



#### ACEITERA GENERAL DEHEZA S.A.

Growing its business despite a severe economic crisis, AGD shows the difference one company can make.



#### CAMPINA OOO (RUSSIA):

A dairy cooperative building long-term partnerships with suppliers to improve quality and output and to reshape the market.



#### CONSTRUTORA NORBERTO ODEBRECHT (ANGOLA):

A program using extensive private-public partnerships to extend HIV/AIDS prevention and care throughout the country.



#### TIGAR RUBBER PRODUCTS COMPANY (SERBIA):

A restructuring success story focusing on entrepreneurship, employee welfare, and environmental responsibility.



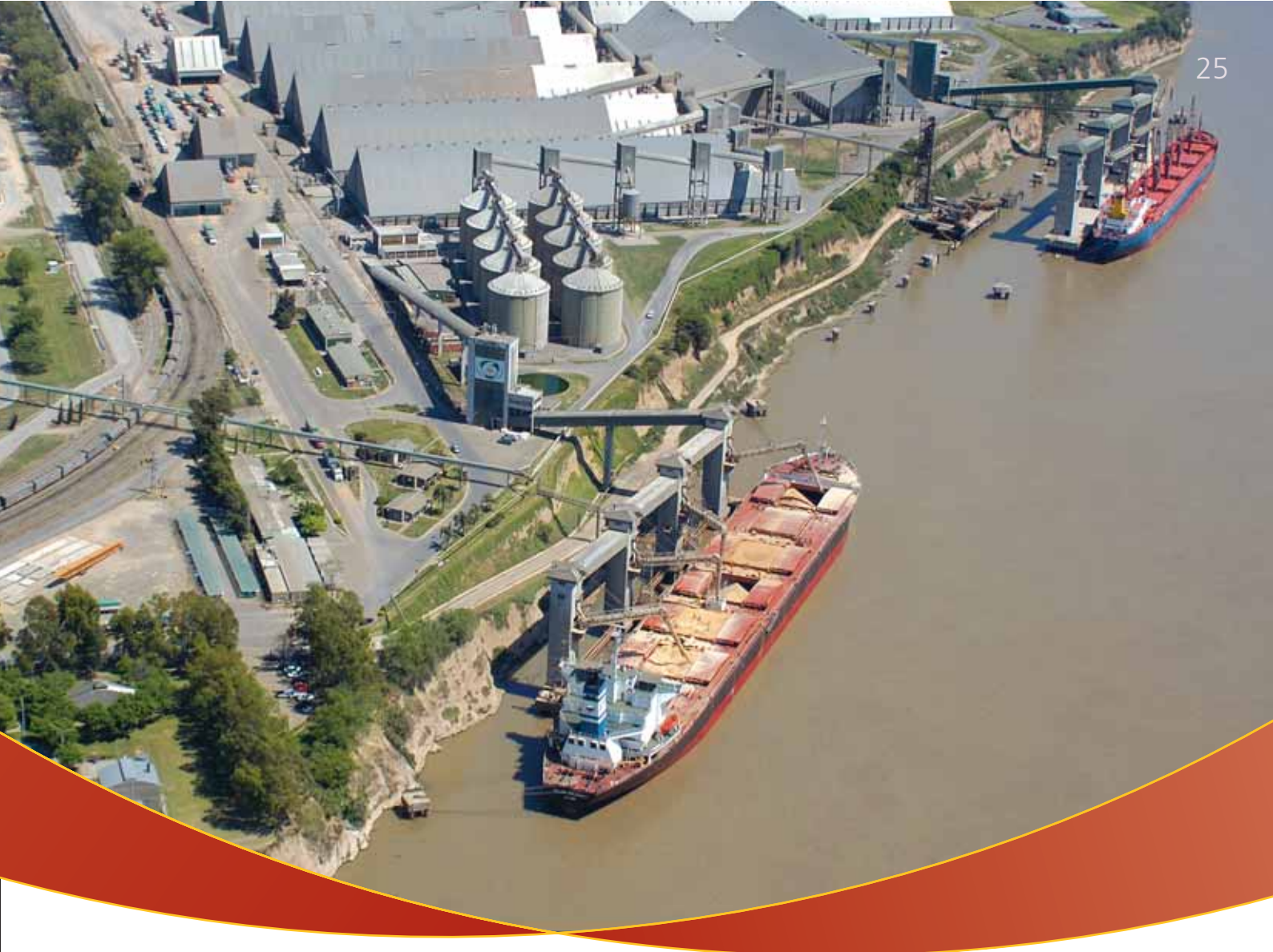
#### ARÇELIK, A.S. (TURKEY):

An electronic appliance company with SME linkages and south-south investment, building market share through commitment to high-quality and environmentally friendly products.



