



**International
Finance Corporation**
World Bank Group

IFC Advisory Services

Support to Private Sector growth

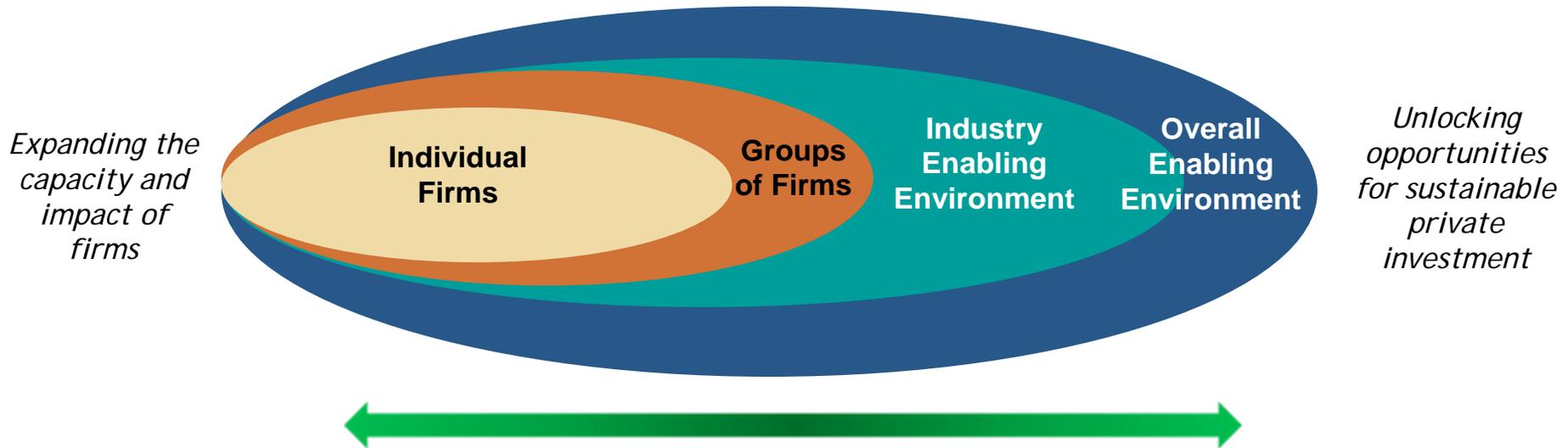
October 2014



Driving Market Transformation

- for private sector growth

- IFC leverages more than 50 years' experience as a leading investor in the private sector in emerging markets to provide specialized advice to complement its financing instruments.
- IFC advisory services help drive market transformation in 3 complementary ways:
 - *Helping private firms to strengthen their capacity and development impact,*
 - *Helping governments to design and implement PPP transactions, and*
 - *Working with governments and non-government institutions to improve the enabling environment for sustainable private sector investment.*



IFC Advisory Services – Key Features

- ***Substantial global experience & footprint***
 - *At end of FY14, IFC had 720 active advisory projects in more than 100 countries in all developing regions.*
- ***Close to our clients***
 - *Around 80% of IFC advisory staff are based in the field, ensuring global experience is adapted to local conditions and priorities.*
- ***Supporting implementation***
 - *IFC goes beyond writing reports or writing checks — when required, it provides hands-on support to help clients implement advice.*
- ***Focus on results***
 - *IFC is recognized as one of the leaders in establishing rigorous results measurement for advisory work in the private sector development sphere.*
- ***Partnering for greater impact***
 - *IFC works closely with other members of the WBG, other development institutions, and a range of government and non-government partners to share experience and leverage skills and resources for greater impact.*
- ***Flexible funding model***
 - *IFC leverages client contributions, donor funds, and its own resources, to tailor funding approaches to the nature of each assignment. FY14 program was \$234 million.*

Specialized Programs and Products

Investment Climate

- ✓ Business Regulatory Reform
 - Inspection procedures*
 - Issuance of trade licenses*
 - Reform of investment framework*
- ✓ Trade logistics
 - ✓ Tax transparency
 - ✓ Debt Resolution
 - ✓ Alternative Dispute Resolution
- ✓ Industry Specific Reform

Firm Level engagements

- ✓ Standards
 - environmental, social, governance*
 - industry standards;*
- ✓ Clean energy and resource efficiency;
- ✓ Supply chains and community investment.

