

## **INTERNATIONAL FINANCIAL INSTITUTIONS AND MULTILATERAL AGENCIES**

The international financial institutions (IFIs) include organizations such as the World Bank and Inter-American Development Bank (IADB). The multilateral agencies include organizations such as the United Nations Development Program (UNDP), the Food and Agriculture Organization (FAO) and the World Health Organization (WHO).

IFIs and multilateral agencies fill a need in an emerging market such as Mexico's by offering long-term financing, often at attractive rates with more flexible terms and conditions than is available from private sources. Much of this financing is specifically directed to projects that are significant to the country's development but which would otherwise have difficulty in securing funding. The participation of an IFI in an international transaction provides a level of comfort to other potential investors and financial institutions by providing assurance that the project has been properly assessed and that it will be managed appropriately. Most international development financing involves a complex blend that may include private firms, merchant banks, investment dealers, governments and IFIs, as well as other development institutions. The funding can be provided through means such as parallel financing, co-financing, the extension of guarantees, or equity contributions, all of which may be required to see a deal through to completion.

IFIs do not act as a direct source of funds or insurance for the exporter. Instead, through their lending and support programs, they provide opportunities for providers of goods and services to bid on specific projects. IFIs and multilateral agencies work directly with government bodies in Mexico to identify high priority needs that require funding which is otherwise unavailable. The government or borrowers determine which projects to initiate. They also manage the projects, hire consultants and award the contracts. As bankers, however, the IFIs review the process, ensure guidelines are followed and establish terms and conditions for monitoring the project from start to finish.

### **THE WORLD BANK AND ASSOCIATED INSTITUTIONS**

The World Bank provides financing for development projects around the world. Its primary role is to lend to governments that are unable to secure long-term funding from traditional sources of financing. For more developed countries such as Mexico, the World Bank provides lending services through the International Bank for Reconstruction and Development (IBRD).

Companies cannot contact IBRD directly to request funds for exports or investment. Instead, the opportunity to sell goods or provide services arises from projects which are funded usually only in part by the World Bank. The borrower of the funds, in this case the Mexican government, determines which projects are