PRIMIR Books Study Points to Morphing Industry Model

According to a soon to be released PRIMIR study entitled “Trends in Books: 2008-2012,” printed books reached the peak of their product life cycle with publishers’ net sales of 3,127 million book units in 2007. Printed books were headed toward a new record high in 2008 when the economic recession hit full force in the last quarter sending book purchases in a downward spiral that continues today. PrintCom Consulting, who conducted the research, concludes that by the time the economy recovers companies who are a part of the book publishing production chain will find themselves in a smaller, different book industry.

There are six major industry segments in the book industry accounting in 2008 for 3.0 billion publisher net book copies valued at $35.7 billion. They are: trade, religious, professional, university, elementary/high school (EIHi) and college.

Although factors differ among the various specific book segments, overall the health of the economy and the emerging e-book and/or digital substitutions for books will clearly have a negative impact on book volume. The report concludes that three clear-cut conclusions can be drawn from the study:

• Book content in its present paper form will continue to be a mainstay product through the 2009-2012 forecast period, but at reduced volume levels from the industry’s recent history.
• Book content will morph from being primarily an ink-on-paper product to a multiple media product distributed through a variety of channels.
• Paper books and their key selling outlet, book stores, may have reached the pinnacle of their product life cycle and will emerge from the forecast period on the downside slope of the cycle.

Unlike most other print

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North America Major Book Industry Segments in 2008

Source: PRIMIR Trends in Books 2008-2012 study by PrintCom Consulting

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<th>Segment</th>
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When the Going Gets Tough…
Hunker Down?

With apologies to Knute Rockney for the adaptation of his famous quote…”When the going gets tough, the tough get going.” As we speak we are seeing this very reality shake out in our industry.

Having been personally involved in five different industry events during the past six weeks, including the NPES 2009 Industry Summit, I have a first hand view of what this truly means. It ain’t pretty out there, but that doesn’t mean the wheels of progress stop moving, nor does it require a “hunker down” mentality to make it through. Few in our industry would argue that we will see some casualties when the dust settles.

Interestingly, Charles Darwin’s writings exactly 150 years ago on the evolution of species (and arguably business) is all about adaptation. Consider Darwin’s famous statement, ”It is not the strongest of the species that survives, nor the most intelligent that survive. It is the one most adaptable to change.”

During these past six weeks, I took the opportunity to ask questions, to listen and to learn about what it is that printers, suppliers and consultants to our industry are doing to adapt, and dare I say thrive, in the future. After numerous conversations, six key tactics emerged as universal among each of these forward-thinking leaders:

1. They are still investing in their most valuable asset: people. Despite the fact that most, if not all, of these leaders have downsized their organizations, they are keeping the best people and still investing in them. Good leaders make tough choices by cutting more people to keep the best employees engaged and committed to the organization and its mission. The best ones are finding ways to get to meetings, shows and networking opportunities.

2. They stay focused on the future, despite all the fireworks going off around them. It is very easy to be consumed by the fires of the day. It happens in good times and is magnified in tough times. The best consider the long term cost of decisions made today by staying tenaciously focused on their vision and mission of the organization.

3. They lead with a positive outlook determined to uncover opportunities. Their staff, business partners and customers don’t need more recitations of doom and gloom.

Instead, their message is one of reality, yet communicated from a “half full” perspective that inspires rather than instilling a sense of fear.

4. They leverage the company’s core competencies. The niche or expertise of the best is creatively leveraged to get through times like these. They find a unique or creative angle to develop untapped markets or new business, not just for themselves, but for all their constituents. I talked with a printer at one of these meetings who planned to purchase companies that share his niche.

5. They communicate clearly and with a concise message. As I talked to these impressive individuals, it was clear to me that they were steady “on message.” They had a level of confidence that what they were doing to respond to these challenges would get them through the downturn.

6. They understood the business of the business. This did not surprise me as it is something I have learned over many years working with companies in and outside our industry. Of particular note, was their level of knowledge and capability in the financial aspects of the business—recognizing the value of cash, managing accounts receivable and their past fiscal preparation—to best position themselves for the current environment.

