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Cover picture: Theresa Williams, the only female pilot and tug master in South Africa (2002).
IFC Support to Transport

HIGHLIGHTS OF ADVISORY AND INVESTMENT WORK IN THE AIRLINES, AIRPORTS, PORTS, ROADS, URBAN TRANSIT & RAIL, AND WAREHOUSE & LOGISTICS SECTORS
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Challenges in the Transport Sector

A well-developed infrastructure moves an economy forward. But in emerging economies, the lack of airlines, airports, modern roads, railways, seaports, and warehouse facilities often means the difference between sustainable progress and persistent poverty.

Infrastructure has traditionally been the preserve of the public sector, particularly in developing countries. But experience has shown that private capital and expertise, and commercial discipline can make a big difference in the delivery of critical transport services. Facing increased demands from citizens for better infrastructure, governments are recognizing that the private sector can play a major role in developing the dynamic transport network that is essential to economic development and global competitiveness.

As this report demonstrates, engaging the private sector in transport projects makes good business sense. Private investors respond to emerging opportunities, are more agile, and can mobilize resources rapidly. The private sector is often better able to assess and address risks, and can be more cost efficient and productive than the public sector. Thus, IFC has strengthened its commitment to help member countries engage the private sector in transport projects and create a positive investment climate.

MANY PEOPLE STILL LACK ACCESS TO BASIC INFRASTRUCTURE SERVICES

[Graph showing access to electricity, water (rural and urban), and rural transport index across different regions.]
IFC’s work to improve access to modern and reliable infrastructure supports the institution’s goal of creating opportunity for people to escape poverty and improve their lives by:

- Promoting open and competitive markets in developing countries
- Supporting companies and other private sector partners where there is a gap
- Helping to generate productive jobs and deliver essential services to the underserved
- Catalyzing and mobilizing other sources of finance for private enterprise development

IFC is the only international financial institution focused exclusively on the private sector, the engine of sustainable development in emerging markets.
IFC provides a unique combination of investment and advisory services that offers a multifaceted package of solutions for private sector investment in emerging markets. IFC combines financing for private sector partnerships with advice that helps governments innovate, raise standards, mitigate risk, and share knowledge across sectors and regions. It is the only multilateral institution offering direct advisory services to governments on implementing private sector participation transactions.

IFC’s investment strategy for the transport sector includes promoting business development with new global players as well as building on existing relationships, supplying market-driven pricing, providing leadership for innovative transactions, and maintaining close relationships with other international financial institutions for business development and execution. IFC’s financial products (including debt, equity, convertible and quasi-equity instruments) complement and enhance domestic financing for public-private partnerships and offer important endorsement for new structures.

IFC’s advisory services help governments implement public-private partnerships that improve service through private sector expertise, management, and finance. It provides advice on structuring privatizations of state-owned assets and supports the establishment of concessions to rehabilitate, restructure, maintain, and operate assets such as roads and ports. Its advisory work in the transport sector has focused on airlines, airports, ports, roads, and urban transit and rail.

Since 2000, IFC has supported infrastructure projects in 84 countries and regions and financed infrastructure deals worth nearly $18.8 billion from its own account. IFC currently holds an infrastructure committed portfolio of $11.2 billion.
Private Sector Can Offer Solutions to Africa’s Infrastructure Inefficiencies

Despite significant improvements in Africa’s infrastructure in recent years, especially in the telecom sector, inefficiencies are eroding overall progress, according to a new report, *Africa’s Infrastructure: A Time for Transformation*.\(^1\)

The report (published in 2009) found that poor infrastructure maintenance, utility overstaffing, under-collection of revenues, distribution losses, and other inefficiencies are costing $17 billion a year, money that could otherwise be spent to achieve a well-functioning infrastructure.

The impact of this infrastructure deficit is readily apparent in the transport sector:

- On average, 80 percent of Africa’s main road network is in good or fair condition, but urban roads are disorganized and maintenance is significantly underfunded. One of Africa’s greatest transport challenges is to improve roads in rural areas, where only one in three Africans has access to an all-season road.
- Private sector concessions have helped improve railway efficiency, but restoring aging rail networks to good operating condition would require a one-time rehabilitation effort of $3 billion.
- The amount of cargo handled by African ports has tripled, but many ports do not follow international best practices and are hampered by low efficiency and high shipping costs.
- Ineffective linkages between transport modes, such as ports and roads, result in high transportation costs that increase the price of goods by 75 percent.

