

# CREATING MARKETS: FINANCING SOLUTIONS FOR ITALIAN COMPANIES IN EMERGING MARKETS

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*Creating Markets, Creating Opportunities*

**October 2020**

# AGENDA

- I. About IFC
- II. IFC's Work with Italian Corporates
- III. IFC's Value Add to Clients
- IV. Current Outlook
- V. Annex

# IFC: A MEMBER OF THE WORLD BANK GROUP

	WORLD BANK GROUP				
	 <b>IBRD</b> International Bank for Reconstruction and Development	 <b>IDA</b> International Development Association	 <b>IFC</b> International Finance Corporation	 <b>MIGA</b> Multilateral Investment Guarantee Agency	 <b>ICSID</b> International Centre for Settlement of Investment Disputes
<b>Year Established</b>	1945	1960	1956	1988	1966
<b>Role</b>	<ul style="list-style-type: none"> <li>To promote institutional, legal and regulatory reform</li> </ul>	<ul style="list-style-type: none"> <li>To promote institutional, legal and regulatory reform</li> </ul>	<ul style="list-style-type: none"> <li>To promote private sector development</li> </ul>	<ul style="list-style-type: none"> <li>To reduce political investment risk</li> </ul>	<ul style="list-style-type: none"> <li>To settle international investment disputes</li> </ul>
<b>Clients</b>	<ul style="list-style-type: none"> <li>Governments of member countries with per capita income between US\$1,025 and US\$6,055.</li> </ul>	<ul style="list-style-type: none"> <li>Governments of poorest countries with per capita income of less than US\$1,025</li> </ul>	<ul style="list-style-type: none"> <li>Private companies in member countries</li> </ul>	<ul style="list-style-type: none"> <li>Foreign investors in member countries</li> </ul>	<ul style="list-style-type: none"> <li>Member States and their nationals/ investors</li> </ul>
<b>Products</b>	<ul style="list-style-type: none"> <li>Technical assistance</li> <li>Loans</li> <li>Policy Advice</li> </ul>	<ul style="list-style-type: none"> <li>Technical assistance</li> <li>Interest Free Loans</li> <li>Policy Advice</li> </ul>	<ul style="list-style-type: none"> <li>Investment through Loan, Equity, and Quasi-Equity</li> <li>Resource Mobilization</li> <li>Advisory Services</li> </ul>	<ul style="list-style-type: none"> <li>Political Risk Insurance</li> </ul>	<ul style="list-style-type: none"> <li>Conciliation, arbitration, mediations and fact-finding proceedings</li> </ul>

**Shared Mission: To Promote Economic Development and Reduce Poverty**

# IFC OVERVIEW

- A member of the World Bank Group
- AAA credit rating
- Over 60-year history in Emerging Markets (EM)
- Largest Global development institution focused exclusively on the private sector in emerging markets
- A global institution, now owned by 184 member countries
- More than 100 regional offices
- 3,921 staff (55% are based outside Washington DC)



**~2,000**  
Private Sector Clients



Global Presence in  
Over **100** Countries



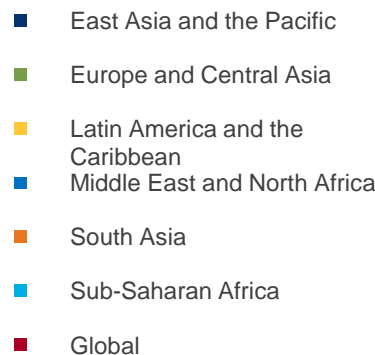
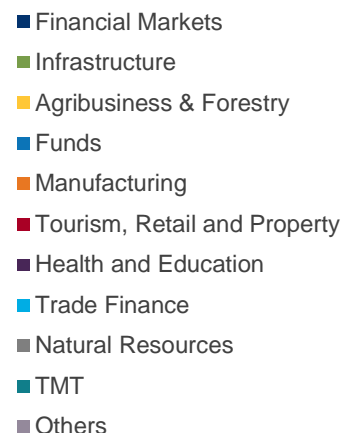
A Network of Over  
**900** Financial  
Institutions

# IFC Holds US\$60 billion Active Portfolio as of FY2020

<b>S&amp;P, Moody's</b>	<b>AAA, Aaa</b>
<b>Active Portfolio as of FY19</b>	<b>US\$58.9 bn</b>
<b>FY20 Commitments<sup>1</sup></b>	<b>US\$22.0 bn</b>
- Syndicated	<b>US\$10.8 bn</b>
- Own Account	<b>US\$11.2 bn</b>
<b>Number of projects</b>	<b>280</b>
<b>Investments in IDA/FCS Countries</b>	<b>US\$2.8 bn</b>
<b>Investments in Climate</b>	<b>US\$3.2 bn</b>

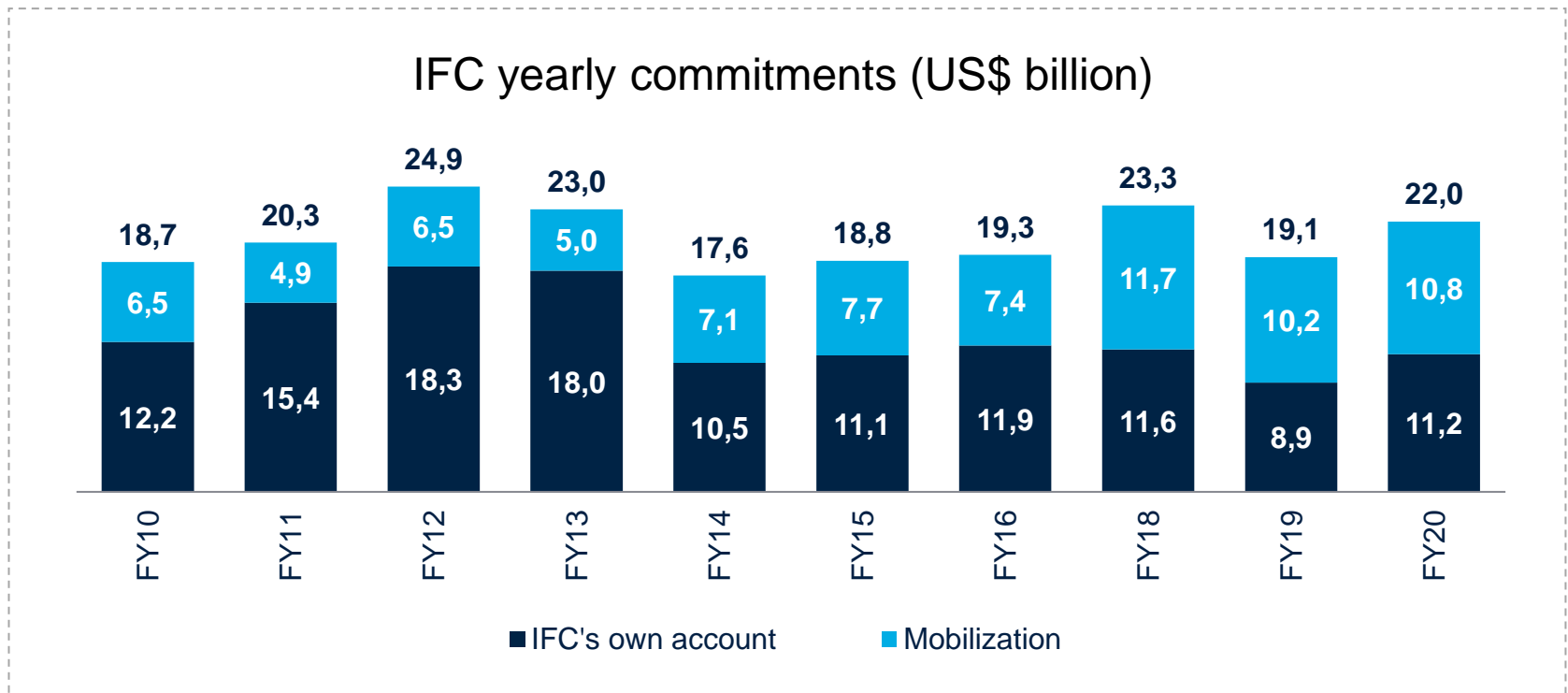
- Largest multilateral source of loan and equity financing for the private sector in emerging markets; owned by 184 countries
- Takes market risk with no sovereign guarantees
- Promoter of environmental, social, and corporate governance standards
- Resources and know-how of a global development bank + flexibility of a merchant bank
- Portfolio of over 2,000 companies worldwide

## Active Portfolio as of FY20: US\$60bn



# Over US\$200 billion Invested in Emerging Markets in 10 Years

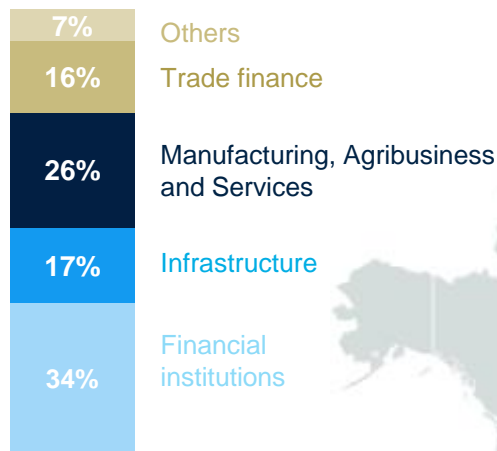
- IFC committed in FY 2020 US\$22.0bn:
  - Own Account of US\$11.2bn
  - Mobilized additional US\$10.8bn
- As of June 2020, IFC's active portfolio stands at US\$60bn



