Telling Our Story

CREATING OPPORTUNITY

Edition 5: Success Stories
2008

IFC International Finance Corporation
World Bank Group

Telling Our Story

Creating Opportunity

Dear Colleague:

Market conditions and client needs are vastly different than they were a year ago. IFC is adapting to this fast-changing world to serve clients better and maximize development impact.

Higher food and fuel prices and financial turmoil are just some of the challenging new realities of today's global environment. They pose many new opportunities for IFC to make a difference as we work to help build the private sector and extend its reach in emerging markets.

We do so with a commitment to innovation. This allows us to continue to strengthen the private sector's role as an effective engine of growth—an essential force in reducing poverty and improving people's lives in both the poorest countries and middle-income countries, where more than half the world's poor live.

The stories in this booklet show how we go about our work. They give clear examples of who benefits from our efforts to attract additional private investment and know-how and broaden its impact in emerging markets.

IFC is in the business of creating opportunity and improving lives. This means, for example, that we create jobs, improve the investment climate, increase access to finance, upgrade infrastructure through efficient public-private partnerships, and adapt business and finance principles that address climate change and sustainability. We use a wide range of products involving investment, advisory services, private capital mobilization, and risk mitigation that bring solutions to our clients. You will read about some of them here.

We hope you enjoy these stories.

Lars H. Thunell

Executive Vice President and CEO

Telling Our Story

Creating Opportunity

Developing Local Financial Markets

Building the well-functioning financial markets that are essential to successful and sustainable economic growth

- IFC and Microfinance: Banking for the Smallest Businesses
- Banking Partnerships: A Key to IFC's Development Impact
- Global Trade Finance Program: Moving the Frontiers
- IFC and Housing Finance: Realizing the Dream of Home Ownership
- Local Currency Financing: Meeting Client Demand
- Women-Owned Businesses in Africa: Growth Market for Banks
- Madagascar: Increasing Access to Finance

Frontier Markets

Initiatives in the poorest countries, poorer regions of middle-income countries, and less-developed sectors with great potential to spur development and improve lives

- Frontier Markets: Priority for Private Sector Development
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Developing Local Financial Markets

Building the well-functioning financial markets that are essential to successful and sustainable economic growth

IFC and Microfinance

Banking for the Smallest Businesses

Although a critical source of employment for the poor, microenterprises often lack access to essential financial services. IFC helps fill this gap by **building strong commercial microfinance institutions**—either by reaching them directly with individual transactions or by pooling its resources with those of other partners to create new vehicles for microfinance investment and advisory services. We have directly financed more than 100 microfinance institutions worldwide. **IFC is one of the world's largest investors in microfinance** with a more than $900 million portfolio. Last year our clients made nearly **7 million loans** that help people create jobs, raise their incomes, and afford better housing, health care, and education for their families.

Accion

Microfinance fuels small-scale entrepreneurship, an essential force in poverty reduction.

Strategy

- Create commercially viable microfinance institutions that will, in time, attract private capital
- Ensure these institutions' long-term, profitable growth by developing links with capital markets, launching innovative products, and promoting corporate governance and regulatory reforms

Execution

- Establish new commercial microfinance institutions
- Transform nongovernmental organizations into regulated microfinance institutions
- Encourage commercial banks to engage in microfinance
- Attract new capital for microfinance through pooled investment vehicles
- Promote microfinance as an attractive asset class to investors in capital markets
- Provide technical assistance to strengthen microfinance institutions

Track Record

- IFC has been active in microfinance since 1995; we helped create the Microfinance Bank of Bosnia and Herzegovina in 1997 (now ProCredit Bank), one of the world's first commercial microfinance institutions.
- We help a broad network of partner investment funds, foundations, development finance institutions, and institutional investors find viable commercial investment opportunities in microfinance.
- IFC invested $315 million in microfinance in the financial year ending June 30, 2008.
- IFC partners with the World Bank on policy issues and with the Consultative Group to Assist the Poor (CGAP) on industry architecture.

Development Impact

- Demonstrating the business case for commercial microfinance and helping it attract the private capital needed to scale up and respond to unmet demand.

Africa: Launching New Institutions

Microfinance is one of the most effective tools in the fight against poverty. Yet the world's poorest region, Sub-Saharan Africa, so far has just 22 microfinance institutions with loan portfolios of more than $10 million—barely enough to make a meaningful contribution. It is a situation that needs to change, fast.

IFC's response? Helping partner organizations launch collective investment vehicles that can quickly start new commercial microfinance institutions in Africa and build them up, using sound business skills to achieve an important social mission. This approach has led to new micro-lenders opening in Cameroon, Madagascar, and Tanzania in the past year, with several more soon to follow. Recent examples:

Tanzania: A key market for the IFC-financed Access Bank network.

- **Advans S.A:** a $20 million microfinance holding company sponsored by France's **Horus Development Finance** that has IFC's support for its new institutions in Cameroon, the Democratic Republic of Congo, and Ghana
- **AccessHolding:** a similar $30.5 million company backed by Germany's **LFS Financial Systems** that is building a network of IFC-financed **Access Banks** in Ghana, Liberia, Nigeria, Tanzania, Madagascar and other countries
- **MicroCred:** an investment company created by **PlaNet Finance** of France with partner investors IFC, Société Générale, and Axa Belgium that recently opened its first institution in Madagascar
- **ProCredit:** a large holding company backed by German consulting firm **IPC** that represents IFC's biggest exposure in microfinance; it recently opened its first microfinance institution in Sierra Leone, adding to others it owns in Angola, the Democratic Republic of Congo, Ghana, and Mozambique.

Southern Europe: A Large-Scale Initiative

One of the world's largest microfinance investment vehicles is the **European Fund for Southeast Europe (EFSE)**, an innovative venture that IFC and German development bank **KfW** jointly launched in 2005, using sophisticated structured finance techniques to attract the participation of top private institutional investors such as **Deutsche Bank**. Bringing together more than $800 million from multiple sources, it provides the long-term financing that local microfinance institutions in the Balkan countries need to grow. The fund has recently partially guaranteed **Raifeissen Bank**'s loan to **Opportunity International**'s partner institution in Albania and extended **FINCA Kosovo** a package of housing finance, rural enterprise, and micro- and small-business loans. IFC is now reapplying this same model in Asia.

Pakistan: Partnership with Aga Khan

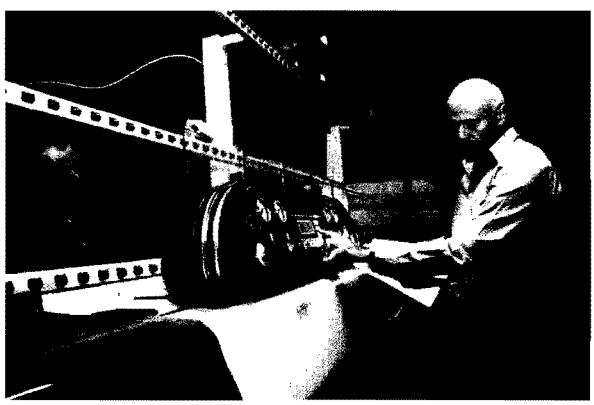
Northern Pakistan is one of the most remote, inaccessible locations on earth. Surrounded by some of the world's highest mountains, its people have long been locked into lives of poverty. But even there IFC is reaching small-scale entrepreneurs—thanks to its partnership with the **Aga Khan Development Network**, sponsor of the **First Microfinance Bank of Pakistan** as well as schools, hospitals, and cultural projects. IFC is a lead investor in the pioneering bank, which has more than 50 branches in the isolated north and the rest of Pakistan, helping more than 50,000 people work their way out of poverty. It is part of a broader partnership that involves IFC investment in Aga Khan microfinance banks in **Tajikistan** and **Afghanistan.**

First Microfinance Bank of Pakistan: Lending to women entrepreneurs.

Banking Partnerships

A Key to IFC's Development Impact

Strong economies need strong banks. But developing countries often have far too few of them and can benefit dramatically when foreign industry leaders arrive, bringing new standards of technology, management, and customer service as well as capital. IFC works with several international banking groups to support this important process. Austria's Raiffeisen International is now one of the largest clients in IFC's $25.4 billion global portfolio, receiving more than $500 million of investment. Several other partnerships are being built on this model. They are increasing access to finance—and improving millions of lives.



IFC's banking partnerships open up new sources of financing that spark job creation worldwide.

IFC's Approach

- Agree with banking partners on joint strategies, with clients appreciating the value IFC adds to their investments in emerging market financial sectors.
- Invest together in individual financial institutions, at the holding company level, or both.
- Help acquired banks add new products in housing, energy efficiency, and small- and medium-enterprise finance.

Track Record

- **Hana Bank:** IFC has worked with South Korea's fourth-largest bank since the early 1970s and is now helping it expand into Indonesia and other countries. The new Hana Bank Indonesia is setting a good standard for local banking and increasing trade between Indonesia and Korea.
- **Raiffeisen International:** IFC's support for this entity, now Central and Eastern Europe's largest bank holding company with 13 million customers in 16 countries (see p. 2), has helped build leading banks in several challenging markets.
- **Intesa SanPaolo (Italy):** IFC has partnered with Italy's largest banking group's network in Central and Eastern Europe, becoming an important shareholder in Serbia and supporting its SME and retail business in Croatia.
- **National Bank of Greece:** In its largest equity investment to date, IFC played an important role in supporting NBG's acquisition of Finansbank in Turkey. This added to a relationship that began in 1998, when IFC participated in NBG's revival of Bank Stopanska, a once-troubled institution that is now FYR Macedonia's leading bank.
- **Nedbank (South Africa):** In 2007, IFC and the African Development Bank each subscribed to R1 billion ($143 million equivalent) Tier II capital-qualifying bonds, new financing that will help Nedbank increase its lending to underserved markets such as affordable housing development, black economic empowerment transactions, smaller businesses, large-scale infrastructure and resource extraction projects, and agribusiness.
- **Ahli United Bank (Bahrain):** As part of a growing relationship in the Middle East, IFC financed Ahli United's recent acquisitions of the former Delta International Bank in Egypt and Alliance Housing Bank in Oman.

Development Impact

- Working as strategic partners to improve financial services in underserved markets
- Turning around underperforming local institutions
- Building small and medium enterprise, energy efficiency, and housing finance loan portfolios
- Promoting South-South investment by developing country banks

RAIFFEISEN INTERNATIONAL: TRANSFORMING A REGION

IFC's long and successful partnership with Austria's Raiffeisen Banking Group has brought top-quality banking to more than 13 million people in Central and Eastern Europe.

The relationship began in 1989, when IFC took an equity stake in Raiffeisen's Hungarian bank, the starting point for a regional network that now covers 16 countries. But the key turning point came in 2004, when IFC invested approximately €100 million in Raiffeisen International Bank-Holding AG, the steering company created to develop the Central and Eastern European network. This company has since become a major force for financial sector development, winning numerous industry awards.

The Austrian bank needed to raise new capital for its growing regional network. But its longstanding cooperative structure prevented it from carrying out an IPO in its own name. The solution came when it created a new public company in partnership with IFC and the EBRD, whose joint support helped build investor interest. In April 2005 Raiffeisen International then raised €1.1 billion, at the time the largest IPO in Austrian stock market history. Strengthened by this new capital and an additional €1.2 billion raised in a 2007 rights issue, it has now improved financial services considerably in several countries. Among those where its affiliates are now the market leader:

- **Albania:** The loan portfolio has more than doubled since 2004, when Raiffeisen bought the bank in Albania's largest-ever privatization.
- **Bosnia and Herzegovina:** Named Bosnia's Bank of the Year for seven consecutive years by *The Banker* magazine, it has a €12 million loan from IFC to finance energy-efficient housing renovations.
- **Serbia:** A start-up bank launched with IFC as a founding shareholder in 2001, it was the first Western bank entering Serbia after the country's political upheavals and has since grown to become its leading commercial bank, named Serbian Bank of the Year three times by *The Banker*.
- **Ukraine:** Named Best Bank in Ukraine by *Euromoney*, it was acquired five months after the Raiffeisen International IPO and has since more than doubled its small- and medium-enterprise loan portfolio to more than €2.1 billion.

Raiffeisen International's financing helps entrepreneurs create jobs across Central and Eastern Europe.

Raiffeisen INTERNATIONAL
Member of RZB Group

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Global Trade Finance Program

Moving the Frontiers

Increasing cross-border trade is vital to private sector development, a key driver that helps local companies build markets, create jobs, and raise incomes. IFC's $1 billion **Global Trade Finance Program** facilitates trade by providing guarantees to support both import and pre-export finance that cover payment risks in trade transactions with local banks in emerging markets.

Smaller Businesses: Key beneficiary of IFC's trade finance program

Key Features

- **Revolving program** that supports imports and exports in the emerging markets
- Dedicated team of trade professionals
- Simple master agreements executed by participating banks
- Links participating banks into **a global network of trade partnerships**
- 24-48 hour turnaround for guarantee issuance
- **Technical assistance and training for issuing banks**

Track Record

- More than 2,000 guarantees have been issued, for $2.8 billion in 3 years since the September 2005 launch. Of those guarantees, over half were issued in fiscal 2008 totaling $1.5 billion
- More than $3.8 billion of trade has been supported through mobilization with major banks over the past three years
- Transaction amounts have averaged $770,000; ranging from $7,000 to $25 million with an average tenor of 5.5 months
- Over 250 banks have joined the program's network of issuing and confirming banks

Development Impact

- 60 percent of total guarantees issued for banks in Sub-Saharan Africa
- Over 500 bankers from 148 banks were provided trade training and seven banks received specialized advisory services in fiscal 2008
- 35 percent of total guarantees support trade between emerging market countries
- 75 percent of total guarantees cover shipments of less than $1 million, thus serving small business importers and exporters
- Program has facilitated exports from over 50 emerging markets

OUR DEALS

As more banks participate, the program will allow IFC to support international trade between more and more developing countries, and for an even greater variety of manufactured goods and commodities.

Examples of trades the program has supported to date:

Auto Parts from Jordan to Iraq

- Letter of credit issued by a Jordanian bank and confirmed by a bank in the UAE.
- Terms of payment: 6 months
- Value: $9.8 million
- FC covers 40 percent

Rice from Thailand to Nigeria

- Letter of credit issued by a Nigerian bank and confirmed by a bank in the UK
- Terms of payment: 6 months
- Value: $5.4 million
- IFC covers 100 percent

Fertilizer from Tunisia to Pakistan

- Letter of Credit issued by a Pakistani bank and confirmed by a U.K. bank
- Terms of repayment: 6 months
- Value: $7.2 million
- IFC covers 70 percent

Country Coverage Existing and Expected in 2008–2009

Sub-Saharan Africa: Angola, Benin, Burkino Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Cote d'Ivoire, Democratic Republic of Congo, Ethiopia, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Uganda, and Zambia

East Asia and the Pacific: Cambodia, China, Indonesia, Philippines, and Vietnam

South Asia: Bangladesh, Bhutan, Maldives, Nepal, Pakistan, and Sri Lanka

Europe and Central Asia: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kosovo, Moldova, Mongolia, Russia, Serbia, Tajikistan, Turkey, Ukraine, and Uzbekistan

Latin America and the Caribbean: Argentina, Bolivia, Brazil, Costa Rica, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Paraguay, St. Lucia, and Uruguay

Access to Finance: Builds developing countries' share.

Middle East and North Africa: Afghanistan, Egypt, Iraq, Jordan, Lebanon, Malta, Syria, Tunisia, West Bank/Gaza, and Yemen

IFC and Housing Finance

Realizing the Dream of Home Ownership

Millions of lower- and middle-income families in developing countries cannot afford one of the keys to a better financial future: buying their own homes. Among the obstacles are legal and regulatory frameworks that hinder increased private home ownership; financial sector barriers to increased mortgage lending, such as high and volatile interest rates and insufficient access to long-term local currency financing; and developers who have not yet set commercial models for the lower-end market, given weaknesses in local urban planning and infrastructure. IFC investment and advisory services help address these challenges, enabling more people across the income spectrum to realize their dreams of owning a home while also helping build local financial markets. IFC has invested close to $3 billion in housing finance projects in more than 40 countries since 2000.

By helping banks increase their mortgage lending, IFC improves housing standards throughout the developing world.

IFC's Approach

IFC targets the full range of constraints to increased housing finance, tailored to the unique conditions of the specific markets. The approach includes:

- **Guidance to governments:** In cooperation with the World Bank, IFC advises governments on legal and regulatory changes that enable increased housing finance, helping financial institutions reduce their credit risk and lower their borrowing costs.
- **Investment and Advisory Services:** IFC both invests in local banks and specialized mortgage finance companies and provides advisory services to help them expand. Although this market is currently slowing down, IFC has deepened the market for mortgage-backed securities through investment and credit enhancement through transactions in Colombia, Mexico, Saudi Arabia, South Africa, Russia, and other countries. At times IFC also supports residential builders committed to affordable and workforce housing construction.
- **Global leadership:** In conjunction with the World Bank, IFC plays a key role in fostering global knowledge sharing to promote the expansion of housing finance. Initiatives include a housing finance portal launched in partnership with the Wharton School of the University of Pennsylvania and the Global Housing Finance Conference, an annual meeting bringing together experts from government, industry and academia to highlight key issues in the sector.

Development Impact

- Enabling homeownership for more than 200,000 lower- and middle-income families in emerging market nations around the world
- Generating economic growth through job creation, entrepreneurship, and economic linkages
- Spurring expansion in local financial and capital markets: lowering interest rates enhancing efficiency, and increasing competition. Local currency transactions reduce interest rate risk and volatility
- Supporting financial innovation: new efforts include Shariah-compliant housing finance in Islamic nations, and lending programs for energy efficiency in multi-family housing units and municipal renovation.

Middle East/North Africa: A Multifaceted Approach

The Middle East/North Africa region faces a chronic housing shortage—one IFC helps the private sector fill in several ways. We are advising governments and clients on ways to promote increased mortgage lending throughout the region, and investing in a series of innovative transactions to bolder the industry such as micro housing finance, specialized primary mortgage originators, and liquidity facilities.

An innovative IFC transaction helped one of the largest originators of housing finance in the United Arab Emirates, **Tamweel,** raise financing that matched its Islamic investors' demand for Shariah-compliant investment products. Through provision of a $20 million mezzanine-level investment and active participation as a structuring investor, IFC helped Tamweel carry out the first mortgage-backed securitization from the UAE. The transaction won recognition in the 2007 ***Euromoney* Islamic Finance Awards**. In Pakistan, IFC is also helping expand microfinance for housing with advisory services that are helping revitalize and expand the **House Building Finance Corporation,** whose small-scale, long-term mortgage help low-income borrowers build or improve homes.

West Bank and Gaza: A new IFC-supported housing finance institition will help local people realize their dream of home ownership.

IFC has also invested $75 million alongside other partners in a new housing finance company that will enable 30,000 low- and middle-income families in the West Bank and Gaza to purchase homes. IFC and the World Bank will also provide the new institution with advisory services, with a focus on training for the financial sector, improvements in the laws and policies for housing finance, and assistance to financial institutions as they launch housing finance products and develop the market. Expected to be called **AMAL,** the new housing finance company is due to open in mid-2009.

A €50 million IFC equity and loan package to help three year-old Spanish real estate firm **Mixta Africa** expand its socially responsible operations from Morocco into new markets such as Algeria, Egypt, Mauritania, and Tunisia. This is expected to spark construction of more than 12,000 affordable homes. Tentatively planned to be called AMAL, the new institution is expected to be operational sometime in mid-2009.

Sub-Saharan Africa: Advice and Investment

IFC is taking several steps to increase home mortgage lending in Africa, which is almost non-existent in all countries other than South Africa today. Efforts began with the production of IFC's **Global Mortgage Toolkit**, a comprehensive guidebook that helps client financial institutions develop high-quality mortgage lending, setting standards that help bring down interest rates and thus stimulate new demand.

In selected African countries, multi-year IFC advisory programs are in place to strengthen the legal and regulatory regimes and build the capacity of local lenders in housing finance. Related IFC financing then helps partner financial institutions raise long-term local currency funding needed to build their mortgage portfolios. To stimulate new activity in Ghana, where the local financial sector currently meets just 10 percent of market demand for mortgages, IFC is providing a $50 million-equivalent long-term local currency financing package and related advisory services to three local lenders: **Ecobank Ghana, Merchant Bank Ghana,** and **Fidelity Bank**. IFC will both lend directly in Ghanaian cedis and help the banks raise additional money from local institutional investors. At the same time, IFC advisers are helping the banks strengthen their mortgage lending practices, and improving the regulatory climate by helping draft new foreclosure laws. IFC is exploring similar approaches in Nigeria, Senegal, Tanzania, and Uganda.

Local Currency Financing

Meeting Client Demand

Private sector lending in developing countries often comes in foreign currency such as dollars or euros. But some of the most crucial sectors, including infrastructure, health, housing, and smaller businesses, can be hard-pressed to repay those kinds of loans. Since they often need loans in their own currency to match their revenues, **IFC mobilizes long-term local currency financing** through various derivative and structured and securitized products in 37 currencies. This also helps larger firms better match their assets and liabilities, enabling them to concentrate on core business rather than on exchange rate volatility. Making good use of its core strengths—financial expertise, an international triple-A rating, and sustainability—IFC provides demand-driven solutions that help clients produce development results.

Local Currency Loans: One of IFC's tools for reaching deeper in Ghana (above) *and many other countries.*

IFC's Approach

- IFC has used **derivatives or hedges** to provide over $5.2 billion in local currency loans.
- The development of a long-term swap market between the local currency and dollars lets IFC hedge its loans in the local currency and provide risk management products tied to the loan currency.
- IFC's **structured and securitized transactions** (partial credit guarantees, securitizations, credit enhancements, and risk-sharing facilities) have mobilized approximately $4.5 billion in local currency funding for IFC clients in the past five years.
- The partial credit guarantees can help clients issue local currency bonds in countries with a capital market or, alternatively, obtain long-term local currency loans from local lenders.