IFC’s experience as lead advisor to governments has shown that private sector participation in infrastructure can result in major increases in efficiency, including better quality service, lower prices, better connectivity, and environmental protection, among others.

Success stories abound. The equity partnership between KLM Royal Dutch Airlines and Kenya Airways has dramatically improved the national carrier’s service standards and reliability, and both passenger traffic and cargo operations have doubled. In Benin, a partnership between the government and a private concessionaire for the port of Cotonou will double container traffic and make Cotonou more competitive by reducing transportation costs. Similarly, the privatization of Madagascar’s port of Toamasina has increased the port’s handling capacity from 60 to 2,500 tons a day and boosted productivity from 5 to 23 TEUs\(^2\) per hour.

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2. *TEU refers to 20-foot equivalent units, a measure of shipping tonnage.*
A total of 2.5 billion passengers and approximately 50 million tonnes of freight are flown worldwide annually.1

IFC has provided advice on 16 airline transactions and invested $435.4 million in 17 others. IFC financing focuses on three types of airline projects:

- Expanding and modernizing low-cost carriers serving mass markets, such as Avianca, GOL Airlines, Jet Airways, and Taca.
- Helping launch new and niche airlines, such as Mexican Volaris.
- Supporting air transport in the poorest countries, which need assistance to attract the interest of commercial operators.

AIRCINE PROJECTS SINCE 2000

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Operating Polynesian Blue in the black

Tourism is Samoa’s largest industry, but expensive airfares and difficulties in reaching this small, isolated country in the Pacific had kept tourism growing at a rate below that of neighboring islands such as Fiji. The national carrier, Polynesian Airlines, faced severe financial and operational constraints. By 2004, the government subsidy to the airline equaled 70 percent of the national budget deficit.

Recognizing the dire situation, the government approached IFC to find an alternative. With IFC as lead advisor, the government implemented an innovative public-private partnership with Virgin Blue, and established a new national airline—Polynesian Blue. Within two years, the new airline had turned an annual $6.6 million profit, including a $1.2 million cash dividend to the government.

Improved airline services sparked an annual 15 percent increase in tourism, compared to 4 percent historically, and tourist revenues reached $113 million in 2007, up from $83 million the year before. Polynesian Blue cut airfares by one-third and 2,000 jobs were created as a result of the expansion of the travel and tourism industries. This project was supported by DevCo.
Cutting CO$_2$ emissions with Avianca’s fleet renewal

Colombia’s mountainous terrain, long distances between cities, and inadequate rail and road systems make air transportation integral to the development of industry and tourism. Avianca, Colombia’s flagship carrier, plays a key role in domestic and international air travel and cargo transport. In 2008, Avianca accounted for about 55 percent of Colombia’s domestic market and 45 percent of its international market. Operating a total of 52 aircraft, Avianca carries 10 million passengers annually and flies to more than 40 domestic and international destinations.

With $50 million in long-term financing from IFC, the airline is undergoing a major expansion and modernization to improve service, increase efficiency, and reduce operating costs. Avianca’s fleet renewal program includes the purchase of 40 new Airbus and Boeing aircraft during 2008–12. The introduction of modern fuel-efficient aircraft and expected higher operational load factors will reduce fuel consumption per passenger mile, with a corresponding reduction in greenhouse gas emissions.
The Soaring Impact of Air Transport¹

- 2.5 billion airline passengers
- Approximately 50 million tons of air freight
- 15 million jobs supported by the sector
- $1.1 trillion contribution to world GDP
- 35% of the value of trade in manufactured goods ($3.5 trillion) is transported by air

Flying high with Kenya Airways

The equity partnership between KLM Royal Dutch Airlines and Kenya Airways has been a win-win joint venture. After years of huge financial losses and significant debt arrears, Kenya Airlines has emerged as a profitable national carrier. IFC served as the lead advisor to the government of Kenya on the airline’s restructuring and sale to KLM. The government received more than $70 million from the sale and saw its remaining minority stake increase in value. Both passenger traffic and cargo operations have doubled as a result of improved service and reliability, and African tourism received a major boost. Travel News & Lifestyle Magazine has voted Kenya Airways as the African Airline of Choice, and African Aviation Magazine has awarded the airline its prestigious African Aviation Award.
Airports

Aviation, its supply chain and the spending of employees in these businesses support more than 15 million jobs and $1.1 trillion of GDP worldwide.¹

The volume of airport traffic throughout the world has resulted in increased competition, lower rates, and the introduction of larger and more fuel-efficient aircraft. To remain competitive, airports are seeking to expand their handling capacity and develop viable commercial retail facilities.

