



Focus On Impact

IFC Highlights for Eastern Europe and Central Asia, FY 2014

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"In fiscal year 2014, IFC invested a record total of nearly \$4.7 billion in 117 projects across ECA."

What We Did in 2014

The World Bank Group aims to eradicate extreme poverty and increase shared prosperity through economic growth, inclusion, and sustainable development. In ECA, IFC furthered these objectives with a strong focus on frontier regions, agribusiness, gender equity, and financial markets, while also improving infrastructure and mitigating the impact of climate change.

In fiscal 2014, IFC invested a record total of nearly \$4.7 billion in 117 projects. Despite unstable financial markets, IFC was able to mobilize \$1.2 billion worth of investment from partner institutions, including \$560 million in guarantees from fellow World Bank Group-member MIGA, the Multilateral Investment Guarantee Agency. We invested \$2.7 billion in the region's financial sector, more than \$1 billion in infrastructure and natural resources, and over \$600 million to help fragile and conflict-affected areas and less developed frontier regions of middle-income countries.

IFC also delivered an advisory program worth nearly \$40 million, with a focus on climate change and supporting the poorest and most remote regions. Our 164 advisory agreements in ECA represent 27 percent of the total, and include 24 corporate governance projects in 14 countries.

Impact of Our Work

Nearly a third of our advisory agreements were with investment clients, the highest percentage among all regions. This allows the ECA region to coordinate, better than any other region, its investment and advisory services for maximum impact. As a result, more than 9 out of every 10 advisory clients expressed satisfaction with IFC's work (92 percent) and expertise (95 percent).

Our portfolio clients:

- supported over 600,000 jobs;
- improved access to quality health-care for over 6.5 million people;
- delivered power and water to 17 million customers; and
- provided more than \$10 billion in MSME loans in calendar-year 2013

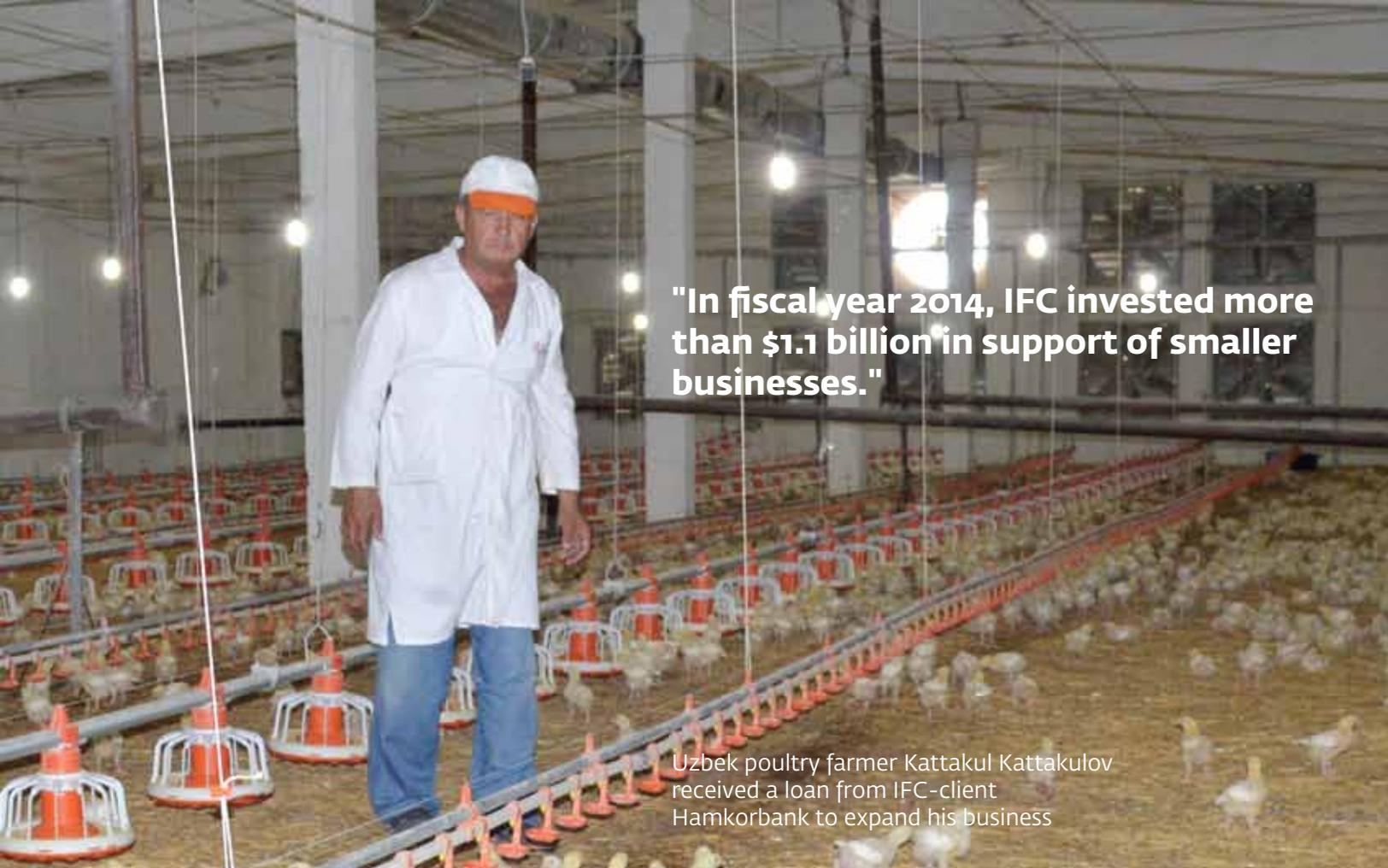
At a time of uncertainty and instability across the region, IFC's role in ECA is more crucial than ever. In FY15, we will continue to expand access to finance and fight climate change with a focus on agribusiness and infrastructure, promoting shared prosperity and creating real opportunities for people to escape poverty.



