



TED POLLETT

Sub-Saharan Africa

Project Financing and Portfolio

(millions of U.S. dollars)

	FY03	FY04*	FY05**
Financing committed for IFC's account	140	405	445
Loans	93	242	357
Equity	28	81	36
Guarantees and risk management	20	82	52
Loan syndications signed	26	0	0
TOTAL COMMITMENTS SIGNED	167	405	445
Committed portfolio for IFC's account	1,448	1,608	1,698
Loans	974	1,010	1,185
Equity	414	461	336
Guarantees and risk management	60	137	177
Committed portfolio held for others (loan participations)	254	225	194
TOTAL COMMITTED PORTFOLIO	1,702	1,832	1,892

Loans include loan-type, quasi-equity products. Equity includes equity-type, quasi-equity products.

* Includes regional share of LNM Holdings investment, which is officially classified as a global project.

** Includes regional share of BAPTFF investment, which is officially classified as a global project.

IFC's Largest Country Exposures

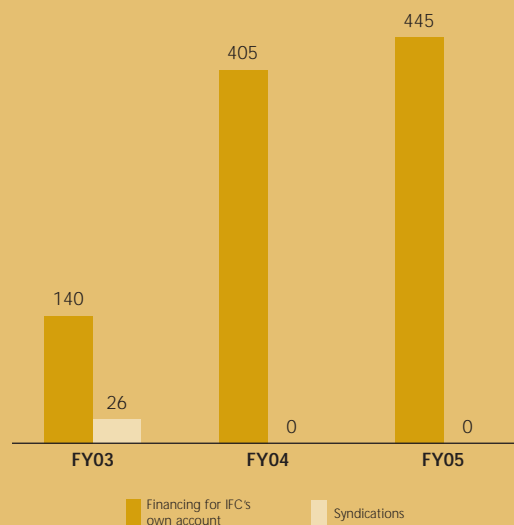
Committed portfolio for IFC's own account as of June 30, 2005*
(millions of U.S. dollars)

Nigeria	419
South Africa	191
Mozambique	139
Cameroon	121
Kenya	115

*Excludes individual country shares of regional and global projects.

Commitments

(millions of U.S. dollars)



Project Commitments and Countries

	FY03	FY04	FY05
Number of projects	21	25	30*
Number of countries	13	12	14

* Includes BAPTFF investment.

ANGOLA, BENIN, BOTSWANA, BURKINA FASO, BURUNDI, CAMEROON, CAPE VERDE, CENTRAL AFRICAN REPUBLIC, CHAD, COMOROS, DEMOCRATIC REPUBLIC OF CONGO, REPUBLIC OF CONGO, CÔTE D'IVOIRE, DJIBOUTI, EQUATORIAL GUINEA, ERITREA, ETHIOPIA, GABON, THE GAMBIA, GHANA, GUINEA, GUINEA-BISSAU, KENYA, LESOTHO, LIBERIA, MADAGASCAR, MALAWI, MALI, MAURITANIA, MAURITIUS, MOZAMBIQUE, NAMIBIA, NIGER, NIGERIA, RWANDA, SENEGAL, SEYCHELLES, SIERRA LEONE, SOMALIA, SOUTH AFRICA, SUDAN, SWAZILAND, TANZANIA, TOGO, UGANDA, ZAMBIA, ZIMBABWE

New Opportunities for the Private Sector

Growth for Africa was 4.4 percent in calendar year 2004, an increase from 3.1 percent in 2003. The region benefited from the recovery of the world economy, rising commodity prices, improved macroeconomic stability, and country-specific developments. Still, growth remains below the 7 percent target that is needed to reach the Millennium Development Goals by 2015. Africa faces immense challenges in generating private sector development and overcoming a weak investment climate, lack of infrastructure, HIV/AIDS, conflict, and a shortage of human capital.

IFC is working to address Africa's development more comprehensively through a new strategy initiated in FY04. Committed investments were \$445 million for FY05; for the first time, we have invested over \$400 million in the region for two consecutive years. IFC's strategy focuses on expanding the program to target smaller businesses, which constitute much of the private sector in Africa. For larger projects, the strategy targets more support in the formative stages of project development, expanding our role significantly beyond provision of finance. To improve the overall investment climate, IFC is also focusing its global knowledge and local expertise on reducing investment constraints that the private sector faces.