IFC has provided advice on successful airport transactions in Jordan and Saudi Arabia and has three ongoing mandates in Maldives and Saudi Arabia. IFC has also financed 10 airport projects with a total cost of more than $3 billion. IFC’s investments amounted to more than $600 million, with syndication and parallel financing bringing the total to approximately $1.3 billion.

**AIRPORT PROJECTS SINCE 2000**

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Improving service for Hajj pilgrims

The Hajj Terminal at Jeddah’s King Abdulaziz International Airport is one of the world’s busiest. Millions of religious pilgrims who visit Mecca pass through the terminal every year and the volume of passenger traffic is increasing.

When the General Authority of Civil Aviation of the Kingdom of Saudi Arabia (GACA) realized that the existing terminal was inadequate to handle the growing number of Hajj pilgrims, it asked for IFC’s help to attract an international airport operator with the expertise to build and operate modern terminal facilities.

IFC served as the lead advisor on structuring a long-term “build-transfer-operate” concession that was awarded to a consortium led by the Saudi Binladen Group in association with Aéroports de Paris Management. In addition to substantially reducing the waiting times for passengers, the project improved airport operations, created jobs, and helped GACA achieve financial stability. The project is expected to result in savings of up to $25 million a year for GACA and is the first step in making the airport an economic hub.
Rolling out the red carpet for Jamaica tourists

Sangster International Airport in Montego Bay is the principal gateway for tourists visiting Jamaica’s largest resorts. Today, as a result of a 30-year partnership between the government and MBJ Airports Limited, a private operator, the airport is undergoing major renovation and expansion aimed at attracting 7-9 million passengers a year, more than double the number five years ago.

In addition to helping the government negotiate the concession agreement, IFC has invested a total of $90 million in loans to construct a new concourse, renovate the existing terminal, install passenger loading bridges, and modernize passenger check-in, baggage handling, customs and immigration services. The airport improvements have boosted tourism, which accounts for 12 percent of GDP and 30 percent of the country’s employment.

The project has also attracted investments in new hotels and the development of Montego Bay as a home port for cruise ships. According to the Jamaican Tourist Board, the country’s tourism sector had its best performance ever in the first half of 2008.
Putting a new face on transportation in Jordan

The Queen Alia International Airport is one of the largest private infrastructure projects in the Middle East and promises to make Jordan a regional economic hub and tourist destination. IFC served as the government’s lead advisor and main financier for a new internationally-certified terminal that can serve more than nine million passengers a year, twice the current level. The 25-year concession was awarded to the Aéroports de Paris Consortium, which offered a bid transferring 55 percent of the revenues to the government over the life of the concession, the highest revenue-sharing percentage in the world for similar projects. IFC committed $120 million from its own account and helped mobilize up to $160 million in funds from commercial banks for the project.
One hundred ports handle 82 percent of the world’s cargo. The other 18 percent is handled by 500 smaller ports\(^1\).

Limited capacity, outdated equipment, and inefficient operations prevent many developing country ports from becoming attractive commercial shipping hubs. As governments recognize that efficient ports drive GDP growth, they are looking to private partners to bring operating efficiencies to port operations and make them more competitive.

IFC has provided advisory services for five seaports and invested $650 million in 30 others, with additional syndication to third parties totaling more than $1.2 billion. Total project cost is approximately $3 billion.

**INVESTMENTS**

- Exolgan (Argentina)
- Cai Mep (Vietnam)
- Panama Canal
- TRP (Argentina)
- Manzanillo (Mexico)
- TS expansion (Brazil)
- Arkas (Turkey)
- MEB (Colombia)
- PICT (Pakistan)
- Ocean Sparkle (India)
- Sans Souci (Dominican Rep.)
- Timbues (Argentina)
- Suape (Brazil)
- Sealion Sparkle (India)
- TRG expansion (Brazil)
- DP World Sokhna (Egypt)
- San Vicente (Chile)
- Caucedo (Dominican Rep.)
- Port Aguirre (Bolivia)
- SAGT (Sri Lanka)
- Manzanillo (Panama)
- Kusadasi (Turkey)
- Sepetiba (Brazil)
- San Antonio (Chile)
- CIG Hid (China)
- Wuhan Port (China)
- Wuhan CIG (China)

