

The world's best borrowers in 2006

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Here are the bond issuers that have taken the market by storm over the past 12 months: from **the IFC**, punching above its weight within the World Bank group with its pioneering work in developing local bond markets, to Bayer's use of innovative methods to maintain its credit profile while making acquisitions.

Best sovereign/supranational/agency borrower: International Finance Corporation

The International Finance Corporation is only a small part of the World Bank organization, with a modest annual financing requirement. But it does pioneering work in developing local bond markets and its own benchmark dollar deals are of high quality.



Shapiro, IFC: takes market development seriously

Nina Shapiro, vice-president of finance and treasurer of the International Finance Corporation, argues that the supranational has taken a consistent and strategic approach to both its US dollar global programme and domestic emerging market currency transactions. The IFC's key strategic objectives are secure and cost-effective US dollar funding and to build capital markets development in member countries as part of its wider mandate to boost the development of the private sector in developing countries.

It is slightly simplistic to place borrowers into one of two camps; those that only finance opportunistically and those that have a strategic policy stance. But it is fair to say that the IFC has a top track record in the capital markets and during the past 12 months achieved notable successes in both main strands of its funding activity.

The supranational has always maintained a commitment to benchmark US dollar deals, from when it issued in Eurobond format in the early 1990s with a typical issue size of just \$300 million right through to an evolution onto a global platform with benchmarks of \$1 billion. Ever

since 2000, when the IFC shifted to the global format, it has done the right thing in term of systematically developing its dollar investor base.

And with an annual funding requirement that varies from as little as \$2 billion to \$4 billion, the IFC has limited opportunity to strike the right note with a benchmark. Shapiro says: “The global establishes IFC’s credit in the market, facilitating our work on the asset side, so we need to handle it carefully.”

The borrower has therefore taken the approach of always issuing a five-year \$1 billion bond around April. It does all the right things to aid secondary market stability, avoiding jumbo tickets, which prevents placement concentration. But more important, the borrower does not target an after-swap funding target: pricing on these transactions is driven purely by investor demand. To aid secondary market performance, there are no taps of existing issues.

The \$1 billion five-year bond hit the right note this year, and was successful despite the difficult market conditions it had to cope with, just as its deal was well received by the market in 2005.

“It’s probably the most prized mandate out there, everybody wants to buy it and it always works,” says one European head of origination. Shapiro’s team is not just looking at the liability side of the balance sheet as most treasurers at supranationals do. They are aiming to foster capital markets and products to help the IFC meet its wider mandate.

The supranational has unparalleled experience in opening new markets. More than half of the currencies in which the IFC has borrowed are from countries with developing bond markets. In many, the IFC was the first non-domestic issuer or among the first. “On the emerging markets, all IFC bonds are focused on opening the domestic market, not on Eurobonds,” says **John Borthwick, deputy treasurer and head of funding at the IFC.**

As part of its wider mandate, the IFC was at the forefront of innovation in local markets in Asia over the past 12 months. “We take very seriously our development mandate and want to help the evolution of local markets in a sustainable way,” says Shapiro. “This year the big story was the Panda, which took us four years of work with the regulators, banks and investors.”

In addition to the highlights provided by local-currency deals in China especially, but also in Malaysia, the IFC has also been conducting domestic Islamic finance in Asia and long trumpeted the cause of domestic securitization worldwide. The supra also work on the non-bond aspects of developing efficient capital markets.

“In addition to IFC bonds, we have promoted local-currency products through innovative use of swaps and structured finance instruments. Working with local financial institutions, IFC has been able to provide clients both market access and longer-term funding in local currency,” says Shapiro.

Multilateral agencies like the IFC frequently serve as a catalyst to market development: once a supranational has issued, markets tend to open up to other issuers fairly quickly. This is because few other borrowers have the time and resources to help establish regulatory frameworks for debt issuance and to create international debt issuance best practice. The IFC’s actions help place a country on the radar screen of the international finance community, including attracting purchases by offshore investors.