#### MAGADI SODA COMPANY LTD. (KENYA):

Africa's largest soda ash producer, making partnership with the surrounding community part of its success and expansion.



# Long-term Partnerships

Long-term partnerships with local companies in a developing country can enhance IFC's development impact and complement its support for new clients in that country. One of the main reasons clients come to IFC is the prospect of a long-term relationship, which, in addition to financing, often enables IFC to provide more value-added services, particularly those that raise business practice standards. Through these partnerships, IFC also supports companies in developing countries that invest in other developing countries (south-south investment), enabling them to enhance their competitiveness in the global economy.

IFC builds long-term partnerships with emerging global players in developing countries through support for south-south investment and value-added services, including corporate governance, SME linkages, and HIV/AIDS programs.

# Aceitera General Deheza S.A.

**AGD shows the difference one company can make. Growing its business despite a severe economic crisis in Argentina, AGD also continues to support a large network of rural farmers, increase its local community involvement, and invest in national projects that improve the economy's overall competitiveness.**

## AGD'S ACHIEVEMENTS

AGD is now Argentina's largest family-owned exporter of oilseeds and related products. In the fiscal year ended in February 2006, the company had revenues of \$1.6 billion, about 90 percent from exports, and more than 2,250 employees. AGD has sustained its growth, even through a severe macroeconomic crisis, while supporting a large network of farmers and intermediaries in rural areas. The company began operations in 1948 and is still family controlled, supported by a professional management team. The company's core business is oilseed crushing (e.g., soybean, sunflower, groundnuts), and it also produces crude and refined vegetable oils, as well as value-added consumer products such as mayonnaise and peanut butter. Important factors in AGD's success have been its diversification into value-added products and its integrated and efficient logistics system, from production area to port. AGD is now one of Argentina's leading agribusiness groups, and an efficient and competitive global player.

## MACROECONOMIC CRISIS – CHALLENGE AND OPPORTUNITY

Argentina's 2001-2002 economic crisis posed severe challenges for most local companies because of the collapse of the local currency and the withdrawal of most funding from the market.

Argentina has traditionally been a global competitor in agricultural products. Suitable climate and soils contribute to making Argentina a low-cost producer of soybeans. As an exporter, AGD was able to build upon this natural advantage and benefit from rising world demand for soybean products.

AGD's professional financial management, combined with a long-term strategy and willingness to continue to invest, enabled the company, while navigating various crises, to expand its output, increase the value-addition of its products, and continue to develop new business opportunities.

AGD's efforts have directly supported Argentina's economic recovery. The company's long-term capital intensive investment program helped to foster overall growth of the economy, despite the challenging environment. Through several projects AGD helped to improve the country's export infrastructure—including expanding the railway system, constructing a state-of-

### IFC Client since 1986

- Investments since 1986 in projects sponsored by AGD and its partners to improve Argentina's export infrastructure and help develop the oilseed processing industry, including expansion of the railway system and Terminal 6 S.A., a grain terminal, and T6 Industrial S.A., a crushing facility, both in 1997
- \$15 million loan and \$10 million direct equity investment in AGD in 1994
- \$60 million pre-export finance facility, including \$30 million syndicated loans, structured in 2002 to support the company during Argentina's financial crisis
- \$100 million in loans, including \$30 million syndicated to international banks, structured in 2004 to support AGD's 2004-2006 investment program, including increasing economies of scale to improve cost competitiveness, and reducing transport and storage costs by building new inland storage facilities



the-art port and crushing facility, and significantly increasing inland storage capacity. These efforts enabled the continued development of the oilseed processing industry. AGD's own strong performance also helped Argentina's agricultural sector retain its globally competitive position.

AGD management's commitment to honoring its financial obligations, despite the economic crisis in Argentina, enabled the company to syndicate several of its borrowing facilities internationally. This, in turn, has helped to change perceptions of the country risk of Argentina, and has encouraged international lenders to return to Argentine financing.