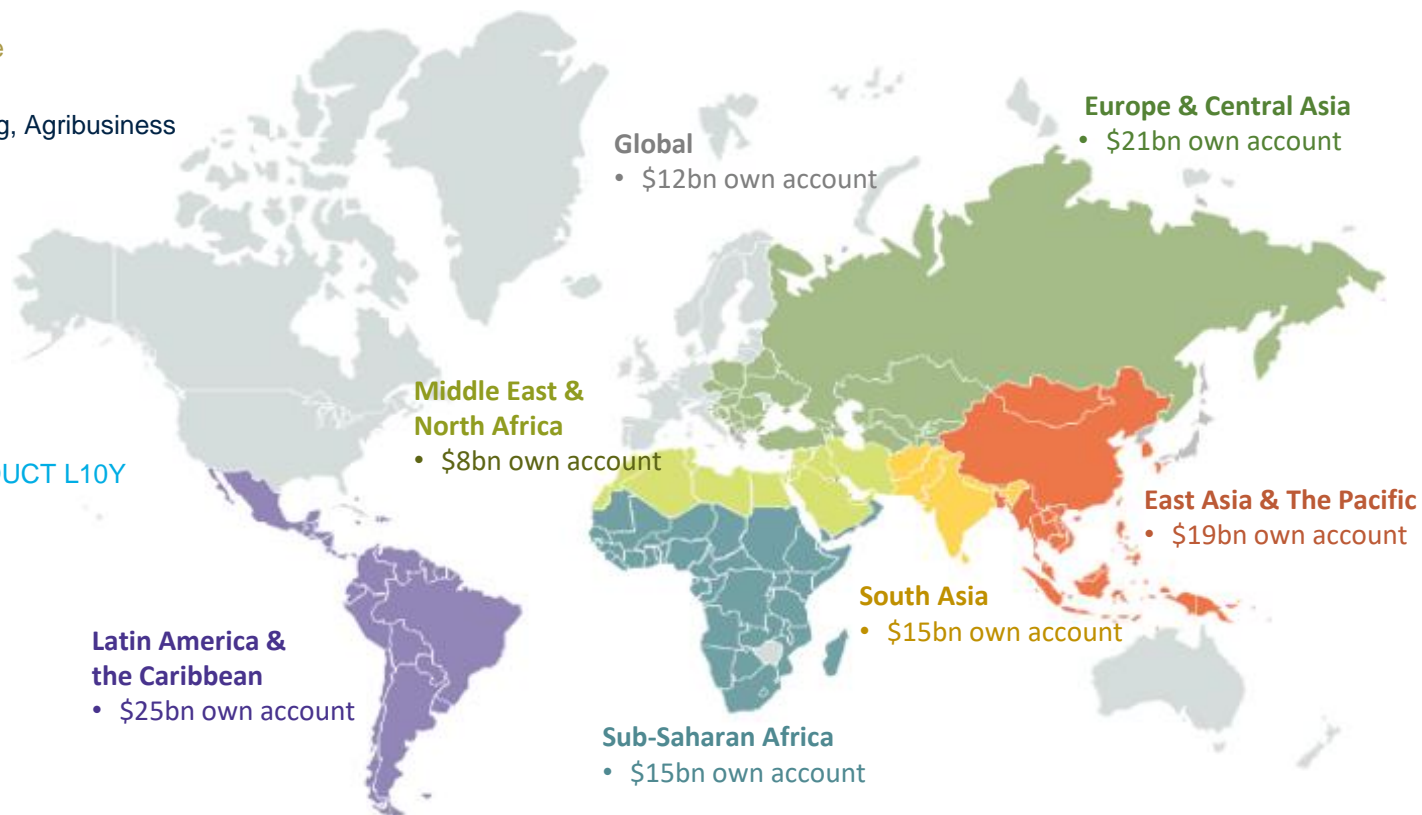
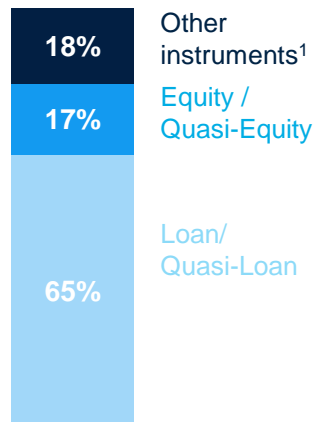
# IFC has an Extensive and Global Track Record – US\$200bn+ Committed in the Last 10 Years

*IFC has committed US\$200bn+, including US\$80bn mobilization, in 4,000+ projects globally in the last 10 years.*

## OWN ACCOUNT BY SECTOR L10Y



## OWN ACCOUNT BY PRODUCT L10Y



# IFC'S STRATEGY

Maximizing Development Impact, Maintaining Financial Sustainability

## FOCUS INDUSTRIES

Infrastructure

Agribusiness

Financial Inclusion  
Health and Education

## FOCUS CHALLENGES

Climate Finance

Fragility

Digital Economy

## FOCUS REGIONS

Africa

MENA

South Asia

CROSS CUTTING: Gender, Disruptive Technology, Developing Local Capital Markets,  
Scaling up Mobilization

## SUSTAINABILITY




Strong environmental, social, and governance standards are critical to  
IFC's business growth and development impact



# WHAT WE DO: 3 PRODUCT AREAS WITH FOCUS IN 4 INDUSTRIES

## Creating Opportunity Where It's Needed Most

### Product Areas: Integrated Solutions, Increased Impact

<p>1</p>  <p>Investment</p>	<p>Competitive Long-term Financing Solutions</p> <ul style="list-style-type: none"><li>Loans</li><li>Equity</li><li>Trade and Supply Chain Finance</li><li>Syndications</li><li>Derivative and Structured Finance</li><li>Blended Finance</li></ul>
<p>2</p>  <p>Advice</p>	<p>Innovative Solutions Combining IFC's Expertise and Tools to</p> <ul style="list-style-type: none"><li>Help Create New Markets</li><li>Unlock Investment Opportunities</li><li>Strengthen Clients' Performance and Impact</li><li>Improve Environmental, Social, and Corporate Governance Standards</li></ul>
<p>3</p>  <p>IFC Asset Management Company</p>	<p>Mobilization and management of capital for businesses in developing countries and frontier markets on behalf of institutional investors</p> <ul style="list-style-type: none"><li>As of June 30, 2019, AMC had raised approximately US\$10.1bn, including about US\$2.3bn from IFC</li></ul>

### Focus industries


<p>Manufacturing, Agribusiness and Services</p>

<p>Financial Institutions</p>

<p>Infrastructure and Natural Resources</p>

<p>Disruptive Technologies and Funds</p>

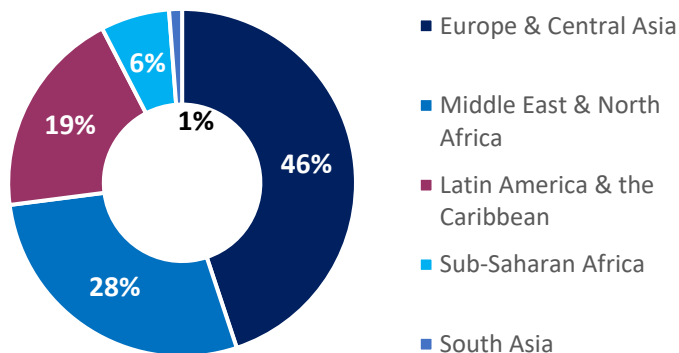
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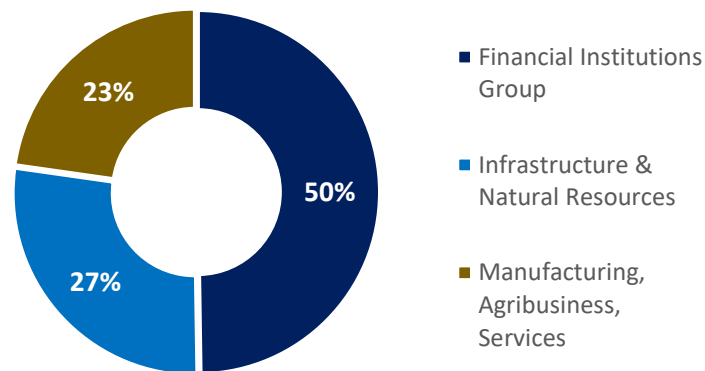
# IFC'S PORTFOLIO WITH ITALIAN SPONSORS

US\$954 million long-term committed portfolio as of June 30, 2020  
 \$1,045 million including ST and \$521 million in mobilization

