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Telling Our Story

Improving Lives

Success Stories

Edition No. 4
2008



Frontier Markets

Projects in countries or regions with low per capita income, severe economic challenges, or political instability

IFC Makes a Difference **Pakistan**

IFC has invested more than \$1.5 billion of its own funds and arranged another \$556 million in syndications to strengthen the private sector in Pakistan over the past 51 years. These **investments** are supported by **advisory services** to both companies and governments, supporting economic growth and poverty reduction.

IFC's Strategy

- **Investing** in infrastructure, the financial sector, micro, small, and medium enterprises, and supporting local hydrocarbon and petrochemical companies
- **Providing advisory services** to build financial institutions' capacity in housing and micro, small, and medium enterprise finance, to remove key obstacles to smaller businesses' growth, and to encourage public-private partnerships and privatizations

Track Record

Investment Climate

- **Management Training and Corporate Governance:** IFC's partial guarantee of a local bank's 7-year senior PKR350 million (\$5.9 million) loan is enabling Pakistan's **Institute of Business Management** to reach 2,400 more students. The **Pakistan Institute of Corporate Governance** is also receiving IFC's support to bring directors of local corporations up to the standards of one of the world's largest proxy and corporate governance service providers, U.S.-based Institutional Shareholders Services. IFC is also building Pakistan's system of alternative dispute resolution, an effective mediation process that has so far freed up \$17 million in smaller businesses' funds that had been tied up in litigation.



IFC helps create opportunity in Pakistan.

Financial Sector

- **Banking:** IFC has provided the largest private commercial bank in Pakistan, **Habib Bank Limited**, with \$50 million in long-term funding to support its postprivatization expansion into retail banking.
- **Microfinance:** IFC is strengthening three key microfinance institutions targeting clients who typically have no other access to financial services—the **First Microfinance Bank of Pakistan**, **Tameer Bank**, and the **Kashf Foundation**.
- **Leasing:** IFC partnered with Japan's **ORIX Corporation** to form **ORIX Leasing Pakistan Limited**, now the largest leasing company in Pakistan with more than 25,000 clients, mostly small businesses.

Infrastructure

- **Power:** IFC has invested \$125 million in the recently privatized **Karachi Electric Supply Company**.
- **Transport:** IFC is supporting the expansion of **Airblue Limited**, the country's largest private airline, with a \$22 million loan that will increase the number of reliable domestic and international flights available to travelers.

Development Impact

- Improving the investment climate
- Helping build a stronger, more efficient financial sector more capable of supporting local entrepreneurs and job creation
- Increasing the private sector's role in infrastructure and other key sectors

Support for Priority Sectors

Housing Finance

As part of a broader initiative to strengthen the housing finance sector, IFC is providing advisory services to improve the performance of the largest and oldest mortgage lender in Pakistan, the **House Building Finance Corporation**. The support is enabling the company to make housing finance available to some of the country's poorest people, offering 20-year local currency loans with an average size the equivalent of \$5,000.

IFC has helped HBFC develop a business plan for its upcoming transition from a government program to a proactive, independent, and self-sustained commercial mortgage lender. This will help it to build its business volumes and attract market funding at viable rates. Currently serving approximately 100,000 borrowers with a \$33 million portfolio, its potential market is much larger. IFC's support has helped it **turn from insolvency to profitability in less than two years**, laying the groundwork for a future privatization that should enable HBFC to reach significantly more low-income borrowers in Pakistan.



Housing Finance: A key to better living conditions.

Power

IFC has played an important role in helping Pakistan become one of the developing world's leaders in **independent power projects**. Since 1995 we have invested more than \$325 million in this sector, financing five different privately sponsored projects that have added more than 500 MW of new generating capacity. All have performed well, helping attract additional private investment into this vital industry.

But with serious power shortages remaining, IFC took another significant step in 2007, investing \$125 million in newly privatized **Karachi Electric Supply Company**. Backed by strong Saudi and Kuwaiti investors, KESC is launching a turnaround of this utility, which had performed poorly while under state ownership, vowing to improve the quality of service to consumers and demonstrate the benefits of power sector privatization. IFC sees this loan as a direct investment in Pakistan's future. It will improve services for up to 14 million consumers in Karachi, Pakistan's industrial and commercial capital.