#### **SUPPORTING A LARGE NETWORK OF FARMERS**

AGD differentiates from its competitors by developing and nurturing long-term relationships with farmers, which results in a reliable sourcing of oilseeds for its operations and contributes to poverty reduction in rural areas. More than half of the company's oilseed needs are sourced directly from its network of about 6,000 farmers, thanks to AGD's 35 storage facilities dispersed throughout the different producing areas. By eliminating intermediaries, farmers secure a higher value for their production. AGD provides the farmers with technical assistance, sending agronomists to the producers' farms. In addition, through its controlled Agroaval SGR (Reciprocal Guarantee Corporation), AGD enables its network of producers to gain access to credit at improved conditions and reduced financial cost. AGD is also developing products in the domestic capital market to further ease the access to financing for producers.

#### **GOOD CORPORATE CITIZENSHIP**

AGD is deeply engaged in the local community in General Deheza, a city of about 10,000 inhabitants and the site of its main plant.

AGD provides support to local primary, secondary, and technical schools, social assistance to senior citizens, and care for disabled children.

The company also provides ongoing training to staff and secures medical insurance for all employees and their dependents.

# Campina OOO

**Cooperatively owned by farmers and producers, Campina's Russian subsidiary is a model of trust-based partnership—raising standards, achieving economic success, encouraging investment, and reshaping the market.**

## THE CHALLENGE

After the collapse of the Soviet Union, the Russian dairy sector fell into steep decline owing to falling milk prices, outdated skills and technology, and inadequate understanding of the market economy.

In 1992, Campina Melkunie, a large farmer-owned Dutch cooperative specializing in dairy products, began importing long-shelf-life yogurt into Russia through a subsidiary. Campina's share of the Russian yogurt market quickly grew to greater than 50 percent, but the Russian financial crisis of August 1998 caused the currency to plummet, making imported dairy products too expensive for the average consumer. The market for those products dramatically declined almost overnight.

To retain market share, Campina accelerated its early plans to produce yogurt and other dairy products 100 percent locally in Russia—to maintain its brand and take advantage of the market opportunity left by the reduction in foreign imports.

When Campina built a processing plant and entered the local Russian dairy-production market in 1998, it faced a number of significant obstacles, including an unstable supply of low-quality raw milk, a lack of production know-how, lack of financing for farmers, and a supply chain characterized by distrust.

## CAMPINA'S RESPONSE

In the first few years, Campina continued to import dairy products to keep up with consumer demand. Then, by building trust with farmers, supporting and investing in its employees, and implementing a focus on quality, the company increased local supplies of high-quality milk and overcame these initial obstacles. With persistence, Campina saw increased volumes, economies of scale, and profitability.

## COMPANY ACHIEVEMENTS

Highly responsive to community priorities and concerns, Campina's Russian subsidiary has trained local farmers, upgraded equipment and working conditions, and encouraged investment in Russia's agricultural sector. Now the company is a model for cooperative growth and local development, and it enjoys trust with stakeholders, a motivated workforce, and an exceptional, market-shaping reputation for quality.

In 2005, Campina's turnover amounted to \$100 million, and the company reached a milestone of \$100 million of investments in Russia. In 2005, Russia declared Campina the best-performing Dutch company in Russia, awarding it the RUS Prix Award for serving Russia with distinction.

### IFC Assistance

- Providing a loan of \$10 million to help construct and operate a new yogurt plant
- A technical-assistance team, providing training to farmers to improve animal husbandry and raise production quality to international standards
- Serving as honest broker between farmers and Campina to develop a mutually beneficial and trusted supply contract
- Developing a financing model to ensure that lease payments to Campina for new equipment do not create an excessive financial burden
- Offering continued technical assistance and financial support, without which Campina might not have proceeded with the project, particularly in the very difficult period that followed the Russian financial crisis



*“Thanks to the support and good cooperation of IFC, we were able to build the right foundations to serve the Russian market with our dairy products. With professional management and dedicated employees, Campina Russia was then able to capture the position that it holds today.”*

—Justinus Sanders, CEO of Campina

- **Relationship with farmers.** From the beginning, Campina worked hard to build trust and develop positive relationships with the Russian farmers who were its suppliers. The company helped introduce new equipment for dairy farmers, which resulted in an average 34 percent increase in milk yield per cow. This production increase, combined with efforts to educate farmers to produce milk of higher quality, resulted in a 20 percent increase in profits for Campina farmers. The company also opened avenues of communication with its farmers through meetings, a member magazine, and a member Web site.
- **AFC model.** Campina played an important part in the establishment of the Agri-Industrial Finance Company (AFC), an innovative commercial leasing company, to finance the leasing of equipment to Russian farms. The AFC model has since been emulated by a number of other large companies, including Danone and Ehrman.