**PORT PROJECTS SINCE 2000**

- Vizhinjam Port (India)
- Cotonou (Benin)
- Mauritius Port
- Toamasina (Madagascar)
- Suape (Brazil)

**ADVISORY**

- Vizhinjam Port (India)
- Cotonou (Benin)
- Mauritius Port
- Toamasina (Madagascar)
- Suape (Brazil)

\(^1\) *Cargo Systems.*
Positioning Benin’s Port of Cotonou at the crossroads of West African commerce

Increasing trade opportunities for landlocked West African countries has been a priority for the government of Benin for years. With IFC as lead advisor, the government awarded a 25-year concession contract for a new 540,000 TEU terminal to Bolloré Group, a French port and logistics operator. The new state-of-the-art facility will make Cotonou a gateway to hinterland countries, such as Burkina Faso, Mali and Niger, and showcase the government’s port sector reform program. The project is expected to generate $600 million in fiscal impacts and leverage $256 million in private investment. The government also received $169 million from the United States Millennium Challenge Corporation to help with the port sector reform program.

This project was supported by DevCo.
Making the Port of Toamasina the gateway to the Indian Ocean

Until a few years ago, slow handling and poorly-structured tariffs prevented Madagascar’s Port of Toamasina from becoming the major regional hub that the government envisioned. With IFC’s help, the government successfully reformed the legal and regulatory framework, restructured the port’s management and ownership, and selected a private partner to operate the container terminal.

International Container Terminal Services Inc. of the Philippines won the concession and has invested more than $36 million in equipment, wharf rehabilitation, and software upgrades. The new concession includes a 20 percent tariff reduction for handling and a 10 percent reduction for reception and delivery, thereby helping to lower the country’s import and export costs.

Today, the port’s handling capacity has increased from 60 to 2,500 tons a day and over 90 percent of all container traffic in the country goes through Toamasina. During the 20-year life of the agreement, concession fees, royalties, and investments will generate an estimated $300 million for the government. This project was supported by DevCo.
Smooth sailing for Sri Lanka’s Port of Colombo

Fast, reliable, and efficient shipping services are at the heart of any port’s commercial success. Thanks to a $130 million investment by IFC, the Asian Development Bank, and the Commonwealth Development Corporation, Sri Lanka’s Port of Colombo is now competitive with Singapore and other ports serving major East-West shipping routes. South Asia Gateway Terminals Limited, a private consortium, was awarded the concession to rehabilitate and modernize Colombo’s port facilities. The results: significantly less congestion, 40 percent lower transportation costs, 33 percent improved productivity, and lower delivery costs for both imports and exports. Colombo became the first port on the Indian subcontinent to comply with the U.S. Customs’ Container Security Initiative. The Port of Colombo also participates in the U.S. National Security Administration’s Megaport Initiative, which equips ports with sophisticated radiation detection equipment for faster clearance of goods.
Nearly a billion people do not have access to an all-weather road\textsuperscript{1}.

Modern roads are essential to move goods and people efficiently, open up new areas for development, and—ultimately—determine the market price of products. However, the capital needs of road development often exceed a government’s budgetary resources and users may be unable or unwilling to pay tolls or other fees. IFC’s advisory work and investments in road projects result in better quality services through increased private sector participation in road investments, operations, and maintenance.

IFC has been the lead advisor on major road projects in Brazil and Montenegro and is currently working on transactions in Brazil, Colombia, Egypt, India, Jordan, and Mexico. IFC has also invested $410 million in 14 road projects, with syndication and/or parallel financing totaling more than $1.2 million. The total cost of these operations was more than $2.5 billion.

ROAD PROJECTS SINCE 2000

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\textsuperscript{1} IFC
Creating new opportunities in the State of Bahia

IFC and BNDES, the Brazilian Development Bank, served as lead advisors to the Brazilian Ministry of Planning and National Transport Agency on the modernization of 700 km of federal highways in the State of Bahia. With IFC’s help, the government awarded a 25-year concession for the improvement of two major roads:

- BR116, a main north-south corridor that links Salvador, the largest city in the Northeast, and the entire Northeast region with the Southeast.
- BR324, which connects Salvador and the Port of Aratu with BR116.