Hydrocarbons

In 2007 IFC attracted \$35 million from **ABN AMRO** and a Canadian fund for a new oil exploration and production project sponsored by a local company, **Dewan Petroleum**. It was the first international loan syndication in Pakistan since the 1998 Asian financial crisis. The financing supplemented an IFC equity investment of up to \$12 million and a \$15 million loan to Dewan, a new Islamabad-based oil and gas firm that is committed to environmental and social sustainability. Working closely with IFC, it is taking comprehensive steps to ensure sound environmental and social management of its projects. Its success is expected to foster new enthusiasm for domestic entrepreneurs and encourage other private companies to participate in Pakistan's exploration and production sector.

A Rising Priority for IFC

Yemen

Yemen is **the Middle East's poorest country**, one seeking to build new sources of income to replace dwindling oil reserves but whose private sector is still at a very early stage of development. To support the change in direction, we are using a three-part process: supporting investment climate reforms to create a more favorable overall business environment, providing advisory services to strengthen local entrepreneurship and access to finance, and increasing IFC's investment. While still in its early stages, it is an **integrated country program** that holds promise for one of the region's most challenging markets.

IFC's Approach

Investment Climate Reform

Excessive regulation and bureaucracy hold back private sector development, severely limiting the domestic entrepreneurship and foreign investment needed to create jobs and fight poverty.

IFC's response:

- **Red Tape Reduction:** Since November 2006, IFC has been helping the government simplify its business registration process as a first step in implementing the reform agenda outlined in the annual IFC/World Bank *Doing Business* reports. A second project, cofinanced by the UK's Department for International Development, focuses on improving tax policy and administration.
- **Mining Policy Reform:** IFC and the investment climate program it operates with the World Bank, FIAS, are also helping the government create investor-friendly conditions in mining, one of Yemen's highest-potential industries.
- **Investment Promotion:** IFC is also helping build the government's policy, institutional, and investment capacity and driving a strategy to make better use of existing free zones and industrial estates in Yemen.



Yemen: IFC works on several fronts to spark job creation.

Micro, Small, and Medium Enterprise Development

- **Management Training:** More than 5,600 Yemeni entrepreneurs have taken seminars through *Business Edge*, IFC's global management training brand.
- **Microfinance:** Less than 3 percent of Yemenis have bank accounts today. To help fill the void, IFC and German development bank KfW are teaming to create the country's first commercial microfinance institution.
- **Leasing:** To increase access to finance for small and medium enterprises, IFC helped the government with new leasing legislation that was approved in early 2007.

Track Record

IFC's \$132 million investment portfolio, up from \$12 million in 2005, includes:

- **Arabian Yemen Cement Company:** the first cement plant in one of the country's poorest regions
- **Saudi German Hospital:** an advanced 300-bed hospital in Sana'a that introduced private health care in Yemen
- **Saba Islamic Bank:** partial guarantees of new trade finance transactions with smaller companies

Development Impact

- Improving the investment climate
- Helping build a stronger, more efficient financial sector that will be more capable of supporting local entrepreneurs and job creation
- Increasing the private sector's role in key parts of the economy

Attracting New Foreign Investors

Yemen has traditionally received little foreign investment outside the oil and gas sectors. But IFC is helping it attract sophisticated **new investors from Saudi Arabia**, financing projects in key sectors that are helping move the local economy forward.

Arabian Yemen Cement Company is a new cement plant being built in a remote part of Hadramout Governorate, one of the country's poorest regions. IFC provided a \$70 million loan and mobilized another \$55 million from commercial banks, helping Saudi Arabia's **Eastern Province Cement Company** and its investment partners bring state-of-the-art, energy-efficient technology to this remote region while also advising them on a community development plan. "As it is difficult to obtain long-term financing for such a large project in Yemen, IFC's support is a critical component of this project," said Abdullah Ahmed Bugshan, chairman of Arabian Yemen Cement Company.

