outside the mainstream of development thinking. Government-dominated models were no longer seen as sufficient. New formulas for public-private cooperation had to be found.

"For many, the lesson of recent years has been that the state could not deliver on its promises," the World Bank's flagship World Development Report stated the next year. "Transition economies have had to make a wrenching shift toward the market economy, and much of the developing world has had to face up to the failure of state-dominated development strategies."

"Understanding the role the state plays in this environment, for example in its ability to enforce the rule of law to underpin market transactions," the report continued, "will be essential to making the state contribute more effectively to development."

This was the context of much of IFC's work in the 1990s. Emerging markets had grown disillusioned with past models of state-driven development and needed viable market-based ones.

Nowhere was the need greater than in the sale of state-owned enterprises and the creation of new public-private partnerships, which could unleash the power of the private sector to increase efficiency and innovation, supporting sustainable and inclusive development by benefiting society widely, rather than just helping a few. Shareholding countries put IFC at the center of the process.

It was challenging work, especially in post-communist countries with little tradition of private enterprise or accountability, and where weak capital markets at first made it hard to find buyers. But IFC brought much to the table—not only its **commitment to innovation** in private sector development, but a track record dating to the mid-1980s of advising governments in the privatization of state-owned companies, especially in Latin America and Asia. A key focal point was the new Corporate Finance Services Department, created in 1989 to provide fee-based advisory services and financial assistance in corporate restructurings and privatizations.

At first this growing knowledge-based side of IFC mainly supported individual transactions rather than wholesale divestments of government assets. But with the **fall of the Berlin Wall** in 1989, a much larger challenge emerged. Central and Eastern European countries shook off Soviet control and looked to build new market-based economies quickly—a daunting task. Having demonstrated its expertise in this specialized field elsewhere, IFC sent a number of project teams to the region to help.

POLAND

A key starting point was Poland. In 1990 its economy began experiencing the painful effects of a rapid transition, seeing GDP contract by 12 percent and real income drop by nearly a third. Knowing it soon needed to show success, the new Solidarity government sought IFC's help in designing a privatization program for its entire economy, dubbed the **Multi-Track Privatization Program**. IFC helped set the legal and institutional framework for privatization and selected early candidate enterprises for sale. Among them was leading furniture manufacturer Swarzedzkie Fabryki Mebli (SFM).

SFM had a high profile, exporting the majority of its output to IKEA and other clients in Western Europe. Yet it was hobbled by inefficient operations and excessive debt. After a detailed appraisal, IFC's team recommended a pre-sale operational and financial restructuring as an essential first step in building investor confidence. This included the government assuming most of the 3,200-employee firm's debt, which would then be retired by proceeds from a planned public offering. SFM's management also implemented IFC's recommendations for a series of quick technical improvements to factory efficiency and logistics.

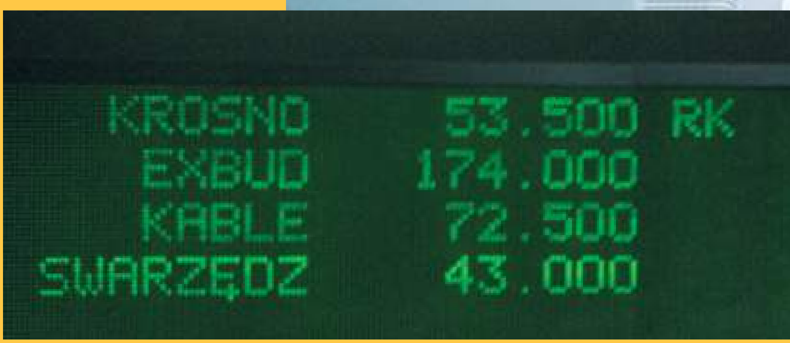
A local bank with a newly developed computerized share sale and distribution network then came on board, bringing 200 branches that could help spread the word about privatization. The next challenge was setting up a valuation for the company in a local environment where markets were still too weak to use book or liquidation value and where economic uncertainty made it difficult to project sales.

With these initial steps in place, in May 1991 a total of 1.9 million shares in SFM were made available on the newly revived **Warsaw Stock Exchange** in a two-week public offering that raised the equivalent of approximately $10 million. They were completely subscribed on the first day. Some 36 percent went to small investors and 16 percent to employees, leaving about 40 percent for large investors. Foreign investment was at 24 percent, another sign of confidence. IFC received 3 percent of the shares as compensation for its services. And it became the subject of a business school case study, illustrating how to restructure, value, and privatize companies in a transition economy.

More important than the sum raised was the template it set for future sales. Two more companies went public a few weeks later. Similarly, their shares sold out quickly, building critical early confidence in the privatization process. In the end, the SFM sale was a "win-win" for all sides. It did more than put an inefficient enterprise under private ownership. It also demonstrated the merits of free-market economics to Poles and pushed their capital markets forward as a tool in financing development.

Subsequently, IFC helped Polish authorities achieve other high-profile successes in banking, cement, and other industrial-sector privatizations. By the mid-1990s, the government's macroeconomic reforms, combined with successful broad-based privatization, had jump-started the Polish economy, putting it on the road not just to recovery, but to steady long-term growth.

Poland:
Launched with IFC's support in 1991, furniture company Swarzedzkie Fabryki Mebli's IPO was the first of its kind in post-communist Eastern Europe.



WARSAW
STOCK
EXCHANGE


SWARZĘDZKIE FABRYKI MEBLI S.A.

SWARZĘDZKIE
FABRYKI MEBLI

THE MINISTER OF OWNERSHIP CHANGES
Acting on behalf of the State Treasury of the Republic of Poland
and
SWARZĘDZKIE FABRYKI MEBLI S.A.
Acting in accordance with a resolution of its General Assembly
to increase its share capital by issuance of new shares

OFFER

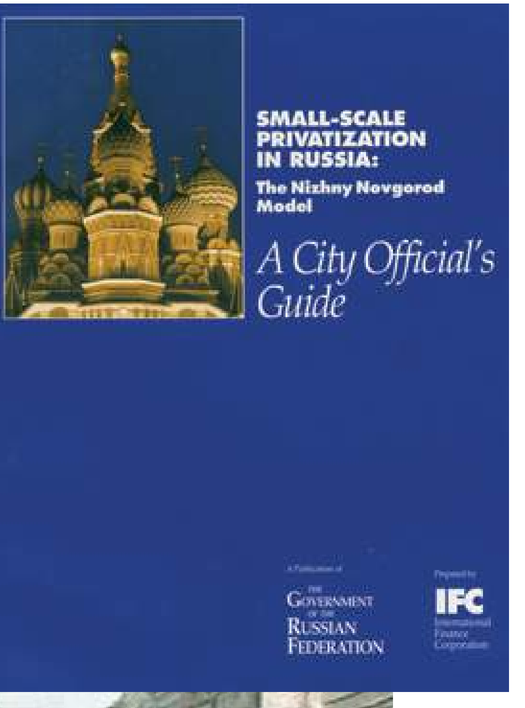
1,900,000 Shares
of nominal value 25,000 zlotys per share
at a price of 50,000 zlotys per share

6 May 1991

RUSSIA

There were even greater challenges in the former Soviet Union. There, IFC made a difference with small-scale privatization. This activity began in the city of **Nizhny Novgorod**, Russia's main trade and commercial center before the 1917 Revolution, but until recently a city that had been completely closed to outsiders.

Assembling a team of consultants from Poland, auctioneers from Czechoslovakia, and lawyers from Sweden and the United States, IFC devised a process that emphasized **speed, transparency, and efficiency** in the first sales of small state-owned businesses. Starting in April 1992, the Nizhny Novgorod city government worked with IFC's concepts, running weekly auctions open to the public. By the end of the year, more than 2,000 businesses had been sold. The transfer of ownership was immediate, with new owners taking control within two days of the auction. The work went smoothly, establishing a framework for auctions in 28 other Russian cities, helping to boost local entrepreneurship and build a market-oriented culture.



1992: IFC supports privatization in Nizhny Novgorod, soon after the fall of the Soviet Union.

1993:
IFC widens its privatization work in Ukraine, helping local people bid to buy small shops via auction.

UKRAINE

Impressed, Ukrainian officials invited IFC to repeat the process in their own country, where local conditions were quite different. While auctions may have been the most efficient way to get a fair price for local shops and small businesses, local officials and citizens believed these would unduly favor rich citizens, and asked for other ideas.

IFC's team showed flexibility and worked with the Ukrainians on an alternative, devising a plan to give employees the right of first refusal. The process started with the city of Lviv in 1993. Things went well. Overall, nearly 80 percent of the businesses were sold to employee groups. Many of these groups later resold the businesses to entrepreneurs with expertise in business and management who could run the operations more efficiently. By 1996, 45,000 small state-owned enterprises had gone public in Ukraine, yielding $200 million in revenue for the government. Instead of the dilapidated, poorly stocked retail stores they remembered from the past, Ukrainians could now shop much like their counterparts in the rest of Europe.

As in Nizhny Novgorod, the program laid the groundwork for changing the mindset of most Ukrainians. Instead of seeing capitalism and entrepreneurship as something that would benefit only the elite, they learned it was an engine for a dramatic expansion in consumer goods and a gratifying improvement in customer service.

PRIVATELY FINANCED INFRASTRUCTURE

Throughout the 1990s, IFC was at the vanguard of financing a new wave of privately funded infrastructure, helping clients in **power, water, transport, and telecoms** find profitable models of bolstering these essential services to support economic growth and development.

Two early trendsetters were Build-Operate-Transfer projects in the Philippines, a nation with an external debt burden that severely limited the government's ability to invest in infrastructure projects:

- An $8.9 million combined debt and equity financing package for International Container Services, Inc., the private manager of a new shipping terminal being built in Manila.
- An $11 million debt and equity financing bundle to Hong Kong–based Hopewell Holdings, developer of a 200 MW power plant supplying the national utility.

In both cases, IFC's financing allowed the Philippines a way to carry out necessary infrastructure investments quickly and efficiently with projects that would also be profitable for their sponsors, without relying on constrained national budgets. This model would be repeated many times over in the coming years. "The need is enormous," Hopewell founder Sir Gordon Wu later said. "What IFC, the World Bank, and MIGA can do is to play the catalytic role, rather than finance everything themselves, which they just cannot. The need is just too big. But if they play the role of the catalyst, then that will facilitate greater cross-border flows of money."