I don’t suspect this list is inclusive by any stretch. Yet, during the last six weeks what was most impressive to me was the unflagging ability of these individuals to ‘swim upstream’ focused on the opportunities rather than threats. I wonder, and am concerned, how the statements and decisions we are making during these uncertain times will be seen in hindsight…as regrettable missteps or defining moments of leadership under fire.

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NPES 2009 REGIONAL MEETINGS:
ON THE ROAD TO RECOVERY!

- June 12, Dayton, OH
- June 15, Chicago, IL
- June 25, Teaneck, NJ
- June 26, Boston, MA

ECONOMIC TIMES CALL FOR REVOLUTIONARY SOLUTIONS!

Aply themed “On the Road to Recovery,” this year’s NPES Regional Meetings are relevant and reved-up for 2009 to deliver the most up-to-date economic and trend information you need to move your company forward NOW—despite the current recession.

WHAT YOU WILL LEARN

Each session will kick-off with timely and revealing up-to-the-minute presentations by industry economic ‘guru’ Dr. Joe Webb and print technologies expert Frank Romano for a one-of-a-kind learning experience. Plus—they’ll reveal the ‘hidden’ opportunities to position your company to win in the impending upturn!

TRAVEL BUDGET SLASHED?

No problem! This is the one industry event that you CAN attend because these popular and informative update events come directly to you!

PROGRAM AT-A-GLANCE

Sessions will be held from 8:30 a.m. to 2:00 p.m. and include a continental breakfast and lunch.

NPES 2009 “STIMULUS SPECIAL”

For NPES Members only: register at 50% off the 2008 program fee.

FOR MORE INFORMATION AND TO REGISTER VISIT: WWW.NPES.ORG
media, books are a stand-alone product that does not depend upon advertising, or function as a part of a support mechanism for other products. Since the early 90s, U.S. book publishing net unit sales volume has been relatively flat with most ups and downs moderately reflecting fluctuations in the general economy. Industry sales have been buoyed up by blockbuster hits that sell hundreds of thousands, sometimes millions of copies. More limited but steadily growing volume in recent years has come from the small publishers who rarely sell more than 10,000 copies of a title. But the study questions the viability of many of these small publishers as they are challenged by the economic downturn.

Also lurking is the potential of a change in the publisher-bookseller relationship. Currently, the industry's model is a consignment approach which provides for a full-credit-unsold-return privilege.

The traditional consignment business model places the sales and profitability risk with the publisher—the reduced publisher price model shifts the risk to the bookseller; a risk that they had previously declined to take with the occasional exception of a specific title. However, economic conditions and the need to take cost out of the entire book industry system to ultimately reduce consumer prices, may lead to the adoption of the no-returns model. Returns and unsold copies account for over 50% of the print run in some book categories. Thus, a change in the publisher-bookseller business model will have a significant negative impact on conventional book manufacturers and their print supply chain. Run length reductions are likely to favor digital printing technology at the expense of offset.

Discussion about e-books substituting for printed books continues as a hot topic. The term e-books encompasses a wide range of electronic files and file readers that have been in development over 40 years including Amazon's Kindle and the Sony Reader that have seen some recent adoption.

With a murky definition of an e-book, there are no reliable sources for book unit or dollar volume data to use to assess displacement of the printed book. Nevertheless, as the e-book product and its various read-out devices are undergoing development, they are beginning to become noticeable competition for printed books although e-books are unlikely to become serious competition before 2010.

The PRIMIR study forecasts that over the next several years the displacement of printed textbooks by e-books will accelerate so that sometime between 2012 and 2015, the printed textbook market especially, will have virtually disappeared in a fashion similar to what has already happened with dictionaries and encyclopedias.

It is worth noting that in 2009 most high schools and a handful of elementary schools have laptops in daily use by the school's total enrollment. In these situations some schools report that up to 50% of books and related learning materials that used to be purchased in print are now being supplied on CDs/DVDs or through downloaded electronic files.

While it will take years for e-books to penetrate all aspects of the traditional print book market, the handwriting is on the wall. The study concludes with the admonition that without exception in every market that has introduced digital substitutive products, the digital product has driven out the analog one. There is little reason to think that over time the same will not be true for books.