Public-Private Partnership

- ✓ Transaction advice to national/sub-national governments
 - Transparent tenders*
 - Competitive bidding*
 - Focus on infrastructure*
- ✓ Capacity building of government officials

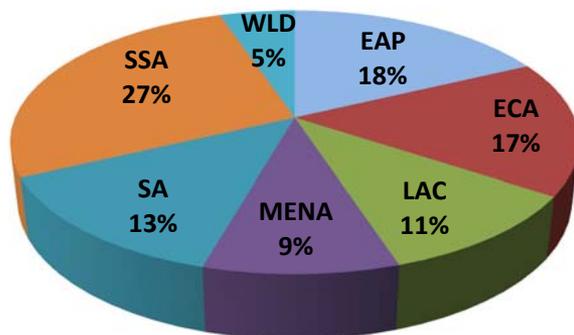
Access to Finance

- ✓ Bank Advisory Service
 - Risk Management*
 - New products (SME, climate, etc.)*
- ✓ Microfinance
- ✓ Financial Infrastructure
 - Credit bureaus*
 - Secured Lending*

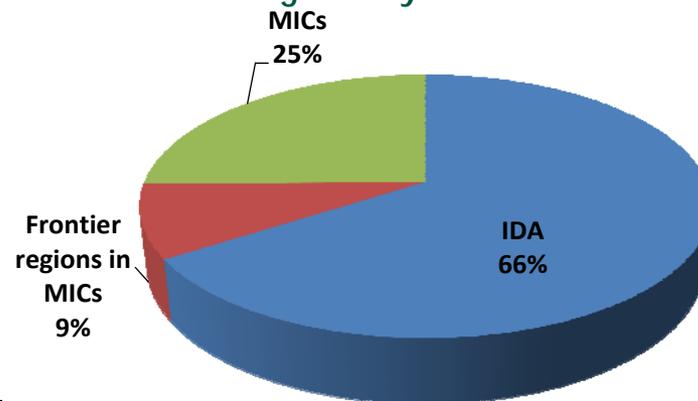
Advisory Services Program FY14

- Total FY14 IFC's Advisory Services Program was: \$234 million
- Advisory Services business is funded by combinations of funds; A split of 53% donors, 9% clients and 39% of IFC funds in FY14

FY14 AS Program by Region



FY14 AS Program by IDA & non-IDA



	Program (\$,m)	Share (%)
Fragile & Conflict-affected States	44.1	20%
Climate Change	55.5	25%
Agribusiness	27.7	12%
Infrastructure	41.6	19%
SMEs	129.5	58%

Staffing = approx. 1100
Mostly based in field offices

Focus areas by Region

Europe & Central Asia region:

MSME

- MSME finance
- Corporate governance
- Business regulations

Climate Change

- Climate finance
- Resource efficiency
- Renewable Energy generation
- Regulatory environment

Agri business

- Finance & insurance
- Value chains
- Regulatory environment

Other

- Competitiveness
- Infrastructure
- Access to capital

Middle East & North Africa region:

MSME

- MSME access to finance
- Financial infrastructure
- Business regulations
- Non-financial services

Infrastructure

- Transaction advice
- Gov. capacity building

Climate Change

- PPPs
- Sustainable energy finance
- Resource efficiency
- Clean energy

Other

- Supply chains
- Debt resolution
- Education for employment

East Asia-Pacific region:

Inclusion

- Financial infrastructure
- Micro and SME finance
- Agribusiness
- Infrastructure

Climate Change

- Sustainable energy finance
- Forestry
- Green building
- Clean energy/production
- E&S management

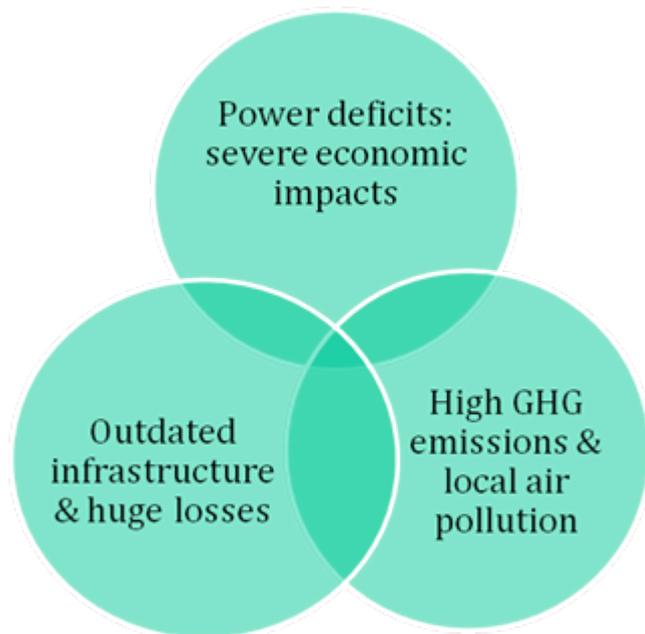
Global Integration

- Business environment
- Trade logistics
- SME taxation
- Corporate governance

A Few Project Examples

Central Asia & Caucasus Energy Infra Program

Severe energy sector challenges hamper economy...