Track Record

- IFC has sizable portfolios of local currency loans based on derivative products in Brazilian, reais, Indian rupees, Mexican pesos, Russian rubles, and South African rand. Local currency financing has also recently been introduced in Ghana, Kazakhstan, Vietnam, and Zambia.
- Structured finance products have been applied to 79 domestic transactions in 25 countries.

Development Impact

- Financing for high-impact sectors with market-based local currency products—often a key to rapid growth *(see p. 2)*.
- Strengthening local capital markets by extending maturities, improving the credit quality of guaranteed instruments, and developing new swap and structured finance products.
- Developing lower-cost, match-funded alternative sources of financing for emerging market clients who have high-quality asset portfolios (via securitization).

LOCAL CURRENCY: FUELING GROWTH IN HIGH-IMPACT SECTORS

Bangladesh: Expanding Microfinance

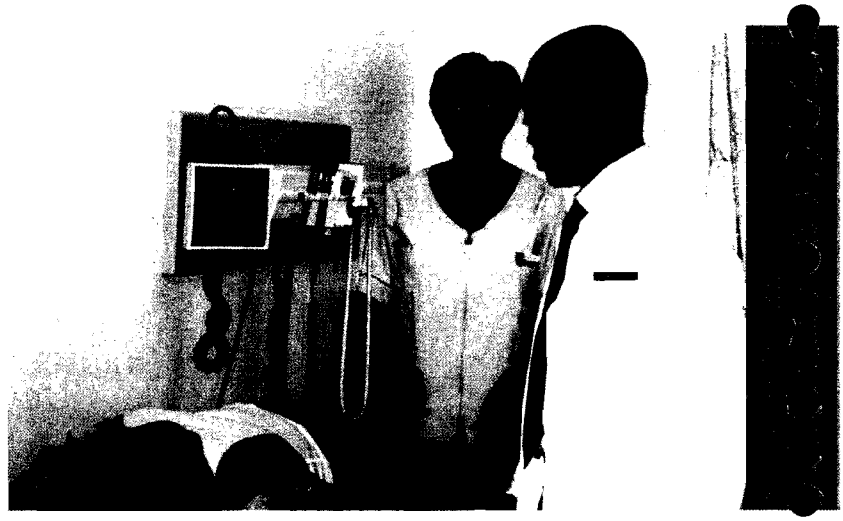
Nearly half of rural Bangladesh's people live below the poverty line. Lacking the credit history, business skills, and assets needed to obtain traditional loans from commercial banks, its small-scale entrepreneurs often build their businesses with microfinance. The country's largely nonprofit-based microfinance sector faces enormous demand, which it is increasingly interested in meeting by tapping into new sources of funding from commercial banks.

Bangladesh: IFC's local currency financing helps microfinance leader BRAC fight poverty.

IFC is helping make it happen by partnering with BRAC, one of the largest microfinance institutions in the world, reaching 110 million people across Bangladesh. IFC's partial guarantee allowed BRAC to borrow $18 million more in local currency from Citibank in 2008 than it could have done on its own. This new commercial financing will allow it to make than 500,000 new microloans, primarily to poor rural women. With both the loan and guarantee denominated in the Bangladesh Taka, BRAC will be able to enhance its balance sheet and diversify its sources of financing. The partnership with IFC also enables Citibank in Bangladesh to extend more long-term local currency funds to BRAC.

Nigeria: Increased Private Health Care

Hygeia Nigeria Ltd is a groundbreaking integrated health care provider, one making a major difference in a country where poor health standards hold back development. Enrolling more than 150,000 people in the country's largest health maintenance organization (HMO), it also has three hospitals in Lagos, 25 worksite clinics, and a network of over 200 clinics across the country.



Nigeria: A long-term nairaldollar swap helped expand access to affordable health care.

Hygeia wanted to provide affordable health care services to more people throughout Nigeria, but was constrained by the country's extremely limited long-term local currency debt market. For financing it turned to IFC, which used derivatives to provide a loan of 390 million Nigerian naira ($3 million). The 6.5-year swap used to fund this loan was the longest maturity currency swap in the Nigerian naira market to date, and is expected to pave the way for more long-term naira/dollar swaps, leading to more local currency investments in the future. Since receiving IFC's financing in 2007, Hygeia's HMO enrollment has grown by 68 percent. The transaction has also increased out-patient visits at its existing facility by 33 percent, and is doubling the number of beds at Hygeia's Lagos hospitals.

Women-Owned Businesses in Africa

Growth Market for Banks

Women entrepreneurs are a great untapped market for African banks. Financing them is good for business—and good for development, since women's empowerment leads to greater spending on family welfare, nutrition, and girls' education. But most African banks remain unaware of women-owned businesses' specific issues and ways to overcome them. **IFC's integrated program of investment and advisory services** addresses this issue, providing path-breaking local **financial institutions with financing and hands-on support from industry leaders** in this critical area.

Women Entrepreneurs: A key force in African development —and good clients.

IFC's Approach

- Provide local banks with financing for women-owned businesses as well as state-of-the-art industry knowledge from members of the **Global Banking Alliance for Women** (GBA), helping the African banks set a strategy to grow profitable portfolios in the women's market
- The GBA, whose secretariat is hosted by IFC, is a group of global banks recognized as leaders in delivering financial services to the women's market in their respective countries, and founded by **Bank of America, Bank of Ireland, Royal Bank of Canada,** and **Westpac** (Australia). GBA tools cover marketing strategies, new product development, staff training, and client relationship management—all with the aim of improving service delivery to women.
- Understanding that women entrepreneurs need more than bank products, IFC then helps the partner financial institution team with local business service-providers to give client women entrepreneurs the increased **skills and confidence** needed to market their businesses to other potential investors.

Track Record

- IFC has provided three African financial institutions with dedicated lines of credit for women entrepreneurs for a combined $41 million—**Access Bank** (Nigeria), **DFCU** (Uganda), and **Exim Bank** (Tanzania)—and also added a gender component to its broader $3 million micro-, small-, and medium-enterprise line of credit to **NBS Bank** (Malawi).
- Since 2007, IFC financing has helped Access Bank lend $22 million to Nigerian women entrepreneurs and on-lend to a local microfinance institution reaching 2,000 much smaller women-owned firms. More than 450 Nigerian women entrepreneurs have also received business training under the initiative, which has earned recognition from the Nigerian Bankers Association and the *Financial Times* and is now being replicated in the Gambia and other countries.

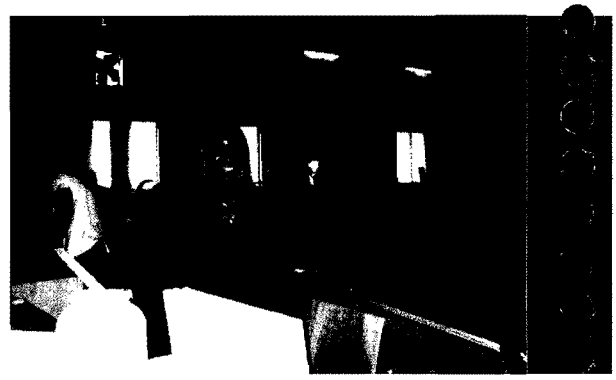
Development Impact

- Developing a commercially sustainable way of financing the economic empowerment of African women
- Strengthening the local financial sector
- Building on the success of microfinance by helping larger commercial banks see the business case for investing in larger women-owned businesses: a vast underserved market.

WOMEN CLIENTS: TARGET MARKET FOR A NIGERIAN BANK

Muni Shonibare owns a successful 150-employee furniture company in Nigeria with top clients such as Shell, Texaco, the Abuja Hilton, and others. But despite her considerable growth potential, in the past male bankers in Lagos simply would not finance a woman-owned SME's ambitious expansion plans—and she could not speak the language of finance well enough to convince them.

Access Bank is different. Nigeria's seventh-largest bank, it saw hidden opportunities in the women's market. IFC provided it a **$30 million line of credit and related business advice** from the Global Banking Alliance for Women on breaking into the women's market. With that funding and training in hand, Acess Bank then gave Muni an $800,000, five-year local currency loan—financing the long-term capital expansion plans she has always had in mind. Her turnover has increased 1,000 percent in the 11 months that she has had the loan, thanks to new machinery and technical expertise she has imported from Italy.



Muni Shonibare's factory before and after obtaining the loan from Access Bank.

"Successfully reaching the women's market in Nigeria will be key to achieving our retail and small business goals."

Aigboje Aig-Imoukhuede

Managing Director, Access Bank

TANZANIA: WOMEN'S LOANS AND LEASES

Tanzania's smaller women-owned businesses can easily obtain microcredit. But as they grow, they often face new obstacles—becoming too large for microlenders, yet too small for commercial banks, which generally require an established credit history before offering loans.

To break down these barriers, IFC provided Tanzanian innovator **Exim Bank** with a $5 million credit line that allowed it to make 60 new loans averaging $50,000 to women-owned SMEs, frequently accompanied by business skills training. Exim staff are also learning to provide more gender-sensitive customer service under the program.

Through a new partnership that IFC arranged, Exim Bank has also channeled $1 million of its IFC facility to **Sero Lease and Finance Ltd. (SELFINA)**, which expects to make up to 30,000 microleases to high-potential women-owned microenterprises. These allow women to lease sewing machines, computers, motorcycles, and other equipment—often faster and at better terms than would be possible through conventional microfinancing. Exim Bank has opened 180 new Tumaini Accounts, a savings product developed under the intitative to promote a savings culture among women-owned businesses.

"Being the first bank in Tanzania to target the women's market can give us the competitive edge we are looking for."

Mrs. S. M. J Mwambenja

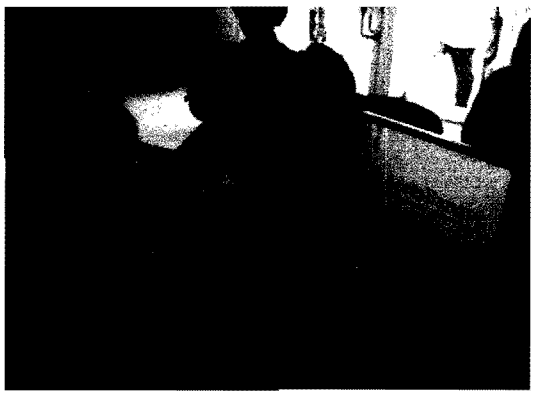
Managing Director, Exim Bank

IFC International Finance Corporation
World Bank Group

Madagascar

Increasing Access to Finance

With a per capita income of just $290, Madagascar is one of Africa's poorest countries—in part because its banks lend mainly to just a few large, successful local companies, fearing the risks of the smaller ones that are natural centers of entrepreneurship and job creation. Today only 7 percent of its population uses the banking system, creating a vicious circle that traps people in poverty. In response, IFC has undertaken a multifaceted approach that has generated more than **$27 million in new local currency financing** for Madagascar's smaller businesses in 2007 by transferring effective models of small business finance from other countries.



Madagascar: Applying for a loan at a new IFC-backed microfinance institutions, AccessBanque.

IFC's Approach

- **Improving the overall investment climate** by addressing key constraints on private sector growth cited in the annual IFC/World Bank *Doing Business* reports.
- **Launching new microfinance institutions with leading international partners**
- **Increasing access to finance and business services for small and medium enterprises** by developing the local leasing industry, launching a new risk capital investment fund, and offering a risk-sharing facility to help two local banks enter the small- and medium-enterprise market.
- **Creating a new Small- and Medium-Enterprise Solutions Center** as a focal point for small companies, offering training, market information, referrals on financing, and other services.

Track Record

- **Increasing financing by partner institutions** of local micro-, small-, and medium-enterprises by more than $27 million since January 1, 2007.
- Launching, with the help of IFC investment and advisory services, **two new commercial microfinance institutions.** A new local affiliate of France's **MicroCred** opened in December 2006 and has since built a $2.4 million loan portfolio. **AccessBanque,** owned by Germany's Access Microfinance Holding, opened two months later. It has now lent out $1.3 million.
- Getting three new small- and medium-enterprise initiatives underway:
- Developing the local **leasing industry** by drafting a new national leasing law and investing in start-up company BNI Leasing in April 2007.
- Attracting **South Africa's leading small- and medium-enterprise finance specialist, Business Partners,** to Madagascar and mobilizing $10 million for it to invest along with related funds from the World Bank's International Development Association for advisory services.
- Working with IDA to provide large local banks with partial risk coverage on new local currency small business loans and related advisory services to both participating banks and firms. **BNI-Crédit Agricole Madagascar** and **BFV-Société Générale** have made approximately $18 million in new loans as a result, reaching more than 700 smaller businesses.

Development Impact

- Launching sustainable new commercial sources of finance for local micro, small and medium enterprises
- Introducing respected foreign micro-, small-, and medium-enterprise finance specialists into a country they would otherwise likely overlook
- Financing the private enterprise growth needed to create jobs, raise incomes, and increase the local tax base

INTRODUCING PROVEN PARTNERS

IFC adds value in Madagascar and other challenging frontier markets by introducing experienced partner organizations able to deliver rapid results—providing them with not only investment capital but additional funding to support advisory services.

Microfinance

Until recently, Madagascar had only a few noncommercial, donor-dependent microfinance institutions. They could finance just a tiny portion of the country's large number of very small, informal sector companies, leaving most without any access to financial services. In response, IFC has brought in two leading European partners whose management systems and global experience help them quickly build effective new commercial microfinance institutions.

- **MicroCred Holding** is an investment company launched by PlaNet Finance of France along with IFC, Société Générale, Axa Belgium, and others.
- **Access Microfinance Holding** uses a similar structure, created by Germany's LFS Financial Systems, IFC, and others.

Both MicroCred and Access invest in microfinance institutions and develop them through a combination of equity finance, holding services, and management services.

Small and Medium Enterprise Finance

- **Business Partners** is South Africa's leading small- and medium-enterprise finance specialist, providing customized, integrated investment, mentoring, and property management services to smaller companies for more than 20 years. Known for making credit decisions based on a client's cash flow, without the high collateral requirements that often keep banks out of this market, its largest shareholders are South African corporations and banks. The IFC-supported investment fund in Madagascar is Business Partners' first outside of its home country. A locally recruited investment team in Antananarivo develops project proposals under the supervision of Business Partners' experienced managers in South Africa, using its proven approach to providing risk capital for growth companies that banks overlook.

New financing options for Madagascar's smaller companies means more jobs for its people.

- IFC has also provided the two banks participating in its small- and medium-enterprise risk-sharing facility, **BNI-Crédit Agricole Madagascar** and **BFV-Société Générale,** with resident advisors from two respected banking consulting groups, **Shorebank International** of the United States and **Eurogroup** of France. As a result, nearly 250 local loan officers have been trained in the last year and the two banks have begun filling the financing gap—making local currency loans at an average equivalent size of $25,000, many with maturities of three to five years.

IFC International Finance Corporation
World Bank Group

Telling Our Story

Creating Opportunity

Frontier Markets

Initiatives in the poorest countries, poorer regions of middle-income countries, and less-developed sectors with great potential to spur development and improve lives

Frontier Markets

Priority for Private Sector Development

IFC goes where it is needed most, reaching the underserved wherever they are. We put a major emphasis on these **frontier markets**, a term we use to refer to the 80 poorest countries served by the World Bank's **International Development Association (IDA)**, the poorer regions of middle-income countries, and less-developed sectors with great potential to spur development and improve lives. To maximize our contribution, we focus on building small and medium enterprises, promoting agribusiness, and a wide range of other initiatives to strengthen the private sector's role. Frontier markets are a key strategic focus for IFC: countries served by IDA now account for more than 40 percent of our projects, and we continue to target unmet needs in middle income countries, where 70 percent of the world's poor live.

In Cambodia (above) and other frontier markets, private investment and job creation are keys to poverty reduction.

IFC's Approach

- **Poorest Countries:** We lead the World Bank Group's private sector development working in IDA countries. After work with World Bank colleagues on country strategies, we help reduce poverty and spur sustainable growth by focusing on investment climate reform, infrastructure, microfinance, housing finance, and support for micro and small businesses.
    - **Kyrgyz Republic:** IFC works at several levels to strengthen the smaller companies that drive the local economy. We have helped the government pass nine laws to spur growth of a critical financing option for SMEs, leasing, and provided two SME lines of credit to **Kyrgyz Investment and Credit Bank**. Our early-stage investment and advisory services are also helping a leading nonprofit microfinance institution, **Bai Tushum**, grow larger by converting into a bank.
- **Fragile and Conflict-Affected Countries and Regions:** Many of the world's poorest countries suffer from the effects of conflict. IFC helps them rebuild with integrated packages of private sector support.
    - **Democratic Republic of Congo:** In the country whose investment climate is considered the worst of all 181 measured in the IFC/World Bank ***Doing Business 2009*** report, IFC is providing extensive advice on investment climate reform and considering significantly increasing this year's investments from the $6 million committed in fiscal 2008. Agribusiness and mining are key focus areas, along with support to financial institutions such as **Rawbank**, which has a $3 million IFC trade finance facility to increase SME exports and imports.
- **Middle-Income Countries:** In the frontier regions of non-IDA countries, IFC extends the private sector's reach through a broad range of innovative projects.
    - **Brazil:** In 2007 IFC issued a 200 million reais (about $111 million equivalent) **"Amazônia" bond**, using the proceeds to support Brazilian businesses. It was the first domestic bond offering in Brazil by a non-Brazilian issuer, paving the way for future foreign issuers and supporting further development of the domestic fixed-rate bond market.
- **Frontier Industries:** IFC helps build emerging industries with high potential to impact people's lives.
    - **Student Loan Finance:** IFC helps partner financial institutions in several countries and regions build pioneering student loan programs. In West Bank/Gaza, a new program wih the **Bank of Palestine** and others will finance about 8,000 students a year.

Development Impact

- Job creation and poverty reduction
- Increased skills and capacity
- Attraction of new investment and support for international trade

Track Record

- In fiscal 2008, IFC's investments in the world's poorest region, Africa, reached almost **$1.4 billion**, with 88 percent of new investments in IDA countries. **The Global Trade Finance Program** allows IFC to reach small and difficult IDA countries such as the **Gambia, Rwanda,** and **Sierra Leone**.
- IFC's frontier market work is attracting increasing recognition from host country governments. In April 2008, **Kyrgyz Republic Prime Minister Igor Chudinov** told the BBC: "IFC's efforts to allocate small credits to private businesses and support them are particularly valuable to us. Every project which is funded by IFC one way or the other is working—one can see that they are really making contributions to the Kyrgyz economy." In September 2008, **Rwandan President Paul Kagame** publicly cited IFC's lead role in helping attract investors to his country. IFC currently has a $374 million portfolio in Rwanda and is in discussions with the government about ways to tailor its financing to local needs.
- We also create innovative financing tools in frontier markets that receive too little private investment today. IFC's **InfraVentures** fund is a $100 million early-stage equity fund for infrastructure project development, aimed at increasing the supply of bankable infrastructure projects in the most challenging markets. **IFC Ventures** is a new $100 million pool of risk capital and advisory services for small businesses in the **Central African Republic, Nepal, Yemen,** and other challenging markets.
- IFC is building an increasing number of long-term partnerships with clients from middle-income countries such as **Brazil, China, India, Russia,** the **Philippines, Turkey,** and others, helping them transfer their capital and expertise to other developing countries as South-South investors.

Local entrepreneurs: drivers of development in Senegal (top), *the Kyrgyz Republic* (below), *and other frontier markets around the world.*

Frontier Market Infrastructure: Meeting a Priority Need

IFC investment and advisory services help frontier markets fill one of the most important needs—improved infrastructure. One key focus area is the power sector, where IFC now engages at early stage, helping lay the groundwork for successful projects long before committing financing:

The first project for the $100 million IFC InfraVentures fund is a partnership with Reykjavik Energy Invest to help **Djibouti** tap its large undeveloped geothermal energy resources. IFC InfraVentures' investment of up to $4 million is expected to lead to at least 50 MW of additional power while reducing carbon emissions by using geothermal generation as an alternative to diesel power.

Nepal hopes to add up to 10,000 MW of new power capacity in the next 10 years, an amount that could increase its GDP by 40 percent. Planned large-scale hydropower development will require successful public-private partnerships, national and regional political consensus, and strengthened local financial institutions. To assist in this process, IFC and other investors have supported a feasibility study of a new **Infrastructure Development Bank of Nepal**. It is a first step in IFC's plan to play a key role in helping local financial institutions to increase the availability of long-term local financing for hydro projects.

Agribusiness

Tapping into High-Value Markets

The 2008 World Development Report is clear: the Millennium Development Goal of halving poverty and hunger by 2015 can be achieved only by harnessing the power of agriculture for development. This is why IFC makes agribusiness a priority sector, **investing more than $760 million a year** in projects that often help bring local producers into the global supply chains of major agribusiness firms. Our **$2.2 billion agribusiness portfolio** has a strong focus on sustainability, reaching companies that together have nearly 140,000 workers and support more than 500,000 farmers. Increasingly the emphasis is on helping expand this industry's transforming effect in the poorest countries and regions.

Agribusiness: A key driver of poverty reduction in developing countries.

IFC's Approach

IFC offers three forms of financial support that strengthen the industry's impact on local economies and can be bolstered with additional support from our more than 1,500 advisory services professionals:

- **Corporate Finance:** Creating long-term strategic alliances with emerging industry leaders, including regional players who can transfer capital and expertise from one developing country to another
  - **Asia:** By financing a $283 million expansion of **Bajaj Hindustan**'s sugar mill in one of the poorest regions of India, IFC reached 130,000 local farmers, many of whom then doubled their incomes through new sales of sugar cane.
- **Wholesale Finance through Processors and Traders:** Expanding working capital, preharvest financing, and trade finance in agribusiness—enabling IFC to reach many smaller farms and agribusinesses that play a critical role in the industry
  - **Africa:** At a time when fast-rising global food prices are hurting the poorest countries the worst, IFC-financed $86 million expansion allows Ghanaian commodity supplier **Finatrade** to bring more rice into in Benin, Niger, and other countries.
- **Wholesale Finance through Financial Intermediaries:** Providing risk-sharing facilities with financial institutions active in agribusiness
  - **Latin America:** IFC has invested $30 million in **Latin American Agribusiness Development Corporation S.A.**, a Miami-based intermediary making $200,000 to $2 million loans to small and medium enterprises in agribusiness.