Demand increased as reforms swept the developing world during the decade, leading IFC to increase its specialized capacity in the sector with the creation of a new Infrastructure Department in 1990.

In the power sector alone, IFC financed 57 projects in 37 countries with total costs of $14.4 billion in the 1990s, up from seven projects with total costs of $703 million in four countries in the previous three decades. But other sectors were critical as well, with IFC playing an important role in several projects with high demonstration effect.

In telecom, in 1994 IFC invested $5.6 million in a small start-up mobile operator in Uganda that four years later became a new regional company, Celtel

Transport: Improved infrastructure brings goods to market faster and more affordably.

Uganda: IFC's 1994 financing of Celtel helped spark Africa's mobile phone revolution.

International. No one else was willing to finance it at the time, but IFC took the risk. At the time, Uganda had only 23,000 telephone lines for a population of 17 million, with fewer than 50 percent of its calls going through. Headed by Mohammed Ibrahim, Celtel would soon become the pioneer mobile phone company in Africa, contributing considerably to the region's dramatic growth in mobile phone use, increased competition, and lower prices. This is now considered one of the most transformational events in the continent's development history.

Later sold to Kuwaiti investors for $3.4 billion in 2005, and then purchased by Bharti Airtel of India in 2010, Celtel worked closely with IFC for several years to open widespread access to mobile phone service in Africa. By 2014, Africa had 608 million mobile connections, providing people at every income level not just with better communication, but with improved access to health care, education, financial services, and delivery of public services.

IFC was also very active in water. In 2000, IFC teams advised the Bucharest municipal government on privatizing its troubled water utility RGAB, which was losing nearly half of its output through ill-functioning distribution systems. Under the fair and transparent bidding that IFC oversaw, Veolia subsidiary Apa Nova won rights to the utility under a 25-year concession and quickly began turning it around. A 2011 independent evaluation found that the new operators had improved service considerably, while keeping price increases 33 percent lower than would have been expected under a standard public sector model.

While not all projects were so successful, the overall changes brought by private participation in infrastructure during these years were a true game-changer in development—altering the scope of private investment in emerging markets, while also yielding major improvements in the delivery of basic public services.

SUB-SAHARAN AFRICA

A First for Africa:

The Privatization of Kenya Airways

The sale of a major state-owned asset to private interests is usually a highly charged political event. The recently concluded two-year process by which 77 percent of the shares in Kenya Airways were sold to a broad array of private investors—with IFC serving as principal advisor—was no exception. From the outset, the press and public of Kenya speculated as to how and when the process would fail, and which interests would profit from that failure. Yet it proved to be a success. Key factors in this first-ever airline privatization in Africa were:

- that a special committee made up of key government and airline officials, and dedicated solely to the privatization of Kenya Airways, was formed to ensure that each step in the process was conducted in the best interest of the Kenyan public;
- that the IFC advisory team and the Kenya Airways Privatization Committee adhered to the principle of strict transparency at every juncture; and
- that a structure was created that enabled the IFC team to produce business analyses of important matters (after consultation with interested parties in government, in the airline's unions, and among prospective investors), and to have those analyses presented to the highest levels of authority in the country by a trusted Kenyan spokesman. Controversial—and even unwelcome—advice got a respectful hearing, and in the end was accepted.

A remarkably diverse collection of "stakeholders" welcomed the eventual outcome. The Kenyan Treasury received over US$70 million from the sales, and saw government's remaining 23 percent minority stake increase in value. Over 113,000 Kenyans were able to buy a total of 22 percent of the shares in the national airline, more than 78,000 of these for the minimum stake of about US$200. Kenyan financial institutions bought a further 12 percent, while international financial investors subscribed for 14 percent. Employees of the airline participated in a special program by which they will acquire 3 percent. A strong alliance partner, KLM Royal Dutch Airlines, purchased a 26 percent share of the equity, and Kenya Airways seems poised to continue the profitable operations it achieved over the past two years. Service standards and reliability have improved dramatically. Perhaps most important, the government was relieved of the financial strain of keeping a money-losing operation from going under at a time when it was also struggling to fund a program of economic reform and development.

A Milestone Transaction: IFC chronicled its experience in the privatization of Kenya Airways in a 1996 case study.

KENYA

Test cases needed to be undertaken not just in Central and Eastern Europe, but in the rest of the world. A major milestone was the **privatization of Kenya Airways.** Like Poland's SFM and many other businesses sold with IFC's help, Kenya Airways required extensive operational and financial restructuring before it could attract buyers. But the airline had the added dimension of being a highly symbolic national asset: Africa's first flag carrier to be privatized. Retained as the Kenyan government's adviser on the planned transaction in 1994, IFC soon saw that the airline needed to partner with a major international carrier in order to regain stability and profitability after losing money over its entire 17-year existence.

Following the restructuring moves, IFC's team helped the government conduct a fair and transparent selection process in which Dutch airline KLM acquired 26 percent of Kenya Airways in January of 1996 for $70 million. While KLM took over operational oversight of the airline and integrated it into its global network, total foreign ownership was limited to 49 percent, and Kenyans held the senior management positions. A subsequent 1996 public offering on the Nairobi Stock Exchange enabled 113,000 Kenyans to participate, helping ensure political support for the move.

Under private ownership, the airline rebounded and began a major expansion of both international and domestic flights. By 1999 the improvement was clear: Kenya Airways had become the market leader both in flights between Europe and Africa and within Africa. By the time the Kenyan work got underway in 1995, IFC's Corporate Finance Services Department had been at the forefront of privatization for a decade, having carried out 70 advisory assignments and financed 88 projects. Committed to sharing this valuable transaction-based knowledge widely and contributing to policy dialogue, IFC launched a new Lessons of Experience publication series that year, summing up its findings on the principles and practices of effective privatization in the inaugural edition as follows: "The key dimension at each stage of privatization is political transparency, which maximizes the popular perception that the playing field is level and strengthens support for privatization."

The lessons were clear: Most of the enterprises in which IFC involvement was part of the privatization process had experienced poor performance under government ownership. Most became profitable as newly private companies, providing improved delivery of goods and services. The report concluded that when government played its proper role as facilitator, enabling a fair selling process, "IFC's experience shows that privatization is well worth the effort in the majority of cases."

While not successful in every case, the privatizations of the 1990s were important not just in boosting the flow of private-sector investment into developing countries, but in improving people's lives. The privatizations also greatly expanded IFC's playing field in helping to promote development, leading to a considerable expansion of activities in the 2000s.

LESSONS OF EXPERIENCE

Ch. 5: Broadening the Private Sector's Role

Early success in privatization comes transaction by transaction, laying the basis for larger cumulative impact.

AFRICA: A STRATEGIC FOCUS PAYS OFF

IFC has been helping build the private sector in Africa steadily since its earliest years. But in the past decade, these efforts have scaled up significantly—our total investments have more than tripled, climbing to $2.4 billion in 2016.

In fiscal 2016 alone, in Africa IFC clients:

- Generated power for 18.4 million people
- Reached 1.25 million farmers
- Served 1.36 million health care patients

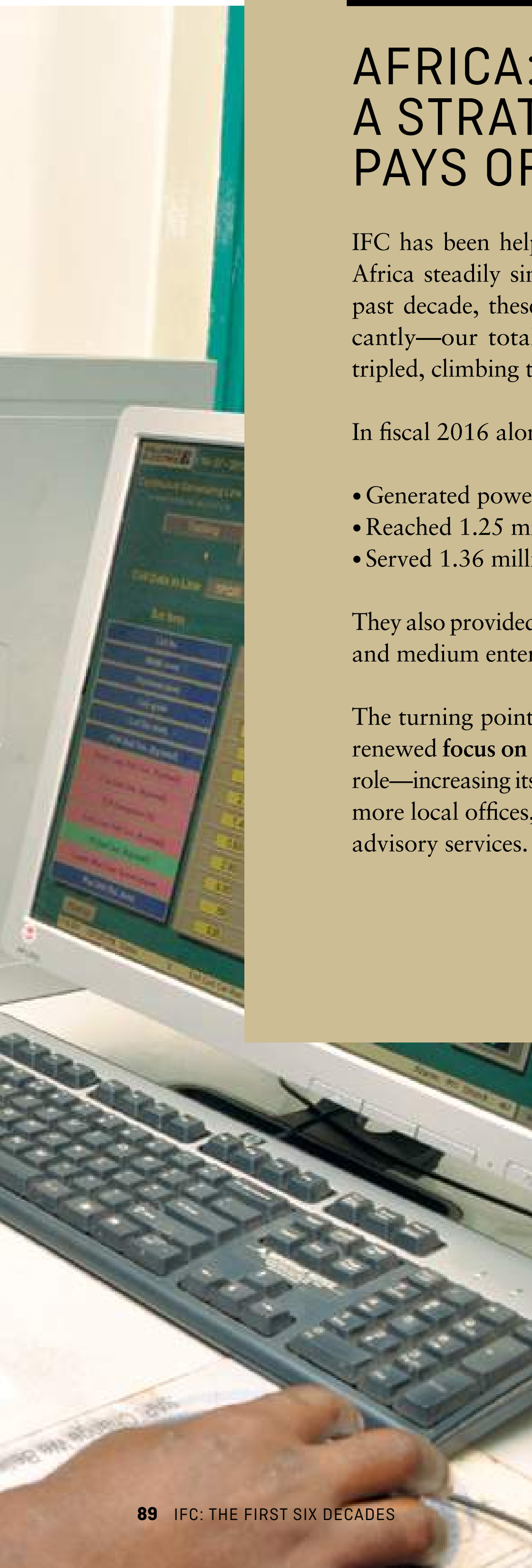
They also provided nearly $9 billion in micro, small, and medium enterprise loans.

The turning point came in 2003, when IFC put a renewed **focus on Africa** to take on a much greater role—increasing its resources for the region, opening more local offices, and providing a wider range of advisory services.

With this greater local presence and expanded advisory services, staff, and resources, IFC was able to work closely with development partners and employ staff in some of Africa's most difficult markets. That helped IFC launch special initiatives in key sectors such as infrastructure and agribusiness. As a result, IFC has been able to work with a wider range of clients and build a more robust pipeline in Africa since the mid-2000s.