- **Quality standards.** Campina trained its factory employees to produce milk that meets international quality standards.

- **Working conditions.** Campina introduced European equipment, production methods, and safety standards, thereby improving the working conditions for its employees.

#### **STRONG, SUSTAINABLE RESULTS**

Campina's quality standards changed the dairy market in Russia. To consumers, Campina guarantees that its milk is of high quality and free of antibiotics, pesticides, and pathogenic microorganisms.

The company also introduced fresh dairy products to the market in Moscow, a novelty in a country where long-life dairy products were the norm.

Campina's demand for high-quality milk, along with its investment in local farmers and employees, improved technology and working conditions in its processing plants.

Campina's approach contributes to the expansion of the local agriculture sector as a whole and demonstrates a model for other companies in Russia to follow.

# Construtora Norberto Odebrecht

**In Angola, Odebrecht shows how companies can play a comprehensive and effective role in HIV/AIDS prevention and care—with their own employees and suppliers and within the wider community.**

## PIONEERING PROGRAM

Odebrecht—an engineering and construction company headquartered in Brazil with large construction, engineering, and mining interests in Angola—launched an HIV/AIDS education, prevention, and care program in Angola in 2002. This award-winning program has become a model for companies around the world, generating significant health and business benefits.

Through the involvement of senior management—and partnerships with NGOs, government, the media, and other companies—Odebrecht provides comprehensive HIV/AIDS prevention and care services to its 7,000 employees and reaches more than 100,000 people with its education and awareness programs.

Odebrecht's program addresses the needs of its employees and suppliers, and it systematically reaches out to communities throughout the country. The program places special emphasis on women's health and the prevention of HIV transmission from mother to infant.

## THE PROBLEM

Of the 40.3 million people infected with the HIV virus worldwide, 65 percent live in Sub-Saharan Africa. Among Angola's neighbors, HIV prevalence is as follows: Zambia, 18–20 percent; Botswana, an estimated 25 percent; and Namibia, from 8.5 percent in the remote northwest to more than 42 percent in the region between Angola, Botswana, and Zambia. In the South African goldfields, 30 percent of the workforce is HIV-positive.

Compared with its neighbors, Angola has relatively low HIV prevalence at 2.8 percent. Occurrence in the capital, Luanda, however, is as high as 4.4 percent, and

33 percent among commercial sex workers, indicating potential for expansion of the epidemic. Workers in such high-risk industries as construction, mining, infrastructure, and trucking are particularly vulnerable.

## ECONOMIC RAMIFICATIONS

Businesses feel the impact of HIV/AIDS most clearly through their workforce. Direct economic consequences include increased expenditures—on medical and health insurance, funeral costs, and death benefits—and increased recruitment and training needs due to lost personnel. Companies also experience higher absenteeism, loss of experienced personnel, reduced productivity, declining morale, and a shrinking consumer base.

By reducing disposable income, HIV/AIDS also affects markets, savings, investments, consumption, and communities in general. The epidemic has a pervasive impact on growth, income, and poverty for populations heavily infected by it and for the global economy as a whole.

## ACTION PLAN

In response to this situation, Odebrecht launched an ambitious education, prevention, and care program with two broad objectives: (1) to address HIV/AIDS for Odebrecht operations and communities; and (2) to contribute to the fight against HIV/AIDS in Angola, a country still emerging from decades of war. Odebrecht's Action Plan includes the following elements:

- Access to HIV/AIDS prevention and care services
- Training, education, and awareness
- Prevention of mother-to-child transmission
- Voluntary HIV counseling and testing
- Treatment of tuberculosis and other infections
- Management of sexually transmitted infections
- Support for people living with AIDS



Odebrecht addresses HIV/AIDS at its operation sites and in the community.