Development Impact

- Income generation, job creation, and skills development in rural areas
- Linking farmers and small and medium enterprises to global supply chains
- Support for sustainable agriculture, including the creation of global industry standards

RISING FOOD PRICES: IFC'S RESPONSE

An Agenda for Action

The dramatic rise in global food prices has caused a major crisis for the world's poor. In response, IFC is providing investment and advisory services to businesses along the agribusiness supply chain—from farm to retail, both directly to companies and indirectly through intermediaries. Such efforts help make food more affordable and help bring it to more people in need.

IFC's efforts complement the World Bank's public sector work on the proposed New Deal on Global Food Policy. By working to address the food crisis, IFC can also help emerging markets to reduce poverty in rural areas, link local farmers to regional and global supply chains, increase local consumer access to competitively priced food products, and create new export sectors.

Boosting agricultural production in middle-income countries is an important component of IFC's answer to the crisis. IFC's immediate response to the global food crisis includes:

- Investing in companies to boost production in middle-income countries with agribusiness potential, including Argentina, Brazil, Uruguay, Russia, Ukraine, and Kazakhstan
- Working with an emerging class of agribusiness corporations from middle-income countries to transfer knowledge and technology to firms in less-developed economies
- Working to maintain liquidity in supply chains by providing working capital facilities to agribusiness clients in good standing so that they can pre-finance inventories, seeds, fertilizers, chemicals, and fuel
- Financing and advising financial institutions, microlenders, growers, and traders to increase access to credit for small farmers and rural microenterprises
- Investing in modern food retailers in emerging markets that offer competitively priced food products
- Strengthening the links between local suppliers and food retailers to provide locally produced goods at more competitive prices

Ukraine: IFC-financed production increases put more wheat on global markets.

Longer term, IFC will also scale up financing for agribusiness and address critical constraints along the value chain. We aim to bring land into sustainable production, improve productivity by transferring technologies and practices, and make the best use of water and other resources. We will also pursue investments, with both private and public sectors, in physical infrastructure (ports, warehouses, cold storage, telecommunications) that can facilitate trade and lower costs. To reach small farmers and rural enterprises, IFC will work more with trading companies and financial intermediaries, helping channel financing and advisory services effectively.

Fragile and Conflict-Affected Countries

A Growing Role for IFC

The research is clear: renewed private sector activity is critical in helping conflict-affected countries avoid falling back into conflict. By promoting business and economic growth in these challenging markets, IFC supports the World Bank Group's Strategic Direction on Fragility and Conflict—and contributes to a larger strategy for peace and stability in trouble spots around the world. **IFC is now active in 36 conflict-affected countries and regions,** working with donors, investment clients, and other partners to rebuild the private sector through $110 million in advisory services projects and approximately **$2.7 billion in investments**. The challenges vary, but the goal is always the same: creating opportunity to improve lives directly affected by conflict.

Afghanistan: IFC helps create jobs in the local economy.

IFC's Approach

IFC's response typically involves a commitment to:

- **Launch Quickly, but Stay for the Longer Term:** With roughly 1,000 advisory staff working in developing countries worldwide, IFC can develop new advisory programs quickly, and deliver them over two or more years.
- **Strengthen the Business Enabling Environment:** IFC draws on its experience working with governments, the private sector, and the World Bank; the expertise of the Foreign Investment Advisory Service; and the reform rankings and recommendations of the annual *Doing Business* report.
- **Improve Access to Finance:** IFC's combination of advice and financing helps local financial intermediaries deliver the trade, micro-, small-, and medium-enterprise finance needed to rebuild businesses and raise incomes.
- **Work through Partnerships:** IFC attracts other investors for projects in infrastructure and other critical areas, and collaborates with donors, NGOs, and others in its advisory work, thus building synergies and minimizing overlap.

Track Record

Conflict-affected countries where IFC is especially active include:

- **Afghanistan:** IFC has invested $50 million in mobile phone services, banking, microfinance, and other industries, and provided advisory services in business education, agribusiness, and other areas.
- **Colombia:** IFC has invested almost $1.2 billion since 2000, supporting the growth of housing finance, life insurance, retail, manufacturing, and other key industries.
- **Democratic Republic of Congo:** IFC was a founding investor in the country's leading microfinance institution, ProCredit Bank.
- **Liberia:** IFC is helping the government assess barriers to private sector growth, improve infrastructure, finance small-scale entrepreneurs, and address other key issues.

Development Impact

- Helping avoid renewed conflict by creating new income-generation opportunities and improving infrastructure
- Demonstrating the private sector's role in sustainable recovery

INTEGRATED RESPONSE

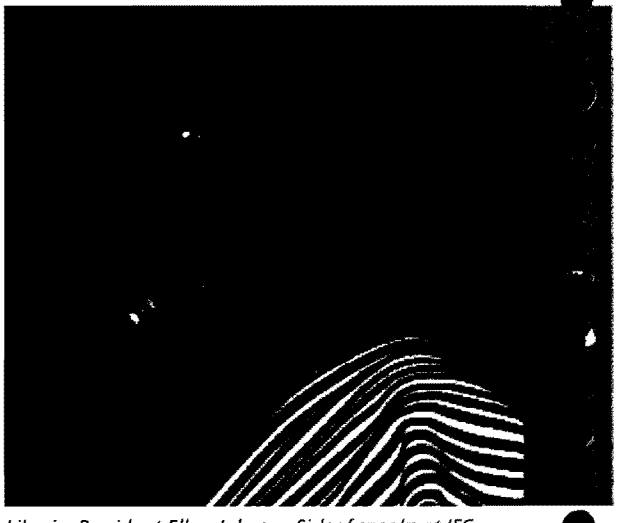
Working closely alongside the World Bank, IFC helps rekindle private sector activity once peace returns to war-scarred countries.

Liberia

Bouncing back from a 14-year civil war that claimed approximately 250,000 lives, Liberia is in great need of external support—restarting its economy to build new hope for its people. Since 2006 a joint IFC/Foreign Investment Advisory Service (FIAS)/World Bank team has done much to help President Ellen Johnson Sirleaf's government improve the investment climate in several ways, including:

- Helping establish the **Liberian Better Business Forum,** a public-private roundtable that has helped set reform priorities since its launch in July 2007, supported by a secretariat staff based in IFC's Monrovia office.
- Inspiring 21 ***Doing Business***-related reforms that the government enacted between December 2007 and April 2008, making it easier for local entrepreneurs to start a business, trade across borders, and obtain construction permits.

IFC offers additional support with investments that strengthen the country's **financial sector** and help build **selected private sector companies**. Among these efforts, IFC's Global Trade Finance Program approved a $2 million trade line to the **Liberian Bank for Development and Investment** to provide greater opportunity for local businesses and to help reintroduce the country to international business transactions and counterparts. Another $10 million loan to one of Liberia's leading rubber companies, Salala Rubber, is helping revitalize one the country's essential industries.

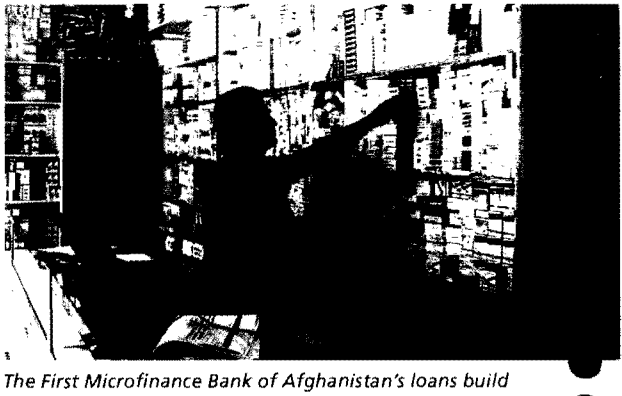


Liberia: President Ellen Johnson Sirleaf speaks at IFC-sponsored investment forum.

Afghanistan

In early 2002 IFC organized the equity, debt, and advisory services funding that the Aga Khan Foundation for Economic Development needed to create the **First Microfinance Bank of Afghanistan**. Profitable within three years, it is now a successful, growing bank with more than 36,000 clients.

The microfinance bank was the first financial institution of its kind under the country's new regulatory structure—granted license No. 001 under a new banking law in August 2003, and now helping create jobs by providing credit, savings products, and international payments services to microenterprises and small businesses. Part of a larger IFC portfolio in Afghanistan that also includes operations in telecommunications, agribusiness, and other sectors, it is supported by joint IFC/World Bank staff based in Kabul.



The First Microfinance Bank of Afghanistan's loans build local businesses, despite trying conditions.

SME Development

Strengthening Key Players

An estimated 90 percent of all businesses in the developing world are small or medium in size. They are the key sources of job creation, making their development a critical factor of poverty reduction. IFC works on several levels to support as many **small and medium enterprises** (SMEs) as possible—improving their investment climate, helping them gain better access to finance and business services, linking them into the supply chain of larger IFC clients, and occasionally investing in them directly or through specialized funds. Since 1995, IFC projects have helped more than 6 million SMEs.

SMEs: an essential driver of job creation and poverty reduction.

IFC's Approach

IFC has built its combination of investment and guidance—targeting the reforms, financial institutions, larger companies, know-how, and other factors that lead to small business growth—based on a strong track record of experience with what works and what does not. Key components are:

- **Improving the investment climate:** Helping governments to remove policy and administrative barriers to small business growth, such as expensive permits or burdensome application processes.
  - **Belarus:** A Swiss-funded IFC project helped authorities pass two presidential decrees that will produce roughly $10 million a year in cost savings for the SME sector. These reforms encouraged further action by the government, leading to recognition as one of the world's top 10 reformers in the joint IFC-World Bank publication, *Doing Business* 2009.
- **Access to finance:** Providing financing and guidance to financial intermediaries that invest in SMEs—primarily banks, leasing companies, and private equity funds.

  Uzbekistan: Since 2001 IFC has been a partner of micro/small business-focused **Hamkor Bank**, investing $4 million and advising it on improved lending processes, risk management, management information systems, and other key functions. This has helped Hamkor build a $45 million SME portfolio and become a nationwide financial institution with 24 branches across the country.
- **Access to markets and skills:** Guidance and training to give SME owners and managers the skills needed to obtain commercial financing or build linkages with IFC's larger client companies.

  South Africa: IFC has invested $150 million in Lonmin, operator of a platinum mine in an area of rural South Africa with 60 percent unemployment. Since its launch in 2007, a Lonmin-IFC local supplier development program has helped 14 local SMEs win contracts with the mine. The partnership helped 74 independent truck owners form a new company that now has a $34 million ore transport contract, carrying 8,000 tons a day on six new, state-of-the-art trucks.

Development Impact

- Helping smaller businesses grow more competitive and create more jobs
- Building the market for small business finance
- Increasing linkages between SMEs and larger firms, contributing to poverty alleviation and improved quality of life in remote areas often cut off from the benefits of globalization

Track Record

- IFC support has enabled finance sector clients to expand their portfolio of small- and medium-sized business customers. In the past three years, clients have increased their loans to small businesses by 38 percent and to medium businesses by 40 percent.
- IFC experts have developed several innovative knowledge-based products including the **SME Toolkit**, a free on-line resource for business information, translated into multiple languages for ease of use around the world, and **Business Edge**, a management skills training course that supports entrepreneurs, particularly those operating in challenging environments like Haiti, Afghanistan and Yemen.
- Business registration reforms supported by IFC have led to results such as a nearly 400 percent increase in the number of registered formal sector firms in Latin American countries such as Peru and Nicaragua.

Credit Bureaus: Infrastructure for Access to Finance

Evidence from multiple countries indicates that credit bureaus do much to help small businesses get financing. The timely, credible, and objective information on borrowers they offer allows financial institutions to reduce loan processing time and cost by 25 percent or more and cut default rates by 40 to 80 percent. These savings can mean lower interest rates, making credit more affordable and available to those in need.

IFC has promoted credit bureau development in more than 45 countries. IFC experts provide legal and regulatory advice, feasibility studies, direct assistance to credit bureaus, research, public awareness projects, and long-term coaching and advice. In 2007 alone, IFC-supported credit bureaus received 34.7 million inquiries and supported $17 billion in financing to retail and small borrowers.

Credit bureaus: an important tool in increasing SMEs' financing from commercial banks.

IFC Ventures: A New Initiative for Frontier Markets

IFC Ventures is a new $100 million initiative to provide risk capital and advisory services to small businesses funded from IFC's net income, initially targeting eight higher-risk IDA countries: Bangladesh, Bhutan, Central African Republic, Democratic Republic of Congo, Liberia, Nepal, Sierra Leone, and Yemen.

Over the next five years, it is expected that IFC Ventures will finance between 250 and 500 firms, while providing advisory services support to as many as 10 times the number of firms receiving investment. By supplying a combination of risk capital and guidance that is extremely difficult for smaller firms in these frontier markets to obtain, IFC will be helping them get some key ingredients for growth.

Yemen: one of eight frontier markets where IFC Ventures' financing and advisory services will strengthen SMEs.

Linkages Program

Connecting Small Businesses to IFC Clients

Small and medium enterprises drive employment in many developing countries, especially the **frontier markets** that receive too little private investment today. Increasing their business ties to large national and international companies helps make them stronger. IFC does so with linkages programs that aim to maximize the development impact of IFC investments by partnering with large companies to support SME and community development. These programs **help large companies reach small businesses** as suppliers of goods and services and **increase employment opportunities for local communities** around large projects. They typically involve local supplier development programs, training in business and technical skills for micro/SMEs, facilitating SMEs' access to finance, and entry into new markets.

In India, IFC and oil company Cairn India help local people benefit from new oil production (see p. 2).

Objectives

- Strengthening supply and distribution chains for IFC investment projects
- Improving small business competitiveness and access to new markets
- Facilitating small business access to finance and to providers of business support
- Supporting community development in areas of IFC clients' operations

Key Features

- On average, a one-to-three year relationship with IFC investment clients
- A wholesale approach, with training and advisory services provided through partner organizations
- A catalyst for additional funding from donors, clients, and other sources
- Effective use of other areas of IFC expertise, such as microfinance, supply chain finance, HIV/AIDS, and gender

Track Record

- Active in linkages since 2002, IFC now has a portfolio of 51 active projects in 40 countries tied to nearly $2.3 billion in IFC investments.
- Initially, most clients in the program were multinationals in the oil, gas, and mining industries; now there are an equal number of local and foreign sponsors from several industries.
- Several linkage project models have been replicated with various clients or with the same client in different regions. Other new models, for example on food traceability and mobile phone distribution networks, are also being introduced.
- IFC has developed a consistent set of indicators to monitor and evaluate the program's performance.

Development Impact

IFC linkage projects improve competitiveness and access to finance and new markets for hundreds of small businesses. Some achievements as of September 2008:

- Trained 3,538 SMEs or other entities in 15 projects and 23, 243 individuals in 19 projects
- 2,018 new contracts for SMEs worth $1.2 billion in 11 projects
- 3,247 new jobs created in 10 projects
- $29 million in finance facilitated for 277 SMEs in 11 projects

Cairn, India—Local Economic Development

IFC and oil company **Cairn India** are partnering to help local businesses and communities benefit from hydrocarbon discoveries in an area of Rajasthan that ranks as one of India's poorest rural regions. The linkage program has led to the opening of an Enterprise Center to build the capacity of local entrepreneurs and offer vocational skills training. Small and marginal farmers benefit from an alternative source of income through a dairy development program, while a health awareness initiative assists the community in HIV/AIDS prevention, reproductive, child, and other major health concerns. Some achievements to date:

- 2,283 people trained and 69 percent linked to jobs in handicrafts and construction trades
- Over 780 farmers are participating in the dairy program
- 5,000 people have participated in health fairs or other health related information events

ECOM, Central America—Farmer Certification

IFC has partnered with the **Nestlé Group** and **ECOM Agroindustrial Corporation Ltd** to support its coffee producers in meeting the growing demand for sustainable coffee practices and increased production in Central America and Mexico. ECOM recognized the need for an advisory project when its producers could not keep up with the changing certification programs. The company also wanted to help its producers increase their coffee yield to meet demand. Some achievements to date:

- 7,200 producers trained on sustainable business practices and productivity
- A total of $2.2 million in sales premiums paid to producers whose coffee has been certified by **Nespresso**, Nestlé's high-quality coffee brand, or by Nestlé's FLO Fairtrade "Partner's Blend."

Central America: training local coffee farmers in productivity-enhancing skills helps raise local incomes.

Stora Enso, China—SME Contractor Development

Stora Enso, an integrated paper, packaging and forest products company, and IFC have partnered to accelerate the development of plantation forestry contractors in Guangxi, one of China's poorest provinces. To respond to the absence of a professional forestry contractor base in Guangxi, the program works with small business contractors to improve their business and management skills as well as technical, financial, and environmental/social skills.

Zain, Uganda—Distributor Development

IFC is working with the Ugandan subsidiary of **Zain**, a leading pan-African and Middle Eastern mobile telecommunications company and long-standing IFC client, to strengthen the SMEs in its distribution network. The project helps distributors overcome major barriers to growth—lack of managerial skills and access to affordable financing. It provides the first of its kind finance facility for distributors in cooperation with Stanbic bank. Through IFC's ***Business Edge*** training product, distributors' financial and business management skills are strengthened allowing them to develop bankable business plans to financial institutions and improve their overall operational efficiency.

Rural Poverty Reduction

Private Sector Solutions in India

Almost 75 percent of India's poor—**more than 200 million people**—live in rural areas today, largely cut off from the economic boom centered in the major cities. **Creating opportunity** in a rural economy of 638,000 villages is a major challenge. But IFC is making a difference, partnering with Indian companies to bring investment and expertise that increase rural society's access to two of the key drivers of development: new markets and sources of finance.

Rural India: The private sector creates jobs, raises incomes.

IFC's Approach

IFC fights poverty by building **agribusiness supply chains**, strengthening local companies who buy from small farmers:

- **Andhra Pradesh Paper Mills:** IFC's $30 million investment has helped the company nearly double its capacity, including a state-of-the-art, environmentally sound paper factory built in 2005. No longer dependent on natural forests, it now gets all its pulpwood instead from more than **30,000 local families** who receive its seedlings and technical support to develop new plantations on their waste and marginal lands. This allows them to earn up to $374 per acre of pulpwood—almost three times their return on the same investment per acre of rice. This approach has also helped the fast-growing, 4,000-employee company increase profits by 23 percent in the last year.
- **Suguna Poultry Farms:** $11 million in IFC financing will help the company expand its supply chain, which currently includes **10,500 farmers** who benefit from its guaranteed prices and hands-on advice. IFC's investment has allowed Suguna to expand its breeder farms, hatchery, and feed mill capacity and increase farmers' payments by expanding contract farming.
- **Tata Tea Ltd.:** IFC is providing $7.8 million and attracting other investors into a new ownership and management structure promoting greater worker participation in the global beverage company's tea plantations in Assam, a source of **30,000 full-time jobs.**

IFC fights poverty by building agribusiness supply chains, strengthening local companies who buy from small farmers:

- **BASIX:** an Andhra Pradesh-based microfinance institution reaching **190,000 borrowers** in eight states with farm and livestock loans, crop insurance, and other financial services. Its loan portfolio has increased from less than $5 million to $38 million since IFC became a shareholder in 2001.
- **FINO:** a new information technology firm whose products help banks reach underserved rural areas, where less than half the population currently has bank accounts. Launched in 2006 by one of India's biggest lenders to microfinance, **ICICI Bank**, it now has $5 million in early-stage financing from IFC.

Development Impact

- Raising rural incomes
- Helping farmers gain new market access and technical knowledge
- Increasing access to finance in the rural economy

RURAL IMPACT

In one of India's poorest states, Jharkand, IFC works with client Usha Martin Ltd. to reach deep into the rural economy.

VISIONARY LEADERSHIP

In rural India, IFC client **Usha Martin Ltd.**—one of the top global specialty steel and wire rope producers—is making a significant contribution to social development, focusing on empowering women, health care, HIV/AIDS prevention, education, and agricultural training.

The company sponsors Krishi Gram Vikas Kendra (KGVK), **an NGO reaching approximately 345,000 people** in more than 115 villages around Usha Martin's plant sites in the state of Jharkhand, where more than 60 percent of the people live below the poverty line.

Active since 1972, KGVK works to achieve integrated progress and prosperity in rural Jharkhand through a convergence of efforts of the government, corporate bodies, scientific and financial institutions, and the community—a powerful "P4" principle of Public-Private-People's Partnership. Its operations follow an integrated rural development model of "total village management" that emphasizes involving the community in sustaining the development process and maintaining assets created by projects. For this, the focus is on building the capacity of rural people through education, training, exposure to improved health and agricultural practices, and watershed development.

India's Rural Poor: Key stakeholders for IFC client Usha Martin.

usha martin

In 2003 KGVK initiated a health program to address the critical issue of low birth weight, which seriously challenges the survival of newborn babies. Village volunteers were trained in mother-child health care under active supervision of local community-based organizations. After quick results were seen, the project's basic model was adopted by the state government, earning Usha Martin the prestigious **TERI Corporate Social Responsibility Award** in 2006 presented by the president of India.

IFC began to support these efforts in 2003, teaming with Usha Martin to fund a program that linked KGVK with one of India's leading women's empowerment groups, the Self-Employed Women's Association (SEWA). This helped KGVK grow stronger at identifying and promoting enterprise opportunities for rural women.

Along with **$24 million in financing** for UML's industrial activities, IFC has also lent KGVK $200,000 and engaged partner organizations such as SEWA for help in new initiatives such as a trade facilitation center that enables rural growers to find new markets for their produce and improve their productivity, product quality, and sales skills. This project is expected to train 1,500 rural entrepreneurs and create opportunities for earning $2 per day to more than 4,100 households.