Today, IFC has a broad strategic commitment to Africa and the resources to make a difference. It is helping bridge the continent's infrastructure gap, increase productivity in agribusiness and other key industries, and lead inclusive business approaches that will help Africa's private sector create jobs, raise living standards, and reduce poverty.

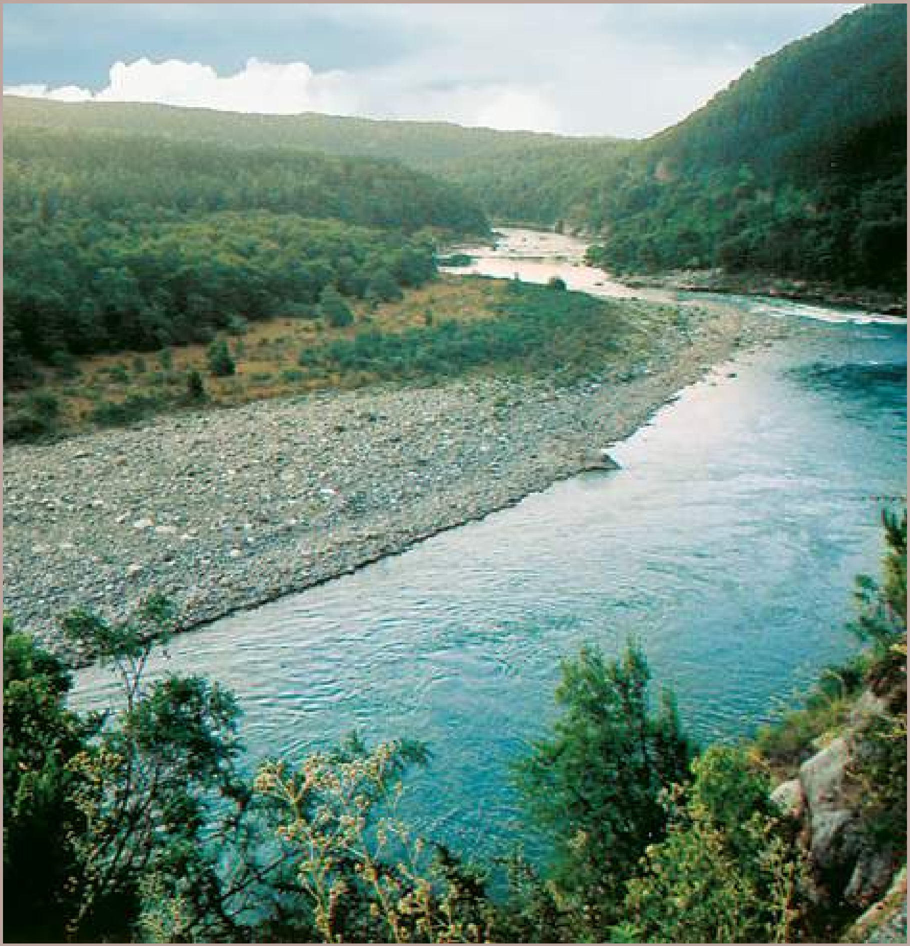
With the right strategy and resources, IFC has demonstrated its ability to leverage its knowledge and deliver results in Africa.



Bridging the Infrastructure Gap: Just one part of IFC's larger strategic focus on Africa.

CHAPTER 6

SETTING STANDARDS FOR SUSTAINABILITY



Sustainability: IFC has learned from its experience, sharing the results for wider impact.

Throughout the 1990s, IFC began assessing its operations with a wider lens, putting an increased focus on sustainability.

In looking at ways to build up an economy's productive capacity, project teams in extractive industries, infrastructure and other sectors recognized the need to watch closely for effects on the environment and local communities, both positive and negative. What could be done to promote local participation, protect nearby areas from harm, encourage the use of international best practices, and ensure that residents shared in the benefits of these large investments? Answering these questions more comprehensively than before would not only help IFC make better investment decisions, but would also promote stronger, more inclusive development outcomes.

A key turning point came with the lessons learned from IFC's support for Pangue, a controversial 450 MW hydropower station in Chile that opened in 1996. That project initially subjected IFC to an avalanche of outside criticism, culminating in an independent report commissioned by the President of the World Bank Group. Controversial, yes, but the lessons from Pangue and other projects proved invaluable, leading to improved environmental and social guidelines that became standard practice not just for IFC, but for the global commercial banking industry as a whole.

LESSONS FROM CHILE

The **Pangue** project began in 1989, when executives at Chile's main electric company, Endesa, approached IFC for financing. Needing to increase power supply for a fast-growing economy, the recently privatized utility wanted to build a new $367 million run-of-river hydroelectric station on the Bio Bio River in the foothills of the Andes. Seeking to attract capital from private investors, Endesa wanted the stamp of approval of a respected international organization.

After a lengthy appraisal process that included considerable environmental and social review, in 1992 IFC worked closely with Endesa and put together a $125 million package for the 450 MW project. The package consisted of a $20 million equity investment along with $55 million to be lent directly by IFC plus another $50 million mobilized through loan syndications. While lacking today's extensive internal capacity in sustainability, IFC did make important contributions to the project during the appraisal. Those included decisions with Endesa that acceptable environmental and social assessments and mitigation plans would subsequently be completed and made public, and that the recommendations would be adopted. IFC's involvement also resulted in the establishment of the Pehuen Foundation, an innovative, Endesa-funded mechanism for bringing project benefits to the local indigenous people.

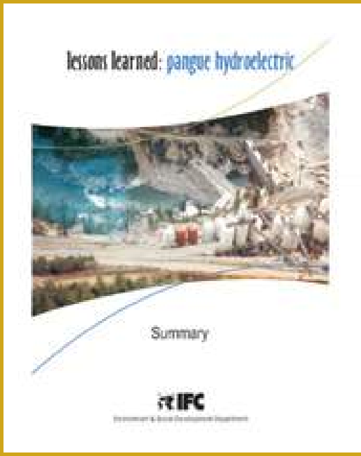
But the world was changing fast in 1992, with governments, companies, and development organizations now being held to higher standards of accountability. The proposal unleashed a firestorm of protest in newly democratic Chile. Civil-society organizations were putting new emphasis on the environment and indigenous peoples and expressing concern about the cumulative impacts of Endesa-sponsored projects that would follow Pangue. As the country's first big private infrastructure project in this new era, Pangue became a rallying point for local advocacy groups and their international NGO partners who questioned privatization's ability to foster sustainable development.

Sustainability: The foundation of the future: in Chile, and globally.

IFC's financing for the project was approved in December 1992, and the project was built over the next four years. But Chilean and international NGOs protested so vigorously that in 1996 World Bank Group President James Wolfensohn commissioned an independent review from conservationist Jay Hair, the former president of the National Wildlife Federation in the United States. Hair's review identified several shortcomings in how IFC had carried out World Bank guidelines for environmental and social protection. In response, IFC conceded that some of its processes had been flawed but stressed that the project had been substantially improved from the environmental and social standpoints as a result of IFC's involvement. With lessons of the review learned, IFC moved on, using the lessons as an opportunity to strengthen the approach.

In the end, Pangue sparked a significant increase in IFC's capacity to formulate robust environmental and social project review procedures, a mainstay of its business ever since. IFC hired its first social scientist, began new work on ways to increase local participation in development decisions, and, in 1998, adapted the World Bank's Environmental and Social Safeguard Policies for IFC use. By 1999 IFC had also greatly strengthened its transparency and accountability in two key ways: first by launching an improved public access to information policy that set a new standard for development finance institutions focused on the private sector, and second by establishing an independent Compliance Advisor/Ombudsman's office to address the concerns of individuals or communities affected by IFC projects and enhance the social and environmental outcomes.

Chile: Bio Bio River (below), site of an IFC-financed hydroelectric project. The learning it generated on social and environmental impact assessment became a landmark in IFC history.


lessons learned: pangue hydroelectric

Summary

IFC

THE BTC PIPELINE

By the early 2000s, this stronger expertise in environmental and social issues had become an essential part of IFC's own value proposition—helping clients see that sustainability factors were not just risks to be managed, but could also become a key source of competitive advantage.

As a result, IFC began providing leadership on much larger and more complex projects, such as the **$4 billion Baku-Tbilisi-Ceyhan (BTC) pipeline** running through Azerbaijan and Georgia to a terminal facility on the Turkish Mediterranean coast. Able to transport 1 million barrels of crude oil every day, the 1,768 km pipeline is one of the longest of its kind in the world. Its route passes through a wide range of land-use types, affecting over 17,700 parcels of land used by households in 515 villages, and therefore involving a complex set of social and environmental issues.

The project was developed by BTC Co., a company formed by the affiliates of 11 national and international oil producers with BP as the majority shareholder and operator. Construction began in spring 2003, with exports from the new terminal at Ceyhan commencing in June 2006. Approximately 70 percent of the project costs were funded by a group of lenders including IFC, which provided a loan of up to $125 million from its own account and a loan of up to $125 million in commercial syndication.

Before agreeing to provide financing, IFC and the wider lender group worked closely with the sponsor in designing an oversight mechanism to address the potential **environmental and social impacts** of the project and to monitor performance. This included the development of a comprehensive environmental and social action plan, the design and implementation of a transparent land acquisition and compensation program, local employment and training, community investment programs, and NGO capacity building.

Showing how far IFC has come since the early days of Pangue, BTC is now considered a landmark among projects of its type and size regarding the extent of **local stakeholder consultation** and the amount of information disclosed as part of its environmental and social impact assessment. Its construction program has been widely credited with exceeding expectations in terms of environmental and social management, setting new benchmarks in transparency and environmental and social standards for construction programs, and developing innovative practices along the way. The BTC project demonstrates that sustainability is good business.

The BTC Pipeline: A $4 billion, three-country project, widely recognized for its positive environmental and social impact analysis.

LESSONS OF EXPERIENCE

Ch. 6: Setting Standards for Sustainability

Sustainable business is good business.

Energy Investment: Contributing to a region's future.