In the short term the economic situation will be the prime driver of change in the book industry. In the longer term the continuing development of electronic competition will become the prime driver of major changes in the book industry's products which will impact on all elements in the graphic communications industry's supply chain.

The 300-page report “Trends in Books: 2008-2012” will be distributed exclusively to PRIMIR members later this spring. Contact Jackie Bland, Managing Director of PRIMIR at phone: 703/264-7211 for membership details.

Book content will morph from being primarily an ink-on-paper product to a multiple media product distributed through a variety of channels.”

SAVE THE DATE!

NPES 2009 Annual Meeting

RECOVERY 2010: STRATEGIES FOR THE ECONOMIC UPTURN

Saturday, October 24, 2009 to Monday, October 26, 2009

The Fairmont Turnberry Isle Resort & Club
Aventura, Florida
The telecommunications industry was very important in the D.C. area, where we’re located. When the tech boom collapsed in 2000 and 2001, like many other firms around here, we were poised for a collapse ourselves—since a huge portion of our client base had been working with either venture capital money or IPOs. So those telecom clients either went away or cut their budgets, and that changed our P&L quite drastically. Our owner, Jon Budington, was at the time working his way up the company structure and presented to [then-owner] Jerry Dreo an opportunity where we could survive this thing. The plan was to go way beyond printing; we had to refocus ourselves and become a transformed company.

The business model since then has been to continuously recruit talented account executives at every level who understand what we do—which is way beyond the typical printing relationship. Some of our employees have lots of experience in creative sales while others have experience in much larger printing companies. We’ve also recruited developers, which has been a new push for us in the last couple of years. I’m really the only person here who was a client without any specific printing sales experience. My experience has been as a print buyer and more as a builder of digital infrastructure and creative digital strategies.

Together, we form a balance of skills that position us to sell to a nonprofit organization with a $1 million development budget all the way up to an $8 billion publicly traded company. Many of our clients are also in the Human Resources and Communications space, so we do a lot of marketing—both business-to-business and business-to-consumer—as well as internal marketing in the HR field. We’ve developed specializations in all the required areas to fit into where the client needs us.

Q: What role do printing equipment manufacturers and industry suppliers play in helping you stay ahead of the curve?

We actually have an aversion to using our equipment list as a selling point, because we see it as irrelevant to the way we present ourselves to clients. It’s not something we ever lead with. We keep a copy of our equipment list and people can ask for it, but it doesn’t come up very often.

That being said, we have a particularly strong relationship with one industry supplier both on the materials end and as a business partner looking at equipment that’s been incredibly valuable to us. In many ways, they do for Global what Global does for its own clients, leveraging the relationship across a broader spectrum of services. Any bit of infrastructure that Global needs, one of our first phone calls is to this supplier. And it’s everything from platesets to implementing stochastic screening to access to expanded storage space. They are basically a conduit for obtaining the solutions we need. They help us be more efficient in looking at all the options.

Q: When you were a Global client, you were a “guinea pig” of sorts for many of Global’s new offerings. Why were you willing to do that?

Jon and I had known each other for a long time. There was an implicit trust that we would figure problems out together, because Global had the brains on the ground to figure anything out.

This organization has no tolerance for people who can’t keep up with the rapid pace of problem-solving for issues that had never arisen before. We’re a fast-moving company that feeds off of Jon’s energy as an entrepreneur. Everyday we’re coming up with a new strategy for what we can do for our clients. How many printing companies do you know who do migrations for their clients from one customer-relationship management system to another, or build a Web site for a client for whom they do no printing?

Q: What is Global Thinking, and what was the impetus for launching it?

Over the years, many of our clients have given us the feedback that they don’t view us as a printing company. But if you called up a chief marketing officer at a company and told them you’re from Global Printing, even if they knew who you were, they’d say, “I don’t talk to printing companies.” Printing companies perform a role in the minds of marketing directors, and they’re vital in many ways, a big part of their marketing campaigns—but it’s still a very specific job.