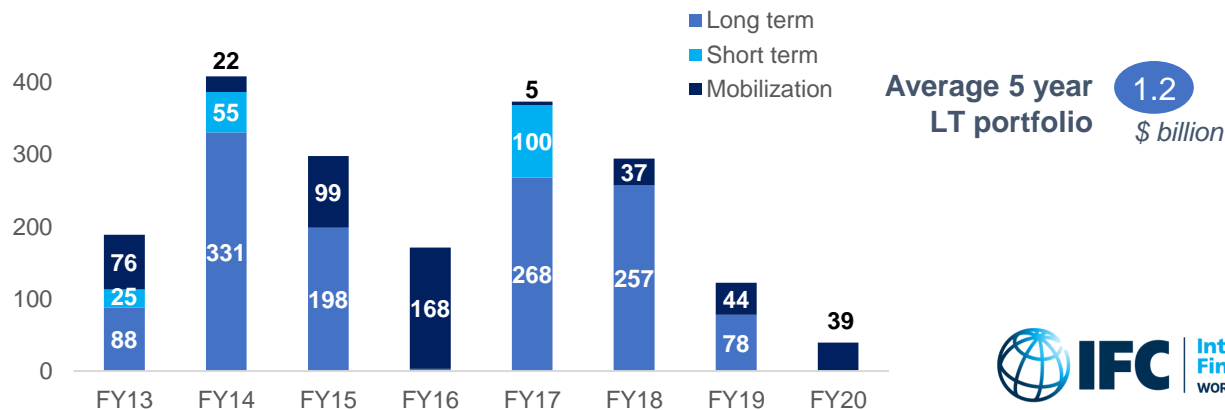
## Exposure to Italian sponsors by Region







## Exposure to Italian sponsors by Industry



## Committed Portfolio including mobilization



# EXAMPLES OF PROJECTS WITH ITALIAN SPONSORS

	<p>€134 million <b>financing package</b> for CLN Group, including €48 million from IFC's <b>own account</b>, €36 million through the <b>IFC Managed Co-Lending Portfolio Program</b> and €50 million mobilized from <b>Cassa Depositi e Prestiti</b>.</p> <ul style="list-style-type: none"> <li>▪ <u>Use of proceeds</u>: financing CLN Group's expansion and the modernization of the local production of advanced automotive parts in South Africa</li> <li>▪ <u>Impact</u>: boosting South Africa's automotive industry, generating economic value and supporting local job creation</li> <li>▪ <u>Sector</u>: Manufacturing (automotive)</li> </ul>
	<p>US\$15 million <b>senior loan</b>, of which US\$10 million is in <b>local currency</b>, to Vinavil Egypt, a leading manufacturer of construction-related materials owned by Mapei S.p.A.</p> <ul style="list-style-type: none"> <li>▪ <u>Use of proceeds</u>: funding the expansion of the production capacity for chemical binders and emulsions</li> <li>▪ <u>Impact</u>: supporting the development of Egypt's construction industry, an important source of employment and one of the country's fastest-growing sectors, addressing the need for local currency financing and reducing environmental impacts</li> <li>▪ <u>Sector</u>: Manufacturing (chemicals)</li> </ul>
	<p>US\$100 million <b>financing package</b> for three projects in Egypt with Enerray and SECI Energia, both companies being part of the Maccaferri Industrial Group. The package included <b>senior loans, subordinated debt and mobilization</b>.</p> <ul style="list-style-type: none"> <li>▪ <u>Use of proceeds</u>: construction of 13 solar photovoltaic projects in Egypt with a total capacity of up to 752MW</li> <li>▪ <u>Impact</u>: providing cost-effective and eco-friendly power to over 300,000 residential customers, generating up to 5,000 jobs during construction and contributing to the transformation of Egypt's energy sector by helping the country meet its growing energy demand through renewable sources.</li> <li>▪ <u>Sector</u>: Power (renewable energy)</li> </ul>
	<p>US\$52 million <b>senior loans</b> to SDF for three separate projects in Croatia, India and China. SDF is a global manufacturer and distributor of tractors, harvesting machines and diesel engines. It distributes products through the SAME, DEUTZ-FAHR, Lamborghini Trattori, Hürlimann and Grégoiretwo-wheelers.</p> <ul style="list-style-type: none"> <li>▪ <u>Use of proceeds</u>: expansion of the tractor and combine production plants in Croatia, India, and China.</li> <li>▪ <u>Impact</u>: (i) improving food security with better farm mechanization; (ii) supporting inclusive growth in rural areas by creating business opportunities and jobs in the agri-machinery distribution and after sales network; and (iii) promoting high environment standards on farm equipment.</li> <li>▪ <u>Sector</u>: Manufacturing (agricultural equipment)</li> </ul>

# EXAMPLES OF PROJECTS WITH ITALIAN SPONSORS

 <p><b>ESSILORLUXOTTICA</b></p>	<p><b>US\$10.5 million senior loan to EssilorLuxottica, a leading manufacturer and distributor of prescription lenses.</b></p> <ul style="list-style-type: none"> <li>▪ <i>Use of proceeds:</i> financing a manufacturing facility for optical lenses in Laos.</li> <li>▪ <i>Impact:</i> facilitating the transfer of high quality technology and manufacturing processes, developing specialized local technicians, creating employment and providing a demonstration effect for other potential investors for Laos.</li> <li>▪ <i>Sector:</i> Healthcare</li> </ul>
	<p><b>US\$35 million Global Trade Supplier Finance (GTSF) facility in partnership with BNP Paribas</b></p> <ul style="list-style-type: none"> <li>▪ <i>Use of proceeds:</i> financing the rubber suppliers of Pirelli procured from Indonesia and Thailand</li> <li>▪ <i>Impact:</i> increasing the access to finance for suppliers and facilitating immediate improvement in their cash flow.</li> <li>▪ <i>Sector:</i> Manufacturing (automotive)</li> </ul>
 <p><b>PIAGGIO</b></p>	<p><b>US\$55 million senior loans for two separate projects in Vietnam and India from Piaggio, a global manufacturer and distributor of two-wheelers.</b></p> <ul style="list-style-type: none"> <li>▪ <i>Use of proceeds:</i> establishing a two-wheeler manufacturing facility in Vietnam and financing a plant for fuel-efficient diesel and turbo diesel engines in India</li> <li>▪ <i>Impact:</i> enhancing the competitiveness of the manufacturing sector and technology transfer in two low-income countries, generating employment and improving energy consumption in product manufacturing and product usage.</li> <li>▪ <i>Sector:</i> Manufacturing (automotive)</li> </ul>

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# IFC'S VALUE ADD TO CLIENTS

A long-term partnership perspective, providing clients important countercyclical financing when commercial banks cut back



## Long-term & Patient

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- Fixed/Floating Rates, Local Currencies
- Up to 15 year Loan Maturity
- Flexible Amortization Profile
- **International Stamp of Approval**, catalyst for other Investors and Lenders
- Equity Participation
- Capital Mobilization



## Country Risk Mitigation

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- Government Relations
- **Preferred Creditor Status**
- Neutral Broker Role
- Reduced Risk of Expropriation, Breach of Contract, Convertibility
- World Bank Synergies
- **Withholding Tax Benefit**



## Global Sector Expertise

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- 40+ Years of Sector Expertise
- **Group of Industry Specialists in the Agribusiness and Forestry sector**
- Greenfield
- Expansion/Modernization
- Corporate Strategy
- Access to International Investors



## Regional Knowledge

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- Extensive Local Office Network
- Local Transaction Experience
- Strong bank partnerships through client networks and B loan participants
- World Bank Synergies
- Joint Venture partnership management



## Env. & Social Risk Management

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- Advice on Environmental & Social Best Practices
- Energy & Water Use Management
- Cleaner Technologies
- Equator Principles Modeled after IFC Standards
- Local Consultation and Disclosure



## Sustainability Toolkit

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- Supply Chain strengthening: supporting productivity & farmer income
- Environmental/ Social Standards
- Corporate Governance
- Community Investment

# IFC'S BASE MATERIALS CLIENTS INCLUDE INDUSTRY LEADERS

Chemicals and Fertilizers		Construction and Other Base materials			
Chemicals	Fertilizers and Agrichemicals	Cement	Glass	Metals	Other construction materials



# IFC COVERS A BROAD RANGE OF LIGHT MANUFACTURING VALUE CHAINS

Focus is on improving complexity in product, process and value chain

Transport Equipment	Industrial, Commercial and Infrastructure Equipment	Textiles and Wear	Non-food Consumer Goods and Non-paper Packaging	Advanced Technology Offerings
<ul style="list-style-type: none"> <li>Aerospace products and parts</li> <li>Automotive and light vehicles</li> <li>Tires</li> <li>Bus and heavy commercial vehicles</li> <li>Motorcycles</li> <li>Motor vehicle parts</li> <li>Shipbuilding and repairing</li> <li>Railway rolling stock</li> </ul>	<ul style="list-style-type: none"> <li>Agriculture, construction, mining machines</li> <li>Electrical machinery</li> <li>Industrial machinery</li> <li>Solar (PV equipment)</li> <li>Wind turbine machinery</li> <li>Physical and digital connectivity                             <ul style="list-style-type: none"> <li>Cables</li> <li>Piping / hoses</li> <li>Switches, connectors &amp; terminals</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Fabric mills</li> <li>Finishing (dyeing, printing, finishing)</li> <li>Garment and apparel</li> <li>Integrated textile production</li> <li>Integrated textile operations</li> <li>Shoes and leather</li> <li>Spinning</li> </ul>	<ul style="list-style-type: none"> <li>Household appliances</li> <li>Plastic and rubber products</li> <li>Soap and cleaning compounds</li> </ul>	<ul style="list-style-type: none"> <li>Computer and electronic products</li> <li>Computer systems</li> <li>Engineering services</li> <li>Fixed telephony</li> <li>Internet access providers</li> <li>Marketing consulting services</li> <li>Mobile telephony</li> </ul>
Selected Clients				
				

