

ADB, IFC, Citibank & MCB boosting textile sector

Staff Report

ISLAMABAD: The Asian Development Bank (ADB), International Finance Corp (IFC), Citibank, and Pakistan's MCB Bank announced Wednesday that they have completed a landmark trade transaction that will help boost the textile industry in Pakistan — a sector that accounts for over 60% of the country's industrial activity.

The four banks provided trade finance coverage of up to 110 million euros for Ibrahim Fibers Limited to import state-of-the-art German machinery to produce polyester staple fiber and polyester chips. The additional 650 tonne-per-day capacity made possible by the transaction will more than double Ibrahim Fiber's polyester production, already one of Pakistan's highest, to 1,250 tonne per day.

By providing guarantees that cover the payment risk in trade transactions, ADB's Trade Finance Programme and IFC's Global Trade Finance Programme help increase trade finance and the flow of goods to and from emerging market countries. For this transaction, IFC assumed 30% of MCB Bank's risk, and ADB 19%. Citibank managed the balance against the original letter of credit established by MCB Bank.

"The cover arranged by IFC, ADB, and Citibank portrays the high degree of confidence these leading global financial institutions have in MCB," said Farooq A Khan, Head of Trade Products Division at MCB Bank.

"Citi is proud to be part of this transaction. Our widespread global network across more than 100 countries enables us to leverage those relationships to promote our common agenda to support and enhance private sector investment in Pakistan," said Arif Usmani, Citibank's Pakistan Country Officer.

"ADB's Trade Finance Programme supports large volumes of trade business in Pakistan on its own," said Steven Beck, Head of Trade Finance in ADB's Private Sector Operations Department. "However, cooperating with IFC, Citibank, and MCB was key to closing this challenging deal, a transaction that will support businesses and create jobs in Pakistan".

"By responding to the shifting needs of its partner banks, IFC's Global Trade Finance Program is helping stimulate trade flow and contributing to economic growth," said Scott Stevenson, Senior Manager of IFC's Global Trade Finance Programme. "The innovative partnership of this transaction

will help stimulate one of the key sectors in Pakistan's economy."

Last year, ADB's Trade Finance Programme supported over \$600 million of cross-border trade in Pakistan. Over the past six months, IFC has provided Pakistani banks with \$328 million in trade finance guarantees, a \$125 million increase in guarantees as compared to the same period last year. The trade financing helps Pakistan increase cross-border trade, and benefits many important business sectors.