Odebrecht established the Action Plan at its five operating sites in Angola, including an urban infrastructure project, a water and sanitation and distribution project, two mines, and one electrical power site.

The company set up committees of staff and volunteers for each of the care and prevention plan's four spheres of action: operational, medical, managerial, and community. This structure ensures coordination among diverse project sites, across business functions in the company, and throughout the community.

Odebrecht also appointed a program focal point, initially a Brazilian doctor familiar with Angola and with the company, to act as a coordinator and facilitator of the activities undertaken within each sphere of action. These responsibilities were eventually passed on to local staff.

### IFC Involvement

- Provided a \$280 million loan in 2002—\$1 million earmarked for a relevant social program (Following discussions with IFC, Odebrecht selected the fight against HIV/AIDS in Angola as its priority social program.)
- Facilitated implementation of the IFC Against AIDS methodology for Odebrecht's AIDS Action Plan, including setting up the AIDS focal point and AIDS committees
- Worked with Odebrecht's AIDS program coordinator and its AIDS committees to create and launch the program, make sure it addressed local needs, and ensure that it was entirely owned and implemented by Odebrecht staff
- Helped train the AIDS coordinator and produced a widely shown video of Odebrecht's program

For more information: [www.ifc.org/ifcagainstaids](http://www.ifc.org/ifcagainstaids)

*“Investments in programs that prevent infection and provide treatment for employees that have HIV/AIDS make good business sense.”*

—*Harvard Business Review*, February 2003

### EMPLOYEES

Through the company's daily occupational health and safety briefings, every employee receives information about HIV, AIDS, and prevention. Workers know that their rights will be protected and that they can safely seek assistance or participate in awareness, prevention, and care activities for themselves and their families.

### WOMEN

Odebrecht makes systematic efforts to address one particularly vulnerable group, female staff and women in the community. The company hired a gynecologist and offered training regarding health, sexually transmitted diseases, and HIV/AIDS as part of organized women's discussion groups. Odebrecht makes HIV testing available and adopted anti-retroviral treatment as a benefit for staff, and to reduce mother-to-child transmission of HIV.

### MEDIA OUTREACH

Odebrecht's core AIDS team participated in several films and radio programs broadcast on local stations. Involvement of senior managers and medical teams in media and other outreach efforts has been effective in fighting stigma and helping to mobilize all available company resources for the success of the program.

# Tigar Rubber Products Company

**Tigar approached its restructuring with a focus on entrepreneurship, employee welfare, and environmental responsibility in the former Yugoslavia.**

## TIGAR AD

Established in 1935, Tigar Rubber Products Company (Tigar AD) is a leading rubber goods producer in Serbia and in the Balkans. The centerpiece of the company's product portfolio is tires, a line that flourished under a 1978 joint-venture relationship with BF Goodrich.

Tigar distributes its tire products through a retail network of 80 stores, three regional sales offices, and two warehouses. In 2003, this network generated \$8.5 million in sales. Tigar AD managed to maintain its long-standing agreement with BF Goodrich, and later with Michelin of France, despite the nationwide challenges of a decade-long war, prolonged economic stagnation, and international sanctions.

Tigar also has a diverse services portfolio that includes a hotel, a travel agency, a construction company, restaurants, and a catering business.

## TIGAR MH

In 2001, the company undertook a comprehensive restructuring program aimed at modernizing its operations and capitalizing on its strategic alliance with Michelin. An important initiative under this plan was the revitalization of the company's tire business, which accounted for almost 75 percent of total revenues. The

company financed this initiative through a joint venture involving Michelin, IFC, and Tigar AD, which created Tigar MH. Tigar MH is part of the corporate structure of Tigar AD, which is its largest shareholder.

To revitalize the tire business, the company concentrated on expanding production, reducing bottlenecks, and putting more emphasis on premium brands. Tigar MH prospered under these changes, doubling production in less than three years and earning the Serbian Investment and Export Promotion Agency's distinction as most successful Serbian exporter in 2004.

In response to Tigar MH's accomplishments, Michelin increased its stake in the company and strengthened its commitment to capital enhancements. With its advanced technologies and production expertise, Michelin offers Tigar MH the opportunity for sustainable growth.

## JOB CREATION

During the spin-off of its highly profitable tire business and reorganization of its non-core businesses, Tigar weighed the social implications of its strategic actions.