Global Thinking has been in the works for three years. Our people have experience in printing and in creative and marketing. We’re
extremely competent in the printing and mailing part of the business, but if you’re launching a direct mail campaign, shouldn’t it sync up with your e-mail campaign? Other clients of ours are more digitally oriented than print-oriented, such as The Motley Fool, which does primarily e-mail marketing. But what happens if the people they’re trying to reach don’t open their e-mails? Quantitatively, most people prefer to get print marketing materials. Solutions for those kinds of issues are what Global Thinking brings to the table, along with insight into the marketing process. Simply put, many of our clients prefer to work with one company that provides both the marketing/creative capability in-house and the hardware to deliver direct mail and promotional materials.

We don’t minimize printing as part of our core capabilities, but now we’ve begun presenting Global Thinking as a startup unit for people who already know us. I carry two business cards. There are plenty of companies that prefer to deal with just the print company [not the other parts of our business], and we’ll work with them, but it’s a different type of relationship.

Q: Do you foresee your client base changing with Global Thinking?

We do plan on continuing growth at a pretty rapid pace, but I don’t think the type of clients we have will change. With Global Thinking, we are going where we have established relationships first, with the goal of increasing our share of wallet and deepening those relationships.

Q: How will the economic recession affect Global Thinking’s chances for success going forward?

I’ve heard more people say that the impact on interactive marketing budgets has been very minor compared to what it’s been on print. If anything, the recession increases the urgency for us to get Global Thinking off the ground. We offer cost savings on design and delivery for clients that will work with us on their overall marketing plan and combine it with their print component.

Q: You speak a lot about offering cost savings for your clients. How do you prevent Global from being reduced to selling based on price?

There’s a difference between cost efficiency and cost effectiveness—and it’s not about delivering the lowest price per piece on print. For example, it’s about inherent efficiencies for a marketing department that’s already overtaxed by working with just one vendor that can provide all the necessary services.

Q: Do industry trade shows have any influence on how Global operates?

We pencil every single one into our schedules and wait until the last possible minute to make sure we’re going to get the most for our registration dollars. We do attend the major ones, like GRAPH EXPO and PRINT. We’re more marketing focused, so we’re attending in part to listen to speakers who might have something new to say.

We probably spend equal time with information technology and other non-printing industry conferences as well, selling our marketing services through networking and learning new tricks.

Q: What lessons has Global Printing learned with respect to being innovative with your business?

Don’t be afraid to change drastically how you do things. When you’ve been doing things a certain way for a long time and you’ve nailed it, it’s hard to imagine why you’d want to do anything different. But the keys are to look at the entire value of the relationship with your customers and evaluate if you have the people who can take that relationship further.

We’ve seen many people in the printing industry attempt to embrace new approaches doing things new and differently, but fail in actually carrying them out. Essentially, what it takes to succeed is hearing what your customer in the field is saying, matching your capabilities to the task(s) at hand, and being able to respond quickly.

Global Printing bills itself as a whole-service company, but this wasn’t always the case. Originally a traditional printer, Global slowly began offering fulfillment, database management, mailing and even Web design under the leadership of current owner Jon Budington. (Interestingly, Budington initially began his career at Global in production, not management.) The 75-employee firm accrued $12 million in revenue last year and this year has launched a new business unit, Global Thinking.

Global Printing principal Jason Kowal, who heads the new business unit, recently spoke about Global Printing, Global Thinking, and the overall company’s philosophies and objectives. Kowal, whose background is in the print and online publishing business, joined Global in 2008—after 12 years as a Global client.

GAERF Supports U.S. Participation in WorldSkills Offset Printing Competition

For the first time ever a student from the U.S. will compete in the WorldSkills offset printing competition to be held September 1-7, 2009, in Calgary, Canada. Amela Mujic, a senior at Ferris State University, was recently selected from among three competitors at the qualifying competition held at Heidelberg USA’s Print Media Academy in Buffalo Grove, IL. Financial and in-kind support from the Graphic Arts Education and Research Foundation (GAERF), Heidelberg USA, the Printing and Imaging Association of Georgia (PIAG), and the Printing Industries of Michigan (PIM) have made participation in this event possible.

“Tend a big thank you to all who have helped make this dream of sending a SkillsUSA competitor to Calgary a reality. A partnership such as this—with students, teachers and industry working together—is key to America’s skilled workforce for the future,” comments SkillsUSA Executive Director Tim Lawrence.