This strategy calls for an increase in technical assistance. Hence IFC has designed a program that builds on the work of its Africa Project Development Facility but has a broader mandate to promote private sector development. This new

program, the Private Enterprise Partnership for Africa, was approved by IFC's Board in March 2005, with IFC initially funding its core staff and operating costs. PEP-Africa has already mobilized \$9.5 million in donor funding and initiated five new multiyear technical assistance programs. These include a regional program to support leasing in east Africa; a parallel leasing program in Ghana that forms part of the joint Micro, Small, and Medium Enterprises initiative with the World Bank's International Development Association; a program to improve business regulation in Burkina Faso; an export promotion program for smaller businesses in Madagascar; and an Entrepreneurship Development Initiative, which will continue some successful small and medium enterprise development activities of APDF.

As part of comprehensive assistance to smaller businesses, IFC opened a second SME Solution Center in Kenya this year. The MSME initiative with IDA is funding activities in Ghana, Kenya, Mali, and Uganda. Also under this initiative, IFC has invested \$1.9 million in ACCION Nigeria to launch a new commercial microfinance bank (see box); this will be complemented by technical assistance funds from an IDA credit.

In addition, IFC has invested in a new microfinance bank in the Democratic Republic of Congo. At the request of the country's government and the World Bank, IFC also launched the Mozambique SME Initiative. On a pilot basis, the program provides an integrated package of risk capital and technical assistance to selected businesses.



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IFC has paid particular attention to identifying new investment opportunities in the region. This effort has resulted in innovative financial products for schools in Ghana (see box, p. 17). We have also financed a greenfield cement plant in Nigeria, the country's largest private investment outside the oil sector in recent years (see box). To assist in broadening economic empowerment in South Africa, IFC has committed \$30 million to FirstRand Empowerment Trust (see box).

IFC is working hard to strengthen relationships with existing clients. For example, IFC has invested \$35 million with MTN Nigeria, the country's leading telecommunications provider, following a \$100 million investment last year. We have also made repeat investments in Celtel, a regional cellular provider; the Development Finance Company of Uganda; Banque

Nationale de l'Industrie in Madagascar; Guaranty Trust Bank and Diamond Bank in Nigeria; and Generale de Banque de Mauritanie in Mauritania. Collectively, investments with repeat clients totaled \$158 million in FY05.

IFC is also seeking to assist countries emerging from conflict. Building on our first investment in Angola, we have now invested in NOSSA Seguros, an insurance company that will help improve efficiency and introduce new products in the country's insurance sector.

Private sector investment in infrastructure is another important focus. Here we have invested in Scancom, a cellular provider in Ghana; we also initiated several infrastructure advisory assignments and closed the Tamatave port advisory mandate in Madagascar with a successful private concession.



Nigeria: Helping the Smallest Businesses Access Finance

Poor access to finance seriously impedes development of the micro and small enterprise sector in Nigeria; 85 percent of the country's firms have access only to short-term credit. IFC is helping Nigeria's government address the problem. The country's commercial banks are now required to set aside 10 percent of pretax profits for investments in the equity of smaller businesses. IFC is helping them do so through the new Micro Finance Institution, which specializes in funding micro and small businesses.

The MFI was launched with initial capital of \$5 million, with ACCION International providing technical and management expertise. IFC has taken an equity investment along with several large Nigerian banks, and ACCION is the lead investor. Funding for technical assistance is coming from the Micro, Small, and Medium Enterprise Program, a collaborative effort of IFC and IDA. This is IFC's first investment under the program.

The institution's specialization will help it streamline credit evaluation procedures and implement tailored systems for information management and monitoring of microloans. Its lending is expected to become highly efficient in a relatively short time.

Nigeria: Assisting an Industry with a Pivotal Role in Development

IFC is providing \$75 million for construction and operation of a greenfield cement plant with a capacity of 4.4 million tons a year at Obajana in Nigeria's Kogi state. One of IFC's largest investments in the country or the region, it is being implemented by Dangote Industries Limited, a leading Nigerian conglomerate, and will fill a supply gap in the country's cement market. Whereas over 75 percent of the annual consumption of 10.6 million tons is currently imported, the project will use locally available limestone, gypsum, and natural gas to produce cement at a competitive price. Better availability of cement will promote investment in infrastructure, as well as in industrial, commercial, and residential construction. These are acute needs in a nation of 134 million people.