The resulting initiatives—job creation for displaced employees, continued funding of education, and support for local business development—benefit the community of Pirot, which faced 30 percent unemployment during the height of Serbia's economic downturn.

At the beginning of its restructuring plan, Tigar AD expected to lay off as many as 800 employees. In an attempt to minimize the impact of those layoffs, the company's management team generated a list of potential income-replacement opportunities. Business proposals ranged from mini-farms for live-

### Selected Community Initiatives

- Creation of employment opportunities for displaced or disadvantaged workers
- Continuing support to local farmers
- Donation of scholarships to community members and children of employees



stock, to laundry services, to medicinal herb processing. For example, a laundry facility established in 2003 provides continual employment for 22 workers. Tigar also continues to support local animal farms through the purchase of contracts.

### IFC Involvement

- Through its financial investment in Tigar MH, IFC formalized an important relationship between Tigar AD's core business line and a key strategic partner, Michelin.
- Earmarking of IFC funds for ecological projects played an important role in improving the company's environmental performance.
- Technical-assistance projects served a critical function in addressing Tigar AD's non-core businesses and its pursuit of new employment opportunities for displaced employees.

#### Key transactions:

- \$18 million investment in 2001 for the spin-off and restructuring of Tigar MH
- \$4 million investment aimed at increasing capacity to 6 million units per year by 2007
- \$92,000 to assess Tigar AD's positioning in the industrial rubber industry
- \$150,000 to improve operations at Tigar Trade, the company's tire distributor
- \$75,000 to recapture export clients at Tigar Footwear and to study small-farm development for displaced workers
- \$70,000 to enhance finance and accounting practices at Tigar AD

### ENVIRONMENTAL REFORM

Tigar AD's restructuring emphasized environmental reform. As a condition of financing, the company opened its Pirot and Babusnica tire plants to external audits, a process that identified several areas for improvement. Tigar implemented a Corrective Action Plan and earmarked \$600,000 to fund ecological investments. Targeted projects included improvements to wastewater treatment, air-quality monitoring, and chemical storage.

The company further demonstrated its commitment to continual environmental improvement by updating its quality system to ISO 14001 certification.

### RESTRUCTURING PLUS

A significant component of restructuring was broad technical assistance to help identify potential employment initiatives to assist redundant workers, and to revitalize the company's ailing non-core business units, such as industrial rubber and boots.

Capitalizing on the relationship with its key strategic partner, Michelin, Tigar solidified its future as a leading tire manufacturer. What sets this restructuring strategy apart, however, is the company's concern for its displaced employees and its attention to improved environmental performance.

By creating and supporting new business opportunities in the local community and introducing environmental efficiencies into its operations, Tigar is now better equipped to manage the risks, social impacts, and opportunities of its restructuring efforts.

# Arçelik, A.S.

**Arçelik is committed to providing high-quality products and services, protecting the environment, and improving the quality of life for its employees and the communities in which it operates.**

## COMPANY PROFILE

Established in 1955 and headquartered in Istanbul, Arçelik manufactures household appliances and is involved in the electronics and furniture trade through its 4,500 dealers in Turkey. By cost-effective response to the rapidly growing demand for household appliances in the region, it has become Europe's fourth-largest maker of household appliances, with its brand voted No. 1 in Turkey for the last 11 years.

The company's strategy is to maintain its dominant position in the Turkish market while strengthening its position internationally through brand development, export sales, acquisitions, and investment in new facilities abroad. About 40 percent of Arçelik's revenues come from exports to more than 100 countries worldwide.

Showing outstanding growth during the last several years, the company's net earnings increased from \$59 million in 2000 to \$232 million in 2005, mainly as a result of improved efficiencies and a sevenfold increase in export revenues.

The company's state-of-the-art production facilities, advanced production-management techniques, and cutting-edge R&D capabilities contributed to a net earnings increase of more than 200 percent in the last five years.

Arçelik is 56.37 percent owned by Koc Group, a leading Turkish industrial conglomerate, with the Birla Group holding 22.3 percent and the remaining shares publicly traded on the Istanbul Stock Exchange.

