

Issue Brief: IFC Advisory Services

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FINANCIAL CRISIS RESPONSE:

- The Advisory Services response package complements the response initiatives on the investment side, in particular the Bank Recapitalization Fund, the Infrastructure Crisis Facility, and the expanded Global Trade Finance Program. IFC is scaling up and refocusing its advisory services geared to the financial sector (financial institutions and financial infrastructure), business regulatory environment, and infrastructure.
- The Advisory Services response strategy has four components: improving access to finance; strengthening the business enabling environment; improving corporate governance; and supporting public-private partnerships in infrastructure.
- **Access to finance:** Growing liquidity pressure means that financial institutions are cutting back most lending activities to consumers, entrepreneurs and corporates. This ‘credit crunch’ is likely to impact the poor by significantly damaging the real economy and reducing employment. To speed-up the recovery process and limit the credit crunch, IFC is helping financial institutions assess and quantify critical risks, and take action to mitigate crisis impact. IFC continues to support microfinance and lending to small and medium enterprises. In addition, IFC is scaling up programs to strengthen financial infrastructure and disseminate good practice.
- **Business enabling environment:** In emerging economies, the financial crisis is likely to lead to a larger number of firm bankruptcies, lower levels of foreign direct investment and lower tax revenues for governments. To mitigate this, IFC is expanding delivery capacity for advice provided under the Doing Business Reform advisory product. IFC is assisting countries in establishing more efficient frameworks to manage insolvencies and corporate restructurings. IFC is scaling up its advice on business tax simplification to improve governments’ self-financing ability; on trade logistics to further increase competitiveness through more efficient, streamlined import and export processes, and on the business operation and regulatory reform. In addition, IFC is offering investor aftercare programs.
- **Corporate governance:** IFC aims to improve the competence of the boards of directors of corporations in emerging markets during the crisis through targeted training. In the short term, IFC will address the immediate needs of boards and train their members in the proper role and functioning of a board in a crisis situation. Progressively, IFC will expand its work to provide board leadership training in key emerging markets.
- **Infrastructure:** The advisory services response to infrastructure is intended to address the needs of governments for the potential design or redesign of public-private partnerships in infrastructure projects. IFC will help existing projects that are experiencing difficulties due to the crisis and planned projects that face problems achieving closing and/or raising financing because of the new market conditions and retrenchment of commercial financing.

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