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President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Materials
Speeches - Speaking Engagement - International Finance Corporation [IFC]

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WBG Archives**

Speaking Engagement: IFC's Semi-Annual
Senior Managers' Retreat
(JDW Remarks)

Sunday, November 9, 1997
7:00 - 9:00 p.m.

River House, Wye River Convergence Center
Queenstown, Maryland

Archive Management for the President's Office

Document Log

Reference # : Archive-01806

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Edit

Print

A. CLASSIFICATION

☒ Meeting Material
☐ Trips
☒ Speeches

☐ Annual Meetings
☐ Corporate Management
☐ Communications with Staff

☐ Phone Logs
☐ Calendar
☐ Press Clippings/Photos

☐ JDW Transcripts
☐ Social Events
☐ Other

B. SUBJECT: SPEAKING ENGAGEMENT: IFC'S SEMI-ANNUAL SENIOR MANAGERS' RETREAT // JDW TO MAKE REMARKS // (B) (N) // VENUE: RIVER HOUSE AT THE WYE RIVER CONFERENCE CENTER, QUEENSTOWN, MARYLAND // CONTACT: MARIA THOMAS @ 36119 // (B) SPEAKING POINTS: CAROLINE ANSTEY // (B) BY M. THOMAS // DUE TUESDAY, NOV. 4 // EXC: LP // LFG (10/20)

Brief includes:

- Note to JDW from C. Anstey, Nov. 11
- Talking Points
- Agenda
- Bies Bio
- Directions
- IFC 1997 Investment Portfolio
- Mr. Jannik Lindbaek's 1996 IFC Luncheon Address
- IFC 1997 Annual Report
- IFC Senior Management Retreat Background Materials: Environmental and Social Policies and Procedures & Disclosure Policies
- IFC Developing Scenarios and Assessing Strategic Implications for the IFC - Oliver Wyman & Company
- IFC Developing Scenarios and Assessing Strategic Implications for the IFC - Presentation Material - Oliver Wyman & Company
- Choosing Strategies for Change - Article from Harvard Business Review
- Paper on Peter Browning and Continental White Cap (A)
- Presentation on Peter Browning and Continental White Cap

DATE: 11/09/97

C. VPU

Corporate

☐ CTR
☐ EXT
☐ LEG
☐ MPS
☐ OED
☐ SEC/Board
☐ TRE

Regional

☐ AFR
☐ EAP
☐ ECA
☐ LAC
☐ MNA
☐ SAS

Central

☐ CFS
☐ DEC
☐ ESD
☐ FPD
☐ FPR
☐ HRO

Affiliates

☐ GEF
☐ ICSID
☒ IFC
☐ Inspection Panel
☐ Kennedy Center
☐ MIGA

D. EXTERNAL PARTNER

☐	IMF
☐	UN
☐	MDB/Other IO
☒	NGO
☐	Private Sector

☐	Part I
☐	Part II
☐	Other

E. COMMENTS:

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WBG ARCHIVES

INTERNATIONAL FINANCE CORPORATION

1997 INVESTMENT PORTFOLIO

INTERNATIONAL FINANCE CORPORATION
INVESTMENT PORTFOLIO
AS OF JUNE 30, 1997

Country, region, or other area, and obligor	Sector	Fiscal years in which commitments were made	Original commitments ¹ (millions of U.S. dollars)		Investments held for IFC ² (millions of U.S. dollars)		
			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
SUB-SAHARAN AFRICA							
ANGOLA							
Equador, Empreendimentos Hoteleiros e Turisticos Ltda	Hotels and Tourism	97	1.5	—	1.5	—	1.5
					1.5	—	1.5
BENIN							
Bank of Africa Benin (BOAB)	Financial Services	93, 94, 95	0.3	—	—	0.3	0.3
Equipbail S.A.	Financial Services	95	0.8	—	0.7	0.1	0.8
Société Béninoise de Pêche	Food and Agribusiness	92	0.3	—	—	0.1	0.1
Société Fruitex Industrie	Food and Agribusiness	93	0.4	—	0.4	—	0.4
Union Béninoise d'Assurances-Vie (UBA-VIE)	Financial Services	96	0.1	—	—	0.1	0.1
					1.1	0.6	1.6
BOTSWANA							
Northern Textile Mills (Botswana) (PTY) Ltd.	Textiles	91	0.5	—	0.1	—	0.1
ULC (Proprietary) Ltd.	Financial Services	90, 93	0.8	—	—	0.8	0.8
					0.1	0.8	0.9
CAMEROON							
Alucam—Compagnie Camerounaise de l'Aluminium Péchiney-Ugin	Mining and Extraction of Metals and Other Ores	79	7.9	—	—	0.9	0.9
Complexe Avicole MVOG-BETSI	Food and Agribusiness	96	0.3	—	0.3	—	0.3
Cotonnière Industrielle du Cameroun (CICAM)	Textiles	86, 93	6.5	—	4.4	—	4.4
Notacam S.A.	Manufacturing	97	0.9	—	0.8	—	0.8
Pecten Cameroon Company	Mining and Extraction of Fuel Minerals	92, 96, 97	74.5	177.9	49.3	—	49.3
Société de Production, de Collecte, de Transformation et de Conditionnement de Légumes	Food and Agribusiness	94, 97	1.5	—	0.9	0.5	1.4
United Transport Cameroon (UTC)	Infrastructure	94, 97	2.1	—	1.0	—	1.0
					56.7	1.4	58.1
CAPE VERDE							
Empreendimentos Turisticos Ltda.	Hotels and Tourism	95	1.0	—	0.9	—	0.9
Growela Cabo Verde, Ltda.	Manufacturing	94	1.0	—	0.7	—	0.7
					1.6	—	1.6
CONGO, DEMOCRATIC REPUBLIC OF							
Utexafrica, S.P.R.L. and Usines Textiles Cotonnières de Kinshasa	Textiles	88	13.5	—	7.3	—	7.3
Grands Hôtels du Zaïre, S.Z.A.R.L.	Hotels and Tourism	85	15.0	—	7.8	—	7.8
Société de Télécommunications Cellulaires (TELECEL)	Infrastructure	92	6.0	—	1.2	—	1.2
Société Textile de Kisangani, S.Z.A.R.L.	Textiles	85	8.9	—	5.1	—	5.1
					21.4	—	21.4
CONGO, REPUBLIC OF							
Congolaise des Bois Imprégnés, S.A.	Timber, Pulp, and Paper	87	2.1	—	1.9	—	1.9
Energy Africa Haute Mer Ltd.	Mining and Extraction of Fuel Minerals	96	46.8	25.0	43.9	2.9	46.8
					45.8	2.9	48.8