## SUSTAINABLE QUALITY

The company's strong commitment to quality is embodied in its Total Productive Management (TPM) program. TPM, used since the mid-1990s in all its plants, has brought Arçelik international recognition,

including the European Quality Prize in 2000. All of Arçelik's plants have ISO 9001 Quality Management Systems and have successfully implemented the 6 Sigma quality program, improving the durability and environmental performance of the company's award-winning products.

## BEST PLACE TO WORK

Arçelik is committed to improving the quality of life of its employees. Its workforce expanded from 3,000 in 1999 to 11,000 by 2005, during which time Arçelik's employees rated it the best company in Turkey to work for. It provides employees extensive job-related training and many other benefits, including free food at the plant cafeterias, free transportation to work, bonuses on religious holidays, and allowances for child support.

## IFC Investment

- Support since mid-1990s
- A major capacity expansion of \$230 million in 1996
- A three-year corporate investment program of \$440 million in 2000
- Additional investments of \$445 million in 2003 and 2005 for corporate-wide initiatives, including overseas acquisitions and establishment of a greenfield manufacturing facility
- A vital role in Arçelik's ability to maintain its leadership in the domestic market, increase its export base, and achieve higher operational margins than its peers
- Increased risk-sharing and partnership when capital inflows to Turkey greatly decreased as a result of the 2001 financial crisis
- A key role in Arçelik's evolution from an emerging market player to a strong regional company transferring technology, know-how, and managerial expertise to its foreign operations



One of Arçelik's refrigerators received the European Commission Award in 2004 for most energy-efficient refrigerator.

### SUPPLY CHAIN LINKAGES

Through the development of upstream and downstream supply linkages, Arçelik plays an important role in private sector development. It works with approximately 450 local SME suppliers from Turkey. The company has long-term contracts with its key suppliers and supports ongoing supplier development through technical assistance and training in raw material procurement, credit support and bank intermediation, implementation of quality- and environment-management programs and statistical control processes, plant layout and design, cost analysis, financial regulations, and cash-flow management.

### COMMUNITY IMPROVEMENT

Arçelik's stated objective is to "conscientiously strive to raise social standards." An example is the "Standing United for Education" project, the main goal of which is a model that will increase the level of Turkey's development. In collaboration with the Ministry of Education, the program aims to raise educational standards of underprivileged students at regional primary-level boarding schools. This project will last eight years and support the education and self-development of approximately 200,000 students in 60 Turkish cities.

Arçelik also supports the Vehbi Koc Foundation, which strives to improve the daily lives of people in Turkey by focusing on education, health care, culture, sport, and the environment. Arçelik estimates its charitable donations to various NGOs and the Vehbi Koc Foundation at \$13 million in 2004.

### COMMITMENT TO THE ENVIRONMENT

Arçelik's environmental policy describes its commitment to environmental sustainability in product development, packaging, and manufacturing. All of its plants in Turkey have ISO 14001 Environmental Management System certification. In its research and development, the company pays special attention to reducing waste and to decreasing the consumption of energy and water. Arçelik carefully selects the materials used in all of its products, and declares the rate of recyclability of its products to be higher than 90 percent, 10 percent above the benchmark recycling rate stated in the directive of the European Union's commission on the recycling of large electrical and electronic appliances.

### LEADING ROLE MODEL

A commercial success, Arçelik is leading the private sector in Turkey by designing highly energy-efficient products and incorporating high standards of quality and environmental performance throughout its production processes. The company is a leader in employee relations and community development, a corporate role model in Turkey, and a strong regional company. By investing in other markets in the region, Arçelik is helping transfer first-class production methods; strong environmental, health, and management systems; and best-manufacturing practices to other emerging market countries.

# Magadi Soda Company Ltd.

**A model for corporate growth consistent with the principles of sustainable local development, Magadi Soda continues to expand and to remain successful in a globally competitive industry, while serving as a mentor to the surrounding area.**

## ESTABLISHED MARKET

Beginning operations in 1911, Magadi Soda is one of the oldest and most successful companies in Kenya and the country's largest single manufacturing corporate generator of foreign currency. Magadi Soda views its long-term partnership with the surrounding community as an integral part of its success and sustainability.

## ENVIRONMENTAL RESPONSIBILITY

Magadi Soda's mission is to create prosperity through the responsible use of natural resources.

