THOMPSON COBURN LLP

U.S. Government and World Bank International Financing Programs
Part one in a series of six

The Recession has severely limited the availability of conventional financing for cross-border projects and the international sale of goods and services. Thus, this may be an opportune time to take advantage of one of the international financing programs offered by various Washington, D.C.-based, governmental and multilateral institutions. The usefulness of the programs depends upon the nature of the transaction and the parties involved. Over the next few weeks, we will be providing brief summaries of financing programs offered by the World Bank Group, Export-Import Bank of the United States, Overseas Private Investment Corporation, U.S. Trade and Development Agency and the U.S. Maritime Administration. Our aim is not to provide comprehensive summaries of the programs. Rather, we intend to highlight salient points so that you may be able to identify a program that merits your further investigation. Today, we present the first in the series, relating to the International Finance Corporation (IFC).

INTERNATIONAL FINANCE CORPORATION

The IFC is one of the organizations that comprises the World Bank Group. Its aim is to promote sustainable economic growth in developing countries by financing private sector entities.

Applicability: In order to qualify for IFC financing, a project must (i) be located in a developing country that is one of IFC s 181 members, (ii) be in the private sector, (iii) be technically sound and have good profitability potential, (iv) benefit the local economy, and (v) be socially and environmentally sound.

Financing Products

- A-Loans - IFC provides fixed and floating rate loans for its own account (A-Loans) to greenfield and expansion private sector projects in developing countries. The terms of most of the A-Loans range between seven and 12 years, with grace periods and repayment schedules determined on a case-by-case basis. Because the IFC rarely makes loans to small or medium sized corporations, many of the A-Loans are made in the form of credit and equity lines to intermediary banks, leasing companies and other financial institutions, which then issue loans to these corporations. In order to promote the participation of other private investors, the A-Loans (together with any equity provided by IFC) are usually limited to 25 percent of the project costs for greenfield projects and 50 percent of such costs for expansion projects.

- B-Loans - IFC offers commercial banks and other financial institutions an opportunity to participate in the financing of IFC financed projects through its syndicated loan program (B-Loans). Under these loans both IFC (as a provider of A-Loans) and the participants share in a project s commercial credit risk, but IFC remains the lender of record. This allows the B-Loan participants to share IFC s advantages as a multilateral development institution, including IFC s de facto preferred creditor access to foreign exchange in the event of a country s foreign exchange crisis. Currently more than 150 banks and other financial institutions participate in the B-Loan program.

- C-Loans - IFC offers quasi-equity financing products (C-Loans) with both debt and equity characteristics, such as convertible debt, subordinated loans and preferred stock. These products are used to ensure that a project is properly funded.

- Equity - IFC frequently provides between five percent and 15 percent of the equity of a project for which it is also providing other financial assistance. Such equity is provided to private sector companies, financial institutions, and portfolio and investment funds involved in the project. IFC is never the largest shareholder in a project, and it never takes an active role in company management. IFC usually maintains its equity investment for a period of between eight and 15 years and prefers to sell its shares through the project country s domestic stock market, frequently in a public offering.

- Structured Trade - IFC provides a number of structured trade products that give clients access to forms of cost-effective financing not otherwise available to them. The products include (i) partial credit guarantees to enhance a client s credit when issuing bonds or otherwise borrowing funds, (ii) risk sharing facilities that allow clients to transfer credit risk from themselves to IFC, and (iii) participation in securitizations of pools of assets (mortgages, credit cards, auto loans, etc.) with relatively predictable cash flows.

- Government Owned Borrowers - Although IFC normally provides financing solely to private sector projects, it may provide financing to a company with partial government ownership as long as there is private sector participation and the venture is operated on a commercial basis.

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