Unlocking Opportunity & Delivering Impact in Emerging Europe and Central Asia

IFC Highlights for FY 2013
What We Did in 2013

The World Bank Group is focused on eradicating extreme poverty and pursuing shared prosperity through environmentally sustainable development. In support of these goals, IFC prioritizes work in Europe and Central Asia (ECA) by focusing on frontier markets, agribusiness, manufacturing, and job creation, while also addressing climate change and improving infrastructure and the delivery of crucial services like water, healthcare, and education.

In fiscal year 2013, IFC invested a record $4.5 billion in 22 countries across the region – a 35 percent increase from fiscal 2009. IFC also provided advisory services worth $36.4 million. As the euro zone crisis continued to create uncertainty in closely-linked markets, IFC played a crucial counter-cyclical role, helping the region and our clients by supporting private sector development with a mix of investment and advisory services.

Out of 131 investment projects, IFC channeled about 50 percent of its ECA commitments to the financial sector, expanding access to finance for businesses and individuals, with a focus on underserved countries and regions. Some $12 billion of IFC’s commitments were mobilized from international and regional commercial banks, despite uncertainty in European financial markets constraining credit and limiting investment.

In the current fiscal year, IFC continues to expand access to finance and support climate change-related projects with a particular focus on agribusiness, transport, social infrastructure and high value-added manufacturing. By focusing on the poorest countries and regions, IFC aims to promote shared prosperity and create opportunities to help people escape extreme poverty.

Reach and Impact

IFC investments and advisory services continued to deliver strong development impact in Europe and Central Asia, where IFC portfolio clients:

- Improved health care services and access for 4.5 million people
- Connected 10.9 million people to power grids
- Supported more than 420 thousand jobs
- Provided access to clean water to 5.2 million people
- Increased sustainable farming opportunities for more than 360 thousand farmers
- Provided access to finance to more than 3.4 million microfinance clients and SMEs
- Improved phone connections for 17.2 million people.
Improving financial markets, boosting access to finance

In Europe and Central Asia, IFC invested $2.25 billion in 82 financial markets projects to boost access to finance with a focus on fragile and conflict-affected states and the frontier regions of middle-income countries. This work was complemented by advisory services focused on corporate governance and risk management.

IFC’s trade finance program provided a record $1 billion worth of guarantees, facilitating cross-border trade and strengthening economic ties. IFC supported landmark transactions to help local capital markets become viable sources of long-term financing in Romania, Russia, and Turkey.

IFC placed its first local currency bond in an ECA country with the Volga bond in Russia and created the $500 million IFC/AMC Russia Capitalization Fund, established to finance medium-sized private banks in the country’s more remote regions. Credins Bank Albania leveraged IFC’s strong advisory presence in the Balkans to enter a new area of financing: small hydro-power plants.

IFC invested more than $1 billion in 65 projects targeting micro, small, and medium enterprises, and committed $186 million to 32 projects in the region’s poorest countries, in addition to over $360 million mobilized through syndicated loans, MIGA guarantees, and public-private partnerships. IFC also worked to build well-functioning markets, which increase private sector development by providing greater resilience against capital flow shocks.

To further boost private sector growth in the region, IFC Advisory Services helped governments reform business permits, inspections, trade regulations, and tax administration systems. With less inefficiency, administrative costs for the private sector have been reduced by over $52 million per year, significantly improving the region’s business climate.
Financing Small Businesses in Rural Armenia

Unable to support their elderly parents with small salaries from the government, Karine and Narine Petrosyan opened a little shop of their own in their village of Mrgashat, in Armenia’s Armavir region.

Boosted by IFC-backed loans from Inecobank, their business has in just three years grown from a one-shelf store into a full-sized supermarket with three employees and an adjacent bakery.

“We are even thinking of packaging the bread and sending it to a couple of stores in Yerevan. This way we will hire more people in our community to work in two shifts,” said Karine. “We have built this business from scratch. We didn’t even have a refrigerator when we started.”

Using performance-based grants, IFC helped Inecobank identify lending gaps and alter its policy to make more loans to small businesses like that of the Petrosyan sisters.

“IfC’s innovative instrument, the performance-based grant, has helped Inecobank roll out a microfinance product, which is an important tool to improve livelihoods, especially in underserved households in rural areas of Armenia,” said Thomas Lubeck, IFC Regional Manager for the South Caucasus. “This will benefit those who often find it difficult to access finance to modernize and expand their businesses.”

With IFC’s support, Inecobank has originated more than 100,000 microloans since 2010. Around 84 percent of these loans went to borrowers in rural areas, boosting employment and cutting local poverty.

This work is part of the IFC’s Performance-Based Grant Initiative, a new advisory services resource meant to fund results-oriented projects and develop innovative business models to expand access to financial services. These funds are given to projects that define measurable performance targets to be achieved during implementation, incentivizing and rewarding institutions that develop strategies to reach underserved segments.

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Investing in infrastructure and climate business

In fiscal 2013, ECA was IFC’s strongest performing region in terms of climate business, committing a record $577 million in 31 projects – nearly 40 percent beyond our $419 million target. We also provided advisory support worth $12.5 million, a 25 percent increase over 2012.

Four green buildings projects alone totaled more than $117 million, and our innovative Modern Karton project (see page 9) boosted water conservation in an area of strained resources. With $344 million, Turkey saw the most commitments (60 percent of total), followed by Bulgaria ($52.5 million), Croatia ($50 million), and Russia ($40 million).