The new highways will connect area residents to jobs, markets, schools, hospitals, and other essential services, making their lives better and creating new opportunities for development. Improved safety is also a major objective—more than 100 people have been killed in accidents on the highways this year, so new traffic signals and reconstructed side lanes will be priorities. The winning bidder was the Rodobahia Consortium.
Keeping Mexico’s highways toll free

In response to a decline in infrastructure investments in the late 1990s, the government of Mexico developed an innovative scheme to attract private sector participation in improving the country’s highways. IFC played a critical role by funding a technical assistance program that developed the new framework. Under the new program, private bidders compete for the right to upgrade, operate, and maintain government roads. To keep the roads toll free, the government makes quarterly payments to the concessionaire based on performance and the number of vehicles using the road.

A 74.3 km road between the cities of Irapuato and La Piedad in central Mexico was selected as the first project because of its importance as a major route for transporting agricultural and industrial products. IFC provided a partial credit guarantee of approximately $11 million to Banco Santander, which was joined by other banks in a syndicated financing arrangement. The concessionaire is Irapuato La Piedad, a wholly owned subsidiary of Empresas ICA.

In addition to promoting regional economic growth, the project is helping to improve traffic conditions, reduce congestion, and increase pedestrian and vehicle safety.
Paving the way for Colombia’s economic growth

When the government of Colombia sought to promote economic growth and sharpen the country’s competitive edge, it engaged IFC as the lead advisor for one of Latin America’s largest infrastructure projects, Ruta del Sol. This 1,000 km highway will connect Bogota, the capital, to the Port of Santa Marta on the Caribbean Sea. The ambitious $2.6 billion project has been divided into three segments:

- Villeta to Hacienda El Koran, which will shorten by one hour the time it takes to travel the 78 km between Bogota and Puerto Salgar.
- Puerto Salgar to San Roque, a main link between Bogota and Medellin, Colombia’s largest metropolitan centers, and a key access point to major production centers.
- San Roque to Carmen de Bolivar/Y de Cienaga/Valledupar, an important route for freight trucks traveling to Cartagena and Santa Maria, and for vehicles traveling to Valledupar, the capital of Cesar State.

When completed, Ruta del Sol promises to reduce accidents, travel time, and transportation costs. The improved highway will also boost manufacturing, tourism, agribusiness, and real estate development, and help the country become more competitive.

Winning bidders include Consorcio Vial Helios (comprised of Colombia’s Solarte Group, Conconcreto, and CSS Constructores, and Argentina’s IECSA) and Estructura Plural Promesa de Sociedad Futura Concesionaria Ruta del Sol S.A.S. (comprised of Brazil’s Odebrecht, and Colombia’s Solarte Group, Corficolombiana, and EPISOL).
Urban transit & rail

Rail travel releases between three and ten times less carbon dioxide than driving or flying\(^1\).

An efficient rail system provides cost-effective transportation for both passengers and freight, leaves a small carbon footprint, and is reliable when well managed. At the same time, railways face a number of challenges: high capital investment and maintenance costs, competition from road transport, and a need to keep fares and freight charges affordable.

IFC supports the modernization and revitalization of rail systems that contribute to economic growth and development, while meeting safety, social, and environmental standards. IFC was the lead adviser to the government of Kenya on the joint concession of Kenya-Uganda Railways, and to the governments of Manila, the Philippines, and São Paulo and Recife, Brazil, on the development of their urban transit systems. IFC is currently advising the government of Jordan on a light rail system in Amman. IFC has also invested $481.2 million in 18 railway projects worldwide.

**URBAN TRANSIT & RAIL PROJECTS SINCE 2000**

**ADVISORY**
- Amman Light Rail (Jordan)
- Kenya/Uganda Railways

**INVESTMENTS**
- TRL (Tanzania)
- Brunswick (Russia)
- Peru Rail
- Kenya-Uganda Rail
- BRL (Russia)
- MRS (Brazil)
- Eurosibtrans (Russia)
- Ruskly Mir (Russia)
- Severstaltrans (Russia)
- Servicios (Mexico)
- TFSA (Chile)
- TRECO (Bolivia)
- PCRC (Panama)
- EVR (Estonia)
- CBT RI (Chile)
- PCRC (Panama)

\(^1\) International Union of Railways
Winning over tourists with safer and more efficient train service

The number of tourists visiting Machu Picchu and other Peruvian attractions has nearly quadrupled with the modernization of Peru’s railway network. Long-term funding from IFC enabled the private concessionaire, Ferrocarril Transandino S.A (a company formed by Orient-Express Hotels and Peruval), to make improvements in the quality and reliability of PeruRail’s passenger and freight service.