The project will generate employment and improve the standard of living in a part of Nigeria with limited industrial activities. It will also create jobs indirectly through formal and informal businesses serving the plant and its employees. IFC is helping Dangote Industries build its capacity to implement community development programs in such areas as water supply, small business development, skills training, and health, including HIV/AIDS and malaria.



South Africa: Empowerment in the Financial Sector

In 2003, South Africa's financial sector published a charter mandating that a quarter of financial institutions' interests should be vested with historically disadvantaged South Africans by 2010. In support of this empowerment agenda, IFC has approved a rand-denominated, five-year mezzanine loan equivalent to \$30 million to FirstRand Empowerment Trust to finance its acquisition of 6.5 percent of common shares in a major bank, FirstRand Limited. The project is part of the bank's transformation to comply with the charter; the acquired shares will be held in the trust for the benefit of four black economic empowerment groups.

The project helps transfer ownership of a leading financial institution, and related economic benefits, to reputable and broad-based partners. Over time, as the debt of the trust is serviced, cash flows to the empowerment groups will increase, enhancing their financial resources and establishing partial black ownership and control of FirstRand. The empowerment groups will also benefit from skills development, training for professionals and managers, senior appointments within the institution, access to financial services, empowerment financing, and procurement and sourcing from black-owned ventures. The transaction is expected to set a benchmark for future transformation projects in the country's financial sector and to help improve opportunities for black South Africans.

Helping Businesses Address the Challenges of HIV/AIDS

Through the IFC Against AIDS program, the Corporation works with client companies in Africa to accelerate their efforts in fighting HIV/AIDS. This year, MTN Nigeria received guidance in developing an AIDS policy, conducting a specialized survey, offering peer education, and providing anti-retroviral treatment to employees and their dependents. In Kenya, Magadi Soda also began providing this treatment; IFC Against AIDS will continue to strengthen the company's internal program and develop funding proposals to expand it in the community. IFC Against AIDS also worked with the South African company Hercul Ferrochrome to help shape its HIV/AIDS education and prevention program. In Nigeria, IFC provided assistance to the Dangote Group in drafting an AIDS policy, outlining an intervention strategy, and identifying partners among nongovernmental organizations for a program that will cover all the group's operations. In cooperation with PEP-Africa, the program is developing tools that will help smaller businesses in many parts of the continent manage the business risks of HIV/AIDS. This year, IFC Against AIDS also established a full-time staff presence in Johannesburg to support activities in the region.



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Kenya: A Better Living for the Poorest Farmers

This year IFC lent \$178,000 to Honey Care Africa Limited, a socially responsible Kenyan small business that sells hives to local subsistence farmers and buys their honey at guaranteed prices. The market Honey Care creates for locally produced honey increases incomes in rural areas with few economic opportunities, typically doubling beekeepers' income. Honey Care also provides training in beekeeping as well as equipment and technical support to the farmers. Many of these farmers are women, and most earn less than \$1 a day. To date, the company has provided sustainable economic opportunities to more than 2,500 poor farmers in rural Kenya. Through the Strengthening Grassroots Business Initiative, IFC is also helping Honey Care upgrade its processing capacity to meet international standards, strengthen its management information systems, and increase its level of extension services to beekeepers, collection centers, and distribution facilities. This will enable the company to increase its geographical coverage in Kenya, assist more farmers, and enter the export market.

COURTESY OF CELTEL



Africa: A Company's Success Spurs Interregional Investment

IFC's experience with Celtel International, B.V., a telecommunications company active across Sub-Saharan Africa, demonstrates that the region is becoming an attractive destination for foreign investors. IFC has made a number of investments in Celtel since 1994, helping the company as it developed mobile networks in more than a dozen countries. In addition to providing modern cellular communications at affordable prices to African consumers, the company has been a model of good governance and community involvement—a commitment recognized by IFC in 2004 with its inaugural Client Leadership Award. This year the company's success led the Mobile Telephone Corporation of Kuwait to acquire Celtel for \$3.34 billion. The transaction is a leading example of the interregional or "south-to-south" investments that IFC is promoting among developing countries. It also reflects investors' changing perceptions of Sub-Saharan Africa. The combined company intends to support further substantial growth in the region, and IFC will continue to nominate one of its board members.

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