Advisory Services helped improve resource efficiency and create new renewable energy markets by working with the governments of Albania, Bosnia & Herzegovina, Macedonia, Russia, and Serbia, to introduce new legislation and regulatory frameworks.

IFC invested $761 million in 16 projects in the infrastructure and natural-resource sectors, including municipal utilities and transport infrastructure in Russia and Turkey. IFC also invested a record $577 million in 31 climate business projects and provided extensive advisory support worth $12.5 million.

We helped the governments of Albania, Kosovo, and Kyrgyzstan structure and close public private partnership (PPP) projects in infrastructure, power, and banking. We invested in utilities, energy conservation, and transport in Russia and Turkey. We invested $61 million in 16 infrastructure projects aimed at improving access to infrastructure and supporting private sector investment.

"IFC advised the governments of Albania, Macedonia, Russia, and Serbia on improving the legal framework."
Expanding, Improving Education in Russia

One of IFC’s priorities in Russia is helping regions improve transport and social infrastructure. In fiscal year 2013, IFC provided $122 million to the Chuvash Republic and Samara regions to renovate and build more than 100 kindergartens and schools. These projects are extending quality education to over 19,000 additional students.

Boosting Renewables in the Balkans

In March 2013, IFC committed $13.3 million to Credins Bank Albania to expand financing for renewable energy, promoting efficient resource use and reducing greenhouse gas emissions. IFC’s financing is helping the bank provide loans to Albanian companies interested in investing in energy efficient technologies and renewable energy projects. “This partnership with IFC will help us take a leadership role in combating climate change in Albania,” said Artan Santo, Credins Bank CEO. “We believe the potential for developing sustainable energy finance in Albania is significant and aim to offer our services to companies that plan to go green.”

Overlooking the Hydro Power Plant Kozjak on the Treska River, near Skopje, Macedonia. This is the first in a cascade of three HPPs with some 66 MW of installed capacity. IFC photo.
Investing in Manufacturing and Agribusiness

IFC invested nearly one billion dollars ($983 million) in manufacturing, agribusiness, and services in fiscal 2013. These 33 projects included IFC’s first-ever climate adaptation project and more than $400 million invested in agribusiness in Armenia, Croatia, Serbia, Turkey, and Ukraine.

IFC Advisory Services continued to provide training and advice to government inspectors and food producers on international best practices in food safety, helping improve the competitiveness of local food processors. IFC teams also worked with manufacturing companies on improving their resource efficiency.
Looking to expand production, Modern Karton, one of Turkey’s leading producers of paper-based containers, first needed access to a significant supply of water, a key ingredient for paper production.

But one-hundred kilometers west of Istanbul, where Modern Karton operates, water is increasingly hard to come by. That’s where IFC stepped in, helping assess Modern Karton’s water needs, advising on solutions, and providing an $8 million loan for installation of the most sophisticated water recovery and recycling system in Turkey’s paper industry.

“Due to rapid industrial development and the effects of climate change, access to sustainable water has been a real issue,” Ahmet Eren, Chairman of Eren Group, the parent company of Modern Karton. “The government of Turkey is encouraging water conservation and industrial customers face limitations on water consumption. We are grateful for IFC for helping us find a solution that will allow us to expand without increasing water consumption.”

This is the first IFC investment to directly address the business risks associated with environmental change, in this case increased water scarcity. Together with climate mitigation projects, which aim to cut greenhouse gas emissions, and special climate projects, these three pillars serve to delineate IFC’s climate business targets.

Beyond the Numbers: Helping Companies Expand Operations while Addressing Climate Change
Promoting Corporate Governance in ECA to Improve Sustainability and Attract Investments

Not so long ago, the executives of JSC Altyr Ajydar, a family-owned producer of corrugated cardboard, paper, and packaging products in the Kyrgyz Republic, realized they needed to increase transparency and separate business from kinship. “To ensure the continuity and prosperity of our company, we needed to resolve our corporate governance dilemmas,” said Liliya Terekhova, co-owner and financial director.

With support from IFC, the firm has now introduced a corporate secretary position, established new bylaws on internal controls, and clarified its constitution and succession plan.

In the Kyrgyz Republic and Tajikistan alone, IFC helped firms attract $11.8 million in new financing. Across the ECA region, including IDA countries, IFC uses a comprehensive approach to help companies and local institutions strengthen corporate governance.

The recent signing of an agreement with Elen, a family-owned energy and engineering firm in Kosovo, marks the first such engagement for IFC in that country. IFC is also helping Sharrcem ShpK, part of Titan Group, an equity client, improve corporate social responsibility in one of Kosovo’s municipalities.

To ensure governance advances are sustainable, IFC also works to build capacity. In Macedonia, IFC is helping the Institute of Directors become that nation’s leading provider of governance services. The institute has increased its membership by 50 percent, introduced advanced organizational structures, and developed a 17-lesson director training module. “IFC provided highly valuable advice on ways for us to reach our full potential,” said Verica Hadzivasileva Markovska, member of the institute’s board.

IFC is also supporting women business leaders by developing policy recommendations to empower women and improving board diversity. In Kosovo and Kazakhstan, dynamic workshops recently brought together top female managers from IFC client companies and other firms to share lessons learned.
Assembly line workers at packaging products manufacturer JSC Altyn Asydaar, in Bishkek, Kyrgyz Republic. IFC photo

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About IFC
IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. We help developing countries achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments. In FY13, our investments reached an all-time high of more than $25 billion, leveraging the power of the private sector to create jobs, spark innovation, and tackle the world’s most pressing development challenges.
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