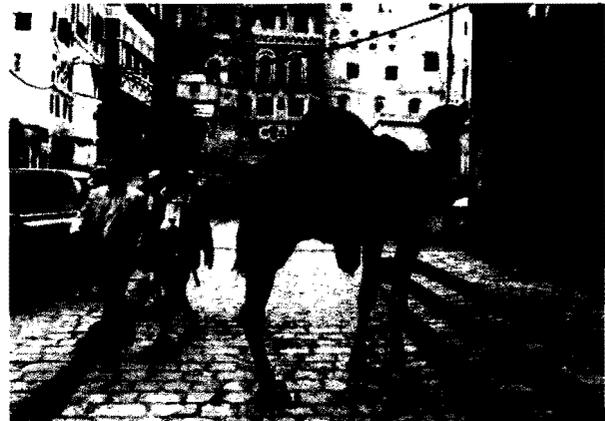
Saudi German Hospitals Group, owned by Bait al Batterjee Medical Company, is the leading provider of private health care services in Saudi Arabia and is beginning a regional expansion intended to make it the industry leader throughout the Middle East and North Africa. IFC recently financed its first facility outside of Saudi Arabia, a new 300-bed hospital in Sana'a that has introduced several aspects of modern medicine to Yemen:

- Cancer treatment with the linear accelerator radiology that is so common in the United States and Europe
- Sophisticated cardiology using beating heart surgery
- Isotopic scanning equipment for tumor identification
- Hip and knee replacements
- Endoscopic surgery that allows a patient to be in the hospital for just one day, rather than 10 as before

The hospital currently has contracts that allow it to provide health care to 70 companies in Sana'a as well as individual patients. Its sponsors are working with IFC to open a new hospital in Cairo in 2009, continuing the regional expansion of their effective model that began in Saudi Arabia.



Saudi German Hospital: Raising the standards of health care in Yemen's capital.



Private Infrastructure, Health, and Education

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

Growing in Importance Private Health Care

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. In 2007, **11.25 million people** received care at IFC-financed hospitals.

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**.



Better Health Care: A top priority in development.

Investments

Strengthening providers

- **Nigeria:** More than 220,000 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.
- **Romania:** IFC financing helped **MedLife S.A.** build the country's first private hospital chain.

Track Record

Since 2000, IFC has provided \$536 million in financing to 47 private health care projects in 25 countries, mobilizing \$70 million more from commercial banks. We are the largest multilateral investor in the private health care sector in emerging markets.

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

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 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.



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.

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.



Samoa: IFC helped the government launch a new joint venture airline, Polynesian Blue.

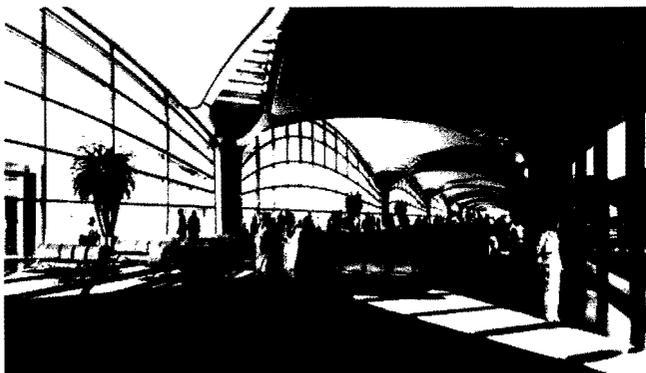
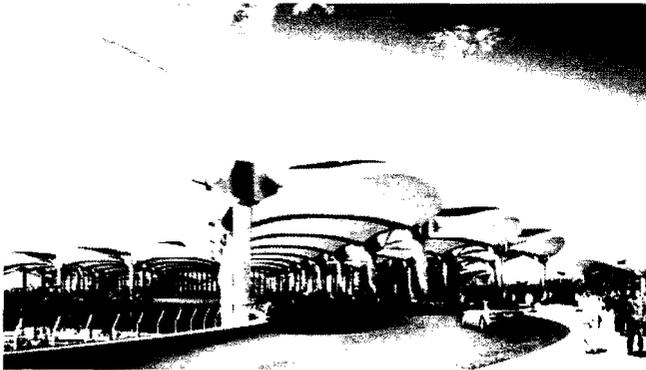
■ Airports

- **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



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

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.

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.

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-

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.

Innovations in Health Care

The Life Sciences Industry

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.

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.