Urgent need to invest in energy infrastructure:

- to improve supply reliability
- to reduce local air pollution and climate change impacts

...IFC attracts private investment to reduce losses and increase clean energy supply

Opening the market

Client: Governments

- Streamline regulations to attract energy investment
- Develop strategies to reduce Transmission & Distribution losses
- Develop PPPs to attract private capital and expertise to power and heat distribution, streetlighting and generation assets
- Structure Renewable Energy Concessions

Supporting first movers

Client: Renewable energy developers

- Support market entry of international investors through strategy and market intelligence;
- Support project developers with project identification, and development of bankable projects (technical and financial feasibilities) through best practices;

Client: Large energy consumers

- Identify energy efficiency gains and alternative, localized energy supplies
- Identify partners to develop and manage localized energy supply

Client: Utilities

- Loss reduction audits and development of investment plans
- Technical advice on smart grid, demand-side management, grid strengthening

- Three-year advisory program with budget of ~\$3.6 m
- Regional implementation platform develops project in Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, Georgia, Azerbaijan and Armenia

Albania: Four Hydropower

Privatization

Turkish company Kürüm International submitted the two highest offers and was awarded both tenders.

In May 2013, the government received privatization **proceeds of almost €110 million**, which it pledged to the payment of outstanding debts with suppliers and public works contractors.

The HPPs will be operated to ensure ecological flows. Kürüm is planning to rehabilitate HPP Ulëz to improve the reliability of power supply.

In accordance with the Albanian Market Model, the privatized HPPs operate as **merchant plants**, selling electricity on the national and regional electricity markets.



As part of a broader effort to liberalize and reform its energy sector, the Albanian Ministry of Economy, Trade and Energy hired IFC to assist them in **privatizing 4 hydropower plants** with a combined capacity of **76.7 MW**.

Two tenders were structured for:

1. Ulez and Shkopet HPPs
2. Bistrice I and II HPPs

Western Balkans Agribusiness Competitiveness Program



Input Supply and primary production	Food producers/processing/traders	Storage & Distribution & Logistics	Access to markets
Small Countries / Fragmented Markets			
Primary producers face high input costs and low productivity	Lacks horizontal aggregation and aggregators High input and operational costs	All producers suffer losses (up to 50% within the supply chain) from inadequate post-harvest infrastructure and logistics	All producers face barriers to reach regional/ EU markets

❑ Agribusiness trade logistics (access to markets) are more complex due to non-tariff barriers

➤ Sanitary and phytosanitary (SPS) controls & docs delay border clearance: Add 20 min to 2 weeks (SPS or quality certificates, lab test results)

➤ 100 % tailgate examination by SPS agencies, poor risk management

➤ Non-recognition of certification results between the Western Balkan countries

➤ One extra day of transit for fruits and vegetables lowers price by ~1%.

Western Balkans Agribusiness Competitiveness Program

Program Objective:

- i) increase private investment in the region by \$85 million,
- ii) increase SME competitiveness by reducing costs of business operations by \$30million
- iii) realizing \$15 million in private sector savings from trade facilitation reforms,
- iv) increase access to the EU market,