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
CÔTE D'IVOIRE							
Banque Atlantique—Côte d'Ivoire	Financial Services	94	5.3	—	4.5	—	4.5
Block CI-11 Hydrocarbon Development	Mining and Extraction of Fuel Minerals	93, 95	38.7	—	—	38.7	38.7
Béréby-Finances S.A.	Food and Agribusiness	96	3.0	—	—	3.0	3.0
Compagnie Africaine de Production de Poissons	Food and Agribusiness	97	0.1	—	—	0.1	0.1
Compagnie Ivoirienne de Production d'Électricité	Infrastructure	95	19.1	—	14.1	1.0	15.1
Établissements R. Gonfreville, S.A.	Textiles	77, 87	12.0	—	—	0.4	0.4
FTG-Filature et Tissage Gonfreville	Textiles	96	—	—	1.6	—	1.6
Industrial Promotion Services (Côte d'Ivoire)	Financial Services	88	0.8	—	—	0.8	0.8
Laborex—Côte d'Ivoire	Industrial and Consumer Services	95	3.1	—	1.3	—	1.3
Multi-Produits (SODIRO)	Food and Agribusiness	94	0.4	—	0.3	—	0.3
Multi-Produits S.A.	Industrial and Consumer Services	97	0.4	—	—	0.4	0.4
Omnium Chimique et Cosmétique (COSMIVOIRE)	Food and Agribusiness	87, 94, 97	9.2	—	3.7	2.4	6.0
Petro Ivoire S.A.	Industrial and Consumer Services	96	1.1	—	1.0	—	1.0
Plantivoire	Food and Agribusiness	92	1.1	—	1.0	—	1.0
Péchazur, S.A.R.L.	Food and Agribusiness	90, 93	1.1	—	0.3	—	0.3
Société des Industries Alimentaires et Laitières (SIALIM)	Food and Agribusiness	88, 90	4.9	—	1.6	—	1.6
Société Interagri S.A.	Food and Agribusiness	93	1.0	—	0.7	—	0.7
Texicodi S.A.	Textiles	96	—	—	1.1	—	1.1
Union Africaine-IARD	Financial Services	97	0.3	—	—	0.3	0.3
					31.2	47.2	78.3
GAMBIA, THE							
Kombo Beach Hotel Ltd.	Hotels and Tourism	84, 90	2.8	—	4.8	+	4.8
Lyefish Company Ltd.	Food and Agribusiness	95	0.4	—	0.4	—	0.4
Makumbaya Farms Ltd.	Food and Agribusiness	91	0.9	—	0.6	—	0.6
Ndebaan Medi-Services Co. Ltd.	Social Services (Health Care, Education)	94	0.2	—	0.2	—	0.2
Radville Cold Stores Ltd.	Food and Agribusiness	94	0.8	—	0.4	—	0.4
					6.3	—	6.3
GHANA							
Afariwaa Farms and Livestock Products Ltd.	Food and Agribusiness	94	0.4	—	0.3	—	0.3
Alugan Co. Ltd.	Mining and Extraction of Metals and Other Ores	90	0.3	—	0.1	—	0.1
Appiah Menka Complex Ltd.	Chemicals and Petrochemicals	91	0.9	—	0.6	—	0.6
Billiton Bogosu Gold Ltd.	Mining and Extraction of Metals and Other Ores	88, 90, 91, 95	21.2	29.0	12.9	1.7	14.6
CAL Merchant Bank Ltd.	Financial Services	90, 91, 93	8.9	—	1.9	0.9	2.7
Combined Farmers Ltd.	Food and Agribusiness	93	0.4	—	0.3	—	0.3
Dupaul Wood Treatment (Ghana) Ltd.	Timber, Pulp, and Paper	95	1.0	—	0.9	—	0.9
Ecobank Ghana Ltd.	Financial Services	93, 97	7.0	2.0	5.5	—	5.5
Ghana Aluminium Products Ltd.	Mining and Extraction of Metals and Other Ores	92	0.4	—	—	0.4	0.4

SUB-SAHARAN AFRICA
INVESTMENT PORTFOLIO
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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
GHANA, continued							
Ghana Cement Works Ltd.	Cement and Construction Materials	94	3.0	—	2.4	—	2.4
Ghana Household Utilities Manufacturing Co. Ltd.	Manufacturing	94	0.6	—	0.3	—	0.3
Ghana Leasing Co. Ltd.	Financial Services	93, 94	5.8	—	3.2	0.8	3.9
Ghanaian-Australian Goldfields Ltd.	Mining and Extraction of Metals and Other Ores	90, 92, 96, 97	27.0	18.5	13.6	3.0	16.6
Hotel Investments (Ghana) Ltd.	Hotels and Tourism	91, 92	4.2	—	2.3	—	2.3
Packrite Cartons and Packaging Ind. Ltd.	Timber, Pulp, and Paper	92	0.6	—	0.2	—	0.2
Pako Bay Seafoods Ltd.	Food and Agribusiness	97	0.3	—	0.2	0.1	0.3
Palm Royale Apartment Hotel Co. Ltd.	Hotels and Tourism	94	1.0	—	1.0	—	1.0
Polytex Industries Ltd.	Manufacturing	93	0.4	—	0.1	—	0.1
Primewood Products Ltd.	Timber, Pulp, and Paper	93	1.2	—	1.0	—	1.0
Securities Discount Co.	Financial Services	91	0.2	—	—	0.2	0.2
Shangri-la Hotel	Hotels and Tourism	95	0.3	—	0.3	—	0.3
Tacks Farms Ltd.	Food and Agribusiness	97	0.4	—	0.4	—	0.4
Wahome Steel Ltd.	Mining and Extraction of Metals and Other Ores	90, 93	5.2	—	0.9	0.4	1.3
					48.4	7.5	55.9
GUINEA							
Ciments de Guinée	Cement and Construction Materials	94	1.5	—	0.9	—	0.9
Société Aurifère de Guinée S.A.	Mining and Extraction of Metals and Other Ores	88	8.3	—	4.6	3.0	7.6
Société Guinéenne d'Hôtellerie et d'Investissements	Hotels and Tourism	95	4.2	—	3.2	0.6	3.7
					8.7	3.6	12.2
GUINEA-BISSAU							
Agribissau, S.A.R.L.	Food and Agribusiness	95	0.8	—	0.8	0.1	0.8
					0.8	0.1	0.8
KENYA							
Allpack Industries Ltd.	Timber, Pulp, and Paper	92, 93	0.4	—	—	0.4	0.4
Aura Garments Manufacturing Ltd.	Textiles	94	0.3	—	—	—	—
Bawan Roses Ltd.	Food and Agribusiness	95	0.5	—	0.5	—	0.5
Capital Fish Kenya Ltd.	Food and Agribusiness	95	0.6	—	0.6	—	0.6
Ceres Estates Ltd.	Food and Agribusiness	97	0.9	—	0.9	—	0.9
CFC Bank Ltd.	Financial Services	97	10.0	—	10.0	—	10.0
Development Bank of Kenya Ltd.	Financial Services	80, 84	6.4	—	—	1.3	1.3
Diamond Trust of Kenya Ltd.	Financial Services	82	0.8	—	—	0.8	0.8
East Africa Reinsurance Co. Ltd.	Financial Services	94	1.1	—	—	1.1	1.1
Equatorial Beach Properties Ltd.	Hotels and Tourism	86	3.7	—	4.7	—	4.7
Frigoken Ltd.	Food and Agribusiness	90	0.1	—	—	0.1	0.1
Future Hotels Ltd.	Hotels and Tourism	93	0.5	—	0.4	—	0.4
Industrial Promotion Services (Kenya) Ltd.	Financial Services	82	0.5	—	—	0.5	0.5
Industrial Promotion Services (Kenya) Ltd. *	Financial Services	87	0.6	—	—	0.6	0.6
International Hotels (Kenya) Ltd.	Hotels and Tourism	95	6.0	—	6.0	—	6.0
Jacaranda Hotel Ltd.	Hotels and Tourism	96	0.5	—	0.5	—	0.5
K-Rep Bank Ltd.	Financial Services	97	1.0	—	—	1.0	1.0
Kihingo Roses Ltd.	Food and Agribusiness	95	0.5	—	0.4	—	0.4