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

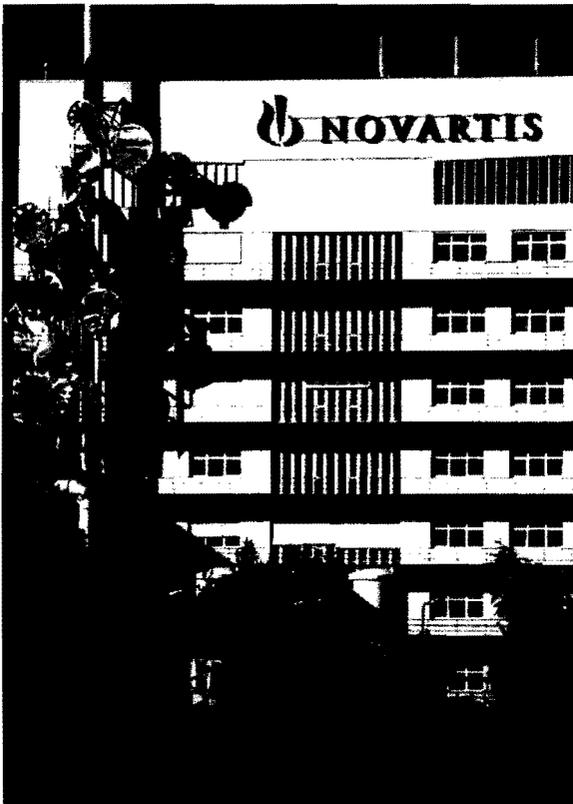
Development Impact

- 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



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



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.

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

Private Sector Solutions
Rural Electrification

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. **IFC is working to bring power to people who need it.** 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's Approach

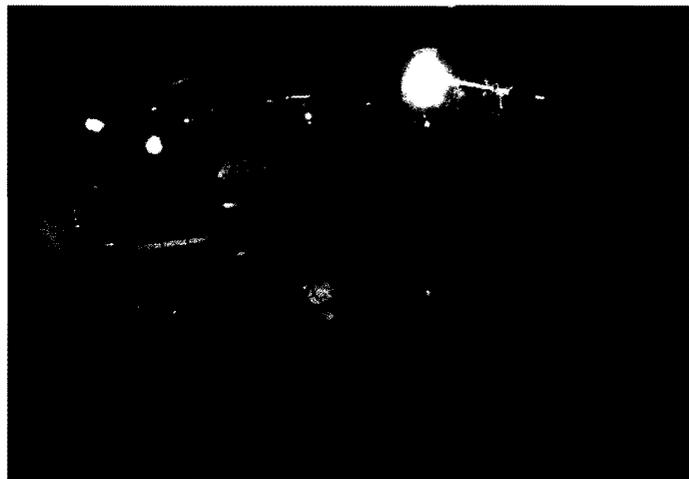
Launching new pilot projects bringing market-based solutions to this challenging issue

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.



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

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.

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.



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

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

Developing Local Financial Markets

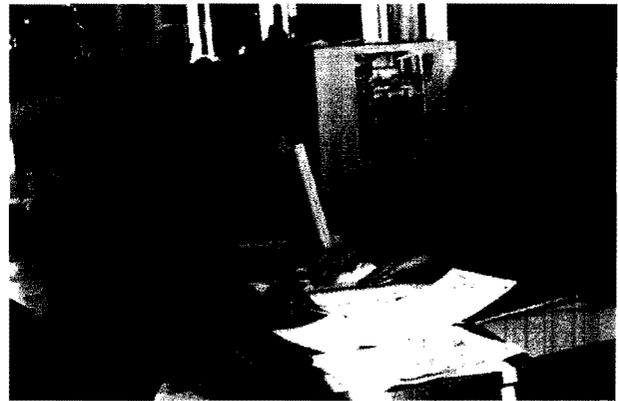
*Building the well-functioning financial markets that are essential to
successful and sustainable economic growth*

A Key to IFC's Development Impact Banking Partnerships

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 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.



IFC's Banking Partnerships: Increasing access to finance worldwide.

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 also helped Italy's largest banking group build its network in Central and Eastern Europe, financing acquisitions in Serbia and Croatia.
- **National Bank of Greece:** In its largest equity investment to date, IFC invested \$275 million in 2007 to support NBG's acquisition of Finansbank in Turkey. This added to a relationship that began in 1998, when IFC helped NBG revive 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

Long-Term Partnerships with Emerging Players

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

IFC's Role
The Hotel Industry

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.

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



Hotels: Welcoming foreign investors to emerging markets.