Integrated IFC approach to Agribiz transformation

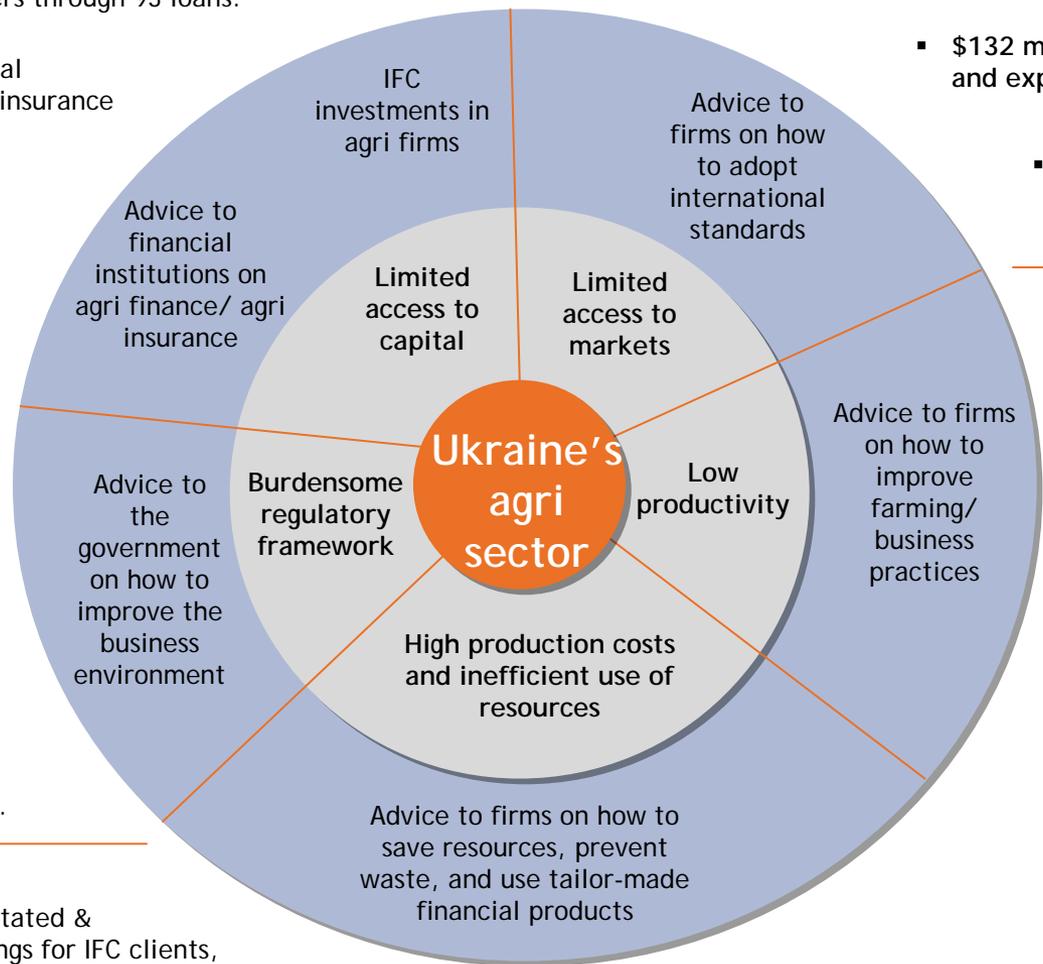
How IFC will engage:

1. Technical Advisory and Investment attraction to Boost Competitiveness
2. Sector and Policy Reforms to Transform Markets
3. Improve access to finance and facilitate more investments

*Increase Access to Agri Finance
& Insurance through Banks.*

*Trade, Investment and
Competitiveness - technical
assistance to Governments*

- \$670 million of IFC investments in Ukraine's agri firms.
- \$77 million disbursed to farmers through 93 loans.
- [\$1.9] billion issued by financial institutions through 8,152 agri insurance contracts.
- \$140 million IFC risk-sharing facility, in partnership with Bayer and 2 leading banks, expanding access to finance for small farmers.
- \$11.6 million in cost savings/year for agri firms, as a result of the elimination of mandatory registration of agri export contracts, facilitated by IFC.
- \$1.4 million in cost savings/marketing year for Nibulon, an IFC client and Ukraine's largest agri exporter.
- \$23 million of financing facilitated & \$8 million in annual cost savings for IFC clients, as a result of improved resource efficiency measures.
- 128,000 metric tons/year of GHG emissions avoided by IFC clients, equivalent to taking 23,800 cars off the road/year.



- \$111 million in new investments to IFC client companies, as a result of better food safety.
- \$132 million in increased domestic sales and exports of IFC client companies.
- 27 IFC client companies gained access to global markets.
- 50% increase in fruit production in the Vinnitsa region as a result of IFC's advice on inclusive supply chains.



- \$5 million loan to agroholding Mriya to improve energy efficiency and save up to 60,168 MWh/year, equivalent to electricity usage by 20,000 apartments/year.