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
KENYA, continued							
Leather Industries of Kenya Ltd.	Manufacturing	84, 92	1.9	—	—	0.6	0.6
Magadi Soda Company Ltd.	Chemicals and Petrochemicals	96	9.0	—	9.0	—	9.0
Makini School Ltd.	Social Services (Health Care, Education)	97	0.5	—	0.5	—	0.5
Malaa Industries Ltd.	Food and Agribusiness	91	0.7	—	—	—	—
Mosi Ltd.	Food and Agribusiness	94	0.3	—	0.2	—	0.2
Novaskins Tannery Ltd.	Manufacturing	91	0.1	—	—	0.1	0.1
Panafrican Paper Mills (E.A.) Ltd.	Timber, Pulp, and Paper	70, 74, 77, 79, 81, 88, 90, 94, 96	69.0	4.0	30.0	4.5	34.5
Premier Foods Industries Ltd.	Food and Agribusiness	89	0.1	—	—	0.1	0.1
Redhill Flowers (Kenya) Ltd.	Food and Agribusiness	97	0.3	—	0.3	—	0.3
Rift Valley Textiles Ltd. (RIVATEX)	Textiles	76	9.6	1.3	2.1	—	2.1
TPS Holdings Ltd.	Hotels and Tourism	72	1.6	0.8	—	+	+
Vegpro Kenya Ltd.	Food and Agribusiness	95	1.0	—	0.7	—	0.7
					66.8	11.2	78.0
LIBERIA							
Liberian Bank for Development and Investment	Financial Services	66, 77, 84	0.7	—	—	0.1	0.1
					—	0.1	0.1
MADAGASCAR							
Aquaculture de la Mahajamba (AQUALMA)	Food and Agribusiness	92, 93, 96	6.4	—	5.4	0.6	6.0
BNI-Crédit Lyonnais Madagascar, S.A.	Financial Services	92	2.6	—	—	2.6	2.6
Financière d'Investissement ARO	Financial Services	90, 91	0.5	—	—	0.5	0.5
La Cotonnière d'Antsirabe (COTONA) S.A.	Textiles	86, 90	10.7	—	0.5	—	0.5
Les Industries Oléagineuses du Sud Malagasy	Food and Agribusiness	97	0.9	—	0.9	—	0.9
Les Pêcheries de Nossi Be, S.A.	Food and Agribusiness	84, 90	6.3	—	1.8	0.2	2.0
Société d'Exploitation Hôtelière et Touristique	Hotels and Tourism	95	0.4	—	0.3	—	0.3
Société Textile de Mahajunga S.A.	Textiles	77, 87	15.0	—	1.7	—	1.7
					10.6	3.9	14.5
MALAWI							
Maravi Flowers Ltd.	Food and Agribusiness	97	0.6	—	0.6	—	0.6
Mwaiwathu Private Hospital Ltd.	Social Services (Health Care, Education)	97	0.8	—	—	0.8	0.8
Produce Commodities Export & Import Ltd. (PCEIL)	Food and Agribusiness	97	0.5	—	0.5	—	0.5
Stockbrokers Malawi Limited	Financial Services	95	0.1	—	—	0.1	0.1
The Leasing and Finance Company of Malawi Ltd.	Financial Services	86, 90	0.2	—	—	0.2	0.2
Viphya Plywoods and Allied Industries Ltd.	Timber, Pulp, and Paper	87	4.4	—	1.1	—	1.1
					2.2	1.1	3.3
MALI							
Grand Hôtel de Bamako	Hotels and Tourism	94	1.0	—	0.9	—	0.9
Groupement des Grands Garages de Bamako d'Or de Sadiola S.A.	Motor Vehicles and Components (including Motorcycles)	97	0.7	—	0.7	—	0.7

