Corporate Governance

INVESTMENT OPERATIONS AND ADVISORY SERVICES

PROJECT SUMMARIES – SUCCESS STORIES

Country: Indonesia
Client: Mitra Bisnis Keluarga Ventura (MBK)

In 2013 IFC approved an investment (debt and equity) of $9 million for this Indonesian micro-finance company with over 300,000 micro clients, mostly women. An equity investment agreement was also signed by IFC and MBK. IFC also provided corporate governance assistance to help the company improve the structure and composition of the boards and implement good governance principles that, in turn, will help prepare the company to attract new investors. This IFC investment will enable the company to scale up its microfinance outreach, thus helping improve the quality of lives of women in Indonesia. Further, by having a sound corporate governance structure in place the company can become a standard setter for more sustainable and professionally-run microfinance institutions in the country.

**IFC corporate governance support:** Provided assistance to improve the structure and composition of the boards and implement good governance principles.

Country: Bosnia and Herzegovina
Client: Bekto Precisa

In 2013 IFC invested $10.7 million (loan) in this family-owned company, which is in the business of high-precision manufacturing and plastic injection molding primarily for the automotive industry. IFC also provided corporate governance assistance to establish a sound governance structure, address family governance issues, focusing its advice on succession planning and setting up a board of directors. IFC's involvement will help the company expand production capacity, restructure its debt and enable its corporate governance structures to lead growth of the company and is particularly relevant given the fragile and conflict state status of the country.

**IFC corporate governance support:** Provided assistance to establish a sound governance structure, address family governance issues, focusing on succession planning and setting up a board of directors.

Country: Bangladesh
Client: Butterfly Marketing Limited

In FY2013, IFC invested $6.4 million in equity in Butterfly Marketing Limited, a family-owned business in Bangladesh. The company is one of the largest retail companies of refrigerators, televisions and air conditioners in the country. With a store network of 199 outlets and 340 dealers, Butterfly Marketing Limited currently has the second largest market share in the refrigerator market and the largest in the air conditioner market. IFC also provided corporate governance assistance to strengthen its governance structure offering advice on board composition, establishing an audit committee and appointment of an external auditor. The corporate governance improvements were a condition for investment, and all of the shareholders have signed on to implement the corporate governance improvement plan.
IFC corporate governance support: Provided assistance to strengthen the company’s governance structure offering advice on board composition, establishing an audit committee and appointment of an external auditor.

Country: Serbia  
Client: Vino Zupa

In FY13, IFC invested $17 million (loan) in Vino Zupa, an agribusiness company in Serbia to strengthen and further develop the fruit supply and juice production operations. The company produces fruit juice, frozen fruits and wine. IFC provided a corporate governance assessment and the recommendations for this joint stock company focused on internal controls, functioning of the board of directors, disclosure practices and improvements in the information flow at the highest levels of the company.

IFC corporate governance support: Provided recommendations on internal controls, functioning of the board of directors, disclosure practices and improvements in the information flow of the company.

Country: Moldova  
Client: TransOil Group

In 2012 IFC invested $70 million in TransOil, a large agri-business group in Moldova to support the group’s oil seed crushing operations. IFC also provided corporate governance assistance to help assess and address family governance issues, offering advice on the creation of a board of directors and risk management. The IFC investment will help the company strengthen and develop its operations and bring its corporate governance in line with best practice.

IFC/corporate governance support: Provided assistance to assess and address family governance issues, offering advice on the creation of a board of directors and risk management.

Country: Pakistan  
Client: Matco Rice Processing Limited

In 2012 IFC made a $4.9 million equity investment in Matco Rice Processing Limited, a family-owned firm and the country’s leading basmati-rice exporter. The investment is part of an $18 million project that integrates rice paddy procuring and processing. The investment came about after one of the company’s board members attended a corporate governance leadership training offered by the IFC-supported Pakistan Institute of Corporate Governance. Seeing value in the training, the board member invited the institute to conduct a corporate governance workshop for Matco’s board to address the role, authority, and fiduciary duties of the board and its structure and composition. This enabled Matco to make necessary changes and position itself as a viable investee client.

IFC corporate governance support: Provided corporate governance leadership training to IFC-supported organization, which in turn provided training to the company on the role, authority, and fiduciary duties of the board and its structure and composition.

Country: Mongolia  
Client: Khan Bank

In 2011, IFC committed a $20 million subordinated loan to Khan Bank, as part of a $50 million external financing from a strategic investor as a result of improved corporate governance. Khan Bank is a leading commercial bank in Mongolia with 500 branches and over 4,000 employees. It provides financial services to more than 80 percent
of the households in that country. IFC provided advisory support to the bank to make improvements to its corporate governance practices to support the client’s plan to go IPO in overseas stock exchanges in the next two to three years. IFC identified key risks, including unclear authority line between the board and senior executives; ineffective communications between the board and management; ineffectiveness of the board committees; related party transactions issues and conflict of interest issues and proposed an improvement plan. In 2013, IFC invested in a $40 million subordinated loan from the IFC Asset Management Company, together with $71 million in IFC syndicated and parallel loans to Khan Bank.