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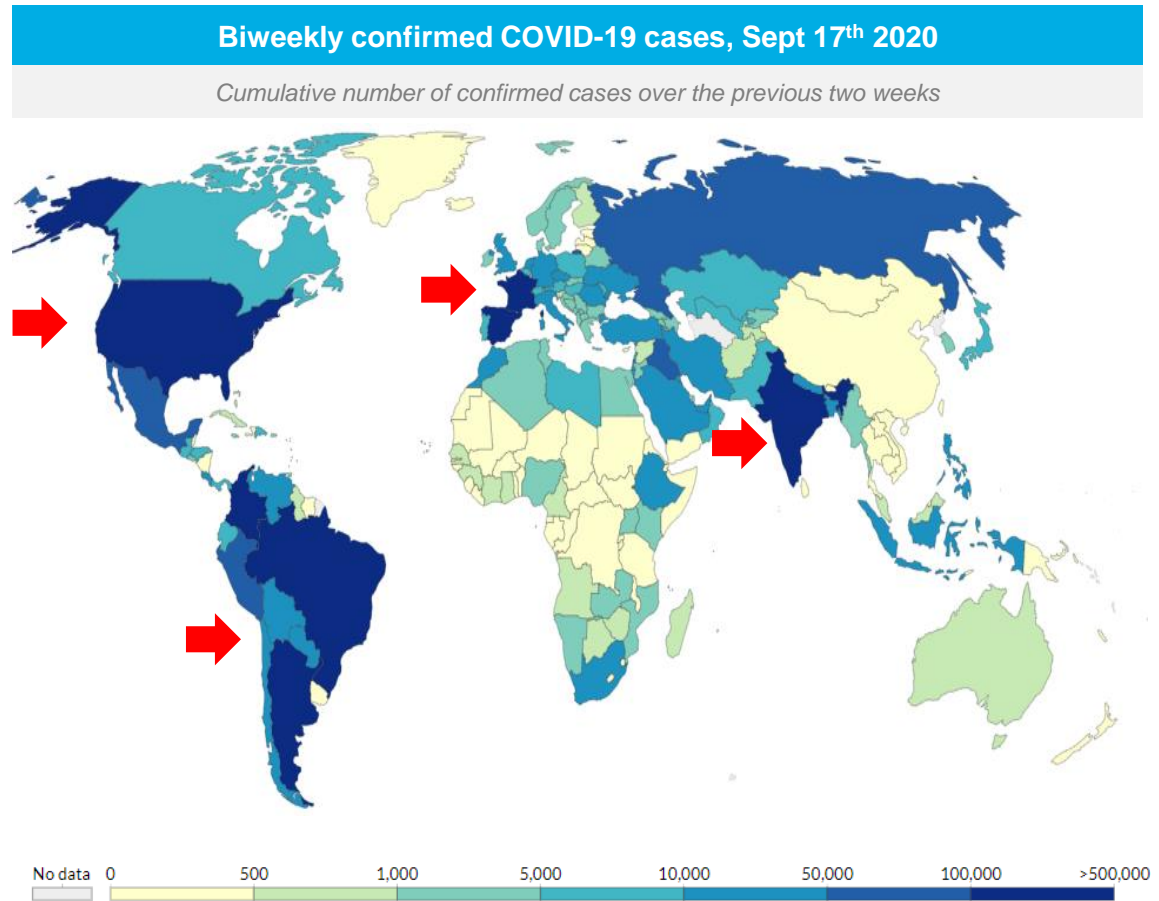
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Only if we end the pandemic everywhere can we end the pandemic anywhere

## COVID-19 FAR FROM CONTROL

### Asia Is Most Successful

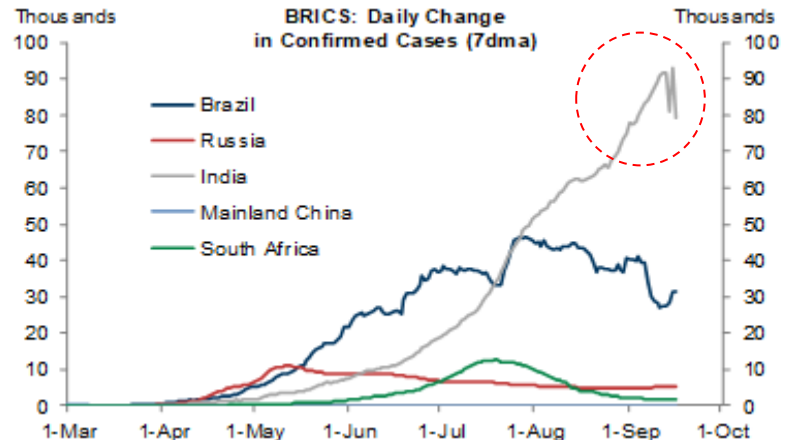
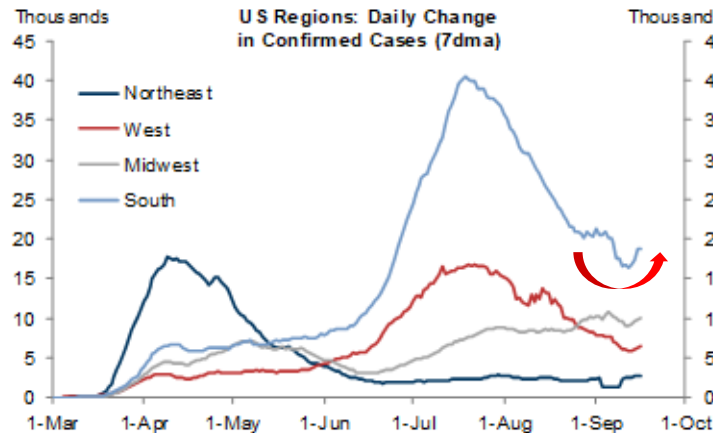
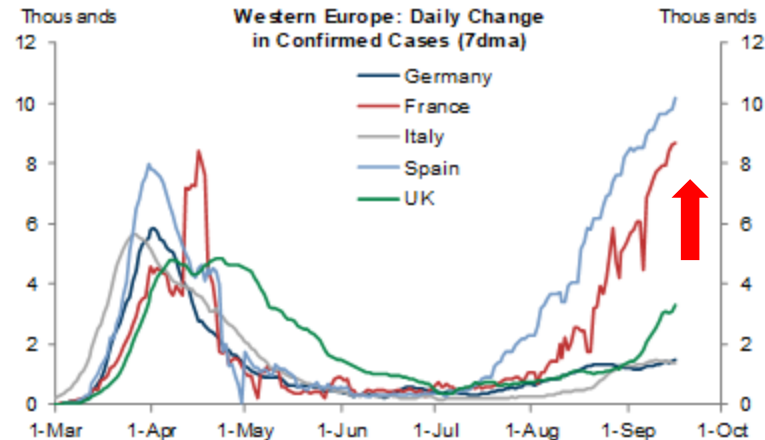
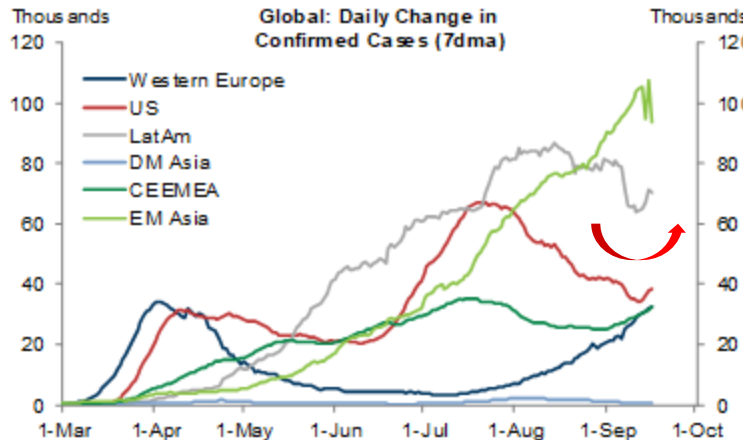
- **Several East Asian countries—China, South Korea, Taiwan, Vietnam—have weathered the pandemic well by testing, contact tracing, isolation and effective treatment.**
- **Not all nations can implement this, particularly in EM with weak health care systems and poor government finances**
- **Western Europe has stabilized** although several countries, especially **Spain and France**, are still struggling. **UK** advises people to work from home
- **The pandemic has not been controlled in the Americas. Brazil, Chile, Mexico, Peru and the US have high infection rates that are still accelerating. Argentina and India have lower rates, but caseloads are growing**
- **Very large differences between countries.** While some suffer terrible outbreaks others have managed to contain rapid outbreaks or even prevented bad outbreaks entirely



Source: European Centre for Disease Prevention and Control (ECDC), IFC Global Macro & Market Research