IFC International Finance Corporation

Lessons of Experience

The Baku-Tbilisi-Ceyhan (BTC) Pipeline Project

The planning, design and construction of the Baku-Tbilisi-Ceyhan (BTC) pipeline provides a good example of an IFC-financed project that faced a wide variety of complex and often difficult social and environmental challenges. From the outset, both the sponsor and the lenders were committed to achieving sustainable outcomes and striving to ensure that the project was constructed and operated to international best practice environmental and social standards. At the time of its commencement, BTC was the largest cross-border infrastructure construction project in the world. The scale and multitude of environmental and social aspects on such a mega-project should not be underestimated nor should the amount of resources and level of effort expended by BTC staff during the planning and construction phases, or IFC staff during project appraisal and supervision.

This Lessons of Experience has been prepared by staff of the Environmental and Social Development Department of the IFC for the purposes of internal learning throughout the institution. While it is impossible to capture all the complexities and challenges encountered during the design and construction phase of the BTC project, the paper focuses on six key areas where lessons learned were thought to be most valuable and applicable to other IFC-financed projects. These are: environmental and social assessment and management (including contractor management); the regional review; stakeholder engagement and disclosure; land acquisition and compensation; monitoring and reporting; and, community investment. The project also yielded many valuable "process" lessons that may be useful to IFC staff and clients working on future projects.

The BTC pipeline was developed by a company (BTC Co.) formed by the affiliates of eleven national and international oil companies with BP as the majority shareholder and operator of the company. Construction began in spring 2003 and export from the new terminal at Ceyhan commenced in June 2006. Approximately 70% of the project costs were funded by a group of lenders including IFC, the European Bank for Reconstruction and Development (EBRD), the export credit agencies of seven countries, and a syndicate of fifteen commercial banks. Financing was agreed in February 2004 after over two years of appraisal of the potential environmental and social impacts relating to the project.

The pipeline is over 1,760 km long and is of regional significance as it provides the first direct transport link for exporting crude oil between the land locked but hydrocarbon

CONTENTS

Stakeholder Dialogue: IFC leads consultations with local communities in Azerbaijan affected by the BTC pipeline as IFC noted in a 2006 case study.

IFC'S SUSTAINABILITY FRAMEWORK

Sustainability is critical to companies' business success. It's critical, too, for their customers, surrounding communities, and broader stakeholders.

Building on its experience with the Environmental and Social Safeguard Policies that had been adopted in 1998, IFC launched a thorough revision of its environmental and social policies and procedures in 2003. The aim was to produce an outcome-oriented set of standards and emphasize their integration in a company's management system to ensure ongoing review and performance. The new policies, introduced in 2006, were called the IFC **Performance Standards** on Environmental and Social Sustainability and were the first to be developed specifically with the private sector in mind.

These Performance Standards help clients avoid, mitigate, and manage risk as a way of doing business sustainably. They assist clients in devising solutions that are good for business, good for investors, and good for the environment and communities.

The Performance Standards guide IFC's environmental and social due-diligence process, which integrates the client's assessment of environmental and social risks with an understanding of the client's commitment and capacity to mitigate and manage these risks. This review identifies any gaps between client practice and the Performance Standards in order to agree on a plan of action to improve outcomes over time.

In challenging contexts, IFC helps clients understand and manage the risks they face, partnering with industry and other stakeholders to find innovative solutions that open up opportunities for economically, socially, and environmentally sustainable private investment—which contribute in turn to jobs and inclusive growth. This may include leveraging the capacity of the World Bank Group to address environmental, social, and governance challenges that are beyond the ability or responsibility of a company to solve alone.

IFC PERFORMANCE STANDARDS

1. Assessment and Management of Environmental and Social Risks and Impacts
2. Labor and Working Conditions
3. Resource Efficiency and Pollution Prevention
4. Community Health, Safety, and Security
5. Land Acquisition and Involuntary Resettlement
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Indigenous Peoples
8. Cultural Heritage

THE EQUATOR PRINCIPLES

Soon after IFC's new Environmental and Social Safeguard Policies took effect in 1998, they began attracting interest from several global commercial banks that realized they too needed to expand their due diligence related to financing large projects with significant environmental and social risks and impacts.

Dialogue continued for several years, and in 2003, 10 major banks met at IFC headquarters to launch an environmental and social risk management framework that they called the **Equator Principles.** IFC's Environmental and Social Safeguard Policies were incorporated in the Equator Principles as the relevant standard for project finance in developing countries.

Since their introduction, the Equator Principles have become the de facto standard for environmental and social principles throughout the project finance industry and have provided significant benefits to all stakeholders. Each adopting financial institution implements its own policies and procedures to reflect the principles, allowing for project-specific flexibility and efficiency.

IFC played a pivotal role in establishing and updating the Equator Principles' sustainability architecture. IFC supported the Equator Principles banks in the drafting and implementation of the framework, with careful consideration given to large, complex, and expensive installations of high environmental and social impact projects, such as power plants, pipelines, and transportation and telecommunications infrastructure. IFC continues to support the community of implementing institutions with training, guidance and advice. Today 84 financial institutions in 35 countries have officially adopted the principles, covering over 70 percent of international project finance debt in emerging markets.

EQUATOR PRINCIPLES

The Equator Principles:
A sustainability framework for project finance that helps members rely on IFC's Performance Standards when investing in emerging markets.

KNOWLEDGE AT IFC: CREATING, CAPTURING, AND SHARING EXPERTISE

IFC is a knowledge-driven, knowledge-sharing institution. IFC learns from its clients.

Driven by a longstanding **commitment to innovation** in increasing the private sector's role in development, IFC captures the key lessons of its work, learns from them, and then shares them widely for greater impact worldwide.

In 2006—just three years after overseeing the creation of the Equator Principles—IFC and two Brazilian partners organized a groundbreaking seminar in São Paulo for Latin American financial institutions. Based on dialogue and interaction, the event showed how the Equator Principles were fast becoming a new force for sustainability in the financial sector, transforming markets in Latin America. Every year since, IFC has held similar Community of Learning knowledge-sharing events for Equator Principles financial institutions and others, allowing attendees to draw on IFC expertise in applying its Performance Standards and benefit from exposure to the experience of a wide network of practitioners.

The annual events are part of IFC's commitment to reflect on what it knows, then share that knowledge widely in the marketplace of ideas. Other initiatives that have been active now for more than 10 years include:

- ***SmartLessons***: short papers written by IFC professionals for other practitioners, sharing first-hand, practical lessons useful for colleagues doing similar work or facing comparable issues elsewhere. Written in case-study format, they capture practical lessons from IFC's work for a wider public audience.
- ***FT/IFC Transformational Business Awards***: an 11-year collaboration with the *Financial Times* highlighting groundbreaking, commercially viable solutions to today's greatest development challenges. Held each year in London with both a conference and awards ceremony, the high-profile event celebrates achievement in a wide range of areas.
- ***Sustainability Exchange***: an annual event addressing economic, environmental, and social challenges and opportunities that face the infrastructure and natural-resource sectors in emerging markets. Each year it brings together more than 200 global executives and practitioners from companies, NGOs, the public sector, international development agencies, and academia.

Recognition: The annual FT/IFC Transformational Business Awards honor cutting-edge private sector contributions to development.

Dissemination: The 2015 *SheforShield* report identified new opportunities in the women's insurance market—an emerging high-growth, high-impact industry.

In addition to capturing and sharing its own knowledge, IFC also at times creates knowledge—identifying gaps in global learning on the private sector's role in emerging markets, and starting new vehicles that help fill them. Among them:

- ***Handshake***, launched by IFC, is the World Bank Group's journal on public-private partnerships. Its features, interviews, and columns offer unique insights into PPP projects in every region of the world, showcase best practices in PPPs, and share lessons that can benefit future PPP initiatives across a variety of sectors.
- ***Better Work*** is a collaboration between IFC and the International Labour Organization. Since 2007, it has worked to improve garment workers' lives by striving to secure safe, clean, equitable working environments. The initiative does this by building strong relations between managers and workers at the workplace who, with its support, can then take ownership and responsibility for continuously improving working conditions and eventually competitiveness at the factory. Better Work has helped more than one million workers while promoting and boosting business benefits.
- ***SheforShield*** is a groundbreaking study published in 2015 by IFC, AXA Group, and Accenture. It found the insurance industry in emerging markets has largely overlooked a key consumer segment: women. By 2030, according to the study, the insurance industry is expected to earn $1.7 trillion from women alone—half of it in just 10 emerging economies.

Nepal,
2011

DECADE 6

2010s

DEMONSTRATIO AND IMPACT

N

Working on a larger scale than ever before, IFC now creates integrated solutions that extend the private sector's reach in development.

It has devised new models to provide new solutions in the face of new challenges.

Building on its history, IFC is taking steps to increase the private sector's role in global development—setting a demonstration effect and increasing the impact.

CHAPTER 7

INNOVATING FOR INCLUSION

Inclusive Development: Driven by private sector innovation.

In 2013 the World Bank Group launched an ambitious new strategy based on two goals:

- **Ending extreme poverty** by reducing the share of people living on less than $1.25 a day to less than 3 percent of the global population by 2030
- **Boosting shared prosperity** by improving the living standards of the bottom 40 percent of the population in every developing country

Designed to help countries meet their most difficult development challenges, the strategy enabled the World Bank Group's member institutions—IBRD, IDA, IFC, MIGA, and ICSID—to work together more closely in pursuit of this shared vision. At its core was a drive for greater inclusiveness—in other words, a commitment to addressing deep-rooted poverty and inequality, finding new ways to bring the benefits of growth to a much wider segment of society than before.

It was always understood that the path to development and poverty reduction must be sustainable—environmentally, socially, and fiscally.

IFC had a critical role: unleashing the power of the private sector in pursuit of these goals. With most of its staff now in the field, IFC could now work more quickly and closely with local clients, offering them a broader set of both investments and advisory services, often combining them into integrated solutions for increased impact. Fully leveraging its resources and relationships, IFC was able to catalyze results at significant scale in several key areas of the inclusiveness agenda.

CODEVI
JOB CREATION IN HAITI

Textile plant CODEVI is Haiti's largest private sector employer, with a workforce that has grown from 300 employees in 2006 to more than 7,000 today.