**IFC/corporate governance support:** Provided support to make improvements to the bank’s corporate governance practices to go for an IPO. IFC identified key risks, including unclear authority line between the board and senior executives; ineffective communications between the board and management; ineffectiveness of the board committees; related party transactions issues and conflict of interest issues and proposed an improvement plan.

**Country:** India  
**Client:** Craftsman

In 2011, IFC made a $13.6 million equity investment in Craftsman, a family-owned firm in India with revenues of about $120 million in fiscal year 2011. As part of IFC’s $13.6 million equity investment, IFC provided advisory support to the company that helped improve its corporate governance practices, including reducing the family’s representation on the board, nominating two independent directors, and hiring a chief financial officer. Craftsman also had to form an audit committee comprised solely of independent directors. The only recommendation pending is formation of the audit committee. Standard Chartered PE invested about Rs 850 million 18 months ago.

**IFC corporate governance support:** Provided support to help improve its corporate governance practices, including reducing the family’s representation on the board, nominating two independent directors, and hiring a chief financial officer.

**Country:** Kyrgyz Republic  
**Client:** Altyn Ajydaar, LLC

In 2011 IFC approved an investment (loan) of $2.25 million for Altyn Ajydaar, a family owned business in the Kyrgyz Republic. The company is a leading producer of high quality corrugated packaging in Kyrgyzstan with a local market share of 70 percent. Altyn Ajydaar has planned to expand its production and sales to neighboring Kazakhstan and to relocate part of its production facilities closer to its main market and clients. IFC also provided corporate governance assistance to help the company in development internal policies and procedures related to corporate governance, strengthening its internal control system and efficiency of decision making procedures. The IFC investments will enable the company to support its expansion to larger markets in Kazakhstan where the company will benefit from lower transportation costs, improved marketing and its operational efficiency by purchasing some new equipment. Even though the corporate governance improvements were a condition for investment, improved corporate governance has fundamentally altered the family members’ perception of how to run business in a family-owned company.

**IFC corporate governance support:** Provided assistance on succession planning, management oversight, family governance issues and internal controls.
Country: Egypt  
Client: Wadi Group

IFC conducted a corporate-governance assessment of Wadi Holdings, a family-owned company with 14 subsidiaries, primarily in agribusiness, and developed a plan for improving board effectiveness, management control functions, shareholder and disclosure practices, and family-governance issues such as establishing a family-employment policy. Following implementation of the plan, Wadi reported enhanced market reputation. The company indicates that financing of $62 million in debt and $6 million in equity has been supported by its improved corporate-governance practices.

**IFC corporate governance support:** Conducted a corporate-governance assessment and developed a plan for improving board effectiveness, management control functions, shareholder and disclosure practices, and family-governance issues such as establishing a family-employment policy.

Country: Azerbaijan  
Client: Turan Bank

In 2011, IFC provided a $7 million loan to Turan Bank, a relatively small bank with ambitious plans to focus on underserved areas of the country, to help increase lending to small and medium enterprises. IFC provided Turan Bank with recommendations to improve its corporate governance and worked with the bank to implement those recommendations. These improvements significantly clarified roles and responsibilities at the bank, improved its reputation both externally and with staff, and helped the bank receive financing from a number of international investors. In FY2013, the bank appointed an independent director to the Supervisory Board.

**IFC corporate governance support:** Provided recommendations to improve its corporate governance and worked with the bank to implement them, specifically on development and adoption of new internal documents to govern and guide practices (by-laws); clarification of management and supervision responsibilities; establishment of Corporate Governance Officer position; adoption of a succession plan dividend policy; and appointment of an independent director to strengthen the audit committee.

Country: Armenia  
Client: Inecobank

In 2006, IFC invested $1.3 million equity in Inecobank, and since then has been providing an ongoing support, through loans and the Global Trade Financing Program. Inecobank is a mid-sized Armenian bank with continuous good performance. This is the only IFC equity investment in the banking sector in Armenia, and as part of our advisory services for equity activities, IFC provided advisory support to the bank to help improve the operation of its board of directors, establish audit and risk management committees, and strengthen the independence of its internal audit function.

**IFC/corporate governance support:** Assisted the bank to prioritize the corporate governance improvements, provided relevant model documents and continues to work with the bank’s leaders in improving the operation of the board of directors, establishing risk management and audit committees, introducing quality compliance function and strengthening the competence and independence of the internal audit department.

March 2014