Boosting ECA Capital Markets

The financial and Eurozone crises and the recent troubles in emerging economies have led to continued volatility in ECA, underscoring the value of strong local capital markets, which are the foundation for lasting growth. Developing such markets is a cornerstone of our strategy in the region.

Since 2011, IFC has invested more than \$1 billion in 16 capital markets projects in ECA, providing critical support to the region's banking and financial sectors. In some cases, IFC helps companies access domestic investors with ground-breaking deals. Most of IFC's fiscal 2014 program in Romania, for example, was delivered in Romanian lei, including support for a bond issue by the Romanian subsidiary of UniCredit Bank. IFC also helps companies access funding overseas, and served as an anchor investor in the \$450 million Eurobond issued by Mersin International Port, Turkey's first single asset infrastructure Eurobond. IFC issued the first foreign corporate bond in Armenia and invested €150 million in Raiffeisen Bank International equity, to support the bank's subsidiaries in Central and Eastern Europe and promote regional recovery and growth.



"In fiscal year 2014, IFC invested more than \$1.1 billion in support of smaller businesses."

Uzbek poultry farmer Kattakul Kattakulov received a loan from IFC-client Hamkorbank to expand his business

Improving Financial Markets, Access to Finance

In an effort to ride out continuing financial instability across the broader region, IFC committed more than \$2.74 billion to financial markets in fiscal 2014, more than 58 percent of our total ECA investments. This included \$535 million mobilized from our partners, with a focus on strengthening capital markets and increasing regional trade and access to finance.

In Belarus alone, IFC committed \$137 million to five banks as part of its Global Trade Finance Program, which broadens access to finance and reduces risks for local banks, in addition to a \$7 million loan to boost financing for small and medium enterprises (SMEs). Overall, across the region, IFC invested more than \$1.1 billion in support of micro, small, and medium-sized businesses, to expand opportunities for entrepreneurs and create jobs. Several projects involved stipulations for lending to women entrepreneurs, or to small businesses in remote and under-developed regions.

IFC signed a record 49 advisory engagements with financial institutions in ECA, including risk management for Banka Transylvania in Romania and agri-finance for Hamkorbank in Uzbekistan. We also built a foundation for long-term stability for IFC microfinance lending in Central Asia by signing up the top MFIs in Kazakhstan, Kyrgyzstan, and Tajikistan for certification by the Smart Campaign, a global initiative to incorporate strong client protection principles across the microfinance industry.



Energy, Infrastructure, and Climate Business

These days, energy and infrastructure are more important than ever before: universal, reliable access to markets, goods, and services is essential for inclusive economic development across the region, and beyond. In fiscal 2014, IFC invested more than \$923 million in energy and infrastructure in ECA.

One of our most prominent FY14 infrastructure transactions is the award-winning \$450 million project to build a new modern terminal at Zagreb International Airport in Croatia (see next page). In municipal infrastructure, IFC provided a loan to Turkey's Izmir municipality to finance two new tramway lines, which will save energy and ease daily commutes. And in Romania, loans to the Timisoara and Botosani municipalities will finance vital improvements in the heating systems of these two cities.