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MALI, continued								
Société d'Exploitation des Mines d'Or de Sadiola S.A.	Mining and Extraction of Metals and Other Ores	95	39.8	25.0	35.0	4.8	39.8	
Société Minière de Syama	Mining and Extraction of Metals and Other Ores	94	28.1	—	26.7	1.4	28.1	
					63.2	6.2	69.5	
MAURITANIA								
Codipal S.A.	Food and Agribusiness	97	0.5	—	0.5	—	0.5	
Mayo Fish S.A.	Food and Agribusiness	97	0.3	—	0.3	—	0.3	
					0.7	—	0.7	
MAURITIUS								
Big Game Fishing Company Ltd.	Hotels and Tourism	92	0.2	—	0.1	—	0.1	
Consolidated Steel Ltd.	Mining and Extraction of Metals and Other Ores	92	0.7	—	0.1	0.2	0.3	
Mauritius Fund Ltd.	Financial Services	93	5.0	—	—	5.0	5.0	
Mauritius Venture Capital Fund Ltd.	Financial Services	96	1.5	—	—	1.5	1.5	
Socota Textile Mills Ltd..	Textiles	87	6.0	—	1.5	1.0	2.4	
Textile Industries Ltd.	Textiles	90	3.1	—	1.2	—	1.2	
					2.9	7.7	10.6	
MOZAMBIQUE								
Bonar Fisheries Holdings LDA	Food and Agribusiness	96	0.3	—	0.3	—	0.3	
Cahora Bassa Fisheries LDA (CBF)	Food and Agribusiness	96	0.2	—	0.2	—	0.2	
Hoteis Polana Ltda	Hotels and Tourism	93	3.5	—	2.3	—	2.3	
Industrias De Caju Mocita, SARL	Food and Agribusiness	97	3.0	—	3.0	—	3.0	
					5.8	—	5.8	
NAMIBIA								
Pescanova Holdings of Namibia Ltd.	Food and Agribusiness	95, 97	11.5	—	10.3	—	10.3	
					10.3	—	10.3	
NIGERIA								
Abuja International Diagnostic Center	Social Services (Health Care, Education)	97	2.5	—	1.8	0.8	2.5	
Andchristie Company Ltd.	Infrastructure	97	0.2	—	0.2	—	0.2	
Arewa Textiles PLC	Textiles	64, 67, 92	6.6	0.7	1.1	0.6	1.6	
Bailey Bridges (Nigeria) Ltd.	Infrastructure	96	0.1	—	0.1	—	0.1	
Canplas Ltd.	Motor Vehicles and Components (including Motorcycles)	93	0.6	—	0.3	0.2	0.5	
Courdeau Catering Nigeria Ltd.	Industrial and Consumer Services	97	0.7	—	0.7	—	0.7	
E. Ekesons Brothers Nigeria Ltd.	Infrastructure	97	0.4	—	0.4	—	0.4	
Eterna Industries Ltd.	Chemicals and Petrochemicals	95	0.9	—	0.9	—	0.9	
Farbest Industries Nigeria Ltd.	Food and Agribusiness	94	0.2	—	0.2	—	0.2	
First Securities Discount House	Financial Services	93	0.9	—	—	0.9	0.9	
Ikeja Hotel PLC	Hotels and Tourism	81, 85, 88	12.3	—	—	1.5	1.5	

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NIGERIA, continued							
Mid-East Nigeria Ltd.	Manufacturing	96	0.1	—	0.1	—	0.1
Mobil Producing Nigeria Unlimited	Mining and Extraction of Fuel Minerals	91	75.0	95.0	22.5	—	22.5
Nigerian-American Merchant Bank Ltd.	Financial Services	91	7.6	—	0.4	—	0.4
Orman Industries Ltd.	Food and Agribusiness	93	0.1	—	0.1	—	0.1
Stark Industries Ltd.	Timber, Pulp, and Paper	91	0.3	—	0.2	—	0.2
Tourist Company of Nigeria Ltd.	Hotels and Tourism	94	17.5	—	15.0	2.50	17.5
Vincent Standard Steel Industries Nigeria Ltd.	Mining and Extraction of Metals and Other Ores	92	0.8	—	0.1	—	0.1
Vinfesen Industries Nigeria Ltd.	Manufacturing	96	1.0	—	1.0	—	1.0
					45.0	6.3	51.3
RWANDA							
Société Rwandaise des Allumettes (SORWAL) S.A.R.L.	Timber, Pulp, and Paper	88	0.9	—	—	—	—
SENEGAL							
Banque de l'Habitat du Sénégal, S.A.	Financial Services	80	0.5	—	—	0.5	0.5
Industries Chimiques du Sénégal, S.A.	Fertilizers and Agricultural Chemicals	82, 88	15.1	—	3.6	—	3.6
Nouvelles Brasseries Africaines (NBA)	Food and Agribusiness	97	1.9	—	1.9	—	1.9
Société d'Exploitation des Ressources Thonières (SERT)	Food and Agribusiness	96, 97	1.1	—	0.6	0.4	1.1
Société des Exportateurs du Sénégal, S.A.	Food and Agribusiness	94	0.2	—	0.2	—	0.2
Société Générale de Crédit Automobile (SOGECA) S.A.	Financial Services	94, 96, 97	0.3	—	—	0.3	0.3
					6.3	1.2	7.5
SEYCHELLES							
Acajoux Hotel Ltd.	Hotels and Tourism	95	1.0	—	1.0	—	1.0
Beau Vallon Properties Ltd.	Hotels and Tourism	96	3.2	—	2.9	—	2.9
PTD Limited—The Paradise Hotel	Hotels and Tourism	93	3.8	2.5	2.5	—	2.5
Sea Harvest (Pty) Ltd.	Food and Agribusiness	97	1.0	—	1.0	—	1.0
					7.4	—	7.4
SIERRA LEONE							
Sierra Rutile Ltd.	Mining and Extraction of Metals and Other Ores	92	10.3	—	9.0	—	9.0
					9.0	—	9.0
SOUTH AFRICA							
African Life Assurance Co. Ltd.	Financial Services	95, 96	14.3	—	—	14.3	14.3
Carosa Farm (Proprietary) Ltd.	Food and Agribusiness	97	0.5	—	0.4	0.1	0.5
Cashbank	Financial Services	97	2.5	—	2.4	—	2.4
Ecoblend Gauteng	Chemicals and Petrochemicals	97	1.1	—	1.0	0.1	1.1
South Africa Capital Growth Fund	Financial Services	96	20.0	—	—	20.0	20.0
South Africa Franchise Equity Fund Ltd.	Financial Services	95	2.3	—	—	2.3	2.3
Wip Motors (Proprietary) Ltd.	Industrial and Consumer Services	96	0.3	—	—	0.3	0.3
					3.8	37.2	41.0