Located just across the border from the Dominican Republic, it brings skilled manufacturing jobs to an area where other income opportunities are scarce. Indirect benefits may be even higher—30,000 people in its community of Ouanaminthe also derive their livelihoods from jobs associated with CODEVI's operations: cooks, shop owners, mechanics, and others. And since municipal authorities are unable to provide many essential services, IFC and CODEVI have also worked with social entrepreneurship NGO Ashoka to fill the gap, empowering local entrepreneurs to distribute water filters, solar lamps, and eyeglasses.

Producing garments for top brands sold in the United States, CODEVI is rooted in IFC's long-standing relationship with sponsor **Grupo M** of the Dominican Republic. IFC financed the initial construction of the Haitian factory in 2003, then co-led a debt restructuring in 2006 that kept the project alive when Grupo M ran into financial hardship. Since the 2010 earthquake, IFC has provided an additional $25 million that is helping increase the efficiency of the plant, which is on target to have 9,000 workers on its payroll in the next three years.

Haiti: The CODEVI garment sector plant is now the country's largest private sector employer.

FINANCIAL INCLUSION

Two billion people in developing countries lack access to formal financial services—a powerful instrument for reducing poverty, enabling them to build assets, increase incomes, and reduce their vulnerability to economic stress. This is the reason that over the last two decades, IFC has placed priority on increasing access to financial services for micro, small and medium enterprises, the backbone of the private sector in country after country. IFC's global network of more than 800 financial institutions in more than 100 developing countries—microfinance institutions, commercial banks, leasing companies, private equity funds, and others—is an invaluable tool for doing so.

A pioneer in commercial microfinance since 1996, IFC is now the industry's largest investor, with a more than $2 billion portfolio. The work in expanding access to microfinance is an important part of reaching the World Bank Group target of achieving universal access to finance by 2020, especially in opening up private sector–led innovation and investment in areas such as mobile money accounts that help drive financial inclusion.

Equally important is the emphasis on small and medium enterprise finance. At its September 2009 Pittsburgh summit, the G20 countries named IFC its SME finance adviser, citing its decades of experience as an international agenda-setter in the field.

Today these two worlds of micro and SME finance have come together in a larger global financial inclusion agenda, requiring IFC's leadership in the development of technology, financial products, and policy to help financial institutions reach a greater number of people in a more cost-effective way. As in everything IFC does, client relationships have been the key.

In 1997, IFC began working with one of the world's largest poverty-fighting NGOs, Bangladesh's BRAC, which now reaches 138 million people in 12 countries.

With IFC's support, **BRAC** started Bangladesh's first stand-alone home loan institution, Delta BRAC Housing Finance Corporation, which has since helped thousands of local families buy their own homes. In 2004, IFC followed by becoming a founding shareholder in BRAC Bank, a start-up targeting Bangladesh's then largely untapped SME market. IFC's investment and ongoing advice in IT systems, marketing, and new product development helped the bank more than double its loan portfolio between 2006 and 2008.

In 2013, IFC took a $10 million equity stake in BRAC Bank's new mobile financial services subsidiary, **bKash**. Using a branchless banking model, it leverages Bangladesh's ubiquitous mobile phones as a low-cost platform for providing secure financial services to low-income people, including many in rural areas. Alongside the investment, IFC assisted bKash with its corporate governance, which would be critical for the company to attract private sector investors in the future. Its country's digital finance pioneer, bKash today has 23 million users, standing as a global leader in increasing financial inclusion—providing services that are convenient, affordable, and reliable.

bKash: Access to finance for 23 million people in Bangladesh.

GENDER

Since 2004, IFC has also provided investment and advisory solutions to create equal opportunity in the private sector for **women**, who are a **powerful engine of economic growth**, whether as entrepreneurs, employees, suppliers, or corporate leaders. In 2005 it became the first development-finance institution to support the Global Banking Alliance for Women, a knowledge-sharing industry group that now brings together 44 financial institution members committed to reaching and extending the women's market for finance in 135 countries.

Beginning with a combined investment and advisory package for Nigeria's Access Bank in 2006, IFC then developed its **Banking on Women** program, which has since helped 38 emerging market financial institutions enter the women's market, providing $1.1 billion in new financing for women entrepreneurs. In 2014, IFC formed the Women Entrepreneurs Opportunity Facility in partnership with Goldman Sachs' 10,000 Women program and raised additional external capital through AMC's Women Entrepreneurs Debt Fund.

In Pakistan, this same program helped IFC's long-time client HBL—one of the country's largest banks, with 1,700 branches worldwide—launch customized women's banking products in 2015. In the West Bank and Gaza, another longtime client, Bank of Palestine, has used the program's advisory services over the past two years to introduce an innovative suite of financial and non-financial products designed especially for women. These include a mini-MBA-like training program that provides established women-owned businesses with the critical skills they need to grow. Those who have gone through the program are automatically pre-approved for the women's business support loans.

Complementing these efforts is **SheWorks**, a global private-sector partnership focused on increasing women's employment that IFC helped launch in 2014. It brings together 10 leading companies that have pledged to implement measures proven to enhance women's employment opportunities—such as mentorship programs, flexible working arrangements, and leadership training to increase diversity in management.

"Gender equality is smart economics.

"It has a multiplier effect on impacts across a spectrum of development outcomes. A country can't grow if it doesn't give opportunity to half of its population."

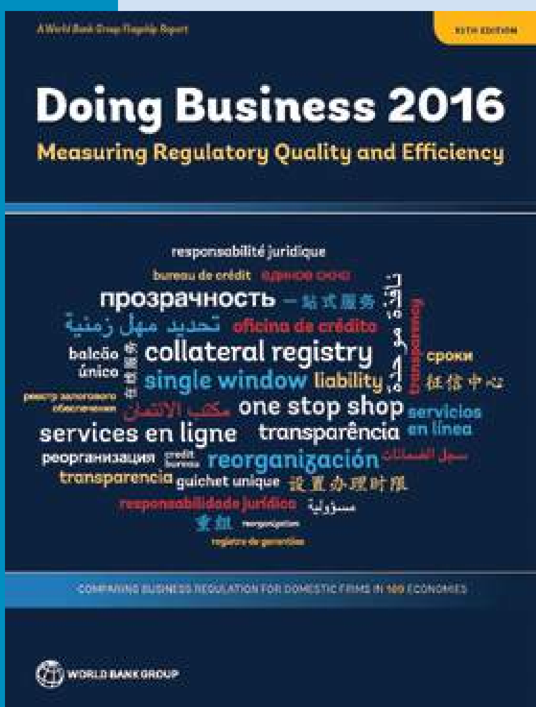
PHILIPPE LE HOUÉROU,
THEN-VICE PRESIDENT FOR SOUTH ASIA,
THE WORLD BANK
2014

Gender Balance: A cornerstone of sustainable development.

DOING BUSINESS

In 2003, IFC and the World Bank together launched ***Doing Business***, a series of annual reports investigating the regulations that enhance business activity and those that constrain it.

The reports have been highly influential from the outset, serving as a useful tool in encouraging countries to promote more efficient business regulation. Offering measurable benchmarks for reform, they also serve as a resource for academics, policymakers, journalists, business leaders, and others interested in the investment climate of each country. Today the reports present quantitative indicators on business regulations and the protection of property rights that can be compared across 185 economies—from Afghanistan to Zimbabwe—and over time.



The *Doing Business* reports have now inspired hundreds of regulatory reforms worldwide. In the past 12 years, more than 2,600 reforms have been recorded globally in the areas they measure. Ongoing support from IFC and World Bank teams has helped reform-minded governments make these improvements to their investment climates.

Globally, Georgia is the country that has improved the most in the areas measured by *Doing Business* over the years. During this period, output per capita in Georgia increased by 66 percent, driven in part by a series of investment climate reforms the government enacted: eliminating the paid-in minimum capital requirement for starting a business, introducing electronic systems for paying taxes, adopting an insolvency law introducing both reorganization and liquidation proceedings, and many others.

Other regions also have specific nations that stand out for their most-improved status in the areas measured by *Doing Business*: Rwanda in Sub-Saharan Africa, Colombia in Latin America and the Caribbean, Egypt in the Middle East and North Africa, China in East Asia and the Pacific, and India in South Asia.

Philippines: The Asian School of Hospitality Arts (ASHA) builds students' skills, and job prospects, in the hotel and restaurant industries.

India: NephroPlus provides affordable, innovative health care.

HEALTH AND EDUCATION

For more than 20 years, IFC has also helped client companies expand access and improve quality in both health and education.

In this time IFC has become the world's largest multilateral investor in private health care in emerging markets, holding an active portfolio worth about $1.3 billion in health services, including hospitals, diagnostic chains and HMOs, and life sciences like pharmaceuticals, vaccines, and medical technology.

In the most recent fiscal year, IFC-supported health projects provided care for 31.8 million patients worldwide, often through innovative delivery models that bring quality care to lower-income groups that previously could not afford them. In India, more than 90 percent of the 230,000 people newly diagnosed with chronic kidney disease each year die within months due to lack of treatment. Reaching patients in lower income brackets presents a particular challenge, given the reluctance of established providers to reduce prices. So in 2014, IFC made its first healthcare venture capital investment in South Asia, taking a $7 million stake in **NephroPlus**, whose low-cost business model allows it to offer dialysis services at prices 30 to 40 percent below market prices. Today it has 61 low-cost dialysis centers across India, sharing IFC's global commitment to overcoming obstacles to the development of accessible and affordable healthcare facilities.

IFC also helps build capacity in private education to create more opportunities for children, youth, and working adults. This makes a difference across the developing world, where employers often have positions to fill but can't find enough qualified people to take them due to skills shortages in the local economy.

IFC's $775 million portfolio of education projects develops skills and enhances employability in more than 25 countries, including the Philippines, where youth represent 80 percent of the unemployed. There the **Asian School of Hospitality Arts (ASHA)** has used $36 million in financing from IFC to expand its courses and apprenticeship programs in hotel, restaurant, and hospitality management. Since 2006, nearly 10,000 students have obtained a degree or certification from ASHA, resulting in a 95 percent employment rate within 60 days of graduation.

LESSONS OF EXPERIENCE

Ch. 7: Innovating for Inclusion

Broad-based access to financial services and other needs is critical for building long-term prosperity and fighting poverty.

CHAPTER 8

PROVIDING NEW PLATFORMS

IFC investment platforms mobilize private sector capital for today's greatest development challenges.