IFC's public-private partnership transactions advisory team helped finalize the \$1 billion CASA-1000 project, one of the World Bank Group's "transformational" projects, designed to allow the transmission of summer-time hydropower surpluses from the poorest countries in ECA (Kyrgyzstan and Tajikistan) to energy-hungry countries in South Asia (Afghanistan and Pakistan).

IFC invested nearly \$500 million to address climate change, including a €106 million debt facility to finance the rehabilitation of four hydroelectric power plants in Albania. They will provide sustainable, cost-effective energy to steel producer Kurum International. IFC is boosting residential energy savings with homeowner loans in Armenia, and encouraging private sector investment in renewable energy and energy efficiency in Azerbaijan. Finally, IFC is providing advice to governments, banks, and businesses across the Balkans to expand renewable energy in the region, especially via small hydro power plants.

South-South Projects

In terms of South-South investments, IFC had a strong year in ECA, committing more than \$620 million to eight projects across the region, including \$250 mobilized from our partners.

IFC delivered a financing facility of up to \$70 million to Turkey's Renaissance Group (Ronesans Insaat), a construction conglomerate, to provide working capital and support its regional subsidiaries. In addition, IFC loaned Turkey's Odeabank \$50 million to increase financing to SMEs, which play a crucial role in job creation.

Lebanon's Bank Audi is the parent company of Odeabank, which launched in October 2012 and was recognized last year by International Finance Magazine as Turkey's most innovative bank.

"The new 65,000-square-meter terminal at Zagreb International Airport will more than double the airport's annual passenger capacity and spark meaningful economic growth."



Construction has begun on the new terminal for Zagreb International Airport, scheduled for completion in 2017

Croatia's Award-Winning Airport

Built by a consortium supported by IFC, the new \$450 million terminal at Zagreb International Airport, in Croatia, is expected to spark economic growth. The 65,000-square-meter terminal, targeted for completion in 2017, will more than double the airport's annual passenger capacity, from two million to five million. It will also improve the country's infrastructure, bring in more foreign investors and businesspeople, and boost tourism, a major driver of employment in Croatia.

"The expansion of the Zagreb airport will bring various positive effects to Croatia's tourist industry, not only to Zagreb," said Mari Matesic, Director of the Croatian National Tourist Board. "Apart from the increased revenues generated from tourism, we also expect to see an increase in city tours and business visits before and after the main tourist season."

For the first time in Croatia, private firms involved in a transport concession project have assumed passenger volume risks, enabling the country to upgrade essential infrastructure without adding a burden to state finances. This is a clear signal of a stronger, more mature private sector. In February, the deal was named Project Finance Magazine's European Airport Deal of the Year for 2013.

"IFC invested more than \$1 billion in manufacturing, agribusiness, and services in fiscal 2014."

Investing in Agribusiness and Food Production

Agribusiness represents the cornerstone of IFC's strategy in the ECA region. IFC invested more than \$1 billion in manufacturing, agribusiness, and services in fiscal 2014. This included \$400 million in farming and food production projects, highlighted by a \$250 million package to MHP, Ukraine's leading poultry producer – in a deal finalized amid challenging market conditions (see below).

We loaned €25 million to MK Group, a leading Serbian food production conglomerate, to support expansion and increase sustainability, and worked with Uzbek financial institutions to develop lending tools tailored to the agricultural sector. IFC also launched a project to help Kyrgyz, Tajik, and Uzbek farmers access financing and grow, and partnered with Ag Growth International to bring new grain storage technologies to Ukraine to cut crop losses.

Finally, IFC worked with governments across the region to introduce international food safety standards and brought together more than 160 producers, officials, and specialists for a food safety forum in Minsk. IFC advisory programs helped strengthen agricultural supply chains and improve access to finance for farmers and entrepreneurs.

Overcoming Adversity: Investment in Ukraine

Despite considerable domestic turmoil, IFC stepped up its investments in Ukraine in fiscal 2014, committing over \$470 million and supporting the agribusiness sector in particular, a key driver for the country's long-term economic growth. IFC invested \$311 million in Ukraine from its own account, and mobilized another \$160 million from other investors, at a time when Ukrainian companies' access to finance is limited. With the increased investment, Ukraine ranks among IFC's top 10 global country commitments.

IFC committed over \$240 million to agribusiness alone, to improve productivity, and expand sustainable farming practices. In addition to helping modernize Ukraine's agribusiness supply chains and expand access to finance for small and medium-sized producers, IFC's advisory services helped devise and implement poultry inspection reforms to meet EU standards, contributing to an 80 percent increase in Ukraine poultry exports in 2013, including by IFC-client MHP. Over time, IFC has invested more than \$1 billion in Ukraine's agribusiness sector, creating jobs, enhancing competitiveness and increasing exports.