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
SWAZILAND							
Natex Swaziland Ltd.	Textiles	85, 88, 93	12.6	—	8.3	3.7	12.0
Spintex Holdings Swaziland	Textiles	90	3.7	—	—	3.7	3.7
Swazi Paper Mills Ltd.	Timber, Pulp, and Paper	95	5.0	—	4.6	—	4.6
Swaziland Industrial Development Co. Ltd.	Financial Services	87, 93	3.3	—	1.2	1.0	2.2
The Royal Swaziland Sugar Co. Ltd.	Food and Agribusiness	78, 86	10.0	—	—	0.5	0.5
					14.0	9.0	23.0
TANZANIA							
Abercrombie & Kent Tanzania Ltd.	Hotels and Tourism	96	0.5	—	0.4	—	0.4
Aqua Ginners Tanzania Ltd.	Food and Agribusiness	97	1.5	—	1.5	—	1.5
Continental Flowers Ltd.	Food and Agribusiness	97	0.4	—	0.4	—	0.4
Eurafrican Bank (Tanzania) Ltd.	Financial Services	96	0.7	—	—	0.7	0.7
Horticulture Farms Ltd.	Food and Agribusiness	97	0.8	—	0.8	—	0.8
International House Property Ltd.	Industrial and Consumer Services	97	2.3	—	1.7	0.6	2.3
MIC Tanzania Ltd.	Infrastructure	96	1.0	—	0.8	—	0.8
Milcafe Ltd.	Food and Agribusiness	97	0.4	—	0.4	—	0.4
Moshi Leather Industries Ltd.	Manufacturing	95	0.3	—	—	0.3	0.3
Mufindi Tea Co. Ltd.	Food and Agribusiness	91	1.7	—	1.3	—	1.3
Nomad Safaris (Tanzania) Ltd.	Hotels and Tourism	94	0.2	—	0.1	—	0.1
Pallsons Consumer Industries Ltd.	Food and Agribusiness	97	0.6	—	0.6	—	0.6
Raffia Bags Tanzania Ltd.	Manufacturing	95	0.5	—	0.5	—	0.5
Tanganyika Bus Service Co. Ltd.	Industrial and Consumer Services	94, 96	0.8	—	0.5	—	0.5
Tanganyika Sisal Spinning Co. Ltd.	Food and Agribusiness	90	1.2	—	0.9	—	0.9
Tanzania Breeders and Feedmills Ltd.	Food and Agribusiness	95	1.0	—	0.8	—	0.8
Tanzania Breweries Ltd.	Food and Agribusiness	95	6.0	—	—	6.0	6.0
Tanzania Leather Industries Ltd.	Manufacturing	95	1.0	—	1.0	—	1.0
Tourism Promotion Services (Tanzania) Ltd.	Hotels and Tourism	94	9.1	—	8.0	1.1	9.1
Tourism Promotion Services (Zanzibar) Ltd.	Hotels and Tourism	95	1.4	—	1.3	0.2	1.4
ULC (Tanzania) Ltd.	Financial Services	97	4.0	—	3.0	1.0	4.0
Zainab Grain Millers Ltd.	Food and Agribusiness	96	1.0	—	1.0	—	1.0
					24.8	9.8	34.5
TOGO							
Société Togolaise de Produits Marins (STPM)	Food and Agribusiness	92, 95	0.3	—	0.3	—	0.3
Togotex International S.A.	Textiles	90	1.7	—	—	1.7	1.7
					0.3	1.7	2.0
UGANDA							
Afritours and Travel/Sambiya River Lodge	Hotels and Tourism	97	0.4	—	0.4	—	0.4
Agro Management (Uganda) Ltd.	Food and Agribusiness	96	1.0	—	0.6	0.4	1.0
Clovergem Celtel Ltd.	Infrastructure	95	5.6	—	4.2	0.6	4.9
Clovergem Fish and Foods Ltd.	Food and Agribusiness	93	0.9	—	0.7	—	0.7
Conrad Plaza Ltd.	Industrial and Consumer Services	97	1.5	—	1.5	—	1.5
Development Finance Company of Uganda Ltd.	Financial Services	85, 93	1.0	—	—	1.0	1.0
East African Glass Works (1995) Ltd.	Manufacturing	96	6.5	—	6.5	—	6.5
Jubilee Insurance Company Uganda Ltd.	Financial Services	93	0.1	—	—	0.1	0.1
Metro Hotel Ltd.	Hotels and Tourism	97	0.4	—	0.4	—	0.4

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity

UGANDA, continued							
Nile Roses Ltd.	Food and Agribusiness	93	0.3	—	0.2	—	0.2
Polypack Ltd.	Manufacturing	95	1.0	—	0.7	—	0.7
Rainbow International School Kampala Ltd.	Social Services (Health Care, Education)	95	0.8	—	0.8	—	0.8
Rwenzori Properties Ltd.	Industrial and Consumer Services	94	1.0	—	0.8	0.2	0.9
Skyblue Apart-Hotel	Hotels and Tourism	94	0.5	—	0.5	—	0.5
Sugar Corporation of Uganda Ltd.	Food and Agribusiness	84	10.4	—	7.5	—	7.5
Uganda Leasing Co. Ltd.	Financial Services	95, 97	2.3	—	2.0	0.3	2.3
					26.8	2.6	29.4
WESTERN AFRICA							
West Africa Growth Fund	Financial Services	97	6.4	—	—	6.4	6.4
					—	6.4	6.4
ZAMBIA							
Big Five Car Hire Zambia Ltd.	Industrial and Consumer Services	94	0.6	—	0.5	—	0.5
Finance Bank Zambia Ltd.	Financial Services	97	5.0	—	5.0	—	5.0
Intermarket Discount House (Zambia) Ltd.	Financial Services	97	0.5	—	—	0.5	0.5
Kafue Textile of Zambia Ltd.	Textiles	80, 85	10.5	—	2.7	—	2.7
Kaila Lodge Ltd.	Hotels and Tourism	95	0.2	—	0.2	—	0.2
Zambia Bata Shoe Co. Ltd	Manufacturing	72, 73	1.1	1.1	—	0.2	0.2
Zambia Hotel Properties Ltd.	Hotels and Tourism	84, 91	7.5	13.5	6.0	—	6.0
					14.4	0.7	15.1
ZIMBABWE							
Abercrombie and Kent Safaris (Private) Ltd.	Hotels and Tourism	95	0.5	—	0.3	—	0.3
Agflora (PVT) Ltd.	Food and Agribusiness	97	0.2	—	0.2	—	0.2
Barclays Bank of Zimbabwe Ltd.	Financial Services	91	10.4	10.0	2.0	—	2.0
Bitumen Construction Services (Pvt) Ltd.	Industrial and Consumer Services	95	1.2	—	0.8	—	0.8
Chimwala Farm (Pvt) Ltd.	Food and Agribusiness	95	0.4	—	0.3	—	0.3
Chiparawe (Private) Ltd.	Food and Agribusiness	94	0.8	—	0.6	—	0.6
Crest Breeders International (Private) Ltd.	Food and Agribusiness	86, 94	6.0	—	1.0	—	1.0
First Merchant Bank of Zimbabwe Ltd.	Financial Services	91	15.6	15.0	3.0	—	3.0
FMB Holdings Ltd.	Financial Services	91, 92, 95	3.5	—	—	3.5	3.5
Hippo Valley Estates Ltd.	Food and Agribusiness	93	9.5	—	3.8	—	3.8
Interfresh (Private) Ltd.	Food and Agribusiness	94, 96	3.9	—	2.0	1.5	3.5
Isfar (Pvt) Ltd.	Textiles	97	0.1	—	0.1	—	0.1
Itachi Plastics (Pvt) Ltd.	Manufacturing	96	0.4	—	0.3	0.1	0.4
Lowveld Leather (PVT) Ltd.	Manufacturing	97	0.5	—	0.3	0.2	0.5
Mat-tools and Forging (Private) Ltd.	Manufacturing	90	0.7	—	—	—	—
Meikles Consolidated Holdings (Private) Ltd.	Hotels and Tourism	92	8.3	—	5.0	—	5.0
Merchant Bank of Central Africa Ltd.	Financial Services	91	13.0	12.5	2.5	—	2.5
Midlands Milling Co. (PVT) Ltd.	Food and Agribusiness	97	2.5	—	2.5	—	2.5
National Blankets Ltd.	Textiles	91	6.5	—	1.3	—	1.3
National Merchant Bank of Zimbabwe Ltd.	Financial Services	94	5.5	—	—	0.2	0.2
Petrozim Line (Private) Ltd.	Infrastructure	92	15.5	14.9	7.7	—	7.7