Example of Supply Chain Project in Pakistan

Increase local wastepaper collection in Pakistan to substitute imported wastepaper

Results

- Developed client company local wastepaper collection systems
- Built capacity of local suppliers through the provision of business and technical training
- Waste paper importation reduced from about 26,000 tons to 9,600 tons
- Created direct financial savings for the company for about \$600,000



SME Banking/Risk Management Case Study

Region: Europe and Central Asia | Sector: Commercial Bank

Back-ground

Private bank in Azerbaijan with strong focus on MSME. IFC started engagement with the bank in 2007 providing a corporate governance framework.

Objective

To help the Bank to build a sustainable and profitable SME Banking business and grow the SME portfolio.

Project Outline

- IFC Investment -
 - (i) \$7 mln SME credit line;
 - (ii) trade finance facility
- Advisory Services:
 - (1) Corporate Governance;
 - (2) Risk Management
 - (3) SME banking

IFC Involvement

- Corporate Governance, Risk Governance, Operational Risk and Credit Risk
- Integrated Risk Division established/CRO appointed, Improved portfolio management
- Improved credit underwriting and risk management processes
- Organizational restructuring in MSME business and improvements business processes
- Developed and introduced new product program for micro and small businesses
- Non-financial services advisory is being scoped (Bank to support training program for MSMEs)

Results

- Performance: two years after IFC engagement, MSME portfolio doubled from \$39 mln to \$67 mln supported by \$93 mln increase in disbursements to MSMEs (around 2,000 MSMEs reached)
- Portfolio: quality of portfolio also improved with NPLs falling from 11% down to 7% through strengthened portfolio management function (one of the lowest among peers)
- MSME Business: MSME sales team in branches increased by 30 staff (stronger push to sell lending to MSMEs)
- Credit Process: decision-making decreased (time-to-yes) from over 40 days down to 10-15 days

NEPAL SUSTAINABLE HYDROPOWER PROGRAM

Objective: Foster sustainability and bankability of private sector hydropower projects in Nepal

- Support large private developers in-depth in developing bankable hydropower projects (for IFC and others)
- Assist group of medium and smaller hydropower developers and contractors through sector organization
- Support MoSTE* in upgrading Nepali EIA standards to good industry practices (IFC PS) and increase client friendliness



Target: Support >400MW of hydro projects, facilitate \$800m financing

Part of joint WBG Hydropower development strategy



Up-stream (IDA)

Mid-stream (AS)

Down-stream (IS)

Role

IDA: Nepal power sector reform, public HPP, integrated basin planning

Nepal Sustainable HP Program (AS):

- Foster dev. of bankable hydro projects
- Build technical, commercial, E&S, climate change resilience capacity in private sector
- Assist GoN in upgrading E&S standards and increasing private sector friendliness

IFC IS: Co-develop and finance (more mature) private sector hydro projects



Complementarity with WB and IS

- AS takes specific hydro-related reform aspects forward (EIA upgrade) that link into broader IDA sector reform projects
- Seamless one team approach

- AS increases pipeline of investable projects
- Opportunity to support IS clients; e.g. project development practices, ESMS, climate resilience, quality mgmt., etc.
- IFC as emerging markets financier highly relevant to AS clients

Solid Waste Management

Private Operation and Management of Al-Minya Landfill and two transfer stations at Hebron and Tarqoumiya (including long haul transport).

Results

- First PPP in the Southern West Bank.
- Will benefit nearly one million people in towns and villages in Bethlehem and Hebron.
- Estimated reduction of GHG emissions by 13,400 tons over seven years.
- Strong potential for demonstration effects as an innovative mechanism to deliver public services.



Private Sector Growth in Mongolia

Total project cost:
\$5 million

Two pronged approach

Agri sector

Increased competitiveness & supply of agribusiness products

To strengthening linkages between lead firms and farmers, improving food safety practices, increasing farm productivity.

- International food safety system.
- New law on Feed to access to high quality inputs
- Increase farm enterprise income
- Capacity building of farmers & local consultants
- Dairy, meat and produce yields to increase
- Partner companies to obtain HACCP certification

Investment Policy

Improved regulatory environment for investment growth

To retain existing investment in Mongolia and diversifying new investment the country attracts (beyond natural resources)

- Clearly articulated laws and policies to reduce investor uncertainty. in the legal and regulatory environment.
- Increased diversification of the economy, incl. linkages with the mining sector.
- Regulations/policy/procedures adopted to empower lead agency to facilitate investor protections; improve effectiveness of investor incentives, establish dispute resolution mechanism.