Georgia Mushroom Boom

After conquering its domestic market, Georgian mushroom producer Tetri Kudi is looking to export its under-appreciated wonder-food to neighboring countries.

Backed by a \$1.5 million loan from IFC – our first investment in mushrooms – Tetri Kudi is expanding capacity more than 20 percent and expects to begin exporting to the large Russian market soon.

“This partnership with IFC is helping us modernize our production and become a legitimate exporter,” said Ivane Ioseliani, Director of Tetri Kudi. “We have already started exporting oyster mushrooms to Armenia and are in negotiations to start exports to Russia.”



A smiling worker at a Tetri Kudi processing plant in Georgia



Workers making treats at Amiri's confectionery plant in Dushanbe, Tajikistan

Candy Conquest

Supported by a \$1.3 million IFC loan, LLC Amiri began operations at its confectionery plant in Dushanbe, the Tajikistan capital, in 2011. Just three years later, Amiri leads the domestic market with a diverse product range of more than 40 sweets and chocolates.

“The IFC loan helped us purchase modern, high-tech equipment, enabling us to produce caramels and chocolates and become Tajikistan’s leading sweets producer,” said Saida Mirozorova, Director of Amiri. “Now we’re able to compete with imported brands.”

Opportunities for Women

In Europe and Central Asia, less than one out of every five businesses has a top female manager, and women's representation in board rooms and executive and ownership positions is lower than in East Asia and Latin America. For every country like Belarus, where the share of firms with women in top management is among the world's highest, there are two like Kosovo, which has almost no firms with women in top management. Further, women's overall employment in the region is low, even though an IFC report found that higher levels of gender diversity can increase innovation and productivity, and boost the bottom line.

IFC committed to more than 15 gender-related projects in ECA in fiscal 2014, to boost women's employment and help promote the business case for gender diversity in the workplace. We organized half a dozen events and training programs across the Balkans to increase the ranks of women employees, entrepreneurs, executives, and board members. IFC made a €35 million loan to Garanti Bank Romania to finance SMEs, with €20 million for on-lending to companies owned or managed by women. Similar projects were implemented in Turkey, Russia (see next page), the Kyrgyz Republic, and Tajikistan.



In order to fund expansion, Muhabbat Islomova's small decorative tiles firm in Dushanbe has taken out several loans from IFC-client Access Bank Tajikistan

"IFC committed to more than 15 gender-related projects in ECA in fiscal 2014, to help promote the business case for gender diversity in the workplace."



IFC

International Finance Corporation World Bank Group

"IFC has partnered with several Turkish banks, providing \$60 million for lending to women-run firms."



Investing in Turkey's Women Entrepreneurs

Good for business and good for development

Panel discussion at an IFC-organized event in Istanbul for Turkey's women entrepreneurs



In Russia and Turkey, Financing for Women Entrepreneurs

Some two-thirds of women entrepreneurs in Russia are inadequately serviced by banks, needing an average of \$42,000 in financing, according to a recent IFC study. All told, the credit gap faced by the country's women-owned SMEs is a stunning \$11.5 billion.

In Turkey, women-owned businesses represent 40 percent of SMEs, but only 15 percent have access to finance. Banks are failing to cater to this market segment, even though women entrepreneurs represent an untapped market of \$4 billion, according to a World Bank study.

Over the past three years, IFC has partnered with several Turkish banks, providing \$60 million for lending to women-run firms. Targeting this segment means new business for banks, and helps increase access to capital for women entrepreneurs.

Aiming to similarly expand the women's banking segment in Russia, IFC provided Transcapitalbank with a \$50 million loan to expand access to finance for SMEs, with a quarter of the loan earmarked for women-owned and women-run businesses. The Transcapitalbank loan is just the first step in IFC's effort to help build a commercially viable women's banking segment in Russia.

"The loan provided by our partners, IFC and the International Investment Bank, will strengthen our efforts to provide banking services tailored to the needs of female clientele," said Olga Gryadovaya, Transcapitalbank's CEO and part-owner, who was recently named Russia's Most Successful Woman Banker by the magazine *Bank Review*.

Regional Offices

Istanbul Operations Center For EMENA

Buyukdere Cad. No: 185, Kanyon Ofis Blogu Kat 19,
Levent, 34394, Istanbul, Turkey
Tel: (90-212) 385-3000
Fax: (90-212) 385-3001

Europe & Central Asia Russian Federation

36, Bldg. 1 Bolshaya Molchanovka Street, Moscow 121069
Russian Federation
T: (7-495) 411-7555
F: (7-495) 411-7556
ifc.org

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