Demand for IFC's products and services increased dramatically in the mid-2000s, leading to a significant increase in investment volume and advisory services engagements. Many viable models with proven track records of increasing the private sector's role in development were now in place and ready to mobilize outside capital at even higher levels than before, if efficient new platforms could be created.

It was time to put new focus on a large and growing source of capital that development finance institutions until then had largely left untapped: **institutional investors.**

IFC ASSET MANAGEMENT COMPANY

By 2007, sovereign wealth funds alone held more than $3 trillion in assets. Pension funds in wealthy countries also had accumulated large balances. Yet both were investing very little in the countries most in need of capital—emerging and frontier markets. Leveraging its own extensive footprint and its investment approach, policies, and Performance Standards, IFC began to explore ways to create a credible new vehicle to attract these investors. The early efforts got a major boost in April 2008, when World Bank Group President Robert Zoellick publicly proposed a "one-percent solution," calling on sovereign wealth funds to put one percent of their assets into African countries, and asking for IFC to set up new structures to encourage them.

The urgency for this new platform—and also the challenges—increased as 2008 went on. The global financial crisis, centered in the wealthy countries, threatened to shrink the available pool of capital that might flow to the developing world. Setting up the right kind of platform became even more urgent.

The response came in early 2009 with the creation of IFC's Asset Management Company (AMC), a new vehicle for mobilizing and managing third-party funds to invest in private enterprise in IFC's client countries, now with more than $7 billion of external capital raised. Set up as a wholly owned subsidiary, with a responsibility to its investors, AMC manages funds with dedicated investment teams that can choose to invest in any specific IFC project that fits a fund's investment parameters. AMC relies extensively on IFC's broad pipeline of potential projects, and draws on valuable synergies with other IFC staff.

AMC uses a private equity approach that complements IFC's longtime syndication efforts with financial institutions, where outside investors elect to participate in loans on a project by project basis, while relying on IFC to do most of the due diligence and loan structuring. AMC operates differently, raising the capital upfront and managing the funds actively from beginning to end. In its first seven years, AMC has raised billions of dollars from a wide variety of institutional investors, including sovereign wealth funds, pension funds, and development finance institutions, across 12 regional, sectoral, and special purpose funds, including equity, debt, and fund-of-funds products.

How did AMC raise so much money in the wake of the financial crisis? There are several reasons it was able to do so. Important seed financing for its first fund was provided by the Japan Bank for International Cooperation (JBIC). Furthermore, IFC itself has typically invested in each fund, helping to provide an alignment of interest and good fund-raising momentum. Investors were also attracted by AMC's governance structure and by IFC's financial track record, especially the strong performance of its equity investments in the preceding decade, which was well above industry benchmarks.

Certainly AMC had to overcome investors' qualms about working with an international development organization. Wouldn't financial returns always be secondary to development goals? The answer was the same as IFC had been giving for decades: The best way to achieve sustainable development is to help build profitable, growing businesses.

For example, in 2012 the $1 billion IFC African, Latin American and Caribbean Fund (ALAC) invested $47 million in Saham Finances (Saham), a Morocco-based insurance company with operations in Morocco and several countries in Sub-Saharan Africa. As Sub-Saharan Africa has one of the lowest insurance density and penetration rates in the world, **broadening access to insurance protection** to the underserved has high development impact. IFC and ALAC supported Saham's ambitious growth strategy, including acquisitions in key markets such as Angola, Kenya, and Nigeria. In 2016 IFC and ALAC sold their shares to the Sanlam Group, a South Africa-based global insurance company, realizing an attractive return for investors. Meanwhile, Saham is well positioned to integrate its recent acquisitions into a truly pan-African insurance platform with the critical support and operational knowledge Sanlam can provide as an experienced global insurance operator.

The capital AMC has raised helps bring private sector solutions to many of today's great development challenges. In Brazil, more than 100 million people—about half the population—lack wastewater collection services, and only a third of sewage is treated nationwide. The country's 5,500 municipalities have been tasked with drawing up sanitation improvement plans in order to inform policy decisions and investment needs.

In 2012, IFC provided a corporate loan to Aegea Saneamento, one of Brazil's leading providers of **water and sanitation services**, to help it expand throughout the country, including to frontier regions in the north and northeast of Brazil, while following IFC's Performance Standards. Then in 2014, the $1.2 billion IFC Global Infrastructure Fund (GIF), which pools investment capital from 10 sovereign wealth funds and pension funds, became a shareholder. GIF and IFC have each invested approximately $40 million of equity in Aegea over several rounds of funding. Aegea is using this capital to significantly accelerate its growth and improve services, all with industry leading financial performance. The company now operates water concessions in 44 Brazilian municipalities in eight states, and provides water and sanitation services for nearly 3.7 million people. This includes water supply and sewage treatment in Barcarena, in Pará state, where less than 2 percent of sewage was treated when Aegea took over the concession.

In Asia, the $3 billion IFC Capitalization Fund has invested $40 million in longtime IFC client ACLEDA Bank, Cambodia's largest provider of **microfinance.** This capital injection is supporting the bank's domestic growth and regional expansion into Lao People's Democratic Republic and Myanmar, allowing it to serve more businesses. It is an important part of a long-term partnership with IFC that has enabled ACLEDA Bank to reach more than 2.5 million of the poorest people in Cambodia and support micro and small businesses throughout the Mekong region.

With strong governance, dedicated investment teams, and the ability to select diversified portfolios from IFC's pipeline, AMC provided an attractive value proposition to its investors even in the wake of the financial crisis. Its achievement in combining commercial capital with development needs soon led to the best success of all—other asset managers from the private sector increasingly looking to attract institutional investors into emerging markets.

The significant amounts of third-party capital AMC raised in turn had a major effect on IFC itself, increasing its ability to fund larger projects, take a more active portfolio management approach, and explore other ambitious ideas for directing private capital toward development needs.

IFC Asset Management Company provides growth capital to emerging-market companies, including Brazilian water company Aegea Saneamento and Cambodian micro, small and medium enterprise lender ACLEDA Bank.

Ethiopia:
Afriflora is creating 5,000 jobs in the flower export industry.

CO-LENDING PROGRAMS

IFC also found new ways to expand capital support for its loan program.

The **loan-syndications program**—unveiled in 1959—has now mobilized approximately $50 billion from more than 500 financing partners for over 1,000 projects in more than 115 emerging markets. At the end of fiscal 2016, IFC's syndications portfolio totaled $16.6 billion.

To make it easier for others to join in these investments, in 2009, IFC established the **Master Cooperation Agreement** to standardize steps that lenders need to take when co-financing IFC projects in developing countries. Since then, 28 development finance institutions have become signatories. They have provided $2.3 billion to IFC clients over the past six years.

In 2013, the **Managed Co-Lending Portfolio Program** (MCPP) was set up to attract funds from investors looking to diversify in emerging markets. Similar to a passively managed index fund, MCPP lets investors participate in IFC's future loan portfolio based on pre-agreed investment criteria. The program got off to a strong start in 2013 with a $3 billion pledge from China's State Administration for Foreign Exchange (SAFE). Rather than lending directly in developing countries, through MCPP, SAFE leverages IFC's broad footprint and existing expertise.

Under MCPP's structure, outside investors provide capital on a portfolio basis, which can be deployed by IFC in individual investments across all regions and sectors in tandem with IFC's flow of business. MCPP investor approval is sought pre-mandate; project appraisal, approval, commitment, and supervision are managed directly by IFC, with the MCPP investor passively following IFC's decisions. MCPP complements IFC's existing B Loan and Parallel Loan platforms. Through MCPP, IFC can expand its base of co-lending partners to include investors that do not have the capacity to invest on a deal-by-deal basis.

In Turkey, SAFE partnered with IFC, development finance institutions, and commercial banks on a €433 million senior loan package for the development of a 1,550-bed health campus in Adana. The project is part of a public-private partnership program launched by the Turkish government. In Ethiopia, SAFE and IFC together provided €90 million to the country's largest rose producer and exporter, Afriflora, which will use the funding to expand production by 60 percent, install water recycling systems, and create jobs for 5,000 more people.

Working through MCPP, SAFE also contributed $20 million to a $60 million debt facility for Canadian Solar Inc. to finance manufacturing operations in Vietnam and potentially in other countries in Asia and Latin America. This investment will support clean energy generation and climate technology transfer within emerging markets and is expected to create 1,000 direct and indirect jobs in local communities.

Tapping into these kinds of new funding sources—such as sovereign wealth funds, pension funds, insurance companies, and others—is critical to the future of development finance. IFC is uniquely positioned to intermediate these funds, given its successful experience with all these platforms, and will continue to investigate new opportunities for large-scale mobilization in the future.

LESSONS OF EXPERIENCE

Ch. 8: Providing New Platforms

If the conditions are right, institutional investors can join banks as major sources of growth capital for emerging markets.

IFC AND TRADE

Trade is the lifeblood of the world economy, driving economic growth and creating jobs. **Trade finance** plays a crucial role in making international transactions happen, yet is out of reach for too many emerging market firms.

This is why in 2005 IFC started its Global Trade Finance Program (GTFP). IFC's backing extends and complements banks' capacity to deliver trade finance, providing risk mitigation on a per-transaction basis through a growing network of issuing and confirming banks. The program gives priority support to trade flows that promote critical sectors such as agriculture and energy efficiency, while focusing on SME importers and exporters, and trade between emerging markets—particularly in lower-income countries.

In 2005, the GTFP network had just 20 banks supporting $300 million in trade. It now covers more than 500 banks in 150 countries, and last year supported more than $6 billion in trade.

IFC continues to adapt its trade products to meet market needs and in difficult times. When the 2008 global financial crisis broke—threatening the liquidity of banks in the developing world—IFC responded at the London G-20 meeting, creating the $4 billion Global Trade Liquidity Program.

Burkina Faso: IFC support helps small-scale farmers export cotton.

The product suite now has expanded to include the Global Warehouse Finance Program, Commodity Finance Solutions, Structured Trade, as well as Supplier Finance—all helping to boost growth in emerging markets.

To date, IFC's **trade solutions** have supported over $130 billion in global trade, all directly linked to the movement of specific goods across emerging market borders.