These efforts pave the way for Indian companies who, like Usha Martin, seek to move beyond philanthropy and provide sustainable income generation opportunities to their neighboring communities

Telling Our Story

Creating Opportunity

Long-Term Partnerships with Emerging Players

Results of ongoing provision of innovative financial and value-added services to clients

Long-Lasting Client Relationships

Focus on Emerging Global Players

At the same that it is actively increasing the number of new clients in its portfolio, IFC is also building several **long-term partnerships with emerging global players** from the developing world. Strengthening their expertise in environment, social, and corporate governance issues as well as providing repeated rounds of long-term financing, IFC is helping a new generation of firms compete on the global stage, including many that are pioneering today's fast-growing trend of South-South investment between developing countries. Clients particularly value IFC's ability to accompany them through their business cycles and changing market environments, and to offer them an evolving menu of investment and advisory services to meet their changing needs.

Pakistan: IFC's $120 million investment in Habib Bank Ltd is part of a broader relationship with the Aga Khan Development Network that dates back more than 30 years (see p. 2).

Why Long-Term Partnerships?

- **Demand-Driven:** clients often cite **desire to build a lasting relationship** as one of their primary reasons for approaching IFC
- **Key to Effectiveness:** Research shows that **development impact increases** with repeat projects, since clients grow more familiar with IFC's procedures and can apply valuable knowledge from their earlier experiences with IFC
- **Leveraging Effect:** The prospects for repeat business help IFC extend its reach into high-need regions: in fiscal 2006, 60 percent of its repeat projects were with domestic sponsors, and 36 percent were in frontier markets that otherwise still receive too little private investment today.

Development Impact

- Helping local companies gain global competitiveness at the right time: IMF projections show the combined share of world GDP of East Asia, South Asia, and Latin America and the Caribbean will exceed that of the OECD countries by 2025.
- Supporting South-South investment: Outward foreign direct investment from developing countries has more than doubled since 2002, but many emerging companies still lack the access to long-term financing they need to go cross-border.
- Sustainability: Building client firms' capacity in employee health and safety, community engagement, HIV/AIDS programs, corporate governance, and other key areas helps them take advantage of opportunities to expand domestically, regionally, and globally.

Powerful Partnerships: Built Over Many Years

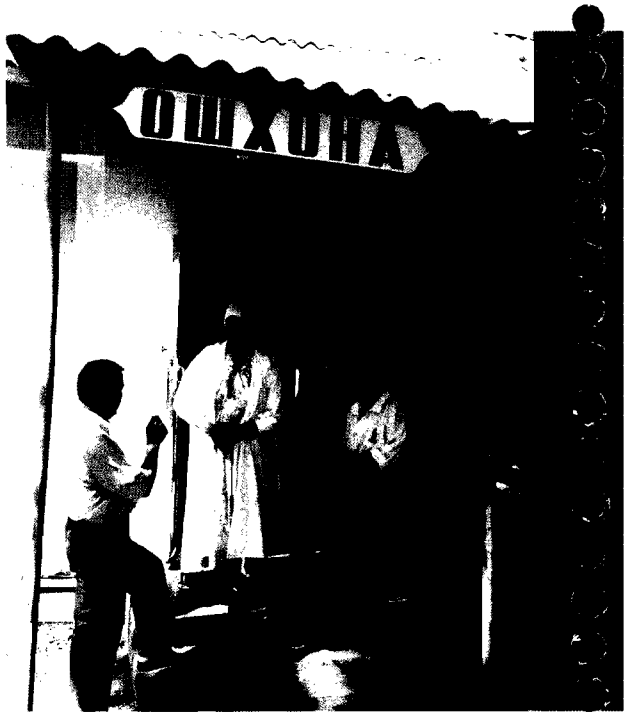
The **Aga Khan Development Network (AKDN)** is one of IFC's key long-term partners. Active for more than 30 years, the relationship builds on IFC's work with several entities overseen by His Highness the Aga Khan, a respected global investor with a strong social conscience.

One unit, the **Aga Khan Fund for Economic Development (AKFED)**, is a for-profit investment company with stakes in 90 businesses that together employ more than 30,000 people. Many have been built with IFC support, including:

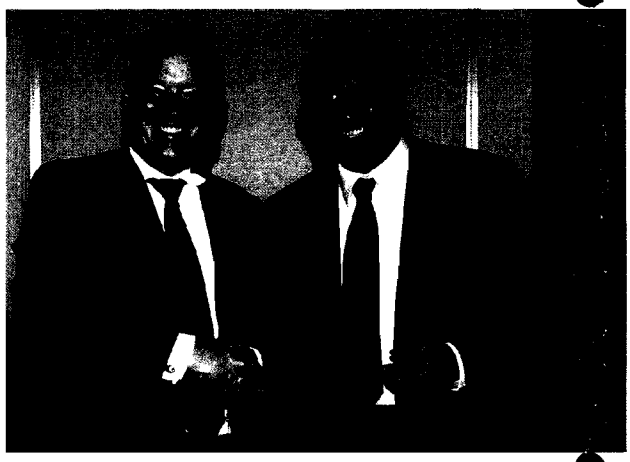
- **Serena** hotels in Africa and Asia
- One of the first commercial microfinance institutions in a conflict-affected country, the **First Microfinance Bank of Afghanistan**, and other affiliates of the **Aga Khan Agency for Microfinance** in **Pakistan**, and **Tajikistan**
- East Africa's largest private infrastructure project to date (the **Bujagali** dam in Uganda)
- Pakistan's largest private financial institution (**Habib Bank Ltd.**)

The relationship deepened in September 2008, when IFC invested $25 million alongside AKFED and Habib Bank to help scale up **Diamond Trust Bank Kenya**. Recently voted Kenya's best SME bank, Diamond Trust will use the new capital to open 12 new branches in East Africa and a new subsidiary in Burundi, while also exploring opportunities in Madagascar, Mozambique, and Rwanda.

Started as an IFC-Aga Khan collaboration in 1977, **Housing Development Finance Corporation (HDFC)** is now one of the developing world's most successful mortgage lenders, helping more than 1 million people own their own homes in India and partnering with IFC on similar joint ventures in Bangladesh, Sri Lanka, and Egypt. The prime mover behind the $22 billion home loan market that helps anchor India's middle class, it has received more than $240 million in IFC financing over the years—and another $100 million investment from IFC in its commercial banking sister organization, **HDFC Bank**. The two partners have also created a new institution to address a severe housing shortage in the Maldives. Launched in 2004 with IFC investing $11.8 million and bringing in HDFC India as a strategic partner, **HDFC Maldives** grew stronger with an additional $4.5 million IFC equity investment in July 2008.



First Microfinance Bank-Tajikistan: Creating opportunity at the bottom of the pyramid, through the IFC-Aga Khan partnership.



Shared Interests: IFC Executive Vice President and CEO Lars Thunell and HDFC Managing Director Aditya Puri meet in Mumbai.

IFC and South-South Investment

Encouraging Cross-Border Investment

Most IFC clients today come from developing countries—locally owned firms that are growing fast and are often ready to start expanding into regional or global markets. Many are especially well-suited to invest in other developing countries, bringing products and services adapted to the needs of these markets as well as the capital, technology, and management expertise needed to create jobs and spark economic growth. IFC is prioritizing such South-South transactions, strengthening a new generation of cross-border businesses with its investments and advisory services. In fiscal 2008, IFC committed approximately $1.9 billion to South-South transactions, up from less than $500 million five years earlier.

Olive Oil Production: A higher-value industry being developed in Egypt by Wadi Group, an IFC client from Lebanon

IFC's Role

- **Combining Global Expertise and Local Knowledge:** IFC brings a combined knowledge of local market conditions and global industry trends that helps developing country clients make major investments elsewhere in the developing world.
- **Attracting Additional Financing:** When local companies first begin to expand internationally, often neither their existing local lenders nor their potential new international banking partners will provide financing for planned cross-border projects. IFC can fill the void, adding a trusted stamp of approval that then brings in other investors.
- **Providing Credibility in Acquisitions:** In some cases local companies will grow regionally through acquisition; IFC's support can bring credibility to the buyer and give comfort to the seller and its advisors.
- **Mitigating Political Risk:** IFC's participation reduces the risk of political interference in foreign investment projects.
- **Addressing Climate Change and Sustainability:** In addition to financing, IFC guidance helps developing country investors address climate change challenges and focus on critical social, governance, and community development issues.

Track Record

IFC clients sponsoring South-South investments include:

- Turkey's **Koç Group,** owners of **Arçelik,** one of Europe's leading appliance manufacturers with production in Romania, Russia, and Turkey, and **Ramenka,** owner of more than 70 supermarkets and malls across Russia.
- Mauritius' **Safal Group,** a locally-grown, socially- and environmentally responsible business enterprise active in Angola, Ethiopia, Kenya, and other African countries.

How IFC Invests

- **Direct Investments:** IFC offers long-term debt, equity, quasi-equity, and other forms of financing. IFC also supports South-South transactions by investing in regional private equity funds, and is exploring new investment potential with Sovereign Wealth Funds
- **Advisory Services:** Clients often need services beyond financing, such as guidance on local market/industry conditions, or support for efforts to improve the business environment.

Development Impact

- Helping promising local companies acquire the financing and knowledge needed to expand internationally
- Attracting foreign direct investment from new sources
- Job creation
- Encouraging best practices in corporate governance, environment, and social standards

FOCUS ON AFRICA

Many African countries are growing more attractive to investors. As they improve their business climates, set better macroeconomic policies, and strengthen ties to the private sector, IFC helps them attract new investment from other developing countries—sometimes from within Africa itself.

Ethiopia: Target for Saudi Investment

Middle Eastern firms are showing new interest in other emerging markets: IFC-supported investment from the Middle East and North Africa into other developing countries rose from only about $50 million in 2004 to more than $700 million in 2007.

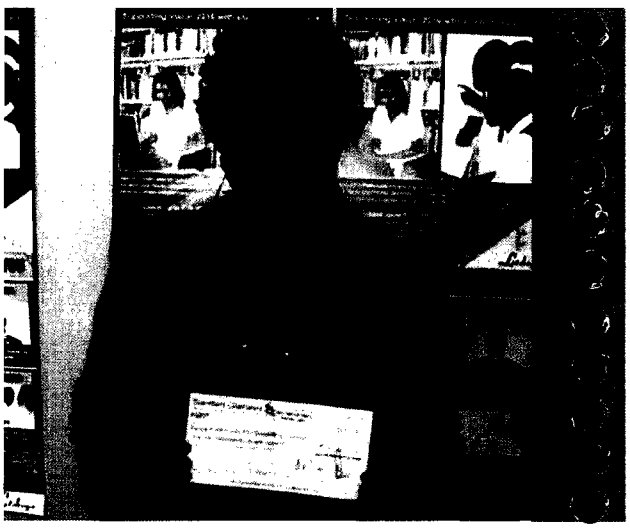
Many of the region's firms are eying Sub-Saharan Africa and its market potential. One example is Saudi Arabia-based Derba Midroc Cement, sponsor of a cement plant in Ethiopia, Africa's second most populous country and one of the world's poorest. IFC's $55 million loan, complemented by another $145 million in loans from others, will help fund Derba Midroc's new integrated cement plant with a production capacity of up to 2.5 million tons per year. This is IFC's largest investment in Ethiopia to date and the first since 1989. This investment is expected to create about 500 direct jobs and 10,000 indirect jobs in Ethiopia.

Pan-African Investment: Opening the Doors to Finance

IFC's equity and debt investment in Letshego, a Botswana-based consumer finance company, is enabling expanded access to finance for more than 100,000 low- and middle-income borrowers in several African countries.

Working alongside a leading private equity investment client, Kingdom Zephyr Asset Management, IFC has helped build Letshego into a leading regional financial services provider and role model, not only in Botswana, but elsewhere in Africa. In addition to investing, IFC has also advised Letshego in establishing new product lines. This has helped:

- Give more than 100,000 previously "unbanked" people access to loans for housing, education, health care, and other family expenses
- Spread Letshego's successful Botswanan model to Swaziland, Tanzania, Uganda, and Zambia.
- Introduce competition that reduced interest rates for lower-end borrowers



Letshego's effective consumer finance model has been spread to five African countries.

"We are committed to serving the widest possible customer base and providing financial services to more people who have not previously had access, particularly in such countries as Swaziland and Zambia."

Jan A. Claassen, Managing Director

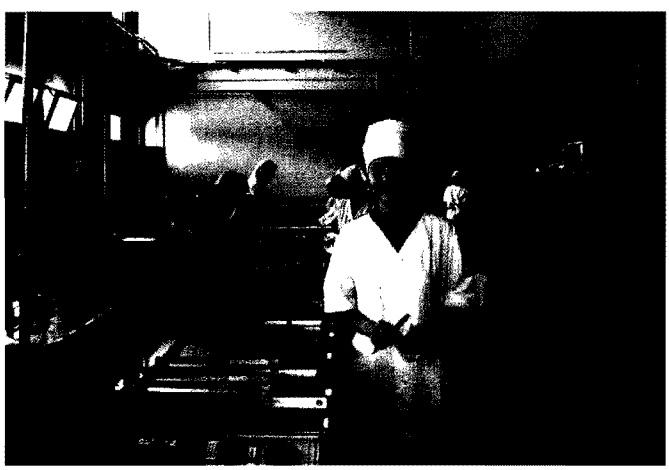
Letshego, Botswana

IFC International Finance Corporation
World Bank Group

Syndications

Supporting Banks in Times of Financial Crisis

IFC uses its financial strength and global expertise to bring investment and advisory services where—and when—they are needed most. Since the onset of the global financial crisis that began with the collapse of the U.S. subprime mortgage market in mid-2007, IFC-syndicated loans have played an important role in helping IFC clients access financing during difficult times, particularly when bond and securitization markets close and access to loan markets is significantly diminished. In the past year, IFC has syndicated **more than $1.5 billion in credit facilities for banking clients in Latin America and Russia,** helping them stay strong amid today's global financial crisis. These **countercyclical financings** have provided a strong demonstration effect, contributing to the stability of the Russian and Brazilian banking systems as well as encouraging much needed market confidence.



IFC's record $500 million loan syndication for MDM Bank helps keep capital flowing for Russian SMEs, despite today's difficult financial conditions.

IFC's Approach

- **IFC's syndicated loan program,** the oldest among all multilateral development banks, enables commercial financial institutions to participate in IFC-financed projects. These syndicated loans are a key part of IFC's effort to mobilize cross-border funding for private sector investments in developing countries.
- **Under this structure,** IFC sells participations in portions of its loans while remaining the lender of record for the entire amount. Participants share in all transaction risks, as well as in any benefit that IFC derives from its status as a multilateral development institution, including preferred creditor status (PCS), which allows for access to foreign currency in the event of a country's foreign exchange crisis. This status effectively mitigates transfer and convertibility risk.

Track Record

- Since its establishment in 1957, IFC's syndicated loan program has mobilized financing of more than $30 billion from well over 500 commercial financial institutions in over 100 countries. As of June 30, 2008, the committed syndications portfolio totaled $7.5 billion including financings in 49 countries with 160 participants.
- The program has grown significantly over the last year, achieving its highest volume ever, with $3.3 billion in new syndicated loans signed.

Development Impact

- To compensate for lower appetite among traditional European and North American participants, we have expanded our investor base to include leading banks from emerging economies. In fiscal 2008, 34 percent of participants were from 14 different developing countries in the Asia, Eastern Europe, Latin America and Caribbean, Middle East, and Sub-Saharan Africa regions.
- Giving emerging market clients access to international banks that they would not otherwise have, and helping those financiers get comfortable with financing in risky markets, is another way IFC facilitates development impact. In fiscal 2008, 38 percent of participants in IFC's syndicated loan program were new to the program.

Russia: IFC's Countercyclical Role

A $500 million July 2008 syndicated loan to one of Russia's largest private financial institutions, **MDM Bank**, reveals the important countercyclical role IFC can play in times of financial crises.

Like other private Russian banks, MDM Bank had faced significant financing constraints as a result of the ongoing credit crunch in the international financial markets. The IFC-led syndication encouraged confidence in the market by demonstrating that, despite difficult market conditions, select private Russian banks can still continue to access financing through well-structured transactions. MDM Bank is a long-term IFC partner, using our financing and advisory services in recent years to expand access to finance in underserved regions beyond Russia's major cities, especially for SMEs. Since 2007, it has been using a $20 million IFC line of credit to reduce smaller businesses' costs by financing pioneering energy efficiency improvements—an important new market that few other Russian banks have so far approached.

The syndicated loan was the largest to date for a private Russian bank, allowing MDM Bank to raise 14 times more from other institutions than IFC provided itself. Raised from 29 banks in 18 countries, it contributes to the stability of the Russian banking system and provides additional support for an IFC client that is emerging as a role model for other Russian private banks.

Brazil: Long-Term Partnerships with Banco Itaú

Among the foreign banks participating in the MDM syndication was the international arm of Brazil's **Banco Itaú,** a bank that once borrowed from IFC but is now working with us to lend to others.

In the early 2000s, when international investors were reluctant to lend to Brazilian companies, IFC loans provided working capital for the Sao Paulo-based bank. IFC also helped Banco Itaú weather Brazil's financial crisis of 2000-02 with a $250 million trade financing facility, followed by a $100 million credit line in March 2002 for on-lending to middle market companies for infrastructure-related activities.

Brazil: A key focus of IFC's recent syndication efforts.

Now one of Brazil's largest privately owned banks, Banco Itaú, has taken a lead role in working with IFC over the past year to arrange over $600 million of financing through syndicated loans to smaller Brazilian institutions Banco Sofisa, Banco Fibra, and Banco Daycoval.

These smaller Brazilian banks lack a broad base of retail deposits which makes them dependent on wholesale markets for funding and thus vulnerable to a downturn in credit markets. They primarily serve SMEs with few alternatives for financing. In this way, IFC lending is providing counter-cyclical support for the economy in Brazil and other middle-income countries.

The Hotel Industry

IFC's Role

Tourism and business travel are among the most important industries for development. By investing more than $2 billion in hotel construction over the years, IFC has helped it become **one of the developing world's key sources of job creation and foreign exchange** and a leading contributor to economic growth. The hotels we finance are also critical components of poorer countries' **business infrastructure**, giving foreign investors the base they need to plan investments and meet local partners.

Hotels: Welcoming foreign investors to emerging markets.

IFC's Approach

In addition to providing long-term financing that is typically unavailable in local markets, IFC offers its hotel clients its advisory services that:

- Encourage **best practice** in local supply chain development, energy efficiency, environmental protection, and HIV/AIDS programs
- Provide **leadership in sustainability** to help raise environmental and social standards, enhance brand value, and mitigate risks

Track Record

- Financing more than **220 hotel projects** in 80 countries
- **Business hotels** and mixed-use commercial projects
- **Tourist hotels,** including ecotourist sites
- Adapting historically and culturally **significant buildings** for reuse

IFC Tourism Partners

- Occidental
- Orient Express Hotels
- Tourism Promotion Services LTD
- Marriott
- Serena Hotels
- Starwood Hotels
- Shangri-La
- Inter-Continental Group

Recent Examples

- **UPDC Hotel (Nigeria):** IFC financed the renovation of a 432-room hotel in Lagos acquired from the government. This helped revive an underused asset, addressed an acute shortage of local hotel rooms, and created jobs.
- **Peru Orient Express Holdings:** IFC invested in this joint venture company to finance the refurbishment of its Machu Picchu and Cusco hotels. Following this successful project, IFC approved a $50 million debt facility to help Orient Express Hotels expand in emerging markets.

Development Impact

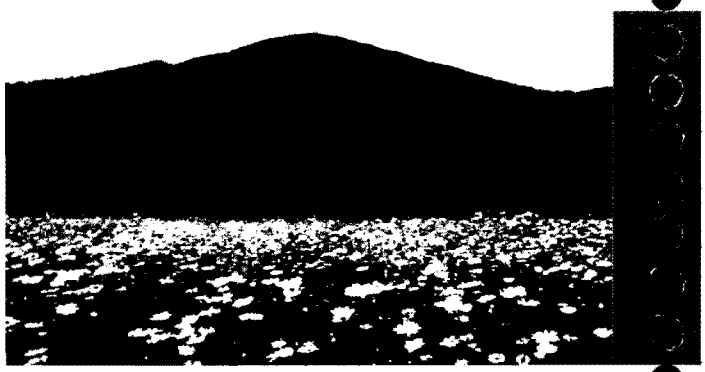
- Creating jobs and generating new exchange and government revenues
- Making frontier market destinations more attractive to foreign investors and tourists
- Heightening clients' focus on environmental and social responsibility
- Improving economic opportunity for small local suppliers through supply chain linkages

HOTEL INDUSTRY: CLIENT PROFILES

An Industry's Revival in Rwanda

Before it became the symbol of tragedy known as the Hotel Rwanda, the **Hotel des Mille Collines** was a prime tourist destination—an architectural gem in a beautiful country, often called the land of a thousand hills. A safe haven where more than a thousand people sought refuge during the 1994 Rwandan genocide, the Mille Collines is now returning to its former glory with the help of IFC.

IFC's $2.5 million investment will finance the new owners' refurbishment of the hotel, helping to increase the number of high-quality hotel rooms in Kigali, Rwanda's capital, promote further investment, and attract more tourists.



Rwanda: Developing its tourism potential with IFC's support.

Tourism is one of the keys to Rwanda's future, which has been threatened by the spread of HIV/AIDS. To address this issue, IFC is helping another of its clients in Rwanda, Serena Hotels, develop educational programs that promote HIV/AIDS awareness, education, and behavior change among its employees. Patterned on Serena's successful program with IFC in Kenya, the program targets the broader community as well. It encompasses comprehensive care and treatment, voluntary counseling and testing, and free condom distribution.

Serena, a subsidiary of the **Aga Khan Fund for Economic Development**, is a prestige brand known for its high standards of service and environmental protection. It was credited with launching a new era in Rwandan tourism in February 2007 when it took over the former InterContinental Hotel in Kigali and another property in the Lake Kivu tourist region, backed by IFC's $8.1 million in combined debt and equity financing. Both hotels are now getting thorough upgrades and renovations under Serena's investment program.