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 | ■ Marriott |
| ■ Orient Express Hotels | ■ Serena Hotels |
| ■ Tourism Promotion Services LTD | ■ 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

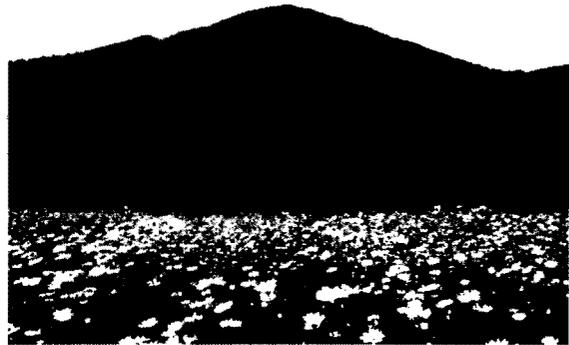
- Creating jobs and generating new exchange and government revenues
- Making frontier market destinations more attractive to foreign investors and tourists
- Heightening clients' focus on environmental and social responsibility
- Improving economic opportunity for small local suppliers through supply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

Linking Producers and Consumers
The Retail Industry

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.

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.



Top-Quality Stores: Bringing benefits to local economies.

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 of 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.

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



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

Sustainability

*IFC initiatives with large environmental, social,
and governance impacts*

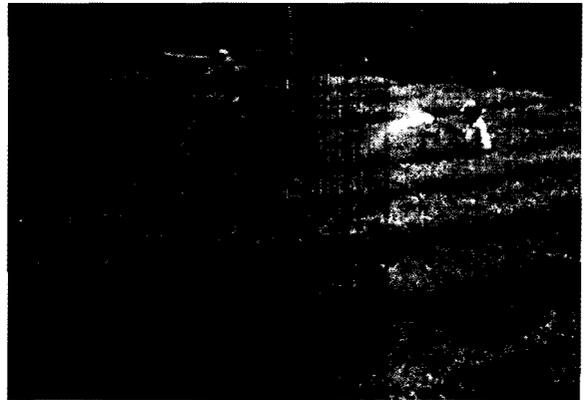
IFC supports sustainable businesses along **the entire wood products supply chain**—from planting trees to producing environmentally sound furniture, tissue, paper, and other goods. By ensuring that all our projects in this sometimes controversial industry set an example of environmental and social stewardship, 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**.

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 using 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 nonwood fibers, the focus is on tree planting, on elemental chlorine-free pulp bleaching processes, and on reuse and recycling of scrap from sawmills to produce engineered wood panels.
- In **Russia**, with its abundant wood resources (22 percent of total global forest) the focus is on downstream processing based on sustainable forest management processes.



Sustainable Supply Chains: From planting seedlings to producing paper and furniture.

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 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 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 to both sequestrations of carbon dioxide and reduced emissions of greenhouse gases.

Sustainability as Business Strategy in Vietnam



Vietnam's Khai Vy Corporation: Successful and sustainable.

Vietnam's **Khai Vy Corporation** has grown from entrepreneurial start-up to world-class furniture maker in just 12 years. Employing nearly 8,000 people, it sells to France's Carrefour, Metro of Germany, and other top international retailers—many of them attracted by the fact that much of Khai Vy's wood comes from suppliers certified by the **Forest Stewardship Council**, a respected international body promoting responsible management of the world's forests. IFC has provided \$6 million in financing and advisory services to support Khai Vy's growth and help it increase its environmental, social, and corporate governance standards.

Support for a Recycling Pioneer in Nigeria

Although demand for tissue is growing in West Africa, supply is not keeping pace. There are few tissue converters operating in the region other than Nigeria's **Star Paper**, the country's largest tissue and stationery producer, with a 60 percent market share and a full-time workforce of approximately 1,000. IFC is financing an expansion program to help it capitalize on strong market opportunities, both inside Nigeria and through cross-border trade with other countries. IFC is also providing advisory services to help Star Paper increase the amount of recycled paper it uses in its products, thus improving sustainable business practices and environmental standards.

IFC's long-term \$10 million loan is improving the company's balance sheet as it works to triple capacity by 2010. Related advisory services support training, supply chain linkages with small businesses, and logistics improvements. "This partnership will nurture our internal processes and systems and raise our operations to a world-class standard. This will give us a competitive edge to offer sustainable, high-quality products and great value to our stakeholders," said Chief Nnana-Kalu, CEO and chairman of Star Paper.