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity	
ZIMBABWE, continued								
Retrofit (Private) Ltd.	Industrial and Consumer Services	90	0.4	—	—	—	—	
Shagelok Chemicals (PVT) Ltd.	Chemicals and Petrochemicals	97	1.1	—	0.9	0.2	1.1	
Solid Insurance Co. (Pvt.) Ltd.	Financial Services	97	0.2	—	—	0.2	0.2	
Standard Chartered Merchant Bank Zimbabwe Ltd.	Financial Services	91	15.4	15.0	3.0	—	3.0	
Stone Holdings (Pty) Ltd.	Mining and Extraction of Metals and Other Ores	96	1.5	—	1.5	—	1.5	
Syffrets Merchant Bank Ltd.	Financial Services	91	12.9	12.5	2.5	—	2.5	
T.A. Trading Corp. Private Ltd.	Hotels and Tourism	91	2.0	—	0.6	—	0.6	
Triangle Ltd.	Food and Agribusiness	93	7.0	—	2.8	—	2.8	
Trinidad Industries (Private) Ltd.	Manufacturing	97	1.4	—	0.8	0.6	1.4	
Tropico Zimbabwe (Pvt) Ltd.	Food and Agribusiness	94	0.3	—	0.3	—	0.3	
Venture Capital Co. of Zimbabwe, Ltd.	Financial Services	91	0.7	—	—	0.7	0.7	
Victoria Falls Safari Lodge Hotel (Private) Ltd.	Hotels and Tourism	94	2.8	—	2.3	0.4	2.6	
Wankie Colliery Co. Limited	Mining and Extraction of Fuel Minerals	81, 93	22.0	10.8	7.0	—	7.0	
Zambezi Fund Mauritius (Private) Ltd., The	Financial Services	97	2.5	—	—	2.5	2.5	
Zambezi Safari Lodges (Private) Ltd.	Hotels and Tourism	96	1.3	—	1.3	—	1.3	
Zimtile (Private) Ltd. **	Cement and Construction Materials	93	—	—	0.1	—	0.1	
					56.8	10.0	66.8	
REGIONAL								
African Management Services Co.	Social Services (Health Care, Education)	89	1.4	—	—	1.4	1.4	
The Africa Emerging Markets Fund	Financial Services	94	7.5	—	—	7.5	7.5	
					—	8.9	8.9	
Total, Sub-Saharan Africa					594.4	188.1	782.5	

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
ASIA							
BANGLADESH							
Bata Shoe Co. (Bangladesh) Ltd.	Manufacturing	85, 86	3.6	1.4	—	+	+
Dynamic Textile Industries Ltd.	Textiles	92	2.5	2.0	2.2	—	2.2
Industrial Development Leasing Company of Bangladesh Ltd.	Financial Services	85, 96	3.2	—	—	0.1	0.1
Industrial Promotion and Development Company of Bangladesh Ltd.	Financial Services	82	1.1	—	—	1.1	1.1
					2.2	1.2	3.4
CHINA							
Beijing Hormel Foods Co. Ltd	Food and Agribusiness	97	5.5	5.5	5.0	0.5	5.5
China Dynamic Growth Fund L.P.	Financial Services	94	12.4	—	—	12.4	12.4
China Walden Management Ltd.	Financial Services	94	+	—	—	+	+
China Walden Venture Investments Ltd.	Financial Services	94	7.5	—	—	6.8	6.8
Crown (China) Electronics Co. Ltd.	Manufacturing	89	15.0	—	1.6	—	1.6
Dalian Float Glass Co. Ltd.	Manufacturing	95	32.9	30.5	20.5	2.4	22.9
Dupont Suzhou Polyester Co. Ltd.	Textiles	96	29.1	52.0	24.9	4.1	29.1
Fairyoung Port Investments (Holdings) Ltd.	Infrastructure	97	5.0	—	—	5.0	5.0
Guangzhou Peugeot Automobile Company Ltd.	Motor Vehicles and Components (including Motorcycles)	85, 92	19.5	—	1.9	4.5	6.4
Jingyang Cement Co. Ltd.	Cement and Construction Materials	97	40.0	100.0	40.0	—	40.0
Nanjing Kumho Tire Co. Ltd.	Motor Vehicles and Components (including Motorcycles)	96	19.8	45.5	16.0	3.8	19.8
Nantong Wanfu Special Aquatic Products Co. Ltd.	Food and Agribusiness	95	8.8	7.9	6.1	2.6	8.8
Newbridge Investment Partners, L.P.	Financial Services	95	10.0	—	—	10.0	10.0
Orient Finance Co.	Financial Services	97	10.0	20.0	10.0	—	10.0
Plantation Timber Products (Leshan) Ltd.	Timber, Pulp, and Paper	96	11.0	20.0	10.0	1.0	11.0
Shenzhen China Bicycles Co. (Holdings) Ltd.	Manufacturing	88, 92, 94	20.9	—	8.5	3.4	11.9
Shenzhen Tai-Yang PCCP Co. Ltd.	Cement and Construction Materials	93	5.0	—	3.8	1.0	4.7
Suzhou PVC	Chemicals and Petrochemicals	97	24.5	22.2	22.0	2.5	24.5
Tianjin Kumho Tire Co. Ltd.	Motor Vehicles and Components (including Motorcycles)	97	11.2	33.0	11.2	—	11.2
Weihai Weidongri Comprehensive Foodstuff Co., Ltd.	Food and Agribusiness	96	4.7	5.6	4.7	—	4.7
Yantai Mitsubishi Cement Co. Ltd.	Cement and Construction Materials	93	30.7	—	17.7	2.0	19.6
					203.8	61.9	265.8
FIJI							
Ghim Li Fashion (Fiji) Ltd.	Textiles	93	1.7	2.5	0.7	—	0.7
Merchant Bank of Fiji Ltd.	Financial Services	87	0.3	—	—	0.3	0.3
Solander (Pacific) Ltd.	Food and Agribusiness	97	0.3	—	0.3	—	0.3
					1.0	0.3	1.4