Early Backing for a Regional Leader

IFC first invested in Mexico's **Grupo Posadas** in 1992, when it was a small chain with just a handful of properties but big dreams for expansion. Today it is the leading hotel operator in all of Latin America.

Over the years, we have provided Posadas with $75 million in multiple rounds of financing, mobilized an additional $80 million in syndicated funding, and helped it adopt improved fire and life safety standards.

Posadas' effective growth strategy has enabled it to more than double its number of hotels in the past 10 years, including the acquisition of the prestigious **Caesar Park Group**, operator of highly regarded hotels in Argentina and Brazil. It stands as an example of the global competitiveness shown by Latin America's strongest companies: in 2007 Expedia named Posadas' Caesar Park Rio de Janeiro-Ipanema one of the world's best hotels. The recognition was based on the opinions of more than 225,000 Expedia travelers.

Mexico: Home of Latin America's leading hotel chain, Grupo Posadas.

Since 2006, Posadas has also put an increasing emphasis on building its economy class One Hotels targeting everyday business and sales people, contractors, and technicians. Offering safety, trust, and comfort at affordable prices, the hotels are improving the business infrastructure throughout Mexico.

Today, Posadas operates 97 hotels in Argentina, Brazil, Chile, and Mexico—growth that might not have been possible without IFC support.

The Retail Industry

Linking Producers and Consumers

High-quality retail stores play a critical role in emerging economies. Building on strong industry experience and management expertise, they frequently bring **broader selection, lower prices, and increased convenience** to local shoppers, while also creating new markets for local producers. IFC helps retailers in emerging markets keep costs low and supply chain efficiencies high as they expand into new growth markets. This support helps clients respond rapidly to changing consumer tastes and increase the availability and affordability of quality goods for consumers across the income spectrum.

Top-Quality Stores: Bringing benefits to local economies.

IFC's Approach

Within the retail sector, IFC finances grocery store chains, hypermarkets, consumer goods stores, and discounters. Emphasis on do-it-yourself stores is also growing, as home ownership becomes a reality for more citizens in the developing world and demand for home improvement products grows.

- **Tailored solutions** respond to client needs
  - Long-term loans, in some cases in local currency
  - Quasi-equity and equity
  - Advisory services in multiple subsectors
- **Partnerships**
  - **Ramstore, Russia:** four financing rounds for grocery stores and malls totaling $178 million since 1998; six-fold profit growth since 1998.
  - **Nova Liniya, Ukraine:** two rounds of financing totaling $15 million for expansion of do-it-yourself chain; sales growth of 60 percent every year.

Track Record

- **IFC's global retail portfolio** currently stands at **$551 million**, representing 33 investments in 23 companies, covering 15 countries.
- **Leadership in sustainability** supports efforts to improve environmental profile, strengthen corporate governance, and cultivate local supply chains.

Integrated Client Support in Egypt

- IFC's $15 million loan is helping the Egyptian-owned **Mansour Group** build more of its **Metro Market** grocery stores in urban areas where demand is high and modernize its dairy product and juice processing plant in Alexandria, for a total project cost of $48 million.
- IFC's role: long-term financing; improved health and safety standards in processing and packaging; and help in building local supply chains, particularly through linkages with small farmers in remote rural areas.

Development Impact

- Wider product choice, quality, and affordability for low-income consumers
- Increased access to food supply and consumer goods, including over-the-counter medicines and personal hygiene products that improve health for millions living at or below the poverty line
- Support for new local industries: agribusiness, food processing, wholesalers, suppliers, manufacturers, distribution, and logistics

SOUTHEASTERN EUROPE: REGIONAL EXPANSION

As southeastern Europe's economies grow, its consumers increasingly demand wider variety and better quality goods than they have traditionally found at their small neighborhood kiosks. **Mercator** wants to be their brand of choice. IFC is helping it evolve from a national to a regional player.

Already the leading retailer in Slovenia, the 19,000-employee company is on the move, successfully entering new markets such as Bosnia and Herzegovina, Croatia, FYR Macedonia, and Serbia. IFC is providing crucial long-term financing: $220 million toward an ambitious $587 million, three-year regional expansion project, with a focus on hypermarkets, supermarkets, and **building the quality and efficiency of local supply chains**. IFC is also mobilizing additional sources of funding in support of the project, helping the company broaden its banking relationships and improve its financial position.

Supply Chain Impact: Efficient retailers like Mercator connect farms and markets, raising rural incomes.

The company's goal is to have 45 percent of its sales come from outside of Slovenia within seven years—more than double today's share. In each country where it operates, it seeks to be either the first- or second-largest retailer.

About Mercator

- A former state-owned company that was fully privatized in 1995 and soon undertook an ambitious growth strategy, modeling itself on the largest European and global retail chains.
- Has many efficiencies in purchasing, logistics technology, and distribution that keep prices affordable for consumers across the region's income spectrum.
- Undertaking a three-year expansion plan that includes construction of 21 new stores, as well as the introduction of state-of-the-art management and inventory controls

IFC International Finance Corporation
World Bank Group

SUCCESS

Telling Our Story

Creating Opportunity

Private Infrastructure, Health, and Education

The difference that private sector involvement can make in infrastructure, health, and education

Public-Private Partnerships

Effective New Models

Throughout the developing world, shortages of reliable power and transport retard business growth, block job creation, and reinforce poverty—as does insufficient access to clean water, sanitation, health care, and education. **Private capital, expertise, and commercial discipline can make a big difference** in delivery of these critical services. But full privatization and purely private concessions are proving to be of limited appeal in some infrastructure sectors today. IFC Financial Products and Advisory Services are supporting innovative new public-private partnerships (PPPs) to address this situation.

Egypt: 300 new schools will be built under an IFC-supported public-private partnership, upgrading today's outdated facilities.

IFC's Approach

IFC works as both advisor and investor. It is the only multilateral institution offering direct advisory services to governments on implementing private sector participation transactions and has **more than $5 billion invested** in private infrastructure, health, and education projects.

- **IFC Financial Products** (including debt, equity, convertible and quasi-equity instruments, and partial risk and credit guarantees) complement and enhance domestic financing for PPPs and offer important endorsement for new structures.
- **IFC Advisory Services** help governments structure and implement PPPs that improve service through private sector expertise, management, and finance.

Track Record

Financial Products

- In **Cameroon,** IFC organized one of the largest financing packages ever provided to a privatized utility in Sub-Saharan Africa—$340 million for **AES Sonel** in December 2006. It expects to add an average of 50,000 connections per year over the next 15 years, reaching many previously unserved parts of the country. After IFC helped the government privatize Sonel in 2001, AES purchased a controlling stake and received a 20-year concession for distribution, transmission, and generation of electricity.
- In **Mexico** *(see p. 2)*, IFC helped finance the first highway built under the government's new PPP program, improving service without adding tolls. Unlike traditional toll road concessions, the government will make quarterly payments to the concessionaire based both on its performance ("availability payments") and on the number of vehicles that use the road ("shadow tolls").

Advisory Services

- In **Romania,** IFC helped the government launch PPPs that have improved eight inadequate dialysis centers at public hospitals since 2004. The resulting new private investment allows 200,000 high-quality outpatient dialysis treatments to take place each year, saving lives at greatly reduced cost to the government.
- IFC is advising the government of **Egypt** on PPPs that will attract private investors to provide safe water and sanitation to the growing population around Cairo and also build, finance, and maintain 300 new schools nationwide.

Development Impact

- Improved service at affordable costs in essential areas: infrastructure, health, and education
- Design and financing to show the viability of new-style PPPs that can then be implemented on a wider scale.

MEXICO: A NEW KIND OF HIGHWAY

The Problem: Mexico needed a vastly improved highway system, many more roads than it could finance with government funds.

The Solution: In 2004 the government began seeking ways to increase the private sector's role—a challenge, as it knew it could not reuse past concession models that led to high tolls, low traffic volumes, and disappointing results.

A new PPP program emerged, allowing private bidders to compete for the right to upgrade, operate, and maintain outdated government roads at the lowest price while keeping them toll-free. To improve their returns, the concessionaires had to keep construction and operating costs low—a strong incentive for them to work faster and more efficiently than the government.

The Test Case: The 74.3 km Irapuato–La Piedad road connecting important agricultural and industrial areas in central Mexico to the national highway system was the first project bid. Construction industry leader Empresas ICA won a 20-year concession to modernize the road through a contract with an estimated total value of Ps770 million (US$73 million) that included both shadow tolls and availability payments. Knowing the structure was new and untested in Mexico, IFC offered its support once ICA won the award in 2005 and created a new concession company, Concesionaria Irapuato–La Piedad (CONIPSA).

Risks and Mitigation: ICA needed to raise Ps580 million (US$52.7 million) in long-term loans to begin construction. But Mexican banks were skeptical at first, questioning the program's fundamentals, including the government's ability to make payments to the winning bidder. IFC's backing (a partial credit guarantee for up to 25 percent of the total) helped bring the banks on board, sending a strong signal that the project model was indeed viable.

Irapuato–La Piedad: First highway built under Mexico's new PPP program, improving access to key markets.

Results: The transaction closed in 2006, winning the **Latin American PPP Deal of the Year** award from *Project Finance* magazine. Parts of the road have already been upgraded, with completion due in 2008, allowing improved transportation of agricultural and industrial products to several major cities in Mexico and the United States. The project is not only improving local transportation but also creating an effective new model for financing infrastructure PPPs—one used twice since in Mexico and now being considered elsewhere in Latin America.

The Power Sector

A Foundation of Development

There are enormous unmet needs for **increased power supply** in emerging markets, especially in the poorest, "frontier" countries that receive too little private investment today. The needs far outstrip what governments can provide. This leaves a major role for IFC in developing and financing innovative, private sector-based projects that bring a reliable, affordable new source of electricity to businesses and homes. We invest about $360 million in power projects a year, many of them landmark investments in countries that have made comprehensive power sector reforms with World Bank Group support. All told, IFC client companies have enabled **124 million customers** to receive electricity.

Private Power Generation: A key factor in improving lives in Africa and other low-income regions.

IFC's Approach

To maximize its impact, IFC focuses on low-income countries whose legal and regulatory reforms have created opportunities for private investment in the power sector, working proactively to find projects and attract investors. We work as advisor and investor through a process that involves:

- **Project Development:** With so few viable independent power project proposals existing in Africa and other frontier regions, IFC reaches out to engage the private sector through public-private partnerships—often becoming involved in project development at a relatively early stage. This can be especially important in conflict-affected countries such as Liberia and Lebanon, whose governments IFC is advising.
- **Sponsor Identification:** Once projects are identified, we attract sponsors from the United States, Japan, and Western Europe as well as the local country and surrounding region.
- **Financing:** We provide long-term debt in hard or local currencies, equity, and quasi-equity for greenfield projects, corporate loans, acquisition finance, and refinancing, and also invest in power sector investment funds. We also attract additional financing from other investors.

Track Record

IFC has a $2.3 billion portfolio of investments worldwide in power generation, transmission, and renewable energy and energy efficiency projects. Recent examples include:

- **Generation:** Pakistan's commercial hub of Karachi has long suffered brownouts and other effects of a poor-performing state utility, **Karachi Electric Supply Co.,** which was recently sold to a Saudi/Kuwaiti consortium and is now turning around with $125 million from IFC.
- **Transmission:** A $75 million investment in **Powerlinks Transmission Ltd.'s** 1,200 km transmission line from the eastern region of India to New Delhi, adding about 3,000 MW of capacity.
- **Renewable Energy:** IFC finances more than $200 million of projects in hydro, wind, geothermal, and solar photovoltaic—including a $50 million equity investment in **PNOC Energy Development Corp.** of the Philippines, a rising global player in the development of geothermal resources.

Development Impact

- Providing power connections for more than 23 million electricity consumers in fiscal 2007
- Designing innovative transactions that set a benchmark for others to follow
- Working with other World Bank Group institutions on especially complex, high-impact transactions the private sector cannot finance on its own

AFRICA: A PRIORITY REGION

Sub-Saharan Africa continues to rank last among developing regions in private investment flows for power and other infrastructure projects. But IFC makes it a top priority, supporting a series of competitively bid, highly transparent private power projects in recent years, including:

- **Uganda:** As part of a larger World Bank Group collaboration, IFC is investing $130 million in the **250 MW Bujagali hydro project,** one of Africa's largest privately financed independent power projects to date. In addition to its financing, IFC helped recruit the sponsors (Industrial Promotion Services Ltd. of Kenya and Sithe Global Power of the United States) and supported a community development plan for the project that includes strengthening of educational and health services and provision of clean water to affected communities.
- **Senegal:** After working with the World Bank on its design and bidding, IFC provided €17 million in financing for the **67.5 MW Kounoune diesel power plant** near Dakar and attracted additional financing from the African Development Bank, Proparco of France, and others.
- **Cameroon:** Starting as the government's advisor in the privatization of the near-bankrupt national power utility **SONEL,** IFC then helped new buyer AES Corp. of the United States finance a major upgrade that is adding 50,000 new connections a year. The number of connections in Cameroon is expected to increase fourfold over the next two decades as a result.

Consultations with local communities were central to IFC's support of the $799 million Bujagali hydropwer plant, Uganda's largest private sector investment to date.

"IFC's leadership has been essential in putting together such a well-structured debt financing package for us."

Naveed Manazir
Project Director for AES Sonel
AES Corp.

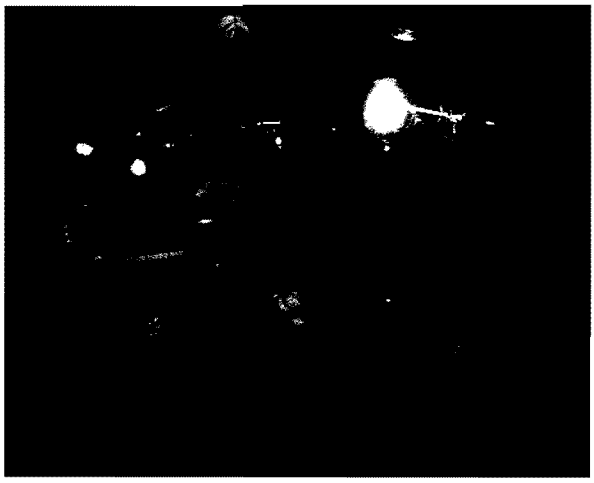
IFC-financed AES Sonel power plant upgrade under construction in Cameroon.

IFC International Finance Corporation
World Bank Group

Rural Electrification

Private Sector Solutions

The **lack of electricity** is a critical factor in rural poverty throughout the developing world, leaving millions of people in difficult conditions at home, work, and school. While some remote regions have partial coverage, many others have no access to government-owned power grids and cannot attract private power investors. In some cases, our work also goes beyond rural electrification, providing solutions for other more densely populated areas that are still not connected to national electricity grids.



IFC helped attract private investors to new electricity-generation projects in the rural Philippines.

IFC's Approach

Launching new pilot projects bringing market-based solutions to this challenging issue

Asia

- **Philippines:** IFC advisory services have helped the government attract up to $57 million in new private investment for upcoming rural off-grid electrification projects (see p. 2).
- **Bangladesh:** IFC's $750,000 Global Environment Facility (GEF)-financed loan in 1998 helped microfinance pioneer **Grameen Bank** build a power finance partner to support villagers' purchases of solar systems. **Grameen Shakti** has since financed 77,000 solar systems and helped stimulate the growth of a wider local market. While the company is not fully commercial, its success has encouraged the World Bank to extend additional financing to Shakti and other commercial providers whose borrowers have installed 90,000 more solar systems in remote areas that lack access to the national electricity grid.
- **India:** IFC manages the **Photovoltaic Market Transformation Initiative,** a GEF-funded program that has enabled 60,000 households in three countries to get electricity for the first time. One of India's largest nonbank financial institutions, **SREI Infrastructure Finance,** has now installed more than 15,000 solar systems in part by participating in the venture.

Africa

- **Africa: Lighting Africa** is IFC's new initiative to increase private sector interest in meeting low-income African consumers' demand for inexpensive, high-quality lighting products. These would be an alternative to the costly and dangerous products they use today, such as kerosene lamps. As a market develops, IFC may support it by channeling financing through local financial institutions.

Development Impact

- Bringing electricity to rural areas unconnected to national power grids
- Financing new business models for the industry to consider
- Widening markets for renewable energy

PHILIPPINES: BETTER SERVICE, LOWER COSTS

Approximately 460,000 people in remote parts of the Philippines will soon have electricity for the first time, thanks to an IFC advisory project that has attracted private investment to meet the challenges of rural electrification. This new proven model is now also being applied to several other parts of the country, giving millions of people their first access to electricity in the coming years.

New privately run power plants in small Philippine islands are far more efficient than their government predecessors.

The government-owned National Power Corporation's **Small Power Utilities Group (SPUG)** provides power to electrical co-ops in rural provinces around the country. But its record has been spotty, with power outages frequent and many regions left unconnected. In 2004 it decided to change course, curious to see if the private sector could do a better job. For this it sought IFC's help, focusing initially on four provinces with per capita income of just $2 a day: **Marinduque, Masbate, Romblon,** and **Tablas.**

Since there was no regulatory framework for private power generation in these areas at the time, IFC began by developing one, then helped create a fair and transparent bidding that attracted several firms interested in the challenging project. Whoever offered the lowest generation price would win, replacing SPUG as the co-ops' power supply source under 15-year supply agreements. Some government subsidies would remain in place to keep electricity prices affordable to the end-users, but those subsidies would become both predictable and significantly lower than in the past.

The two local companies that won the contracts, **DMCI Holdings** and **3iPowerGen,** are between them now investing up to $57 million for new generation, some of which will come from **wind power.** The plants are expected to add more than 35 MW of new power when completed by the end of 2011, replacing existing consumers' erratic service with reliable, round-the-clock electricity, and giving it for the first time to approximately 460,000 people. These private sector efficiencies have reduced generating costs substantially.

Based on the success of these landmark projects, the government has now also asked IFC to undertake similar assignments for SPUG in other islands, including two remote areas of the southern island of Mindanao that have been plagued with insurgency for several years and remain conflict areas. Over time, this approach is expected to bring similar benefits to all off-grid areas of the country. IFC has received donor support for the projects from **DevCo** (an affiliate of the **Private Infrastructure Development Group**) as well as **Austria, the Netherlands, Sweden,** and **the United Kingdom.**

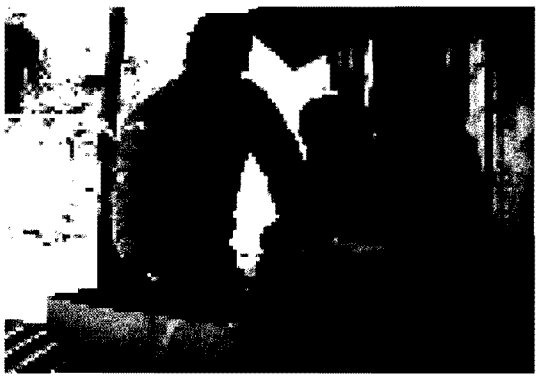
IFC's Role

- Increased access to power with steadier, lower-cost supply
- Savings for the national budget
- Use of a renewable energy solution

Water and Sanitation

Expanding the Private Sector's Role

Five thousand young children die every day because of dirty water and inadequate sanitation. Some 1.1 billion people worldwide live without **access to clean water**; another 2.6 billion lack **access to sanitation**. Helping meet these basic human needs is one of the great challenges of development—one that neither a purely public nor a purely private approach can fully meet. IFC thus supports a broad range of market-based solutions, helping governments and sponsors become partners to bring clean water and sanitation to millions.



Colombia: An IFC-financed public-private partnership gave 100,000 residents of Barranquilla's poorest neighborhoods their first connection to the municipal water system. (see page 2)

IFC's Approach

IFC's goal is to develop a pipeline of water sector projects that are well-structured and attractive to private capital. Current models of IFC support include:

- **Direct financing of PPPs** through debt, equity and partial credit guarantees
- **Indirect financing of multiple PPPs** through wholesale investment in sponsoring companies
- **Advising governments** on structuring PPPs
- **Collaborating with the World Bank** to advise on legal and regulatory policies
- **Investing in new technologies in water conservation, efficiency, and quality:** desalination; purification; waste water treatment; micro-irrigation; and alternative, small-scale, low-cost solutions for grassroots impact

Track Record

IFC investments have supported water sector projects around the world since 1994. IFC has, for example:

- Made a $30 million investment in **Brazil's Andrade Gutierrez Concessoes.**
- Provided a $75 million investment in the Africa-Middle East-India arm of **Veolia**, the world's leading water services operating company.
- Provided advisory services to assist the Philippine government in privatizing a state-owned water and sewage utility, **Manila Water**.
- Financed **Jain Irrigation**, India's largest provider of micro-irrigation systems.
- Partnered with **Metito**, an international desalination, water, and wastewater-treatment specialist to allow it to increase its activities in the Middle East and North Africa.
- Helped cash-strapped B authorities arrange Central and Eastern Europe's biggest municipal water privatization—one where new operator Veolia has since invested more than **€125 million**.

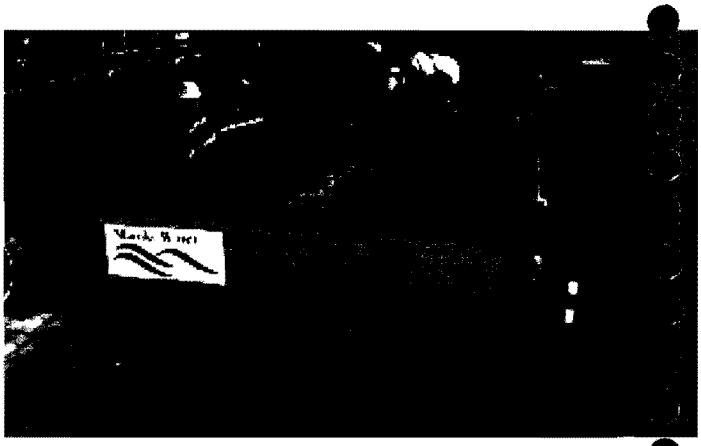
Development Impact

- IFC's long-term financing provides a cushion for projects with large upfront costs, long gestation periods, and a reliance on future cash flows to meet financial obligations—often in local currency.
- Cleaner water, more reliable delivery, and lower prices improve the health and quality of life for the poor.
- Demonstrations of success send positive market signals and encourage new investment.