Not only has train service become safer and more efficient, but the costs of exporting materials and agricultural products has been reduced and the railroad is in compliance with US Federal Railway Administration Class II Standards. The results are impressive—PeruRail made a net profit of $10.5 million in 2007, compared to net losses of over $40 million a decade earlier.

PeruRail and Orient-Express Hotels have played a key role in the growth and sustainability of Peru’s tourism industry, which accounts for 7.5 percent of the country’s GDP and employs 7 percent of its workforce.
Warehouse and logistics

Even the best airlines, airports, ports, railways, and roads need logistics support to succeed. Without modern warehouses and office facilities, emerging economies cannot become efficient and competitive.

IFC has invested approximately $200 million in five warehouse projects to improve the business infrastructure in Romania, the Russian Federation, Ukraine, and Vietnam. IFC is also advising the government of Punjab, India’s “breadbasket” in the development of state-of-the-art wheat storage silos. Developed in partnership with the private sector, the new silos will decrease the amount of grain stock that is damaged by weather, pests, and insects.

Developing a state-of-the-art warehouse and office facility in Russia

IFC provided $7.5 million in debt financing for the first state-of-the-art warehouse and office facility in Mineralnye Vody, a town in Russia’s Stavropol region. The facility, which will have a total leasable area of more than 40,000 square meters, will provide for the temporary storage and distribution of consumer and industrial products, and help create jobs.

A private operator, ZAO Kulon-Yugros, will build and manage the new facility. The Black Sea Trade and Development Bank cofinanced the project and the Espro Group manages it.

Infrastructure development is a key priority in Russia. IFC’s long-term financial support is helping to improve Russia’s wholesale and retail distribution systems, market position, and export-import trade.
Credits

WRITERS AND CONTRIBUTORS


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DESIGN

Jeanine Delay

PRINTING

Ecoprint
# Contacts

## HEADQUARTERS
**Washington DC, USA**  
2121 Pennsylvania Avenue NW  
T: +1 202 473 1000

## SUB-SAHARAN AFRICA
**Johannesburg, South Africa**  
14 Fricker Road, Illovo, 2196  
T: +27 11 731 3000

## SOUTH ASIA
**New Delhi, India**  
50-M, Shanti Path, Gate No. 3  
Niti Marg, Chanakyapuri 110 021  
T: +91 11 4111 1000

## EAST ASIA & THE PACIFIC
**Hong Kong, China**  
14/F, One Pacific Place  
88 Queensway Road  
T: +852 2509 8100

## SOUTHERN EUROPE & CENTRAL ASIA
**Istanbul, Turkey**  
Buyuikdere Cad. No. 185, Kanyon Ofis Blogu Kat 10, Levent 34394  
T: +90 212 385 3000

**Sofia, Bulgaria**  
36 Dragan Tsankov Blvd.  
World Trade Center/INTERPRED  
T: +359 2 9697 225/230

## CENTRAL & EASTERN EUROPE
**Moscow, Russian Federation**  
36, Bldg. 1, Bolshaya Mochanovka Street, 3rd Floor  
T: +7 495 411 7555

## LATIN AMERICA & THE CARIBBEAN
**São Paulo, Brazil**  
Edificio Torre Sul, Rua James Joule 65 19 andar, Cidade Monções  
T: +55 11 5185 6888

## MIDDLE EAST & NORTH AFRICA
**Cairo, Egypt**  
Nile City Towers, 2005 Corniche el Nil North Tower, 24th Floor, Boulac  
T: +20 2 2461 9140/45/50

**Dubai, United Arab Emirates**  
The Gate - DIFC  
West 10th Floor, Sheikh Zayed Road  
T: +971 4 360 1004
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That people should have the opportunity to escape poverty and improve their lives.

OUR CORE CORPORATE VALUES ARE
• Excellence
• Commitment
• Integrity
• Teamwork

OUR PURPOSE IS
To create opportunity for people to escape poverty and improve their lives by:
• Promoting open and competitive markets in developing countries
• Supporting companies and other private sector partners where there is a gap
• Helping to generate productive jobs and deliver essential services to the underserved
• Catalyzing and mobilizing other sources of finance for private enterprise development

In order to achieve its purpose, IFC offers development impact solutions through: firm-level interventions (direct investments, advisory services and the Asset Management Company); standard-setting; and business enabling environment work.