In landlocked Burkina Faso, 80 percent of the people depend on agriculture, with cotton a major export. Amid political instability in 2014 and 2015, IFC and Société Générale put together a $77 million facility so Sofitex, the largest local processer and exporter of cotton, could continue to buy from smallholder farms, securing livelihoods and economic stability at a difficult time.

IFC's Climate-Smart Trade Program makes it easier for emerging market companies to purchase green technology. In June 2015, IFC and Bank Al Habib supported the import of a $32 million, 50 MW German wind turbine by Pakistani power company Yunus Energy, providing a reliable, sustainable source of electricity boosting the country's generation of clean energy and supporting cross-border trade; critical for economic growth.

In these and many other cases, IFC's support for global trade is making a difference in lives around the world. IFC is adapting to engage the future, responding to the WTO's call for more support for global trade.

NEW PLATFORMS FOR:

SOLAR POWER

The sun has enormous potential as an energy source in frontier regions. In Sub-Saharan Africa, for example, two-thirds of the population lacks access to electricity, while grid-based power generation capacity is far short of what is needed. Many countries have abundant potential, but they have struggled to develop utility-scale solar power plants due to challenges such as lack of scale, lack of competition, high transaction costs, and high perceived risks and costs of capital, among others.

In response, in 2015 IFC launched Scaling Solar, bringing together a suite of World Bank Group services under a single engagement aimed at creating viable markets for solar power in client countries. The "one-stop shop" program aims to make privately funded grid-connected solar projects operational within two years and at competitive tariffs. Now being implemented across multiple countries, it is creating a new regional market for solar investment.

The program's integrated platform reduces risks for investors and cuts costs for customers through competition and simplified procurement. The package of advice, finance, insurance, and risk management has been proven to help attract private sector interest. Its first bidding auction, held in May 2016 in Zambia, led to some of the world's lowest-priced solar power to date. Major U.S. and European firms are now building new solar plants to boost Zambia's power supply by 5 percent. Based on this early demonstration effect in Africa, Scaling Solar is now being rolled out in other regions.

Utility-Scale Solar: A clean energy solution, and major IFC priority.

Bangladesh: A focal point of IFC work to support garment sector clients in improving working conditions.

SUSTAINABLE SUPPLY CHAINS

The garment and textile industry employs 60 million people around the world—many of them young women with few other opportunities to earn their own income and be independent. Ensuring strong environmental and social performance in this intensely competitive sector can be a challenge, especially in places where laws and governance are weak, leading some companies to disregard fire and building safety and worker rights. Audits and supervision are important, but suppliers also need financing to invest in factory upgrades and financial incentives to encourage them to make investments in better working conditions.

IFC offers a direct financial incentive to improve environment and social standards in the garment industry through its $500 million Global Trade Supply Finance program. The program provides short-term finance to emerging-market suppliers at more favorable interest rates than are typically available in local markets. Launched in 2010, it operates on an electronic platform called GT Nexus, an online system that allows multiple buyers, suppliers, agents, cargo forwarders, and other logistics providers to collaborate and manage the flow of goods, funds, and trade information. For some buyers, such as Levi Strauss and Co. and Puma, IFC offers suppliers tiered pricing of credit, creating incentives for SME suppliers to improve environmental and social sustainability. In 2007, IFC also joined forces with the International Labour Organization to launch the Better Work program, which mobilizes global brands, factory owners, and workers to address poor working conditions and improve competitiveness in the garment sector. Today the program is active in seven countries and has reached more than 1.5 million workers.

Mongolia, 2013

CHAPTER 9

WORKING IN THE FRONTIERS

Yemen: Amid fragility and conflict, IFC's Business Edge training program has helped 15,000 local entrepreneurs build their management skills.

With a $52 billion portfolio in more than 100 countries, a powerful global client and partner network, and deep knowledge of both global industries and local markets, IFC is now well positioned to increase the private sector's role in some of today's most pressing challenges, starting with fragility, conflict, and climate change.

It is a difficult, demanding agenda—but one where IFC's role in bringing together private investment and development remains urgent and essential, and where great opportunities and untapped potential remain. The lessons from six decades of experience give the institution the basis it needs to go forward.

FRAGILITY AND CONFLICT

By 2030, half the world's poor will live in fragile and conflict-affected areas. IFC is an integral part of the international effort to move these **fragile states** away from the margins.

In partnership with the World Bank Group, development partners, and clients, IFC stimulates private investment and growth in fragile states, often leading the way with advisory services. By catalyzing the powerful forces of entrepreneurship and finance, its efforts help create jobs, modernize infrastructure, and spur the economic growth needed to increase stability and reduce the risks of sliding back into conflict.

In supporting these countries, IFC draws from the same menu it has built for other emerging markets: improving their investment climates; increasing access to finance (especially for small businesses); and mobilizing domestic and international investment for job creation, productivity growth, and poverty reduction.

In the early decades, the destroyed infrastructure, weakened government institutions, social trauma, and political instability of fragile states often made it hard for IFC to engage in fragile states. But by working closely with its donor partners in the late 1990s and early 2000s, it made some early moves that brought longer-lasting results.

One of IFC's first investments in fragile states came in 1996 in Bosnia and Herzegovina—less than a year after the signing of the Dayton Accords that ended Europe's bloodiest conflict since the end of World War II. There, IFC helped the German development company IPC

Iraq:
An IFC-financed power plant strengthens electricity supply in the Kurdistan Region.

launch the country's micro and SME finance pioneer, now ProCredit Bank. From there, IFC went on to invest in the bank's parent company ProCredit Holding, which has since built a 17-country, €4.5 billion microcredit portfolio and 20 percent of its advisory services and continues to grow.

Then in 2001, three years after Cambodia returned to stability, IFC introduced a set of Khmer-language SME management training products based on a model it had been using in Vietnam.

In that first year, Cambodian entrepreneurs built their skills by buying more than 7,000 inexpensive self-study workbooks and attending workshops offered in cooperation with a leading business school in Bangkok. This was the start of IFC's **Business Edge** program, which accredited local partners have since used to train 159,000 people across 67 countries.

Over the years, IFC's work in fragile states has taken on new importance. Today it represents more than 3 percent of IFC's investment portfolio and continues to grow. From 2012 to 2015, IFC invested $2.5 billion in fragile states, roughly half from its own account and half from outside investors. By 2016, 19 percent of its advisory work was also in fragile states, valued at $16 million. One out of five IFC-supported public-private partnership transactions was in these countries, supporting critical sectors such as power, transport and health.

As Myanmar's conditions improved, IFC began engaging with the country as part of a coordinated World Bank Group effort in 2012. In the past year IFC made its first investment in the country's transportation sector, with an initial $40 million convertible loan to upgrade the Myanmar Industrial Port, a key trading center that handles 40 percent of the country's container traffic. Elsewhere in the country, IFC also agreed to $150 million in loans to help Ooredoo Myanmar roll out a mobile telecommunication network. IFC has also worked with the central bank to develop a credit-reporting system, helped to finance commercial banks in making small loans, and supported the reviving tourism sector.

In Iraq, where the power sector is critically underdeveloped and the national grid is able to supply only four to five hours of power a day, this year IFC arranged a $375 million financing for Iraqi power investor Mass Global Energy Sulimaniya Limited (MGES). The financing will go toward MGES' conversion of an existing 1,000 MW gas-fired power plant in the Kurdistan Region to a more energy-efficient 1,500 MW plant, and will help MGES finance a 3,000 MW power plant near Baghdad. IFC has also partnered with Lafarge Cement in Iraq, providing a $70 million loan that financed Lafarge's acquisition and rehabilitation of the Karbala cement plant, bolstering the construction sector, which is also a key source of jobs.

In addition to these large-scale transactions, IFC uses customized solutions that stimulate new private sector activity. Its **Conflict-Affected States in Africa Initiative (CASA)** is supporting private sector growth in 13 countries, helping them strengthen their business environments and attract investment. Supported by donor partners in Ireland, the Netherlands, and Norway, CASA has been expanding through a combination of market intelligence, funding, and knowledge management, while increasing its focus on supporting women in business.

Complementing these upstream efforts is the SME Ventures program, created in 2008 with a $100 million allocation from IFC. The program invests in fund managers in 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 countries such as Liberia, Sierra Leone, and the Democratic Republic of Congo, and provides technical assistance to entrepreneurs in management skills and industry knowledge to place them on surer footing for growth.

Sierra Leone:
IFC's SME Ventures program helps the economy bounce back from conflict, investing in job-creating companies like bottled water producer Grafton.

CLIMATE BUSINESS

Along with the rest of the World Bank Group, IFC has also joined the growing international consensus in favor of aggressive climate action. IFC first began working on climate change in the early 1990s, at the same time it was increasing the overall focus on sustainability and adding more environmental specialists to its staff.

In the 1990s and early 2000s, IFC worked with clients on a wide range of projects, from compact fluorescent lighting to solar panels, and helped build a market for carbon emission credits. Advisory services were a key part of helping clients deploy the new technology and business models.

These efforts have increased dramatically in the new millennium. Starting in 2006–2007, IFC was part of the World Bank Group's new focus on climate change and the transition from clean energy investments to plans tying climate change and development. Since starting to track the climate-smart components of its investments and advisory services in 2005, IFC has provided more than $13 billion in long-term financing for climate-related projects.

IFC's track record in supporting climate-smart projects across emerging markets is significant. In Panama, it helped bring to life Penonome, currently the largest wind farm in Central America and the largest grid-connected wind farm in the country, generating roughly the equivalent of 5 percent of Panama's total energy demand. IFC's support for seven simultaneous solar photovoltaic plants in Jordan will boost the country's use of renewables and help transform its energy sector. The seven plants have a combined capacity of 102 megawatts, and will become Jordan's first private industry-scale solar photovoltaic parks, helping cut carbon dioxide emissions by 123,000 tons annually. And in Turkey, IFC invested in Odeabank, which will provide a further $160 million in green building mortgage loans for Turkish homebuyers by 2019.

In 2012, AMC established the IFC Catalyst Fund, attracting investors to a fund investing in other funds focused on renewable energy and energy efficiency in emerging markets.