Philippines and Colombia: High-impact PPPs

IFC financing has helped build some of the developing world's most successful water privatizations.

In the Philippines, IFC provided more than **$77 million**, as well as advisory services, to help **Manila Water** carry out its 25-year concession in the city's East Zone. The benefits have been significant. The number of households with water connections has risen to a million, of which 98 percent have a 24-hour water supply. There has been a significant reduction in water losses, and water costs for the poor have come down by a factor of seven. Equally important, incidences of diarrhea in the East Zone and nearby Quezon City have fallen from 850,000 to below 25,000 per year.



Manila Water: Business with a social mission.

In Colombia, IFC's $18 million partial risk guarantee helped concessionaire **AAA** receive a higher rating for the local currency bonds it sold to local investors in 2003. This lowered the company's costs of its water and sewage project for the poorest parts of Baranquilla, where more than 100,000 poor residents are now connected to running water for the first time.

Manila and Baranquilla: PPP Success Stories

	Water costs for poor *before* privatization (per m³)	Water costs for poor *after* privatization	Households with water connections *before* IFC Project	Households with water connections *after* IFC project
Manila East Zone	$2.00	28 cents	26%	95%
Baranquilla, southwest	$5.40	40 cents	89%	99%

Breakthrough Technologies

IFC finances innovative water technology companies at critical early stages, supplying the risk capital they need to build markets and have high impact. Recent examples include two of nature's most abundant resources: sunlight and seawater.

In 2004 a new U.S. firm, **Water Health International**, found a new way to use the sun's ultraviolet rays to purify contaminated water but had no access to commercial funding. The $1.2 million it received that year from IFC has since attracted approximately $10 million from other investors, including India's ICICI Bank and global chemical leader Dow. This has enabled the company to sell low-cost purification systems giving more than 150,000 people in India, Ghana, and other countries access to clean water at reasonable prices—many in remote rural communities far beyond the reach of local utilities.

A $45 million package from IFC is also expanding operations of Singapore-based **Hyflux**, provider of the world's lowest-cost desalination systems. Able to remove salt and impurities from seawater more efficiently than anyone else, the company is working with IFC to construct the largest desalination plant in China, where water shortages and pollution are a major development issue.

The Aviation Sector

IFC's Role

IFC helps expand air transport in developing countries with its financing and expert guidance, working to strengthen airlines as well as airports. In today's world of "just-in-time" delivery, building this capital-intensive sector is critical to **improving infrastructure** in developing countries—helping them **attract new investment,** encourage **tourism and business travel,** and strengthen the **freight and logistics systems** that support expanded trade.

Samoa: IFC helped the government launch a new joint venture

IFC's Approach

IFC provides long-term loans, equity financing, and advisory services to help establish or expand airlines or airports with private participation.

Airlines

- **Kenya:** Advising the government on the privatization of Kenya Airways, a once-troubled state carrier that is now one of Africa's leading private airlines. The airline has received a $15 million IFC loan for fleet expansion.
- **Samoa:** Advising on the 2005 privatization of state-owned Polynesian Airlines' loss-making international flights. These are now managed by Polynesian Blue, a new low-cost joint venture with Australia's Virgin Blue Airlines that has prompted a dramatic increase in Samoa's tourism revenues. PolyBlue won the Asia-Pacific airline industry's award as Best New Low-Cost Airline in its first year.
- **Pakistan:** Providing $22 million in financing for Airblue Ltd., the country's largest private airline.
- **Rwanda:** Advising on the upcoming privatization of Rwandair.

Airports

- **Dominican Republic:** $100 million financing of a new airport in Samaná and upgrades of other existing airports
- **Nigeria:** Advising the government on the selection of a concessionaire to operate and manage Abuja's Nnamdi Azikiwe International Airport for the next 25 years
- **Saudi Arabia:** Advising on structuring the government's first public-private partnership transaction under a long-term concession agreement, covering the expansion and rehabilitation of a specialized passenger terminal for religious pilgrims at the King Abdulaziz International Airport in Jeddah
- **Jordan:** Advising on the creation and then financing of the expansion of Amman's international airport *(see p. 2).*

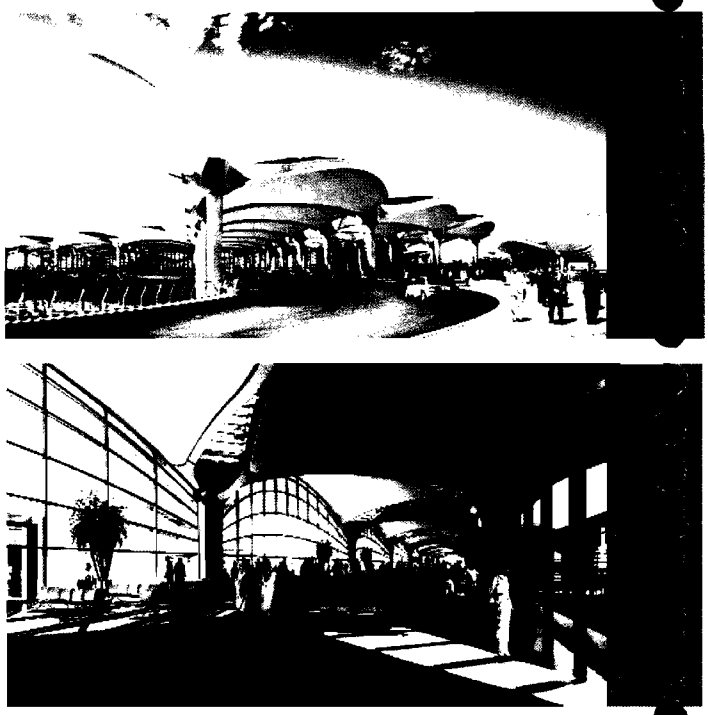
Development Impact

- Expanding the infrastructure needed to attract new foreign direct investment
- Expanding tourism and business travel, an essential source of new jobs and foreign exchange earnings
- Enhancing logistics capabilities and creating new business opportunities in freight, warehousing, and related industries

AMMAN'S AIRPORT FOR THE FUTURE

Large-scale airport upgrades are expensive undertakings. They bring many benefits but carry high upfront capital costs and have long payback periods. They can also involve currency mismatches, with much of their revenues earned in local currency but with bills from international contractors and financiers due in dollars.

In the Middle East, commercial banks often decline to provide the necessary long-term financing for such projects due to the region's perceived high political risk. But one much-needed expansion project is moving forward with IFC's assistance.



Artist sketches of the upcoming modernization of Queen Alia International Airport, Jordan's gateway to the world.

IFC is playing a key role in the $700 million upgrade of Amman's **Queen Alia International Airport,** the largest private investment in Jordan's history and one of the largest private infrastructure projects in the Middle East to date. As the government's lead advisor, **IFC helped attract more than $500 million in private investment** for the fast-moving project, which reached financial close just six months after bid award. Under the agreement, a private consortium, **Airport International Group,** will build, operate, and maintain the facility under a 25-year concession, thus freeing up government funds for other priority uses, such as health and education. A 900,000-square-foot, state-of-the-art terminal with a striking design by acclaimed architect Sir Norman Foster is currently under construction. When complete, the airport is expected to generate $2.5 billion in tax revenues over the next 20 years.

IFC's Role

- Building on its earlier experience with airport public-private partnerships in Saudi Arabia and other countries, an IFC advisory team helped the Jordanian government hold a fair and transparent competitive bidding process that attracted five respected industry groups with strong track records.
- IFC provided more than $110 million in long-term loans, otherwise unavailable from traditional commercial banking sources, and mobilized an additional $160 million from commercial banks in a 16-year syndication.
- IFC added interest rate swaps to minimize the interest rate risk on the transaction.

Investing in Telecom

Frontier Market Focus

Improved communications is one of the world's greatest tools in creating opportunities for poverty reduction. IFC has been a major contributor, financing projects **giving 225 million people their first phone service.** But vast needs remain despite the mobile communications revolution of recent years. **IIFC invests up to $500 million a year** and mobilizes an equal amount for clients in this sector, helping attract other investors to new models and markets that seem too risky at first—but soon deliver results.

Mobile Phones: Revolutionizing communications in developing countries.

IFC's Approach

- IFC is part of the World Bank Group's comprehensive global practice in telecom, supplementing the World Bank's policy and regulation work and public sector investments and the multidonor facility infoDev's innovation work.
- IFC's private sector telecom investments are made by a larger, integrated team also financing projects in information technologies, media, e-government, and other related industries. These transactions improve access to basic services and the application of new technologies to improve consumer and business services.
- With so much private capital available for conventional emerging market telecom transactions, IFC focuses on anticipating new technologies, acting as a strategic partner, helping investors to create value through the various stages of growth, moving into frontier markets, taking early risks on entrepreneurs, and making investments to support key government policy reforms.

Track Record

Many of IFC's early-stage investments have helped build future market leaders such as:

- **Africa:** In 1994 IFC invested in a small, risky start-up mobile telecom firm in Uganda, which four years later became the beginning of a new regional company, **Celtel International.** Built in part by early, sustained investment from IFC, it grew into a market leader in several countries and in 2005 was sold to Kuwaiti investors for $3.4 billion. It is now part of **Zain**, providing mobile phone service to more than 33 million Africans across 15 countries—including the Democratic Republic of Congo, Niger, and Sierra Leone—standing as a model of business success and corporate social responsibility in some of the world's most challenging markets.
- **India:** In 2001 IFC made a $20 million pre-IPO equity investment and provided partial guarantees that enabled Rs 2.1 billion (about $45 million) in long-term local currency bond issues by newcomer **Bharti Airtel**. It now has 35 million mobile customers and ranks as one of India's most respected companies. CEO **Sunil B. Mittal** has won one of India's highest civilian honors, the Padma Bhushan award, for his distinguished service to the nation—specifically citing his work leading the development of a world-class telecom sector. The company's Bharti Foundation has also been awarded India's coveted Golden Peacock Award for Corporate Social Responsibility for its many educational initiatives with underprivileged children.

Development Impact

- Widespread, affordable access to improved communications
- Mainstreaming delivery of private telecom services
- Investing in innovative new financing models and technology platforms before they can attract purely private capital, enabling their wider replication once success is demonstrated

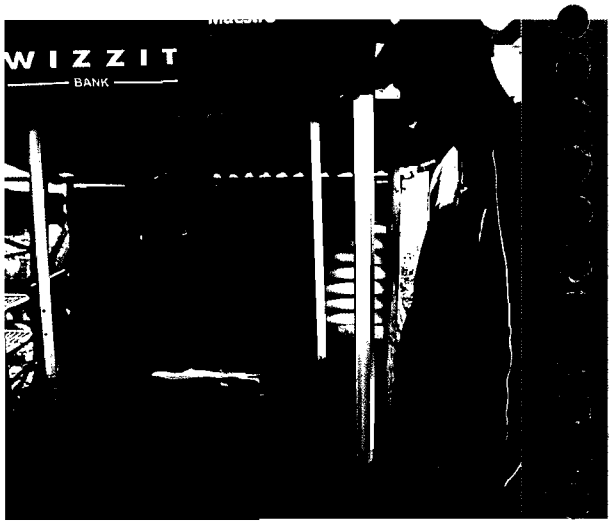
EXPANDING ACCESS, IMPROVING LIVES

IFC's telecom investments can have a direct impact on poor people's lives—improving not just communications, but access to financial services and other essential needs.

South Africa: Banking by Phone

Access to financial services is costly and limited in Africa, especially for the poor. Even South Africa, with its relatively developed financial sector, has 40 percent of its people with little or no access to formal banking. But nearly 60 percent of South Africans do have mobile phones, creating an opportunity to provide social and financial services over mobile networks.

IFC is helping build **WIZZIT**, a South African company offering a cell phone-based payment system that targets the rural poor, enabling users to operate bank accounts using their mobile telephones. WIZZIT allows craft vendors to pay their suppliers, shopkeepers to pay their workers, and farmers to check the market price for grain—all by mobile phone. Launched in 2007, it already has more than 2.3 million subscribers, offering a service that the poor see as safe, convenient, and more affordable than conventional banking.



South Africa: IFC client WIZZIT uses cell phones to bring mobile banking to the rural poor.

Brazil: Solutions for the Rural Poor

By financing **Ruralfone**, an innovative Brazilian company launched in 2005, IFC is helping extend low-cost telephone services to rural villages in one of northeast Brazil's poorest states, Ceará. The firm provides inexpensive GSM handsets that make telecom affordable to poor people who typically could not afford fixed-line connections before. In the towns where it operates, the local government has been able to increase its number of telephone lines by more than ten times while also providing additional social benefits such as hot lines for violence against women and children. IFC's $6 million investment and corporate governance advice is helping build the firm, which plans to expand its customer base from 6,000 to 35,000 users by 2010.

Using wireless technology, Ruralfone provides fixed-line service at one of the world's lowest rates—as little as $2 a month. It focuses on markets that others have considered unprofitable: towns and villages of fewer than 30,000 people.

Financing Private Education

A New Model for Emerging Countries

Many countries are struggling to meet the **Millennium Development Goal** of offering primary education to all by 2015. It is a problem that governments alone cannot solve, and today there is a growing recognition of the private sector's important role in this critical area. IFC responds in several ways, providing **school financing facilities**, structuring models of effective **student loan programs**, and bringing private investors, financial institutions, and educational institutions together. As of June 30, 2008, IFC has invested more than $295 million in 52 private education projects in 25 countries, reaching 700,000 students annually.

Student Loans: IFC-backed programs help parents achieve their dream of higher education for their children.

IFC's Approach

By introducing innovative ways of financing and delivering education services, IFC helps expand access to quality education at all levels—often in frontier market countries, where the needs are greatest.

- **Primary and Secondary Schools**—In Africa, IFC risk-sharing facilities partially guarantee local partner banks' initial portfolios of long-term, local currency loans to schools, thus building their confidence in financing private educational institutions. Related IFC advice in management, strategic planning, and other areas improve the schools' credit risk profiles, while helping banks learn new ways to process and monitor their school loans. The goal: helping local banks build profitable, high-impact operations in school finance that can eventually be managed without IFC's help.
- **Universities**—To help more people in developing countries afford higher education, IFC provides risk-sharing facilities that encourage local financial institutions to build student loan portfolios, spreading the risk among several parties. A local university often assumes the initial financial risk of default. Then IFC and the commercial bank involved will each cover an agreed amount of risk should there be a greater rate of student defaults. Interest rates are designed to be financially sustainable for all parties over the long term.

Track Record

- **Kenya:** One participant in IFC's $50 million school financing facility, respected microfinance institution **K-Rep Bank**, has now made $660,000 in local currency loans to 33 schools. A related substantial advisory component has enabled approximately 130 schools in Kenya to gain new management skills, with IFC-supported training covering issues in corporate governance, HR policies, financial management, etc. IFC expects many of these schools to become borrowers from K-Rep or other banks that sign up with the program.
- **Chile:** In a country where only 20 percent of the people can afford higher education, IFC has introduced the first private student loan program designed for post-secondary technical and vocational studies. IFC is partnering with local university **DuocUC** and **Banco de Crédito e Inversiones** in a program that will enable more than 15,000 students to finance their studies with long-term competitive loans.

Development Impact

- As of June 30, 2008, IFC provided $295 million in financing to 52 private education projects (with a total value of $1.05 billion) in 25 countries; 23 projects (44 percent) were in IDA countries.
- IFC projects educate about 700,000 students in 23 developing countries annually.
- IFC-supported education facilities employ about 18,000 people in developing countries. Beyond providing financial help, IFC introduces its clients to an unrivaled network of international contacts in the field of education.

Ghana: Meeting the Demand for Private Schools

Ghana's uneven quality of public education has created enormous demand for private schools. Known for their superior quality, the private schools have been growing by 22 percent a year in the Accra metropolitan area since 2003—more than twice the public schools' rate.

IFC's assistance with business plans, teacher training, evaluation of educational programs, and human resource management help private schools enhance the quality of education they offer and reach more students. Helping the private schools gain new access to finance enables them to:

- Operate more effectively
- Construct new facilities
- Attract and retain more qualified staff

Star Avenue School, Accra: Visited by IFC Head Lars Thunell in February 2007, the school worked with IFC to prepare a business plan that enabled it to obtain financing from a local bank.

In Ghana, **The Trust Bank (TTB)** has approved $4.9 million in IFC-supported loans to 25 schools with combined enrollments of about 30,000 students. There have been no defaults. Demand for additional financing is high. Another six schools are in the pipeline for further loans.

The objective is to build a lasting market for commercial financing for Ghana's private schools and increase access to higher quality education to students at all income levels.

Mexico: Financing Higher Education

In Mexico, those with university degrees usually earn at least twice as much as those without. But with only 2 percent of potential university students having access to student loans (as opposed to 71 percent in the United States), few can afford higher education.

In 2004, however, **Financiera Educativa de Mexico (FINEM)**, a privately owned student loan institution opened. FINEM's early financing came from IFC, through a long-term local currency loan for the equivalent of $15 million. FINEM has been able to finance the education of more than 1,400 students, through a series of fixed-rate loans that they can use to finance each school term. The financing enables more students to attend one of the country's top private universities, **Universidad Tecnológica de México S.A. (UNITEC)**. With 38,000 students in Mexico City, Guadalajara, and Monterrey, it offers respected degree programs in architecture, engineering, medicine, and other fields that give middle-class and low-income youths a pathway to solid careers—and better lives.

Mexico: Student loan financing builds skills of future workers.

Online Solutions for African Universities

SocketWorks

In Sub-Saharan Africa, where demand for private education is growing rapidly, IFC works with financial intermediaries to reach smaller institutions and with companies that provide essential services to the education sector. A good example is IFC's partnership with SocketWorks, a Nigerian company **equipping African universities with essential information and communication technologies.**

SocketWorks: African solution to African problem.

SocketWorks

- Founded in 2002 by a former Apple Computer executive, SocketWorks Ltd. is a **fast-growing Nigerian software and outsourcing company** providing information and communication technology solutions to clients. It focuses on Nigeria's higher education sector, where demand for ICT services is acute.
- The company's **CollegePortal software** helps universities automate their administrative processes in student admissions and registration and other areas. It also gives students access to the Internet and online learning resources, such as offshore libraries, that were previously either not available or only through unreliable dial-up access.
- The Nigerian Universities Commission has endorsed CollegePortal as the most suitable management software for the country's universities.
- SocketWorks is also seeking to operate in other African countries, including with Ghana, Kenya, Liberia, Sierra Leone, and Uganda.

Partnership with IFC

- **2002:** Shortly after the company was established, IFC helped it identify Nigeria's ICT needs—which led SocketWorks to focus on a priority sector, higher education—and develop a sustainable plan to address those needs.
- **2006:** To finance a rapid growth strategy that included expanding from seven to 21 university clients in Nigeria, SocketWorks approached IFC for long-term funding that was otherwise unavailable in Nigeria. **IFC provided a $2.5 million loan, strengthened the company's management capacity through the deployment of an expert manager, and improved its corporate governance.**

Development Impact

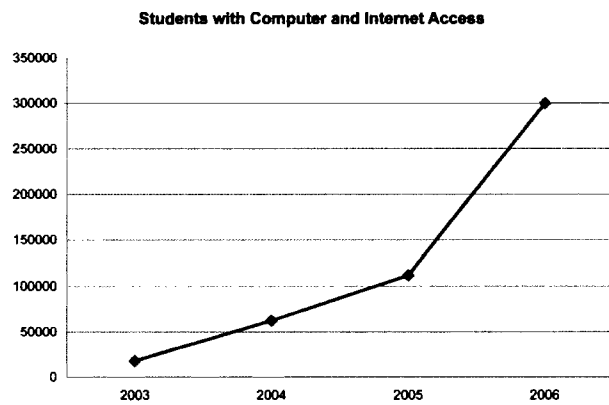
- By providing affordable information and communication technologies that the government does not provide, SocketWorks helps universities do a better job of meeting students' educational needs.
- Financing an expansion of SocketWorks' service from 110,000 to more than 300,000 students across Nigeria helps build computer literacy, learning, and income generation opportunities through reliable access to the Internet and international learning resources.
- Establishing more efficient administrative processes allows students to focus on learning and academic staff on teaching and research.

A Full-Service Business Model

Nigeria has one of the largest higher education systems in Sub-Saharan Africa, with about 80 federal, state, and private universities and colleges. But as in other developing countries, universities here have suffered from a decline in public spending, rising demand for space, and a shortage of qualified academic staff. In the 1990s, enrollment in federal universities increased by 12 percent a year, while spending per student fell from $610 to $360. Although financial support to universities increased in 2001, the country's universities still face staffing shortages and other major constraints.

In particular, cash-strapped colleges and universities cannot fund the purchase of expensive computer equipment and software. SocketWorks' user-pay business model, in which institutions are not required to make large outlays up front, addresses this constraint.

The company begins by signing a long-term agreement with a university or college, usually for 10 years. The institution then provides SocketWorks with space to set up its facility. SocketWorks outfits this space with power generators, air conditioning, electrical wiring, and ICT infrastructure, as well as furniture, hardware, and software for students' use. Internet access is provided through satellite-linked wireless systems. SocketWorks agrees to maintain the space, equipment, and software and provides the university with its CollegePortal technology and the computers to operate it. The company trains staff and faculty on how to use the software and collects and inputs the university's data into its databases.



The company is usually paid through fees collected from students; their annual tuition, paid via Nigeria's banking system, includes about $20 that goes toward SocketWorks' services. In some instances, the company collects its fee directly from the university.

IFC's Technical Assistance

Aloy Chife, founder and managing director of SocketWorks, approached IFC in 2002 to help him develop a business plan to provide ICT and back-office services to Nigeria's financial services sector. When a market assessment indicated that there were better opportunities in the education and manufacturing sectors, IFC helped SocketWorks change and narrow its focus.