# COVID INFECTIONS COMING BACK. WHAT WILL THE FALL LOOK LIKE?

## COVID Snapshots



**30 million cases, 950,000 deaths with the Americas accounting for over half of the cases!**

# COVID-19 VULNERABILITIES (CHANGES)

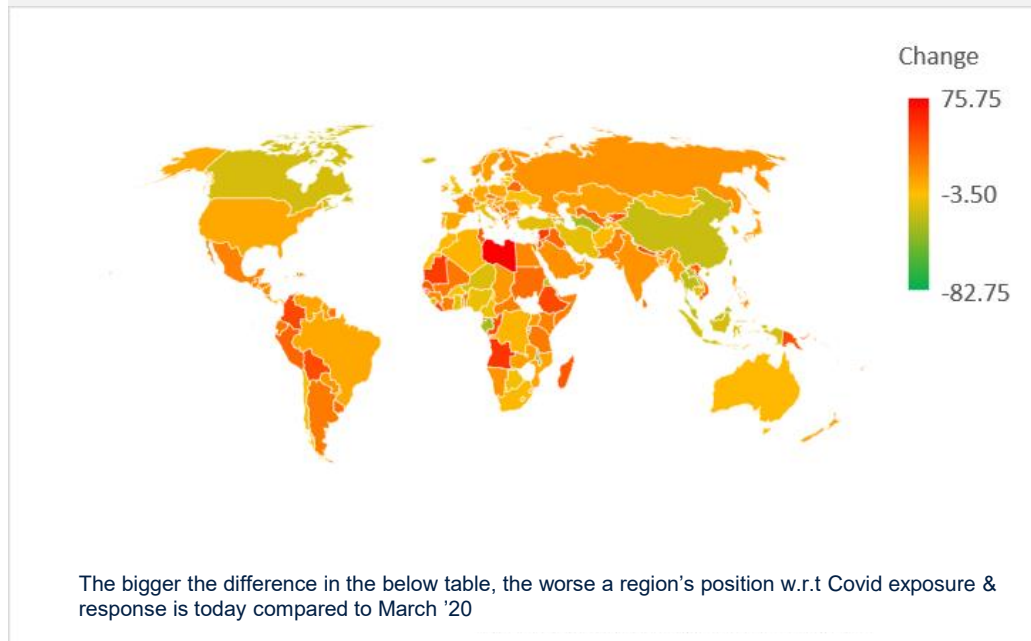
## Uneven Responses lead to Vast Differences in Outcomes

Given that high-frequency data focuses on Covid exposure (cases, speed of infection, stringency, economic stimulus), this chart considers the difference in exposure & response between March '20 and today

- **Many European and EAP countries are in a relatively better position compared to Spring 2020** when Covid-19 hit especially Southern Europe with full force
- **First, lockdowns had supply impact but now fear is now the major factor, constraining the demand side. Fiscal and monetary can help here, only so much**
- **Some countries have seen marked deteriorations, such as Peru where the pandemic was at first contained** with strong stringency measures, but the country is now witness to a large outbreak

### Absolute Difference in Covid Exposure & Response Index

Data as of September 11 and March, 2020



Region	Average Difference in Covid Exposure & Response Index
EAP	-2.24
ECA	11.85
LAC	14.76
MENA	23.76
Advanced Econs	3.72
SA	23.16
SSA	10.07

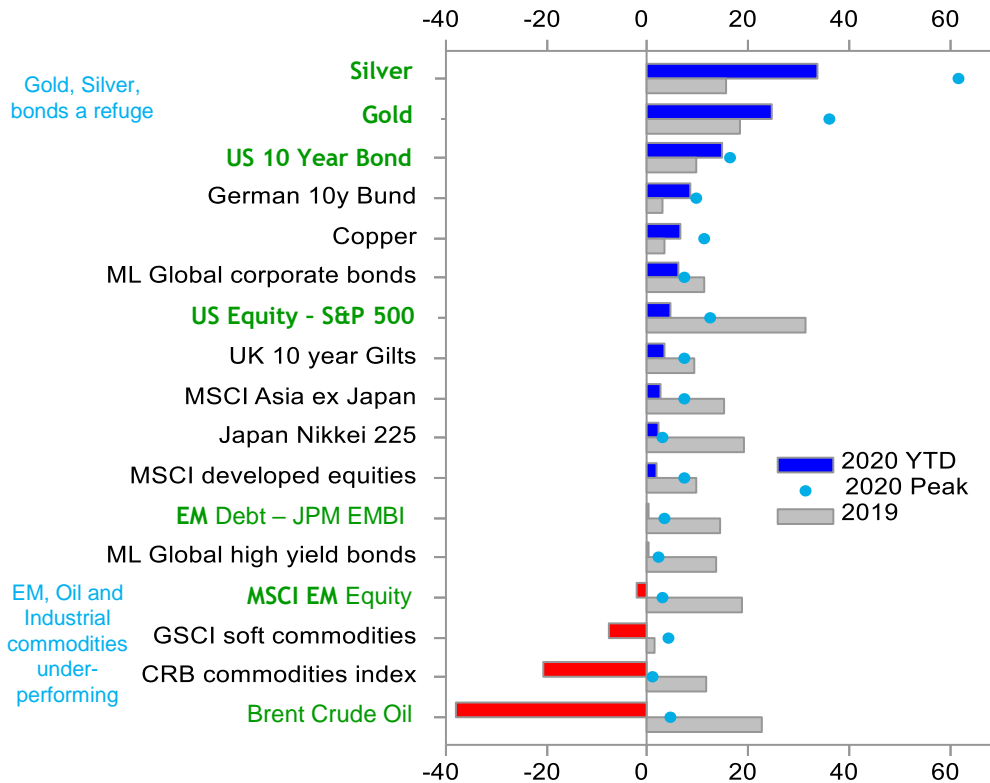
Source: IFC Global Macro & Market Research

# CORONAVIRUS SERIOUSLY IMPACTS HIGH BETA ASSET RETURNS

FED stimulus flows through asset prices. Safe haven assets rally (gold, DM bonds and key currencies). Oil continues to underperform as supply is still much larger than demand despite carnage among smaller US producers. DM government bond rates rally takes a pause – will we see negative rates in the US?

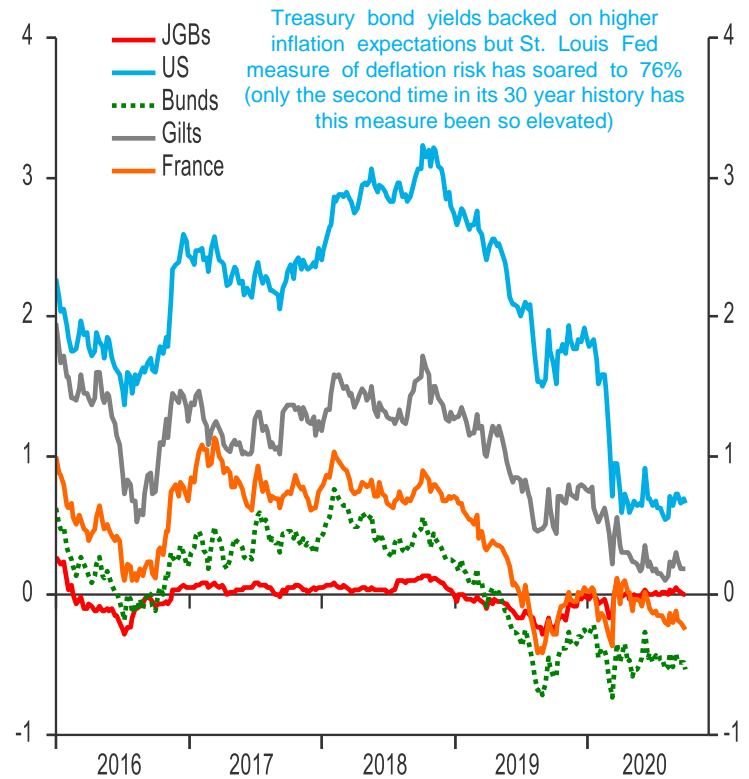
## Broad Asset Class Returns

% Total Return 2019 and 2020 YTD/Peak, USD



## DM 10 Yr Government Bonds

%



Source: Thomson Reuters – Datastream, IFC Global Macro & Market Research

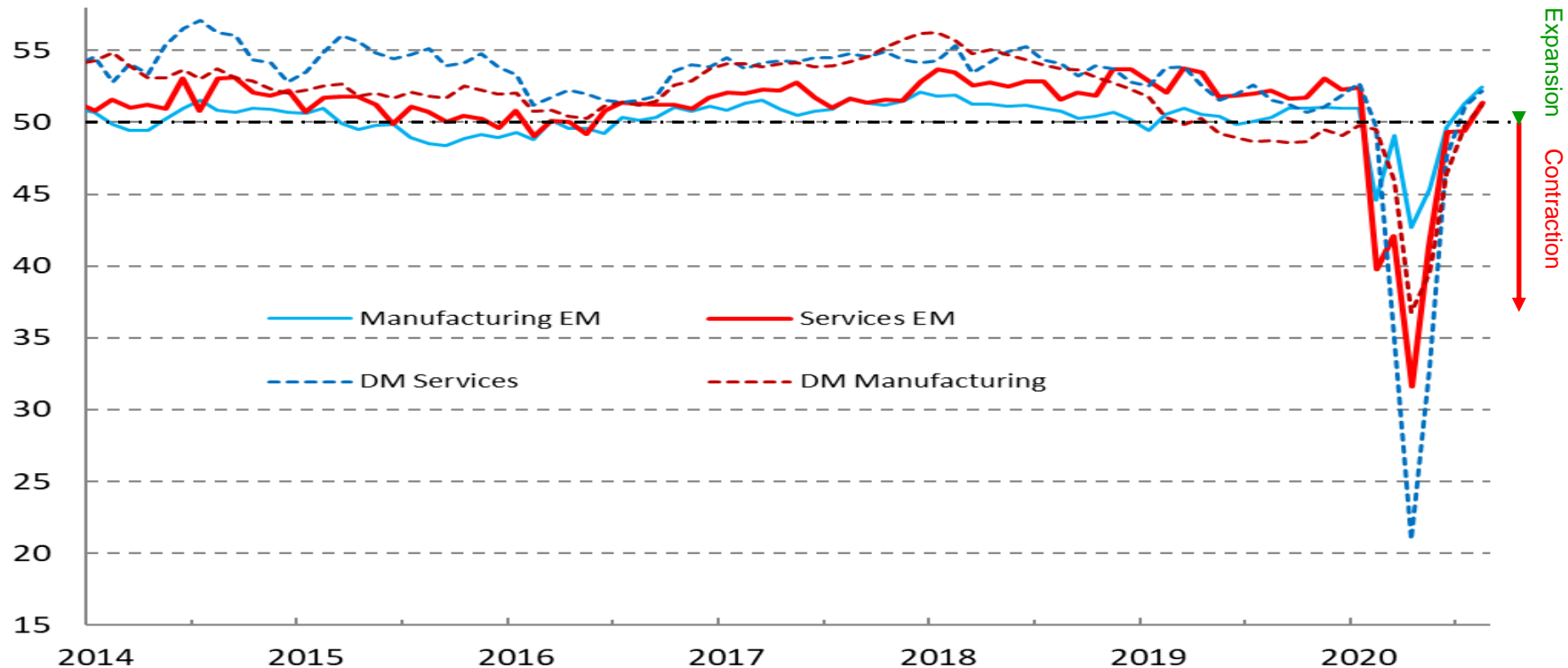
# SHARP REBOUNDS AFTER HISTORIC CONTRACTIONS