ASIA

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INDIA							
20th Century Asset Management Co. Ltd.	Financial Services	94	0.2	—	—	0.2	0.2
20th Century Finance Co. Ltd.	Financial Services	93, 97	23.0	8.0	15.8	0.8	16.6
Ahmedabad Electricity Co. Ltd., The	Infrastructure	89	20.8	—	13.7	—	13.7
Arvind Mills Ltd.	Textiles	92, 93	20.9	—	—	17.1	17.1
Bihar Sponge Iron Ltd.	Mining and Extraction of Metals and Other Ores	85, 91	15.9	—	13.0	0.7	13.7
BSES Ltd.	Infrastructure	91	50.0	18.0	45.0	—	45.0
CEAT Financial Services Ltd.	Financial Services	97	20.0	—	20.0	—	20.0
Centurion Bank Ltd.	Financial Services	95	3.9	—	—	3.9	3.9
Centurion Quantum Growth Scheme	Financial Services	94	2.4	—	—	2.4	2.4
CESC Ltd.	Infrastructure	91, 93	54.7	67.0	48.8	—	48.8
Chowgule Steamships Ltd.	Infrastructure	95	19.6	27.0	15.0	4.6	19.6
City Mills (Private) Ltd.	Textiles	87	0.7	—	0.5	—	0.5
Coromandel Engineering Co. Ltd., The	Cement and Construction Materials	87	0.6	—	+	—	+
Creditcapital Asset Management Co.	Financial Services	94	0.3	—	—	0.3	0.3
Creditcapital Venture Fund Ltd. (India) *	Financial Services	96	16.0	—	8.0	8.0	16.0
Creditcapital Venture Fund Ltd. (India)	Financial Services	93, 95	1.0	—	—	1.0	1.0
DLF Cement Ltd.	Cement and Construction Materials	94	19.4	17.0	11.0	4.9	15.9
Export-Import Bank of India	Financial Services	95	25.0	—	25.0	—	25.0
GKN Invel Transmissions Ltd.	Motor Vehicles and Components (including Motorcycles)	88, 95	1.4	—	—	1.4	1.4
Global Trust Bank	Financial Services	94	3.2	—	—	3.2	3.2
Great Eastern Shipping Co. Ltd., The	Infrastructure	87, 93, 94	28.9	11.3	—	13.0	13.0
Gujarat Ambuja Cements Ltd.	Cement and Construction Materials	94	25.8	—	—	8.2	8.2
Gujarat State Fertilizers & Chemicals Ltd.	Chemicals and Petrochemicals	89, 92	37.4	—	11.4	—	11.4
GVK Industries Ltd	Infrastructure	92, 96	48.3	47.5	40.0	8.3	48.3
Henkel SPIC India Ltd.	Manufacturing	91, 95	1.9	—	—	1.9	1.9
Herdillia Oxides and Electronics Ltd.	Chemicals and Petrochemicals	91	0.3	—	—	0.3	0.3
Hindustan Motors Ltd.	Motor Vehicles and Components (including Motorcycles)	87	15.3	—	7.4	—	7.4
Housing Development Finance Co. Ltd.	Financial Services	78, 87, 91, 93	47.8	60.0	40.0	2.3	42.3
IFGL Refractories Ltd.	Mining and Extraction of Metals and Other Ores	92, 94	1.1	—	—	0.3	0.3
IL&FS Stockbroking & Investment Co. Ltd.	Financial Services	95	0.3	—	—	0.3	0.3
India Direct Fund	Financial Services	96	7.5	—	—	7.5	7.5
India Equipment Leasing Ltd.	Financial Services	86, 93, 94, 95	3.8	—	0.6	0.8	1.4
India Lease Development Ltd.	Financial Services	86, 91, 95	4.6	—	1.3	0.9	2.2
Indo Rama Synthetics Ltd.	Textiles	92, 94, 96	56.8	—	20.3	12.0	32.3
Indus Investments Mauritius Ltd.	Financial Services	96	+	—	—	+	+
Indus Venture Capital Fund I	Financial Services	92	1.0	—	—	1.0	1.0
Indus Venture Investments Ltd.	Financial Services	96	5.0	—	—	5.0	5.0
Indus Venture Management Ltd.	Financial Services	92	+	—	—	+	+

