

## PHILIPPINE DEVELOPMENT FORUM

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### IFC STATEMENT

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The International Finance Corporation's participation in the 2006 Philippine Development Forum is taking place during a vital and historic time for IFC globally and locally. This year IFC celebrates 50 years of supporting the private sector in emerging markets, helping reduce poverty and improve people's lives through sustainable investments. Next month we will introduce new environmental and social standards that will move beyond compliance. They will help our partner companies develop processes and systems that ensure the highest levels of environmental sustainability and social responsibility in their operations.

Our ongoing work and innovative changes are being felt strongly across countries where we work, but especially the Philippines. Just yesterday, IFC conducted a workshop for Philippine companies that will assist them in the process of improving their corporate governance practices.

Since IFC's first investment in the Philippines more than 40 years ago, IFC has been stimulating business growth by investing in projects consistent with government priorities. These include deepening and diversifying the financial sector, promoting infrastructure, and assisting the growth of small and medium enterprises. We will invest in sectors that harness the country's competitive human-capital advantages, including agribusiness, education, health care, and information technology.

In the financial sector, IFC puts a priority on supporting the government and Bangko Sentral ng Pilipinas in areas such as reducing nonperforming loans through the establishment of asset management companies to assume distressed-debt portfolios. IFC has a role to play in fostering the evolution of a housing loan securitization market and providing funds for mortgages to low and middle income businesses. We can help create a robust and credible credit rating agency serving both the corporate and consumer debt markets. IFC also wants to assist in the consolidation of the banking sector. To support these objectives, IFC has invested in domestic banks such as Banco de Oro and Plantersbank, insurance companies such as Paramount, microfinance institutions such as Microenterprise Bank and private equity funds. Last year we helped create a private sector-led special purpose asset vehicle to purchase from the National Home Mortgage Finance Corporation a portfolio of non-performing mortgages. Deutsche Bank was among the partners in the transaction in which we committed US\$34 million of debt and equity.

In response to increased borrower preference for local currency financing, last year IFC began lending directly in pesos for medium to long-term tenor. About 85 percent of our

commitments during the 2005 fiscal year were in pesos. This is a major development for IFC in promoting local currency markets and has been welcomed by our clients, particularly in the infrastructure and financial sectors.

IFC supports the Philippine government in expanding and bringing private investment to infrastructure through both investment and advisory services. Our recent initiatives have included investing in private electricity distribution, through CEPALCO, involvement in private transport, through North Luzon Expressway, and, water and sanitation through Manila Water Corp. IFC's related advisory activities have focused on energy and rural electrification, rail transport, and water, primarily outside Metro Manila. For example, we are working with the Department of Energy, through the Small Power Utilities Group, as the transaction advisor to bring in the private sector to provide electricity in offgrid and primarily rural areas, helping reduce the national government subsidy and increase the supply and reliability of power in these areas.

In July 2005 President Gloria Macapagal-Arroyo, witnessed the signing of the Memorandum of Understanding at Malacanang Palace to establish the Private Enterprise Partnership for the Philippines. This four-year technical assistance program is funded by IFC and the Governments of Australia and Canada. With a formal launch expected next month, PEP-Philippines aims to increase the contribution of small and medium enterprises to the economy by expanding the range of opportunities and capabilities available to them. From a new IFC office in Davao, PEP-Philippines focuses its attention on addressing the development needs in Mindanao. Its programs range from increasing small businesses' access to financing, enhancing the business climate at the subnational level and fostering agribusiness linkages between small and large businesses.

IFC has an enduring commitment to the Philippines. IFC has steadily increased its investment commitment over the past several years, from US\$ 67 million in fiscal year 2003 to an expected US\$ \$120 million for fiscal year 2006 that ends on June 30. While Philippines remains among the top ten country portfolios for IFC, given continued improvements in the overall macro economic environment and an increase in investor sentiment for the Philippines, this commitment level could increase in the coming years.

We will continue to forge long term partnerships with the private sector and invest in long-term projects that create jobs, improve lives while addressing environmental, social and gender concerns. Through PEP-Philippines, IFC will broaden its product offering. With IFC's unique ability to link investment with technical assistance, we are confident that our projects will generate significant impact. IFC is committed to playing its role in helping the private sector and thus contribute to the long-term growth and development of private enterprise in the Philippines.