GAERF President Ralph Nappi added, “I was encouraged by the quality of the competitors and feel confident that we will be sending our best to WorldSkills in September. Those involved in planning and preparing for this event should be commended on their extraordinary efforts to make U.S. participation in this offset printing competition possible.”

The International Vocational Training Organization, headquartered in Amsterdam, The Netherlands, sponsors the biennial WorldSkills Competition (WSC), which this year will host over 1,000 competitors from 51 countries. WorldSkills is the pinnacle of excellence in skilled trades and technologies training.

SkillsUSA is a national nonprofit organization of students, teachers and industry, working together to ensure America has a skilled workforce.

The Graphic Arts Education and Research Foundation (GAERF) was created to channel a portion of the revenues earned by GASC-managed shows into projects supporting a strong future for the industry.
Postal Service to Reduce Costs in Face of Changing Market, Challenging Economy

In recent congressional testimony, U.S. Postmaster General John Potter stated that the Postal Service is expected to lose up to $7 billion this year and will have to take extraordinary steps to reduce costs. According to Potter, the Postal Service is under serious financial strain due to a challenging economy that continues to reduce mail volume. Pressures include increased cost for fuel and paper, uncertainty in financial markets, increased diversion of communications away from print, and continued increases in Postal Service pay and benefits.

On the latter point, the statutory mandate to pre-fund Postal Service retiree health benefits is an especially severe burden. The payment schedule in the Postal Accountability and Enhancement Act of 2006 (PAEA) requires the Postal Service to make annual payments ranging from $5.4 to $5.8 billion from 2007 to 2016. In addition, PAEA also requires the Postal Service to make a separate payment to the Office of Personal Management for its annual retiree health benefit premiums until 2016. Although this schedule was thought to be achievable when enacted in 2006, it is now untenable under drastically changed financial conditions.

To address this immediate financial distress, legislation has been introduced in the U.S. House of Representatives (H.R. 22) that would allow the Postal Service to pay its retiree health premiums out of the Retiree Health Benefit Trust Fund, which currently has a balance of over $32 billion, rather than make a separate payment to OPM. The House version of the legislation would delay these payments by eight years, whereas the anticipated Senate version of the legislation would delay payments by two years. This change would lessen financial pressure while the Postal Service pursues additional long-term actions necessary to address network costs. NPES is a founding member of a coalition of mailing industry-related interests that has formed for the purpose of enacting the relief sought in H.R. 22.

Do-not-mail Resolution Advances in San Francisco

Despite the current economic turmoil, Do-not-mail proponents persist in their efforts to pass legislation at the state and local level that would limit access to the U.S. postal system as a channel of commercial communication, thereby hurting thousands of small businesses, the U.S. mailing industry, printers, publishers and their suppliers, and millions of workers in those industries.

Of greatest current concern is the recent 9-2 vote by the San Francisco Board of Supervisors approving a non-binding resolution calling on Congress and the California legislature to adopt a Do-not-mail registry. The resolution will be sent to the Mayor for his signature or veto. The same San Francisco supervisor who sponsored the registry resolution has also introduced another proposal that would amend the city’s handbill ordinance to limit “unsolicited print publications.” NPES and Mail Moves America will continue to work against these initiatives, which could have ominous implications if they advance further.

In addition, a new crop of 2009 Do-not-mail bills has been filed in the New York, Connecticut and Florida legislatures. To date, none has advanced past the introductory stage; they will be closely monitored by NPES and Mail Moves America.

For more information contact NPES Government Affairs Director Mark J. Nuzzaco at phone: 703/264-7235 or e-mail: mnuzzaco@npes.org.

NPES is a founding member of a coalition of mailing industry-related interests that has formed for the purpose of enacting the relief sought in H.R. 22.”
PRINT OUTLOOK keynoter, Alan Beaulieu, President/CEO, Institute for Trend Research, garnered rapt attendee attention during his presentation entitled, “Economic Reality: The Recession—How Deep?...How Long?,” as he revealed the good (low interest rates, weaker dollar helping exports); the bad (no recovery in 2009); and, the ugly (2012 will be the best year of the recovery) before NPES members and guests seeking news about when the U.S. and global economic upturn will come.