After a very brief period of synchronized growth in late 2017/2018, the world economy slipped into a renewed slowdown, driven by manufacturing. The pandemic aggravated already existing trends

Severe damage to customer facing services, especially tourism and hospitality, accompanied by a shift toward whatever support HBW and food prep as well as healthcare and pharma. E commerce, logistics, telecoms cloud base IT and supporting hardware have also outperformed – following the theme “Close to Home”

## DM and EM Manufacturing and Services PMIs

Index Level

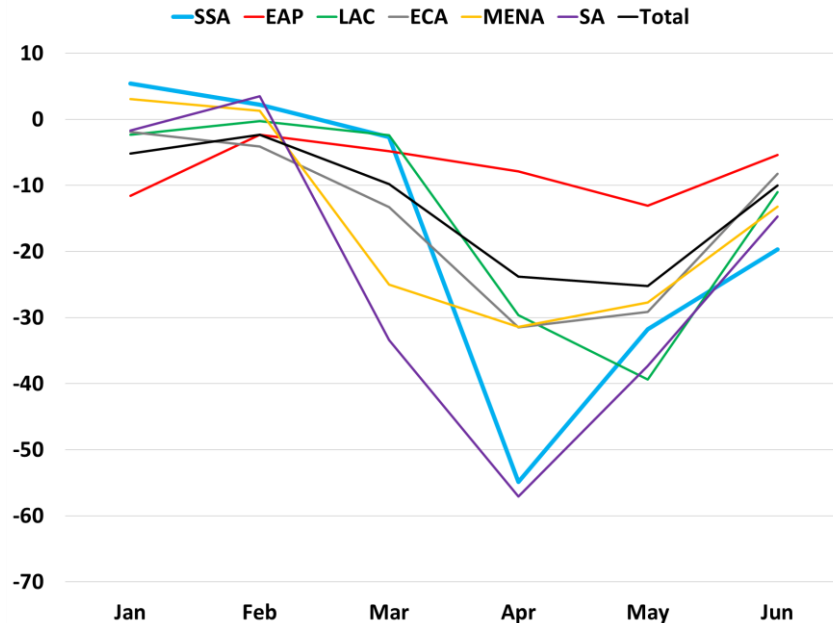


Source: Markit, IFC Global Macro and Market Research

# EXPORTS RECOVER, EVEN AS SSA IMPORT GROWTH REMAINS DEPRESSED

## Export Growth by Region

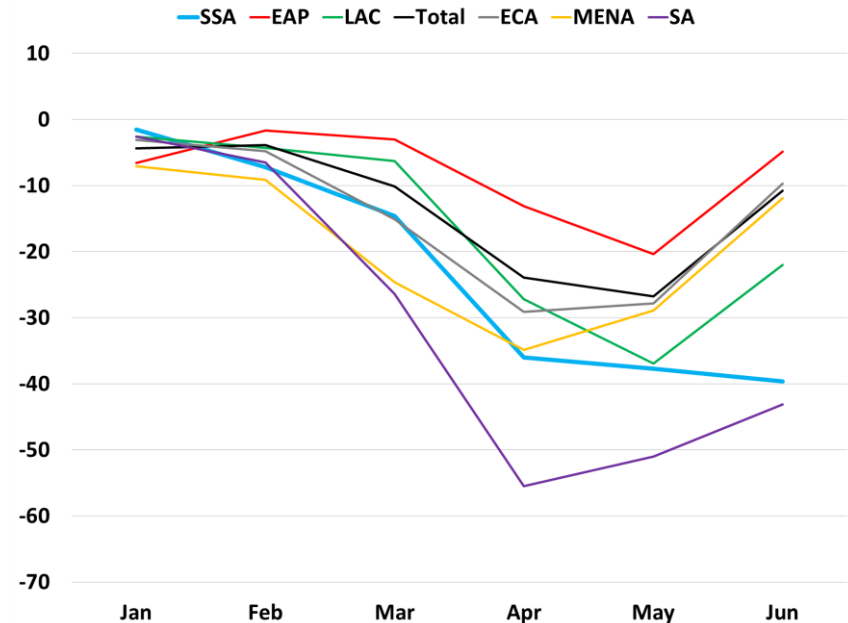
Jan-June 2020 (YoY-% change)



Source: World Bank, IFC Global Macro & Market Research

## Import Growth by Region

Jan-June 2020 (YoY-% change)



Source: World Bank, IFC Global Macro & Market Research

## Global (goods) trade showed sharp rebound in June '20, following an unprecedented contraction

- COVID has caused both a supply shock and demand shock which was evidenced by a considerable drop in most commodity prices, a significant blow to the trade and macro outlook in SSA
- Exports of SSA are projected to contract by at least 10% in 2020, with a modest recovery of 4% in 2021 (World Bank, GEP June '20), conditional on the path of the pandemic and demand recovery in main export markets
- Most regions, including ECA, LAC, MENA and SSA, saw strong rebounds in exports. However, import growth in June for SA and SSA underperformed compared to the other regions
- According to real time information on trade (ship tracking data, World Bank), Southern and Eastern Africa remain the regions with the most depressed shipping activity (-11% year-on-year) despite positive trends



# GLOBALIZATION LIFTED MANY BOATS...

## Pax Americana

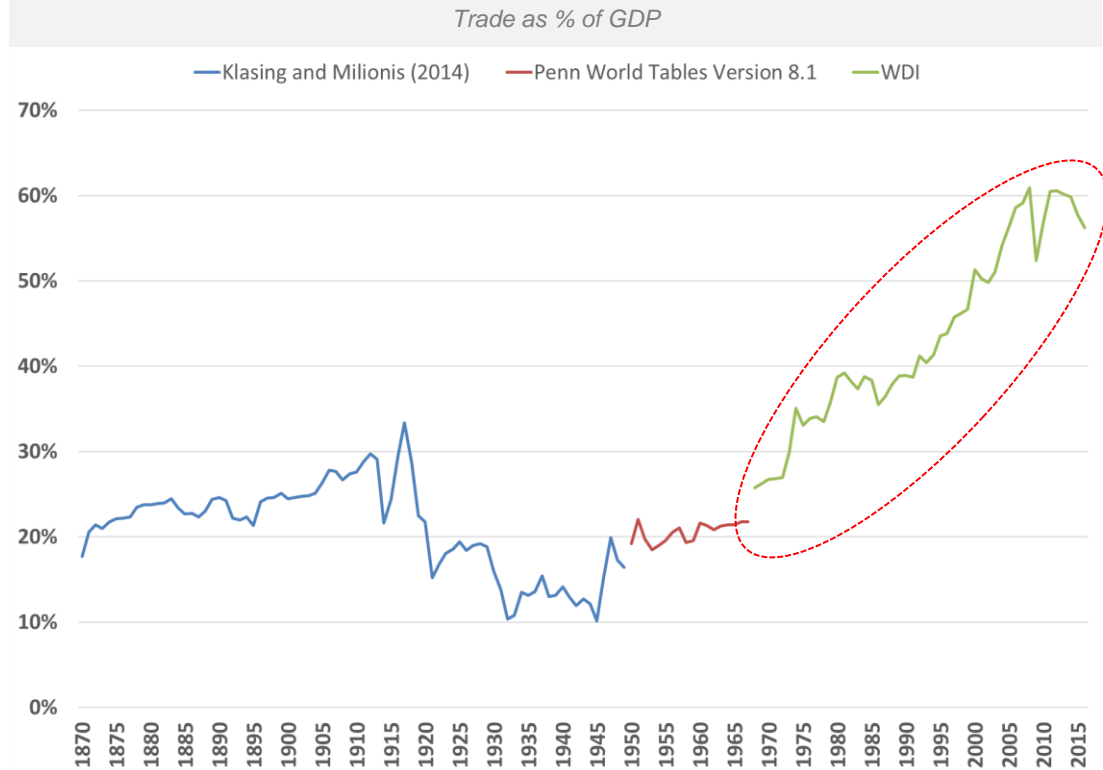
From 1960 to 2008, the US, as the global hegemon, was the global coordinator, encouraging nations into cooperation