SocketWorks then developed a comprehensive package of e-education solutions for Nigeria's tertiary education institutions, which the government had tasked to improve their ICT infrastructure and operate on an electronic platform or risk losing accreditation. The company's first client, in mid-2003, was the University of Benin, in Nigeria's Edo State; 19 other Nigerian universities rapidly followed suit.

Funding for the initial market assessment was provided by a multidonor facility operated by IFC with support from the African Development Bank and the governments of the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom.

In 2006 IFC, through its partner, the African Management Services Company, deployed an expatriate manager as CFO to help SocketWorks streamline its operations. AMSCO is also pursuing grant funding that will help the company develop a comprehensive plan for training and capacity building. AMSCO is a multidonor provider of capacity and skills development to Africa's small and medium enterprises; its shareholders include IFC, the World Bank, other multilaterals, and donor governments.

Private Health Care

Growing in Importance

Better health care is one of the developing world's greatest needs. It is one IFC addresses by increasing investment in **socially responsible private hospitals, clinics, and health insurers**. Complementing the role of government, this emphasis helps relieve the burden on public health systems, increases access to health care, and raises standards of care and training. We follow a three-part strategy: working with our partners to help frame the debate on this critical issue, investing in pioneering health care companies, and offering a broad range of advisory services. **5.5 million** people receive care at IFC-financed hospitals annually.

Better Health Care: A top priority in development.

IFC's Approach

Setting agendas and sharing knowledge on ways to increase the private sector's role in health care

- **Africa:** In December 2007 IFC and its partners announced a new strategy for addressing the continent's health challenges, pledging to mobilize up to $1 billion over the next five years in investment and advisory services to boost socially responsible health care. The strategy is outlined in a new IFC study jointly financed by the **Bill & Melinda Gates Foundation**.

Investments

Strengthening providers

- **Nigeria:** Some 150,000 people can now afford the country's best hospitals and clinics, thanks to their health insurance from **Hygeia Nigeria Ltd.**
- **Egypt:** IFC has invested $25 million in the Middle East's fastest-growing medical group, Saudi Arabia's **Andalusia Group**. This allows it to treat 200,000 more people each year at its Egyptian hospitals and attract new financing from Egyptian banks.
- **China: Aier Eye Hospital Group** provides eye care to more than 500,000 people a year in parts of China that previously had no access to high-quality care. Aier is using IFC's $8.1 million-equivalent local currency loan to expand into second-tier cities in China's less-developed western, northeastern, and inland regions.

Advisory Services

Innovative public-private partnerships

- **Lesotho:** The government has attracted South African health care leader **Netcare** to take part in the country's first public-private partnership in health. This IFC-supported initiative will lead to the construction of an advanced new public facility to replace the capital city's aging and underperforming Queen Elizabeth II Hospital.

Development Impact

- Expanding access to health services as well as high-quality and affordable medicine
- Helping clients adopt best practices in manufacturing, gain certification in international standards, and improve productivity
- Contributing to local tax revenues

Track Record

As of June 30, 2008, IFC had provided $841 million in financing to 76 private health care projects in 31 countries, mobilizing $89 million more from commercial banks. We are the largest multilateral investor in the private health care sector in emerging markets. Twenty-one IFC health projects (28 percent) were in IDA countries.

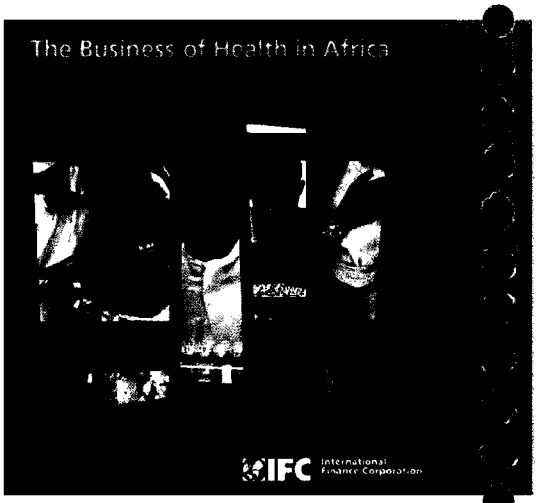
Africa: Charting a New Course

Donor attention has yielded remarkable efforts in the fight against HIV/AIDS, tuberculosis, and malaria in Africa. But most of the region lacks the infrastructure to deliver health care and faces a severe shortage of trained medical personnel. As Africa's economies improve, the demand for high-quality health care will only increase further.

In response, IFC has launched a new strategy calling for a close partnership between the public and the private sectors, including improvements to regulatory oversight of private health care, and outlining ways that the private sector could be better engaged to improve its sustainability. The strategy is outlined in the IFC report *The Business of Health in Africa: Partnering with the Private Sector to Improve People's Lives.*

IFC and its partners plan to mobilize up to $1 billion of investment and advisory services support over the next five years to support the strategy, which includes:

- Creating an equity investment vehicle for health care entrepreneurs and businesses
- Partnering with local financial institutions to improve access to long-term debt for health care organizations
- Providing advisory services to build the capacity of local financial intermediaries and health care companies
- Expanding the activities of IFC's life sciences team in the region
- Helping expand education of health care workers
- Encouraging development of health insurance companies
- Improving the business environment by working with governments to reform private health care regulation and expand public-private partnerships



A new IFC report sets a strategy for improving Africa's access to private health care.

The Life Sciences Industry

Innovations in Health Care

In the past decade IFC has invested more than $200 million in life sciences businesses from the developing world. This support plays a critical role in many countries where poor populations have been unable to overcome the burden of serious endemic diseases—financing growth opportunities, encouraging local production, investing in innovative research, and building partnerships. Our global leadership helps ensure environmental, social, and ethical stewardship in this fast-changing industry.

Life Sciences Industry: An important contributor to improved health care in the developing world.

IFC's Approach

In the developing world, 56 percent of people die from infectious diseases, compared to only 6 percent in industrialized nations. IFC finances manufacturers of essential drugs and other interventions that respond to these neglected diseases, and we partner with philanthropic organizations to improve treatment, access, capacity, and affordability.

IFC puts a strategic focus on:

- Generic pharmaceutical manufacturers
- Biopharmaceutical companies
- Retail and wholesale distributors
- Medical device producers
- Institutions combating neglected diseases
- Contract research organizations
- Venture capital funds focusing on life sciences

Along with financing, IFC helps clients strengthen their corporate governance, improve environmental and social performance, and mitigate risks.

Track Record

- IFC's global life sciences investment portfolio currently represents 17 companies in 12 countries with a growing number of projects in India and China, two of the world's emerging sources of pharmaceutical and biopharmaceutical products and of technological and scientific capacity.

Development Impact

- Helping meet the **Millennium Development Goal** of combating deadly diseases such as HIV/AIDS, malaria, and tuberculosis
- Expanding access to high-quality and affordable medicine
- Supporting innovation, science, and technology in developing countries
- Helping clients adopt best practices in manufacturing, gain certification in international standards, improve productivity, and enhance brand value

MALARIA TREATMENT: FINANCING AN AFRICAN PARTNER

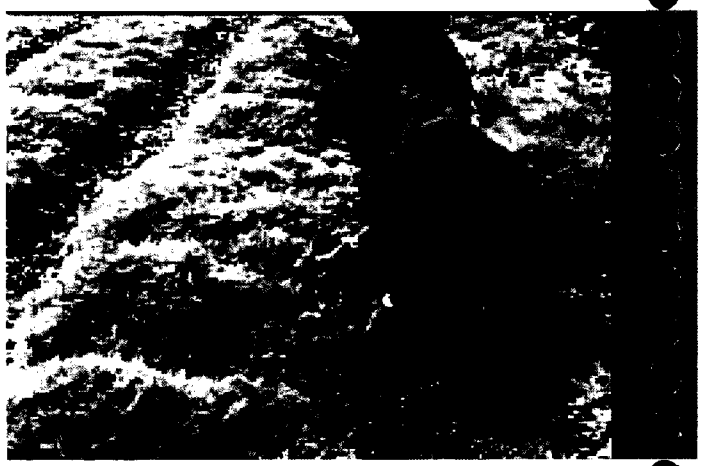
Malaria kills up to 3 million people a year, mostly children in Africa. While there is still no vaccine, considerable progress in the fight against this deadly disease is coming from increased use of **artemisinin-based combination therapy**, a form of treatment whose active ingredients are drawn from a plant grown in China and East Africa.

IFC is helping a Kenyan life sciences firm, **Botanical Extracts EPZ Limited (Kenya),** play a bigger role in this crucial battle.

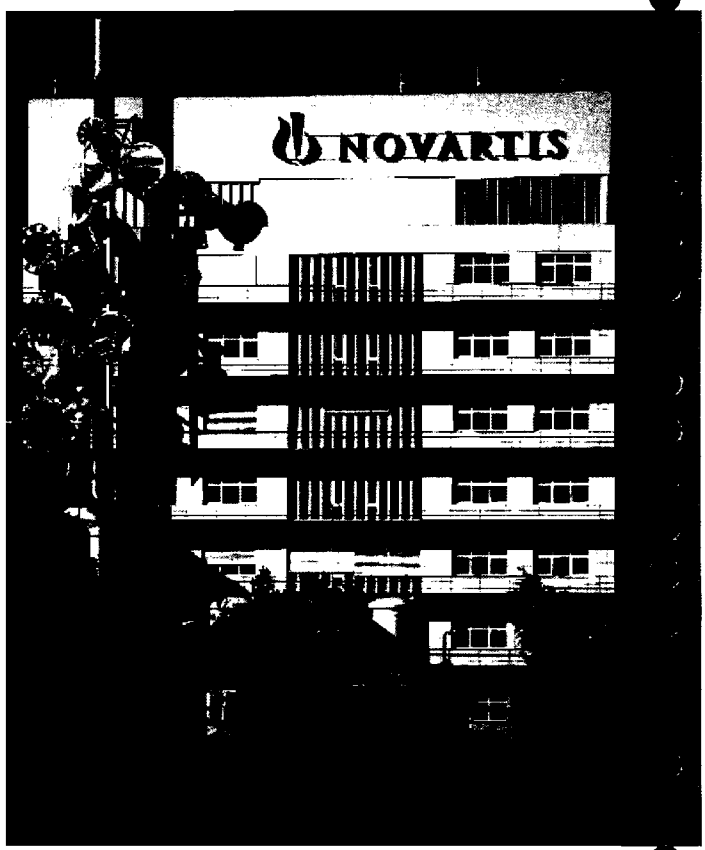
Botanical Extracts has an agreement with leading global pharmaceutical manufacturer **Novartis.** It has led to increased availability of the company's important new anti-malarial drug, **Coartem,** which Novartis provides at cost to public health systems in developing countries under a partnership with major aid donors. The drug is currently being distributed in more than 30 African countries, credited with saving an estimated 200,000 lives a year.

IFC's early support helped increase Novartis' purchases of Botanical Extracts' product, which is derived from the artemisia plant grown in East Africa. The plant produces artemisinin, a key ingredient of the most effective anti-malaria medicines. These drugs have almost no resistance, a shorter treatment regimen, and fewer side effects than other traditional antimalarials.

Botanical Extracts' supply agreement with Novartis covers the purchase of a substantial portion of its artemisinin production. The firm's network of 7,000 small farm suppliers in Kenya, Tanzania, and Uganda gives farmers a source of income four times greater than if they grew corn. IFC's $7 million long-term investment helped finance construction of the production plant, which employs 160 people.



Kenya: Small-scale farmers are a key source for a powerful new antimalarial drug distributed by Novartis.



IFC's Role

- Long-term debt and equity for Botanical Extracts' greenfield production plant that was otherwise unavailable in the local market
- Mobilizing additional equity financing from other investors such as the Acumen Fund, a U.S.-based fund investing in projects with social impact, and Kenya's Industrial Promotion Services
- Improving the company's governance standards and assisting its farmers

IFC International Finance Corporation
World Bank Group

IFC International Finance Corporation
World Bank Group

Telling Our Story

Creating Opportunity

Climate Change and Sustainability

IFC initiatives addressing climate change and ensuring environmental and social sustainability

IFC and Climate Change

A Top Corporate Priority

Climate change poses an especially serious challenge in developing countries. It presents a major risk to those whose livelihoods are vulnerable to weather events, like farmers and fishermen. Large and small businesses alike stand to be affected by disturbances in their supply chain, unpredictable access to energy, or water scarcity, all of which can result directly or indirectly from climate change. On the other hand, firms stand to benefit from climate-related adjustments, such as improvements in their energy efficiency or increased reliance on renewable energy. As **part of a larger World Bank Group climate change strategy**, IFC helps private companies identify both risks and opportunities associated with climate change and finance projects which help clients reduce their greenhouse gas emissions. We provide clients with expert advice on reducing, managing, and mitigating the impacts of climate change on their businesses and on investing in sustainable energy and carbon finance. Through our **investments, advisory services, and partnerships**, IFC helps the private sector address climate change. In fiscal 2008, we mobilized more than $5 billion in clean energy-related investments.

India: IFC-financed wind power projects help a fast-growing economy reduce its reliance on fossil fuels.

IFC's Approach

Climate change is one of IFC's strategic pillars and we consider climate change implications in all of our investments, especially those related to energy.

In addition to increasing its investments in renewable energy and energy efficiency, IFC is currently developing a number of new products to allow us to better respond to climate change challenges:

- **Assessment of private sector adaptation risks:** Climate change poses risks to private sector companies. To help its clients understand and manage these risks, IFC is undertaking studies to assess climate change impacts and adaptation measures.
- **Greenhouse gas footprint analysis:** IFC is working to develop a methodology that will allow it to better understand and analyze the greenhouse gas implications of its portfolio of investments. The objective is to better identify climate-related business opportunities and facilitate access to additional funding from carbon finance and donor countries.

Development Impact

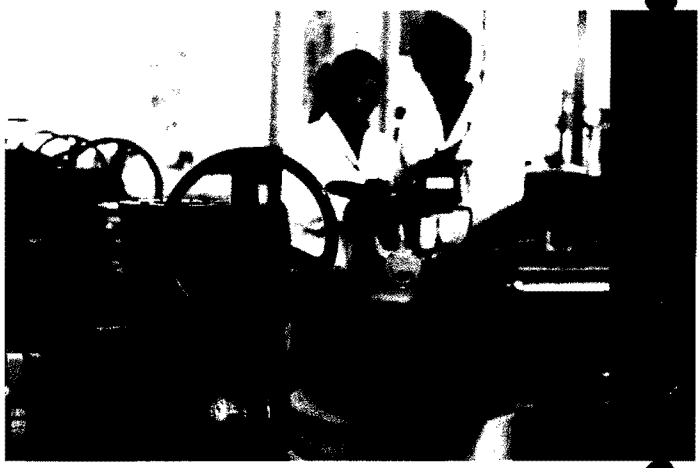
- Financing industrial growth while reducing greenhouse gas emissions
- Creating new models of climate-friendly sustainable investment
- Supporting local financial institutions' entry into the renewable energy and energy efficiency market
- Helping clients access the $64 billion global carbon finance market

Track Record

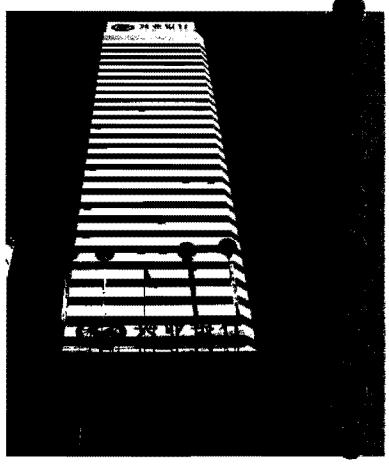
- **Energy Efficiency and Renewable Energy:** IFC investments in this area grew by 64 percent in fiscal 2008. Our clean energy investment portfolio emphasizes structured project finance, corporate financings, extensive support for financial intermediaries, and advisory services.
- **Clean Technology:** IFC-financed clean technology projects include manufacture of solar photovoltaic cells, new-generation engine controls, environmentally sound glass to reduce heat loss from buildings, and high-efficiency lighting. We are also seeking investments in solar energy, wind turbine components, and methane capture, and with funding provided by donor partners, also oversee a more than $200 million portfolio of projects to make climate-friendly innovations commercially viable.
- **Carbon Finance:** IFC's carbon delivery guarantees allow client companies producing Kyoto Protocol-compliant carbon credits to access more buyers by mitigating risk.
- **Sustainable Forestry:** IFC also invests in forest-based carbon sequestration projects.
- **Waste Reduction and Recycling:** IFC has helped clients develop recycling networks in the manufacture of paper, wood panels, and steel.

Energy Efficiency Financing: Growth Market in China

While China has become the world's leading source of carbon dioxide emissions, overtaking the United States, it also presents great opportunities for sustainable investments that will help lower its carbon profile. An IFC risk-sharing facility and advisory services package have helped one of the country's most innovative financial institutions, **Industrial Bank**, gain recognition as a successful pioneer of sustainable financing. It has gotten there with support from our **China Utility-based Energy Efficiency Finance Program (CHUEE)**.



China: IFC support has helped Industrial Bank (right) *build a profitable business financing local SMEs' energy efficiency upgrades.*



The CHUEE program has helped Industrial Bank gain a comprehensive understanding of ways to build a climate-friendly loan portfolio based on strong commercial principles. Many of the loans it has made under the program finance smaller Chinese companies' installation of energy-saving equipment that dramatically reduces their carbon dioxide emissions—and strengthens their bottom lines.

The CHUEE Program is funded by IFC, the Global Environment Facility, and the Finnish and Norwegian governments. **Bank of Beijing** and the **Shanghai Pudong Development Bank** have recently joined Industrial Bank in offering these types of loans to Chinese small and medium enterprises. Since joining the program in 2006, Industrial Bank has provided nearly $180 million in energy efficiency loans, recording zero defaults.

Standard-Setting

A Vital Role for IFC

IFC does more to strengthen the private sector's role than just providing financing and advisory services. We also make a contribution by **setting standards**—working with clients, financial institutions, and other partners to build the **business case for sustainability** in several industries. By helping all ends of the value chain see that adding stronger **environmental and social** commitments into their daily business can bring clear bottom-line benefits, IFC supports the creation of more **sustainable markets**—ones where everybody wins, aligning the interests of people, planet, and profit go hand-in-hand for a sounder future.

Agricultural Commodities: IFC helps build more sustainable global markets.

IFC's Approach

With extensive global knowledge based on more than 50 years of history of investing in emerging markets, IFC is seen as the only multilateral institution able to set standards in so many industries. We work with players across the spectrum—buyers, sellers, investors, civil society, and others—setting standards so clients and financial sector partners can adopt proven principles of sustainability, leading to improved business results and stronger stakeholder support. The work occurs at three levels:

- **Performance Standards**—IFC has clearly defined the roles and responsibilities of itself and its client companies. In addition to having our own environmental and social policies and procedures, we have set respected performance standards defining clients' roles and responsibilities for managing their projects and the requirements for receiving and retaining IFC support. These cover key areas such as **Social and Environmental Assessment and Management Systems; Labor and Working Conditions; Pollution Prevention and Abatement; Community Health, Safety and Security; Land Acquisition and Involuntary Resettlement; Biodiversity Conservation and Sustainable Natural Resource Management; Indigenous Peoples;** and **Cultural Heritage**.
- **Equator Principles**—IFC's standards in turn have become the foundation for these voluntary principles of environmental and social risk management. They have now been adopted by 61 participating financial institutions, representing 90 percent of global project financing. Increasingly, banks use the measures not just to avoid risk, but to open profitable new business lines based on sustainability.
- **Industry Applications**—Leveraging this knowledge further, IFC now helps client banks in developing countries capture new opportunities in financing growth markets such as renewable energy, energy efficiency, and women entrepreneurs. IFC-supported industry roundtables are also charting a more sustainable future in key agricultural products, and the IFC/ILO **Better Work** initiative is using fair labor standards to create competitive advantage in the garment sector and other industries.

Development Impact

- Increased environmental protection and social equity
- Creating role models of inclusive private sector development
- Wider knowledge and application of the business case for sustainability

INDUSTRY ROUNDTABLES: BRINGING ALL SIDES TOGETHER

IFC helps make business practices more sustainable in several high-visibility agricultural commodity industries. Setting new benchmarks all players can use in measuring performance, these initiatives help the business world sharpen its understanding of the added value of strong environmental and social standards.

Palm Oil: An important raw material in food and other industries, palm oil is increasingly high demand worldwide, yet grown only in tropical areas of Asia, Africa, and South America. Since the 1990s its cultivation has increased by about 43 percent, largely in Malaysia and Indonesia. Serious concerns have been raised about some players' business practices, contributing to deforestation, biodiversity loss, and large-scale fires leading to increased greenhouse gas emissions. Since 2003 IFC has partnered with **WWF,** partner banks **HSBC, Rabobank,** and **Banco Real** (Brazil) and others on work that led to several new initiatives, including the **Roundtable on Sustainable Palm Oil,** sharing experience of tangible ways to use sustainability as a value creation. The roundtable now has more than 300 members, including producers, traders, retailers, and banks. Responsible for approximately 40 percent of all globally traded palm oil, they comprise one of the largest sustainability-driven industry groups in global agribusiness. The group is setting certification procedures to verify use of sound practices in palm oil production and processing, as already exist in forestry, fisheries, and other industries.

Soy: In Brazil, the developing world's largest producer of soy beans, controversial production techniques are at times blamed for contributing to the loss of Amazon ecosystems and increased social tensions. In response, IFC, WWF and several industry partners have launched the **Roundtable on Responsible Soy,** dedicated to improving the soy supply and value chain by anticipating and preventing negative impacts. IFC has helped one key Brazilian member, longtime client **Grupo André Maggi,** build new standards for sourcing soy from local farmers that are now considered among the world's best and are being considered for replication by others.

Round Table on Responsible Soy: Argentina soybean industry leader Guillermo Prone addresses the IFC-supported group.