Stephen Metcalf, President, Air Motion Systems, kicked off the steady stream of attendees’ questions following keynoter Alan Beaulieu’s pronouncement of the top eight indicators that portend an economic recovery—and the three he identified next as already on the upswing: corporate bond prices, stock prices and the money supply.

Among the highlights of PRINT OUTLOOK was the panel discussion led by NPES President Ralph Nappi entitled “NPES Members Adjust to the Realities of the 21st Century,” in which panelists (l to r) Stephen Metcalf, President, Air Motion Systems; D.J. Burgess, President, Burgess Industries; and Jochen Meissner, CEO, Goss International Corporation revealed the very different ways their companies have, and continue to adapt to today’s changing industry landscape.

NPES members and guests filled the room at the NPES 2009 Industry Summit, held March 23-25 at the Washington Marriott Hotel in Washington, D.C. This popular three and a half-day event brought together the annual PRINT OUTLOOK economic update conference with three other key sessions—the PRIMIR Spring Meeting, NPES Market Data Committee Meeting and NPES Board of Directors Meeting.

Paul Foszcz, Marketing Manager, manroland, Inc., (standing center) delves deeper into the implications of the data presented by Andy Paparozzi, Vice President and Chief Economist, NAPL, during the presentation entitled, "The Outlook For Printing in 2009."

Bill Esler, Editor-in-Chief, Graphic Arts Monthly was among the many NPES members and guests who actively participated in the Q&A time following each of the presentations, which provided additional opportunities for greater insight and group interaction.

Led by moderator Gary Jones, Director, Environmental Health & Safety Affairs, Printing Industries of America, panelists (l to r) Jim Duffy, Alonzo Printing; David P. Podmayersky, EarthColor; and Howie Swerdloff, Sandy Alexander, Inc., provided insights and inspiration as each revealed, in turn, their company’s unique approach toward going ‘green’ during the discussion entitled, “The Sustaining of Print—Printers Adapt and Prosper with the new Reality of Sustainability.”
HURLEY’S TRADE-WISE DO TELL INTEL

International Trade Finance—the Engine for Global Economic Recovery?

The collapse in global demand brought on by the biggest economic downturn in decades will drive exports down by roughly 9% in volume in 2009, the biggest such contraction since the Second World War, according to a recent forecast of World Trade Organization (WTO) economists. The contraction in developed countries will be particularly severe with exports falling by 10% this year. In developing countries, which are far more dependent on trade for growth, exports will shrink by some 2%-3% in 2009, WTO economists say.

“Trade can be a potent tool in lifting the world from these economic doldrums. In London G20 leaders have a unique opportunity to unite in moving from pledges to action and refrain from any further protectionist measure which will render global recovery efforts less effective,” says WTO Director General Pascal Lamy.

Trade growth could resume more quickly than expected if reforms to the financial sector are implemented quickly and credit markets begin to function more normally. Recessions usually contain the seeds of their own recovery, as reduced consumption implies increased savings, which is then lent out to willing borrowers for investment in future production. Unfortunately, this channel of recovery may be blocked until the world’s banking sector is repaired.

Trade growth data show declines that are larger than in past slow-downs. A number of factors may explain this. One is that the fall-off in demand is more widespread than in the past, as all regions of the world economy are slowing at once. A second reason for the magnitude of recent declines relates to the increasing presence of global supply chains in total trade. A third factor that could contribute to trade contraction is protection. Any rises in protection will threaten the prospects for recovery and prolong the downturn.

The fourth and final element in current conditions that is likely to contribute to the contraction of trade is a shortage of trade finance. This has clearly been a problem and it is receiving particular attention from international institutions and governments. In the United States, the Export Import Bank (EX-IM) provides ready trade financing for exports of American manufactured products.

For developing countries, the World Trade Organization has been playing a role as honest broker by bringing together the key players to work on ensuring the availability and affordability of trade finance. The largest multilateral financial institution investing in the private sector in emerging markets, the International Finance Corporation, World Bank Group, has launched a broad and targeted set of initiatives to help private enterprises cope with the global financial and economic crises. Financing for these initiatives is expected to total more than $31 billion over the next three years, combining IFC funds with contributions mobilized from various sources, including govern-