Globalization boomed as world trade (%GDP) almost tripled

This period of relative calmness enabled nations to industrialize, grow and compete in global markets (EM in particular)

Geopolitical stability allowed China to emerge as a key global player and allowed Russia to stabilize post crisis

## World Trade between 1870-2016



Source: Klasing and Milionis (2014), PWT, World Bank WDI, IFC Global Macro & Market Research

# A BRAVE NEW WORLD – WELL, A DIFFICULT AND UNCERTAIN ONE AT BEST

Previous political and economic order is severely weakened by new currents:

Previous geo-political word order is no more:

- Multipolarity returns, US power declines, China rises, nationalism resurges
- Global coordination diminishes - in dealing with the pandemic and climate change

The post 1990 economic model of hyper-globalization is weakening:

- Sluggish economic growth, high financial indebtedness, increased protectionism and weariness of trade deals, de-globalization momentum, trade tensions between China/US/Europe
- More and more supply chains move back “home” due to national security concerns or by increased geo-political risks - COVID accelerates plans already in place

Three Possibilities:

- **Return to the Past**- strengthening the Western Alliance, increasing the role of Multilateral organizations and revive hyper-globalization. This means coopting China into this liberal order without making significant concessions. Will China agree given its greater geo-political ambitions?
- **The status quo is not possible** – China’s geo-political and economic ambitions require a hardline approach. Extensive economic decoupling from China, balkanization of the world into political and economic zones of influence. Military conflict more likely
- **Cooperate where we can** – A new “operating system” reflecting the interests and balance of power between US/China. Actors cooperate with China on issues of mutual interest but leave room to disagree. Thin global order and modest institutionalization of rules.

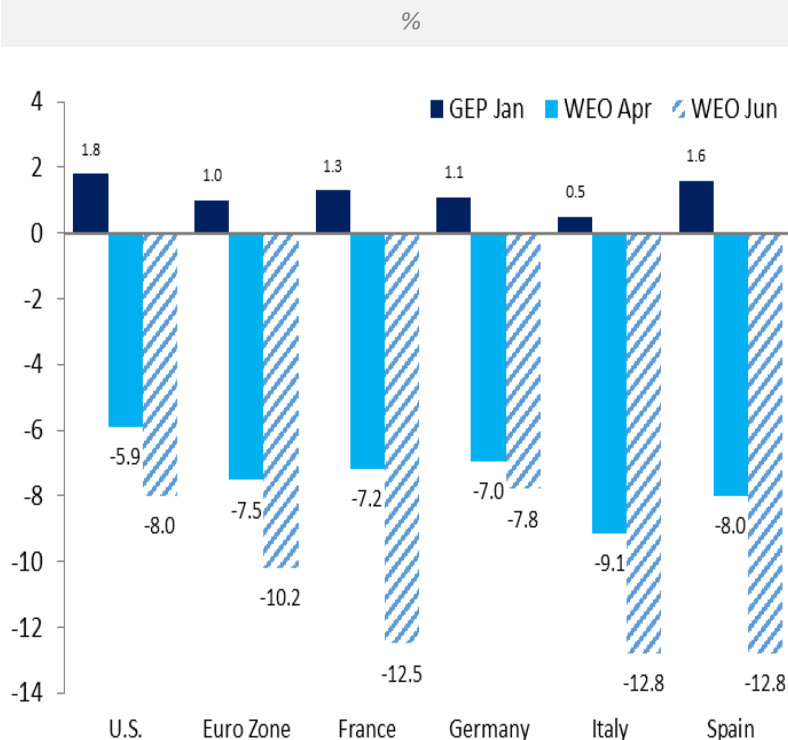
Source: “Constructing a new global order”, Dani Rodrik, Stephen Walt, September 2020

# GLOBAL ECONOMIC GROWTH SHIFTS TO CONTRACTION IN 2020

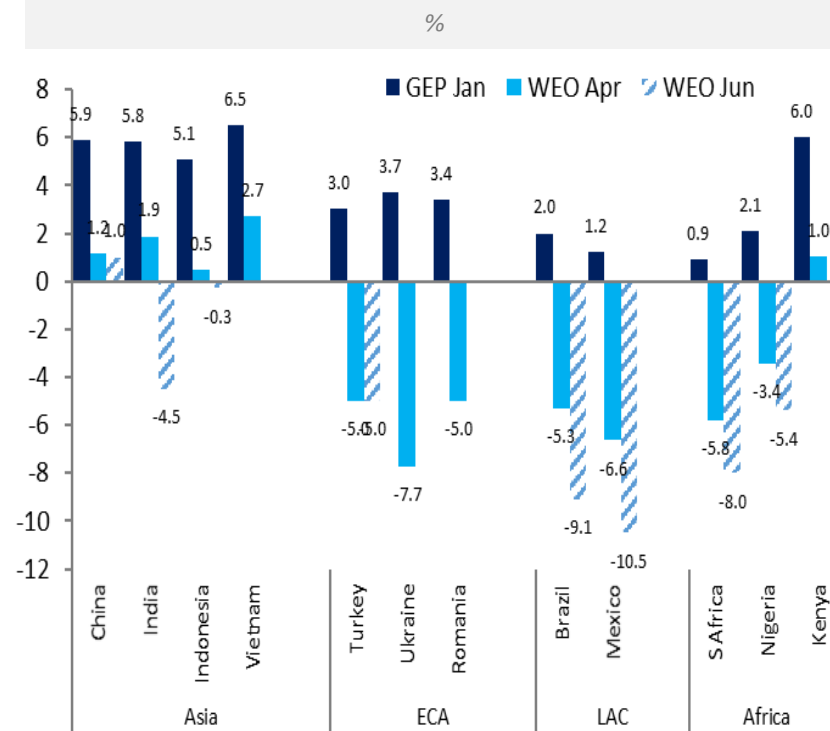
Unprecedented revisions in DMs

EMs are witnessing sharp decreases with East Asian countries more resilient

## Developed Economies GDP Revisions for 2020



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Source: World Bank GEP January 2020, IMF WEO April and June 2020

Note: 1. Forecasts for France, Germany, Italy, and Spain are compared between WEO January, April and June; 2. WEO and GEP have different calculation methodology. For WEO, annual percentages of constant price GDP are year-on-year changes, the base year is country-specific, GEP Headline aggregate growth rates calculated using GDP weights at 2010 prices and market exchange rates.

# FORCE FEEDING THE ECONOMY?



# A STAGGERED STRATEGY GOING FORWARD

In an uncertain and volatile future, selectivity and timing will be important going forward

## What Has Outperformed & What Hasn't?

Some businesses will struggle for years until consumer confidence returns because a resolution of COVID will take time, even in the best of circumstances

Sectors facing the strongest headwinds include

- Hospitality, restaurants
- Tourism (cruises, rental cars, travel agencies)
- In-person entertainment (movie theaters, events/attractions)
- Nongrocery retail (small to dept stores)
- Commercial Real Estate / Housing
- Energy, power utilities
- Auto and parts
- Passenger transport (airlines), Transportation infrastructure including airports and ports

## What Will be the Focus in the ST?

Need to offset the economic impact of the virus, support corporates, strengthen medical delivery & resilience

- Fiscal/monetary support to provide support for households, contain unemployment, and keep firms afloat

Focus on essential services and sectors that will be in demand during a crisis that may last longer AND where changing geopolitics causes production to move away from China to “home” or closer to home

- Focus on existing clients with systemic impact (employment/tax revenue payment/key service delivery)
- Food production and distribution
- Utilities
- Pharma, production of PPE and medical devices
- Healthcare delivery
- Software, IT services, telecoms
- Logistics and freight transport
- Payment-focused Fintech

## What Will be the Focus in the MT?

Future demand growth - the crisis has accentuated a trend towards Home-Based Work. Being closer to home is going to be a major investment theme.

- On-shoring or near-shoring as supply chains get closer to “home”
- Home-office technologies (cloud)
- Video streaming (home entertainment)
- Online retailers
- Healthcare (biotech/pharma/telemedicine)
- Utilities/REITs (fat yields)
- New semiconductor plants
- Windmills, battery storage, solar panels on rooftops
- Hygiene producers
- 3D printing/distributed manufacturing
- Robotic technologies

Rebound of sectors hurt by the crisis

*(after consolidation in some cases)*

- Energy
- Tourism and Hospitality
- Autos (maybe after a very major shift)
- Transport (airlines, airports, ports, public transit)

# A CHALLENGING NEAR TERM OUTLOOK

## CAN GROWTH BE REKINDLED SOON?

**A strange landscape - Disconnect between Main St and Wall St at epic proportions**

- 28 million Americans receiving benefits and investment banking revenues SOAR to an eight year high in the first six months of 2020!