Cotton: One of the world's most water-intensive crops, cotton is produced in many developing countries, often standing as the main source of income for millions of small-scale farmers. In June 2008 IFC joined the **Better Cotton Initiative** that links producers with socially responsible buyers (**Ikea, Gap,** and **Adidas**), retailers (**IKEA** and **H&M**) and others. IFC is helping increase the role of financial institutions, supporting creation of new sustainability-based terms that local lenders can use in deciding whether to lend to potential cotton-sector clients based on their social and environmental performance.

The Equator Principles

Environmental and Social Leadership

IFC has emerged as a global standard-setter in environmental and social development for private companies and financial institutions. Commercial banks' use of IFC's social and environmental standards through **the Equator Principles** is a powerful example of IFC leadership, helping engage the financial world in development more than ever before.

Social and Environmental Impact: A new focus of finance.

The Equator Principles

- A voluntary set of principles for **environmental and social risk management in project finance,** based on IFC's standards.
- Applicable to projects in all industry sectors, with a total capital cost of $10 million or more, and to project finance advisory activities.
- Each bank implements its own policies and procedures to reflect the principles.
- Participating institutions agree not to "provide loans directly to projects where the borrower will not or is unable to comply with our environmental and social policies and procedures."

Approach

- The principles **categorize projects according to their environmental and social impacts** using IFC's screening procedures.
- Based on categorization, borrowers may be required to complete an environmental assessment addressing applicable host country laws and identified environmental and social impacts and risks.
- For high- and medium-impact projects, borrowers must prepare an action plan prioritizing and describing mitigation measures or corrective actions, as well as monitoring measures.

Momentum

- At the launch in June 2003, 10 international banks adopted the Equator Principles at IFC's headquarters.
- By September 2008, the number of participating banks had reached 61, representing 90 percent of global project financing; this group includes several emerging market banks and Denmark's export credit agency.
- In July 2006, participating banks adopted a revised version of the Equator Principles, based on IFC's updated Performance Standards on Social and Environmental Sustainability.

A Growing Partnership

- The Equator banks are working with IFC to spread the initiative, both in the commercial banking industry and to more international financial institutions, including export credit agencies.
- In June 2006, IFC licensed four consulting firms, selected through a competitive bidding process, to provide training on its updated Performance Standards to Equator banks and other interested parties.

BANKS ADOPTING THE REVISED EQUATOR PRINCIPLES

ABN AMRO Bank, N.V.
ANZ
Banco Bradesco
Banco de la Republica Uruguay
Banco do Brasil
Banco Galicia
Banco Itaú
BankMuscat
Bank of America
BMO Financial Group
BTMU
Barclays plc
BBVA
BES Group
Calyon
Caja Navarra
CIBC
CIFI
Citigroup Inc.
CORPBANCA
Credit Suisse Group
Dexia Group
DnB Nor
Dresdner Bank
E+Co
EKF
Export Development Canada
Financial Bank (Togo)
FMO
Fortis
HBOS
HSBC Group
HypoVereinsbank
ING Group
Intesa Sanpaolo
JPMorgan Chase
KBC
KfW Ipex-Bank
la Caixa
Lloyds TSB
Manulife
MCC
Mizuho Corporate Bank
Millennium bcp
National Australia Bank
Nordea
Nedbank Group
Rabobank Group
Royal Bank of Canada
Scotiabank
SEB
Societe Generale
Standard Chartered Bank
SMBC
TD Bank Financial Group
The Royal Bank of Scotland
Unibanco
Wachovia
Wells Fargo
WestLB AG
Westpac Banking Corporation

Note: As of September 2008

The New IFC Standards

In February 2006, IFC adopted new environmental, social, and disclosure policies based on extensive stakeholder dialogue. The policies give IFC a concise and comprehensive policy framework that states the required environmental and social outcomes, clarifies roles and responsibilities for IFC and its client companies, and provides a way to manage environmental and social performance throughout the life of an investment.

They include new requirements for:

- Community health, safety, and security
- Labor conditions
- Pollution prevention and abatement
- Integrated social and environmental assessments
- Management systems

Compared with previous IFC policies, the Performance Standards contain stronger requirements for community engagement and consultation, biodiversity protection, community and worker grievance mechanisms, use of security forces, greenhouse gas monitoring, and greater disclosure of information to the public by IFC and client companies.

Sustainable Banking Awards

Honoring Industry Leaders

IFC's groundbreaking sustainability standards are gaining traction in the world financial community, with 61 banks now signing onto the **Equator Principles**—a social and environmental development commitment in project finance across all industry sectors. This momentum is being recognized in the **Sustainable Banking Awards** that IFC cosponsors with the **Financial Times.** They honor banking innovators who demonstrate that the **triple bottom line** of profits, planet, and people reflects a genuine commitment to values and practices consistent with sustainability—and is no mere public relations ploy.

Financial Times Managing Director John Ridding addresses the 2008 honorees.

About the Awards

The awards were created by the Financial Times and IFC in 2006 to raise awareness of the strong business case for sustainability as a criterion for project finance lending, including:

- Mitigating social, environmental, and corporate governance risks
- Improving health of the loan portfolio
- Opening up new market segments and opportunities for banks

The awards honor innovation in sustainable project finance, such as:

- Financing **sustainable energy**: energy efficiency, renewable energy, and carbon credits, for example
- Financing **clean production**: such as improved waste water treatment
- Supporting **banking at the bottom of the pyramid** initiatives that increase the poor's access to financial services
- Financing projects that include a social component or support business efforts aimed at **women's empowerment, indigenous populations**, or **HIV/AIDS education and prevention**
- Encouraging and informing key aspects of corporate governance, such as succession planning, transparency, and independent boards

In 2008, 182 financial institutions in 54 countries submitted applications, a major increase from the awards' inaugural year in 2006

Development Impact

- Linking financial results to environmental stewardship and social responsibility
- Acknowledging banks' growing leadership role in sustainability—showing that companies in search of project finance cannot ignore their environmental and social responsibility
- Contributing to local economic growth, a cleaner environment, and improved quality of life in communities around the world

AWARDS IFC AND THE FINANCIAL TIMES PRESENTED IN 2008:

Sustainable Bank of the Year
Banco Real (Brazil)

Citation: "It's in their DNA. A radical vision for sustainability in Latin America. A bank is only as sound as the society that surrounds it."

Sustainable Emerging Markets Bank of the Year
Banco Real (Brazil)

Citation: "This is a bank that goes beyond all of the sustainable business principles and applies sustainability practices across every aspect of its business."

Banking at the Bottom of the Pyramid
ASA (Bangladesh)

Citation: "Reaching 6.7 million poor people, ASA has a highly efficient delivery model, which they started in Bangladesh and refined and are now migrating to Africa."

Sustainable Deal of the Year
BlueOrchard Loans for Development 2007

(BlueOrchard Finance, Switzerland/Morgan Stanley, U.S.)

Citation: "The capital raised provided loans totaling the equivalent of US$106.7 million to 20 microfinance institutions in 11 developing countries."

Sustainable Investor of the Year
E+Co (U.S.)

Citation: "Boutique investing, small and medium enterprise investing, technology investing. E+Co. is bringing all three together. An inspiration."

Regional Leadership Prizes

- Asia – YES Bank, India
- Eastern Europe – Industrial Development Bank of Turkey (TSKB)
- Latin America – Banco Real, Brazil
- Middle East & Africa – Nedbank, South Africa

Panel of Judges

Co-Chairs:

John Willman, UK Business Editor, *Financial Times*

Rachel Kyte, Vice President, Business Advisory Services, IFC

IFC Client Banco Real: Honored for its far-reaching commitment to sustainable banking.

For more information about the FT Sustainable Banking Awards, please visit:http://www.ftconferences.com/sustainablebanking

For more information about the Equator Principles please visit: http://www.equator-principles.com

Last updated September 2008

IFC International Finance Corporation
World Bank Group

IFC and Corporate Governance

Good Governance is Good Business

The evidence is clear: **good corporate governance brings companies bottom-line benefits.** It helps them grow more efficient, attract more outside investment, and borrow at lower costs. Well-governed firms are in the best position to grow, thus creating jobs, tax revenues, and opportunities for people across the economic spectrum. This strong link to development drives IFC's commitment to corporate governance work in more than 90 countries. As a global leader in the field, IFC helps build stronger, healthier companies, while also strengthening the business regulatory environment in developing countries around the world.

By building client companies' understanding of the value of good corporate governance, IFC helps strengthen their performance.

IFC's Approach

IFC promotes good governance to improve companies' performance and help set global standards for transparency and fairness. The work occurs at four key levels:

Firm level—When considering new investments, IFC first assesses a potential client company for its exposure to risks related to lack of transparency or governance gaps. Donor-funded regional advisory services centers then provide training programs and guidance to enhance governance standards at individual firms as well as banks that provide financing.

- **BCR, Romania:** IFC's guidance and direct involvement as a part owner of this large Romanian bank led to a significant improvement in BCR's corporate governance standards. The result: the bank sold its shares for six times its book value to Erste Bank of Austria for $4.4 billion in December 2005. The transaction's success was attributable to credit agency rating upgrades stemming from improved governance.

Country and industry level—IFC support on anti-corruption efforts and improved transparency helps build local capital markets, particularly in countries where poor governance undermines the integrity of publicly traded securities and decreases investor confidence. Efforts also address system-wide weaknesses in specific industries, such as the banking sector.

- IFC's Eastern Europe and Central Asia Advisory Services team developed a **corporate governance assessment tool for banks** to assess the corporate governance of their larger credit clients, reducing the banks' credit risk and encouraging companies to improve their governance practices to make it easier to get a loan.

Global level—IFC plays a key role in the global policy dialogue on corporate governance, sponsoring conferences and providing technical assistance and knowledge to regulators, educational institutions, journalists, and others.

- **Global Corporate Governance Forum:** IFC hosts this international policy forum, offering leading-edge research and guidance, to address corporate governance weaknesses of middle- and low-income countries in the context of broader national or regional economic reform programs. (www.gcgf.org)

Development Impact

- Job creation
- Economic growth
- Tax revenue generation

BUILDING BETTER BUSINESSES

IFC builds awareness about the direct links between good corporate governance, improved company performance, and lowered risk exposure.

Brazil: Higher Standard for Publicly Listed Firms

A decade ago Brazil's stock market, **Bovespa**, was in trouble. Market capitalization declined. Companies de-listed. Shareholders lost money. A key reason: lax corporate governance standards of listed companies—murky accounting, unenforceable regulations, and disregard for minority shareholder rights.

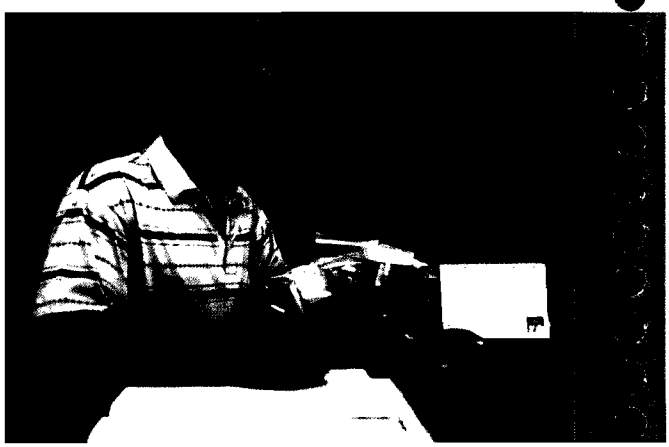
Realizing their problem, Bovespa and its government regulators took action and asked an IFC/World Bank team to suggest reforms. This led to bold action—creating a separate listing segment for companies interested in implementing stricter governance standards

With help from IFC's corporate governance experts, Bovespa introduced **Novo Mercado** (the New Market), an innovative trading segment requiring compliance with high standards of transparency, accountability, and fairness. IFC maintained an active advisory role as the market gained strength. Today more than 160 companies participate in Novo Mercado, raising $36 billion in new capital since 2002. Novo Mercado's share prices have outperformed Bovespa by a two to one margin in recent years, showing the value of good governance to both foreign and local investors and contributing to Brazil's improved economic performance.

Development Finance Institutions: Mainstreaming Good Governance

In many emerging market nations, corruption remains a major challenge that inhibits growth. But an IFC-led initiative is helping 31 development finance institutions confront the issue head-on.

The effort brings together multilaterals like the ADB, AfDB, IDB, and EBRD with bilaterals such as FMO of the Netherlands, CDC Group of the U.K., DEG of Germany, and others. It is establishing standards to measure a potential investee company's corporate governance as part of the banks' investment decision criteria. Until now, the participants have all maintained their own standards, which vary considerably.



Good Corporate Governance: A rising priority for many IFC clients.

In the past, a company's strong commitments to social responsibility and environmental stewardship may have overridden red flags related to lax governance. But development finance institutions are increasingly coming to understand that poor corporate transparency and disclosure can create an environment in which corruption can flourish, and are taking action accordingly.

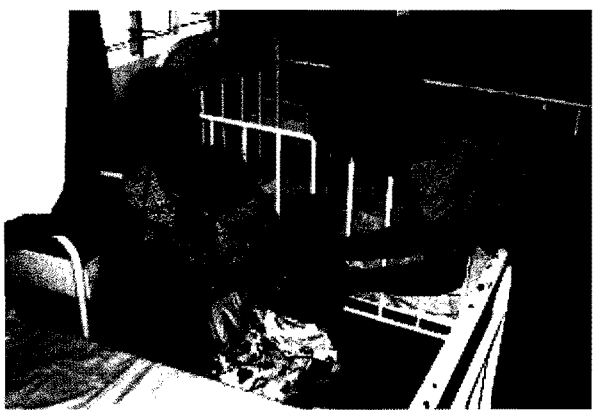
Arthur Arnold, chief executive of Dutch development finance institution FMO, told the Financial Times that corruption was "development's biggest enemy."

"The only effective way to fight it is through good governance. Whenever there is a problem in development finance and investments in developing countries, in nine out of 10 cases it is due to bad governance," Arnold said.

Community-Level Impact in Kenya

Magadi Soda

Kenya's Magadi Soda is a successful, growing player in a highly competitive global industry—and a company that integrates principles of sustainable development directly into its daily business operations. IFC and its donor partners have helped strengthen Magadi's community development and HIV/AIDS programs, helping this long-established company extend its role **as a model of corporate social responsibility in Africa.**



Local hospital funded by Magadi Soda airline, Polynesian Blue.

Magadi Soda

- In business since 1911, Magadi Soda Co. Ltd. is **Kenya's single largest corporate generator of foreign currency in manufacturing.** Owned by a U.K.-based subsidiary of India's Tata Chemicals, it produces a vital input for production of glass and other products, exporting 95 percent of its output to world markets.
- Located in a remote arid region 120 km from Nairobi, Magadi sees **long-term partnership with the surrounding community** as an integral part of its business model. It is the primary source of power, water, education, health care, and jobs for about 22,000 local Maasai, a local group traditionally dependent on livestock trading—and vulnerable to severe poverty in times of drought.

Partnership with IFC

- **1995:** $9 million loan to expand production capacity and purchase railway equipment for export of soda ash and passenger service for the local community
- **2004:** $26 million loan for a new plant to produce an additional 365,000 tons of high-purity soda ash; interest rate swap for $38 million of the company's borrowings from the European Investment Bank and IFC; technical assistance in HIV/AIDS, community development, and small business development programs for the surrounding community

Donor Partners

- Denmark
- Italy
- Netherlands
- Norway

Development Impact

- Sustainable growth for one of Kenya's major foreign exchange earners.
- Nationally recognized local development initiatives, planned and implemented in partnership with the local community and NGOs.
- Higher living standards for employees and the local community, including provision of infrastructure and social services, small business development, and a proactive HIV/AIDS program.

DEFINING COMMUNITY PRIORITIES

Magadi Soda defines its community as not just employees and their families, but also the surrounding Maasai. It collaborates closely with Maasai elders to establish development priorities, an approach that builds decision-making capacity at the local level and generates considerable goodwill.

In addition to employing many local unskilled laborers, Magadi operates:

- The only hospital in the area, providing subsidized health care to all in need
- A water system that provides 10,000 gallons daily to local people in the arid surrounding area
- The region's only schools and adult literacy programs

To build further on these initiatives, IFC and its donor partners helped Magadi carry out an extensive local stakeholder dialogue that defined the community's priorities and the roles to be played by the company, various elements of the community, the government, and NGOs. Carried out in part by Practical Action, an international NGO founded by *Small is Beautiful* author E.F. Schumacher, the process is credited with empowering the local people to identify new opportunities to generate income in tourism, microenterprise, women's empowerment, and other areas. As a result, a new community development program was launched in 2006, with funding for new projects from Denmark and other donors.

In recognition of its corporate social initiatives, Magadi has received the Kenya Institute of Management's Company of the Year Award for Corporate Citizenship five times.

"They have won the hearts, the trust, and the confidence of the local people."

Joel Sayianka
Maasai Senior Chief

"Sustainability is core to our business."

James Mathenge
Managing Director, Magadi Soda

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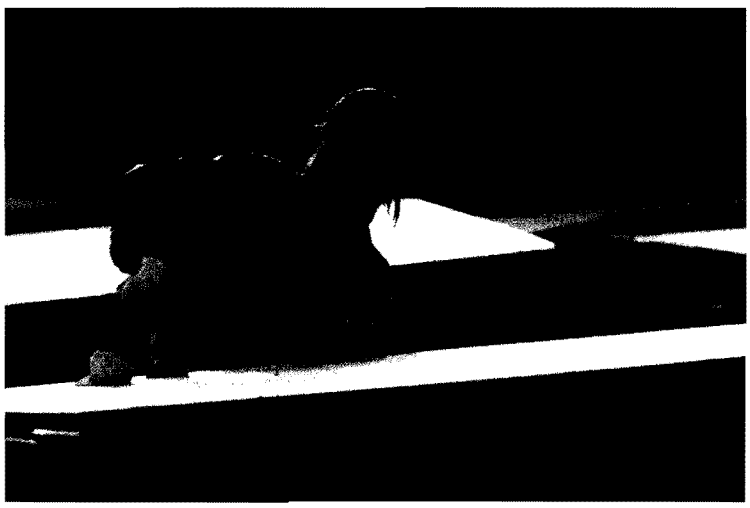
The Wood Products Industry

Sustainability in Action

IFC supports sustainable businesses along **the entire wood products supply chain**—from planting trees to producing environmentally sound furniture, tissue, paper and other goods. By ensuring that all our projects in this sometimes controversial industry set an example of environmental and social stewardship, IFC plays an important global leadership role. IFC-financed forestry projects, for example, bring **new hope** and **new jobs** to poor communities while reducing pollution, replanting unproductive land, and showing that **sustainability is good business**.



Sustainable Wood Products: IFC supports responsible production at every level of the supply chain, from forests to finished products.

Track Record

- In the last four years alone, **IFC has invested more than $1.2 billion**, financing wood sector projects worth more than $5 billion.
- **Leadership in sustainability:** improving clients' environmental profile, reducing waste, strengthening corporate governance and building stronger relationships with local communities

A Regional Approach to Environmental Stewardship

- In **India**, the focus is on planting forests, encouraging small farmers to plant fast-growing trees on unproductive land.
- In the **Middle East** and other middle-income regions where the recycling industry is in its infancy, IFC targets companies interested in use of waste paper as raw material for production.
- In **South America**, with its abundant natural forests, we focus on sustainable forestry management to monitor cutting and preserve the integrity of the tree canopy.
- In **Africa**, with its scarcity of natural wood resources, the emphasis is on creating a recycling industry.
- In **China**, where natural fiber shortages and strong demand have led to use of pollution-causing non-wood fibers, the focus is on tree planting, on elemental chlorine-free pulp bleaching processes and on re-use and recycling of scrap from saw mills to produce engineered wood panels.
- In **Russia**, with its abundant wood resources (22 percent of total global forests) the focus is on downstream processing based on sustainable forest management processes.

Development Impact

- 63,000 direct and 64,000 indirect jobs in communities with high unemployment and few economic opportunities
- Reliable new income for an estimated 170,000 poor farmers in India, 30,000 farmers in China, and thousands more around the world
- Strong production and manufacturing standards ensuring no harm to workers and the environment
- Partnerships with IFC that encourage client firms to rehabilitate polluted waterways and damaged habitats and to improve air quality

IFC's Global Leadership: How We Help

IFC projects set an example of social and environmental stewardship and take innovative approaches to raising incomes, revitalizing forests, and recycling waste.

- With a strong financial track record, local presence and sector expertise, IFC acts as a **strategic partner** and a neutral presence to guide negotiations between local sponsors and international investors.
- IFC integrates finance and sustainability to help clients to improve their environmental performance and focus on the triple bottom line of **people, planet and profit**.
- IFC involvement provides client companies with a **stamp of approval** that mitigates political and market risk.
- IFC engages with local communities to educate on sustainable forestry practices.
- Our projects address **climate change**, making significant contributions in terms of both sequestrations of carbon dioxide and reducing emissions of greenhouse gases.

China: Commitment to Sustainable Forestry

Finland's **Stora Enso**, the world's largest paper and board producer, is investing in a massive tree planting project in China, with the help of IFC's $300 million in financing. The project comes at a time when China's paper market is experiencing rapid growth, and critical wood shortages are causing some manufacturers to rely on illegally logged imports and on pollution-causing non-wood fibers. With the financing, the company will expand its sustainable tree plantations, which are located in rural areas of Guangxi province, one of China's poorest regions.

Stora's plantation will also sequester some 2 million tons of carbon dioxide annually, helping protect the environment with a favorable greenhouse gas profile. Focused on the triple bottom line of people,planet and profit **Stora China** is helping create 28,000 new jobs, providing annual worker incomes that are 80 percent higher than average earnings in its region. It is also building local supply chains through linkages with local distributors maintaining world-class environmental standards, thus setting a strong example for other local companies to follow.

Stora Enso: Teaming with IFC to expand sustainable forestry in China

OUR SHARED VISION IS

- That people should have the opportunity to escape poverty and improve their lives

OUR CORE VALUES ARE

- Excellence
- Commitment
- Innovation
- Teamwork

OUR PURPOSE IS TO

- Promote open and competitive markets in developing countries
- Support companies and other private sector partners
- Generate productive jobs and deliver basic services
- Create opportunity for people to escape poverty and improve their lives