As Africa's largest soda ash producer, the company extracts more than 700,000 tons of trona (sodium sesquicarbonate) from Lake Magadi each year. It refines extracted trona to produce soda ash, a vital component in the production of glass, detergents, and various chemicals. A renewable resource, trona completely regenerates within four to five years, making its extraction a sustainable operation.

The company is building a new plant that will substantially lower sodium fluoride levels in its soda ash, helping it to meet Kyoto Protocol emission requirements.

## COMMUNITY PRIORITIES

Magadi Soda defines its community not only as employees and families but also as the surrounding Maasai, an indigenous and marginalized group. The company 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 the late 1990s, much of East Africa experienced one of the worst droughts on record, resulting in the loss of more than 5,000 head of livestock and leaving the

Maasai community in a state of crisis. In response, Magadi Soda played a pivotal role in improving the living standards of its neighbors by providing clean drinking water, building schools and hospitals, and subsidizing other social services.

### Magadi Soda Initiatives

- Infrastructure development
- Clean drinking water
- Health care
- Primary and secondary school development
- HIV/AIDS program
- Programs to build decision-making capacity of community leaders
- Small business development

In recognition of its corporate social initiatives, the company has received the Kenya Institute of Management's Company of the Year Award for Corporate Citizenship five times since the inception of the award in 2000.

Magadi Soda managing director James Mathenge recognizes the importance of both social and economic value creation. "Our relationship and connection with the community are not a sideline," he explains. "They are an integral part of our business-planning processes. Sustainability is core to our business, and I firmly believe there is no trade-off. It's very easy in this kind of environment to employ a 'handout' culture. But to us, whatever we do in the community has to be sustainable. We don't dictate to the community; they are actually quite involved and engaged in the entire sustainability program."



Magadi Soda is located on Lake Magadi, about 120 kilometers southwest of Nairobi in the Kajiado district in the Rift Valley.

### EMPLOYMENT PRACTICES

Magadi Soda's human-resource strategy is fundamental to community development. The company employs more than 500 people, 358 of them permanent. Unskilled labor comes directly from the surrounding Maasai community, and highly skilled positions from around Kenya. Magadi Soda provides housing and essential social services, such as access to health care and education, for employees and their families.

### PROACTIVE HIV/AIDS PROGRAM

An HIV/AIDS program is central to the company's community-engagement strategy. Magadi Soda estimates adult prevalence of HIV/AIDS in the area where it operates to be about 9 percent, higher than Kenya's national figure of 7 percent. A 2004 assessment of the epidemic's impact on Magadi Soda's business

estimated the direct and indirect costs to exceed \$55,000. By contrast, the current cost of anti-retroviral therapy is about \$8,000. Magadi Soda's response was to adopt an HIV/AIDS policy, develop a plan for implementation, create an AIDS committee to drive priorities for action, appoint a coordinator, and mainstream HIV/AIDS into the company's community-development work.

### PARTNERSHIP WITH THE PEOPLE

In 2000, Magadi Soda established the SWOT committee, involving community senior chiefs and elected officials, company representatives, and other stakeholders, who meet regularly to formulate and implement projects to assist in the development of the community.

Magadi Soda recently initiated small-business linkages with the surrounding community. For example, it subcontracted a small local cleaning company through an impartial process of proposals submitted from around Kenya.

Magadi Soda is known for its strong relationship with the surrounding Maasai community. Maasai chiefs and elected officials regularly praise the partnership and the contribution the company makes to the welfare of their people.

Joel Sayianka, the Maasai Senior Chief of Magadi, says of Magadi Soda, "Any other company would fence off the area. But they would never do that. There are no closed places here. This is the nature of the relationship between the community and the company. They have won the hearts of the people, the trust of the people, and the confidence of the local people."

### IFC Transactions

- \$9 million loan in 1995 for expansion of production capacity and purchase of railway equipment to facilitate export of soda ash and provide passenger service for the local community
- \$26 million loan in 2004 for a new plant for an additional 365,000 tons of high-purity soda ash with lower sodium fluoride. \$4 million of the loan was quasi-equity, to help strengthen the equity base of the project.
- Interest rate swap in 2004 for \$38 million of the company's borrowings from the European Investment Bank and IFC
- HIV/AIDS technical assistance
- Support for formulation of focused community-development programs for sustainable improvement of Maasai livelihood
- Small-business development of the surrounding Magadi community