**The pandemic continues to negatively affect growth many developing countries**

- Unlike in DMs, lockdowns in many developing nations were less effective at stopping the virus in its tracks, because many people don't have savings and can't afford to stop working
- Although growth rates will be abysmal this year for both EMs and DMs, the big difference is related to employment, as developing countries are less able to support workers. The pandemic has already destroyed close to 26.5 million jobs in Latin America (IDB)
- EMs have far fewer resources to spend protecting their workers and companies from the economic fallout

**Today's economies require massive fiscal support**

- While DMs can print more money or take on debt at a low cost, such a move by EMs might create more economic instability by sparking a selloff of the local currency
- Some like Brazil have already spent \$47 billion handing out monthly checks to 66 million people (30% of Brazil's population) - but how long can it last as debt and fiscal deficits mushroom?
- Government borrowing to allow for income replacement (US) and to keep zombie companies alive does not contribute to productivity (no CAPEX)

**Ultra low nominal rates, negative real rates and growing debt loads foreshadow disappointing growth for years to come**

**The accumulation of debt stifles economic growth past a certain point**

*Reinhart & Rogoff*

### More Debt, Less Growth

Start	End	Change in Debt (\$ billions)	Change in GDP (\$ billions)	Ratio
Q4-1949	Q4-1959	346.34	258.00	0.74
Q4-1959	Q4-1969	749.68	509.50	0.68
Q4-1969	Q4-1979	2737.80	1685.80	0.62
Q4-1979	Q4-1989	8738.80	3023.30	0.35
Q4-1989	Q4-1999	13022.04	4152.20	0.32
Q4-1999	Q4-2019	45008.09	11848.00	0.26

Source: Rosenberg Research

**The debt overhang has become a deflationary force**

**MMT supporters believe that increased spending funded by ever increasing debt loads is good for the economy... But how will debts be repaid if we exhibit stagflation?**

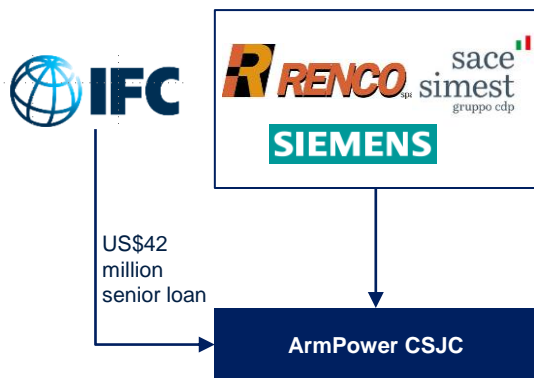
# AGENDA

- I. About IFC
- II. IFC's Work with Italian Corporates
- III. IFC's Value Add to Clients
- IV. Current Outlook
- V. **Annex**



## IFC improves the efficiency of Armenia's power generation sector





**Company:** ArmPower  
**Sector:** Gas – Thermal power generation  
**Country of investment:** Armenia  
**Country of sponsor:** Italy  
**Commitment year:** 2019



<p>Sponsor</p>	<ul style="list-style-type: none"> <li>The project was developed by a consortium of <b>Renco S.p.a.</b> (Italian company with core activities encompassing engineering and construction services in the energy, oil &amp; gas and infrastructure sectors), <b>Simest S.p.a.</b> (Italian development finance institution) and <b>Siemens Project Ventures</b> (part of the German Siemens AG conglomerate, a leading supplier of power generation and transmission systems).</li> </ul>
<p>Project Description</p>	<ul style="list-style-type: none"> <li>The investment proposed a US\$181 million debt financing package to ArmPower. It has been used to finance the construction of a 250MW greenfield combined-cycle gas turbine power plant with an estimated project cost of US\$272 million in Yerevan, Armenia.</li> </ul>
<p>IFC Investment</p>	<ul style="list-style-type: none"> <li>IFC's financing comprises an IFC senior A loan of US\$42 million and a syndicated loan of up to US\$139 million.</li> </ul>
<p>IFC's Additionality</p>	<ul style="list-style-type: none"> <li><b>Ensuring bankability</b> of project documents which can potentially serve as a model for future IPP projects;</li> <li><b>Provision and mobilization of a long-term debt facility</b>, under a project financing structure which is not available locally;</li> <li><b>Implementation of E&amp;S standards</b> in accordance with IFC Performance Standards.</li> </ul>
<p>Development Impact</p>	<ul style="list-style-type: none"> <li>Replacement of a highly-inefficient and depreciated power generation asset with a <b>high-efficiency</b> combined-cycle gas turbine power plant;</li> <li>Helping the Armenian power sector reduce natural gas cost and <b>ensuring reliable power supply</b> in Armenia;</li> <li>Further strengthening the Armenian power sector by <b>diversifying the investor base</b> and increasing private sector participation.</li> </ul>
<p>Environmental &amp; Social actions</p>	<ul style="list-style-type: none"> <li>IFC instructs and monitors related E&amp;S impacts and mitigation measures related to the possible expansion of industrial activities in an area in proximity to the urban districts of Yerevan, including cumulative impacts to air quality and cumulative noise;</li> <li>Key E&amp;S risks and issues include: NOx emission control and ambient air quality impacts, noise control measures, labor and working conditions management during construction phase, energy efficiency and greenhouse gas emissions.</li> </ul>



# SELECTED IFC TRANSACTIONS IN MANUFACTURING

Manufacturing				
<p>Nigeria</p>  <p><b>Indorama</b> ELEMENT FERTILIZER &amp; CHEMICALS</p> <p><b>Eleme II</b></p> <p>A Loan US\$120mn Syndication US\$880mn</p> <p>Brownfield expansion of a fertilizer plant</p> <p>2018</p>	<p>China</p>  <p><b>Kingenta</b> 金正大国际</p> <p><b>Kingenta</b></p> <p>A Loan US\$100mn Syndication US\$105mn</p> <p>Operations upgrade and expansion Distribution services integration</p> <p>2017</p>	<p>Egypt</p>  <p><b>GLOBALTRONICS</b> LEADING DIGITAL INNOVATION</p> <p><b>Globaltronics</b></p> <p>US\$10mn Equity</p> <p>WC and CAPEX to expand electronics production capacity and enhance R&amp;D capabilities</p> <p>2020</p>	<p>Mexico</p>  <p><b>CEMEX</b></p> <p><b>Cemex</b></p> <p>A Loan of up to US\$120mn</p> <p>Capex to reduce GHG emissions and improve air emissions control</p> <p>2016</p>	<p>South America / Africa</p>  <p><b>YARA</b></p> <p><b>Yara</b></p> <p>A Loan of up to US\$150mn</p> <p>Emerging markets operations expansion</p> <p>2017</p>
<p>World</p>  <p><b>PILKINGTON</b></p> <p><b>NSG Pilkington</b></p> <p>US\$ 290mn A Loan US\$ 8mn Equity</p> <p>Sustainable automotive and architectural glass production in emerging markets</p> <p>1992, 2004, 2006, 2017, 2019</p>	<p>South Africa</p>  <p><b>BMW</b></p> <p>A Loan US\$150mn</p> <p>Upgrading of the existing automotive assembly plant to produce a new BMW model in South Africa</p> <p>2017</p>	<p>World</p>  <p><b>CanadianSolar</b></p> <p><b>Canadian Solar</b></p> <p>US\$ 40mn A Loan US\$ 20mn Equity</p> <p>Capacity expansion in Vietnam and Brazil</p> <p>2016</p>	<p>Jordan</p>  <p><b>CLASSIC FASHION</b> APPAREL INDUSTRY CO. LTD.</p> <p><b>Classic Fashion</b></p> <p>A Loan of up to US\$25mn</p> <p>30 new additional sewing lines in Jordan</p> <p>2020</p>	<p>Ukraine</p>  <p><b>UKRPLASTIC</b></p> <p><b>Ukrplastic</b></p> <p>US\$ 20mn Equity</p> <p>Operating and modernize production capabilities</p> <p>2017</p>

# IFC'S BASE MATERIALS CLIENTS INCLUDE INDUSTRY LEADERS

Chemicals and Fertilizers		Construction and Other Base materials			
Chemicals	Fertilizers and Agrichemicals	Cement	Glass	Metals	Other construction materials

# IFC COVERS A BROAD RANGE OF LIGHT MANUFACTURING VALUE CHAINS

Focus is on improving complexity in product, process and value chain

Transport Equipment	Industrial, Commercial and Infrastructure Equipment	Textiles and Wear	Non-food Consumer Goods and Non-paper Packaging	Advanced Technology Offerings
<ul style="list-style-type: none"> <li>Aerospace products and parts</li> <li>Automotive and light vehicles</li> <li>Tires</li> <li>Bus and heavy commercial vehicles</li> <li>Motorcycles</li> <li>Motor vehicle parts</li> <li>Shipbuilding and repairing</li> <li>Railway rolling stock</li> </ul>	<ul style="list-style-type: none"> <li>Agriculture, construction, mining machines</li> <li>Electrical machinery</li> <li>Industrial machinery</li> <li>Solar (PV equipment)</li> <li>Wind turbine machinery</li> <li>Physical and digital connectivity                             <ul style="list-style-type: none"> <li>Cables</li> <li>Piping / hoses</li> <li>Switches, connectors &amp; terminals</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Fabric mills</li> <li>Finishing (dyeing, printing, finishing)</li> <li>Garment and apparel</li> <li>Integrated textile production</li> <li>Integrated textile operations</li> <li>Shoes and leather</li> <li>Spinning</li> </ul>	<ul style="list-style-type: none"> <li>Household appliances</li> <li>Plastic and rubber products</li> <li>Soap and cleaning compounds</li> </ul>	<ul style="list-style-type: none"> <li>Computer and electronic products</li> <li>Computer systems</li> <li>Engineering services</li> <li>Fixed telephony</li> <li>Internet access providers</li> <li>Marketing consulting services</li> <li>Mobile telephony</li> </ul>
<b>Selected Clients</b>				

# THANK YOU

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