By 2015, two-thirds of IFC's direct power investments—amounting to $893 million—were in renewable energy, especially solar and wind projects, in addition to advising governments on regulations and public-private partnerships in these areas. Investments in energy efficiency also rose steadily over the 2010s, reaching $205 million on the industry

Renewable Energy: A key to a greener global economy, now comprising the majority of IFC's power sector investments.

side alone by 2015. Another $391 million went to support green building codes, finance green construction, and help banks adjust their mortgage policies accordingly.

Besides direct financing, IFC worked as usual to develop structures to attract greater private investment. By 2015, IFC had issued almost $5 billion in green bonds focused on low-carbon projects. It also participated in the Masala bonds issued for Yes Bank in India, which raised 3 billion rupees ($44 million) to be on-lent to climate-related projects. This is on top of IFC's ongoing investments in financial intermediaries like commercial banks, which increasingly supported climate-related credit lines and trade finance for small and medium-size firms. And supporting all of this were efforts to "green" the broader financial markets with standards and regulations to enable greater investment.

Following the UN Paris Climate Change Conference of 2015, where nearly 200 nations pledged to reduce their greenhouse gas emissions, IFC pledged to ensure that climate-related investment will represent 28 percent of all annual financing commitments by 2020. As part of this, the institution has announced plans to move into new climate markets, create new investment vehicles, and increase internal tools and support, while also catalyzing $13 billion of external finance in new products to de-risk and aggregate climate projects.

LESSONS OF EXPERIENCE

Ch. 9: Working in the Frontiers

The menu of options being used in development finance today can be tailored to tougher markets to achieve lasting development impact.

BRINGING THE INTERNET TO THE "OTHER 3 BILLION"

Broadband Internet is a crucial portal to the global economy. But traditional, land-based cables don't reach much of the world—especially people and businesses in many developing countries.

In 2010, for example, people in Africa accounted for just 1 percent of fixed **broadband** subscriptions across the globe.

IFC set out to address that problem—by funding a landmark satellite-based Internet development project. **O3b Networks** had a novel idea: bring Internet access to the "other 3 billion" by launching some of the first commercial Medium Earth Orbit satellites. Such satellites offered the potential of delivering high-speed broadband access, at much lower cost.

But the initiative faced a critical hurdle: many potential investors were nervous. Though the project was initially backed by a number of high-profile investors—including Liberty Capital, HSBC, and Google—many commercial banks deemed the venture too risky. For good reason: 03b's technology was new, credit markets were volatile, and the global financial crisis had added significant uncertainty to the economic outlook.

IFC recognized the **transformative potential** of the new technology. It rallied support from development finance institutions to close the project's funding gap. By pledging $70 million from its own account and mobilizing $170 million in parallel loans from other institutions, IFC helped fulfill the remainder of O3b's investment goals.

Today, O3b operates 12 satellites that are delivering Internet access to more than 10 million people and 60,000 businesses in 31 countries. Those numbers are expected to triple as O3b expands its constellation of satellites to 20 in the coming years.

The biggest beneficiaries have been users in sparsely populated, landlocked, or small island countries that previously had little or no broadband access—including several fragile or conflict-affected states such as the Democratic Republic of Congo, Madagascar, Solomon Islands, Somalia, and South Sudan.

2013:
Launch of the O3b satellite, a transformational force for communications in many developing countries.

CONSUMER LIGHTING
A HIGH-IMPACT PRODUCT

For more than 20 years, IFC has been working to support private sector delivery of environmentally friendly lighting products—reducing greenhouse gas emissions by accelerating adoption of advanced technology in emerging markets and creating vibrant, competitive markets that offer consumers affordable access to new eco-friendly lighting.

This innovative work began in Poland, where, in 1995, IFC partnered with the Global Environment Facility (GEF) on a $5 million pilot initiative to lower electricity consumption. Called the **Poland Efficient Lighting Project (PELP)**, the effort involved building local consumer demand for compact fluorescent lamps (CFLs), which were already being manufactured in Poland, primarily for export. Using short-term manufacturer subsidies combined with consumer education campaigns, PELP helped give rise to a self-sustaining domestic market for efficient lighting technology, yielding considerable economic and environmental benefits. By 2004, roughly half of all Polish homes were using CFLs, leading to a reduction of 2.8 million tons of carbon dioxide emissions through private investment—equivalent to taking nearly 600,000 cars off the road.

Building on this work and based on the PELP model, IFC set up the $15 million, GEF-funded, seven-country, four-continent **Efficient Lighting Initiative (ELI)**. Running from 1999 through 2003, the initiative worked with governments, manufacturers, distributors and utilities to reduce prices, expand availability, and increase sales—sparking the competitive forces that drive market development. In Peru alone, annual sales rose from 250,000 to more than 5 million—sustainable improvements that endured after the program.

Kenya: IFC's Lighting Africa program brings affordable solar lighting products to market, helping students study at home without relying on kerosene lamps. The same approach is now being used in Bangladesh (opposite page) and other countries.

Through such experiences—and a strengthening partnership with the lighting industry—IFC took note of the potentially disruptive force of emerging technologies such as LED lighting, lithium batteries and cellular telephony. Understanding the environmentally sustainable development possibilities, IFC then engaged with companies that were developing these potentially game-changing technologies in Africa, where more than 1 billion people lacked access to electricity.

The result was **Lighting Africa**, a joint IFC and World Bank program launched in 2007. The first private-sector-oriented effort that leverages new LED lighting technologies to build sustainable markets for safe, affordable, and modern off-grid lighting, the initiative targets African communities without access to electricity. The program partners with industry to provide market insights, steer development of quality assurance frameworks for off-grid lighting devices and systems, and promote competition and consumer awareness. By 2015 it had delivered access to clean, affordable, safer lighting and energy to more than 50 million people across Africa.

Today, the program operates on a global scale as **Lighting Global**, reaching nine countries in Africa, Asia, and the Pacific and functioning as the hub of a dynamic global industry, attracting more than $250 million in investment in 2015 alone and benefitting over 100 million people to date.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Myanmar,
2016


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Escribimos y Leemos Nuestra Lengua
Pueblo Tolpán

EPILOGUE

CREATING OPPORTUNITY WHERE IT'S NEEDED MOST

In its first six decades, IFC provided global leadership in seizing opportunities for private sector development. Now new opportunities are arising, requiring the crafting of new solutions, drawing on its long-standing traditions of innovation, influence, demonstration, and impact.

At first, IFC focused on helping multinational companies set up operations in emerging markets. It also worked with governments to make the local investment climate more favorable. Then as local companies grew, IFC helped them gain access to capital and improve their operations. In the 1980s and 1990s, as disappointment in government-driven development models increased, IFC helped to privatize state assets and fund privately owned infrastructure. After the turn of the century, as the goals of global development shifted toward **sustainability and inclusion**, the institution further broadened its scope and added initiatives such as microfinance and reducing carbon emissions. Meanwhile IFC greatly increased the flow of investor capital into developing countries through the Asset Management Company and syndication programs, while also sharpening its focus on fragile and conflict-affected states and climate change.

IFC began as a small, untested institution—one with a bold mandate, and full confidence in its ability to deliver on the mission. Today the private sector is now recognized as the prime engine of economic growth, essential for mobilizing and applying the world's capital to create the jobs needed to reduce poverty. Other multilateral development agencies have arisen over the years to pursue this goal, including many that are now its partners. But IFC's experience, expertise, and readiness to innovate make it a global leader.

Throughout its history, IFC has gone after the toughest challenges and met them by creating new programs, platforms, structures, and markets. It started with individual demonstration projects and moved toward scalable initiatives, often integrating investment and advice.

Globalization and the development of the private sector have been engines of growth and poverty alleviation since World War II. Now the world faces a new set of increasingly complex global challenges—including urbanization, aging populations, displaced people, slowing economies, rising inequality, pollution and climate change, fragility and pandemics, and the greater vulnerability of each nation to crises in an ever-more interconnected world. Achieving today's development goals will require significant global cooperation, with a central role for the private sector, so that countries have the financial and technical support they need to reduce poverty and boost shared prosperity.

IFC's mandate remains just as it was in 1956: fueling, mobilizing, and **catalyzing the private sector's response**. The level of today's ambition demands that solutions be developed and resources mobilized that are commensurate with the scale of the global challenge. Moving ahead, IFC will continue to pioneer new approaches to private sector development, working with its World Bank Group counterparts, clients, and other partners.

Private Sector Solutions:
Supporting sustainable, inclusive development worldwide.

THE FUTURE VISION

The opportunities of tomorrow lie not just in continued investment via existing approaches, but in **helping create new markets.**

This is IFC's next challenge. Working with a broad range of partners—other World Bank Group institutions, the International Monetary Fund, local regulators, clients, co-investors, and others—it can again help move the needle, finding innovative ways to steer large-scale private investment to the regions and industries that need it the most. This approach will be especially important in infrastructure, where current investment levels fall far short of the more than $1 trillion that the World Bank estimates is needed each year.

Today 1.2 billion people live without electricity. More than 660 million people lack access to safe drinking water, while more than a third of the world's rural population is not served by an all-weather road. Emerging market governments cannot afford to bridge their infrastructure gaps through tax revenues and aid alone. Much more private financing needs to be mobilized.

This will require developing local capital markets and tapping new funding sources, including institutional investors such as insurance companies, pension funds, and sovereign wealth funds. In Latin America, for example, pension funds are an essential source of domestic savings, yet invest only 1 percent of their portfolio in infrastructure.

In Colombia, IFC has invested in a $400 million infrastructure debt fund designed to mobilize financing from local pension funds. Crowding in investment sources, this new structure enables the pension funds to invest in local infrastructure projects while ensuring the diversification and low volatility their portfolios require. This type of instrument will be critical as Colombia embarks on an ambitious infrastructure program that will require about $24 billion in financing to upgrade its precarious network of roadways—the country's largest infrastructure investment program undertaken to date.

Using new approaches like this and others—making good use of advisory services along with capital markets, disruptive technologies, inclusive business models, and more—IFC can help unlock a new series of private sector solutions, addressing key objectives of the global development agenda.

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We would like to acknowledge the extraordinary contributions of those who created and shaped this organization in its early years, as well as those who subsequently developed it into the institution it is today. Their dedication to IFC's founding vision and ongoing commitment to its mission have given us the tools to create opportunity where it's needed most.

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