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INDIA, continued							
Information Technology Fund	Financial Services	94	0.6	—	—	0.6	0.6
Infrastructure Leasing and Financial Services Ltd.	Financial Services	91, 93, 95	44.9	—	27.8	4.9	32.7
Ispat Industries Ltd.	Mining and Extraction of Metals and Other Ores	92, 95, 97	102.8	85.0	85.5	5.8	91.3
ITW Signode India Ltd.	Mining and Extraction of Metals and Other Ores	82, 86, 87, 91, 93, 96	4.5	—	—	1.5	1.5
J.M. Share & Stock Brokers Ltd.	Financial Services	90, 95	2.4	—	—	1.2	1.2
Mahindra & Mahindra Ltd.	Motor Vehicles and Components (including Motorcycles)	81, 90, 93	28.8	—	0.8	6.5	7.3
Mahindra Ugine Steel Co. Ltd.	Mining and Extraction of Metals and Other Ores	64, 75, 79, 90	14.2	0.1	—	1.1	1.1
Modi Cement Ltd.	Cement and Construction Materials	85	13.0	—	16.8	—	16.8
Moser Baer India Ltd.	Industrial and Consumer Services	96	6.3	—	5.7	0.6	6.3
N B Footwear Ltd.	Manufacturing	87	0.5	—	0.2	—	0.2
Nicco-Uco Financial Services Ltd..	Financial Services	93, 96, 97	3.5	—	1.9	0.5	2.4
NSL Ltd.	Mining and Extraction of Metals and Other Ores	82	1.4	—	—	0.1	0.1
Owens Corning (India) Ltd.	Manufacturing	97	25.0	—	25.0	—	25.0
Paharpur Cooling Towers Ltd.	Manufacturing	87	0.9	—	0.1	—	0.1
Prism Cement Ltd.	Cement and Construction Materials	95	20.0	15.0	15.0	5.0	20.0
Rain Calcining Ltd.	Oil Refining	96	24.7	—	19.3	5.4	24.7
RPG Communications Holdings Ltd. (RCHL)	Infrastructure	96	8.3	—	—	8.3	8.3
SKF Bearings India Ltd.	Manufacturing	92	11.5	—	6.7	—	6.7
South Asian Regional Apex Fund	Financial Services	96	7.0	—	—	7.0	7.0
SRF Finance Ltd.	Financial Services	95	20.0	—	13.9	5.0	18.9
Switching Technologies Guenther Ltd.	Manufacturing	87	1.0	—	0.5	—	0.5
Tan India Ltd.	Chemicals and Petrochemicals	87	0.5	—	+	—	+
Tata Electric Companies	Infrastructure	90, 91, 94	130.6	—	64.2	—	64.2
Tata Iron and Steel Co. Ltd., The	Mining and Extraction of Metals and Other Ores	81, 86, 89, 93, 94	98.4	16.7	8.4	15.4	23.8
Tata Telecom Ltd.	Manufacturing	89, 90, 92	0.6	—	—	0.1	0.1
Taurus The Starshare	Financial Services	94	7.2	—	—	7.2	7.2
Technology Development and Information Company of India	Financial Services	91	2.1	—	—	1.9	1.9
Titan Industries Limited	Manufacturing	87, 89, 90, 93	20.9	—	2.7	1.0	3.8
Triveni Engineering & Industries Ltd.	Mining and Extraction of Fuel Minerals	91, 93	1.1	—	—	1.1	1.1
UCAL Fuel Systems Ltd.	Motor Vehicles and Components (including Motorcycles)	90	0.6	—	—	0.6	0.6
United Riceland Ltd.	Food and Agribusiness	96	10.0	—	10.0	—	10.0
Varun Shipping Co. Ltd.	Infrastructure	91, 96	22.4	6.0	11.4	1.3	12.7
WIPRO Finance Ltd.	Financial Services	97	10.0	—	10.0	—	10.0
Wires & Fabriks (S.A.) Ltd., Jaipur	Manufacturing	87	0.4	—	0.1	—	0.1
					662.8	192.5	855.4

ASIA

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Country, region, or other area, and obligor	Sector	Fiscal years in which commitments were made	Original commitments ¹ (millions of U.S. dollars)		Investments held for IFC ² (millions of U.S. dollars)		
			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
INDONESIA							
P.T. Agro Muko	Food and Agribusiness	91	12.7	—	2.9	2.2	5.1
P.T. Alumindo Light Metal Industry	Manufacturing	97	15.0	20.0	15.0	—	15.0
P.T. Argo Pantes	Textiles	91	43.0	53.0	15.0	13.0	28.0
P.T. Asia Wisata Promosindo **	Hotels and Tourism	94	—	—	2.1	—	2.1
P.T. Astra Dian Lestari	Motor Vehicles and Components (including Motorcycles)	97	—	—	—	1.1	1.1
P.T. Astra Graphia	Industrial and Consumer Services	97	2.5	—	—	2.0	2.0
P.T. Astra International, Incorporated	Motor Vehicles and Components (including Motorcycles)	90, 91, 94	33.3	—	—	12.2	12.2
P.T. Asuransi Jiwa Dharmala Manulife	Financial Services	88	0.3	—	—	0.3	0.3
P.T. Bakrie Kasei Corp.	Chemicals and Petrochemicals	92, 95	72.6	95.0	48.7	12.6	61.3
P.T. Bakrie Kasei Pet	Chemicals and Petrochemicals	95	14.0	—	11.1	2.0	13.1
P.T. Bakrie Pipe Industries	Manufacturing	95	29.5	—	28.1	—	28.1
P.T. BBL Dharmala Finance	Financial Services	93, 96	20.0	35.0	15.3	—	15.3
P.T. Bunas Finance Indonesia	Financial Services	95	10.0	6.0	8.6	—	8.6
P.T. Citimas Capital Indonesia	Financial Services	95	1.3	—	—	1.3	1.3
P.T. Dharmala Agrifood	Food and Agribusiness	96	20.0	15.0	20.0	—	20.0
P.T. Hotel Santika Nusajaya	Hotels and Tourism	96	14.0	—	9.0	—	9.0
P.T. Indo-Rama Synthetics	Textiles	90, 91, 95	65.7	67.5	36.5	8.7	45.3
P.T. Indonesia Asahi Chemical Industry	Textiles	92	5.8	—	0.4	1.8	2.2
P.T. KDLC Bali BancBali Finance	Financial Services	94	16.1	—	12.0	1.1	13.1
P.T. KIA Keramik Mas	Cement and Construction Materials	92, 94, 96	39.5	91.0	25.8	9.1	34.9
P.T. KIA Serpih Mas	Cement and Construction Materials	95	21.4	55.0	15.0	6.4	21.4
P.T. Mitracorp Pacific Nusantara	Industrial and Consumer Services	93, 95	22.7	—	—	—	—
P.T. Nusantara Tropical Fruit	Food and Agribusiness	93	9.0	7.0	4.0	—	4.0
P.T. Pama Indonesia	Financial Services	94	0.7	—	—	0.7	0.7
P.T. Panin Overseas Finance	Financial Services	96	7.9	8.0	6.0	1.9	7.9
P.T. Pramindo Ikat Nusantara (Pramindo)	Infrastructure	97	58.2	30.0	50.0	8.2	58.2
P.T. Rimba Partikel Indonesia	Timber, Pulp, and Paper	92	10.5	10.0	7.0	0.6	7.6
P.T. Samudera Indonesia	Infrastructure	93	17.0	3.0	1.9	5.0	6.9
P.T. Saripuri Permai Hotel (SPH)	Hotels and Tourism	94	8.0	24.0	7.6	—	7.6
P.T. Saseka Gelora Finance	Financial Services	82, 85, 94	1.9	—	—	0.4	0.4
P.T. Semen Andalas Indonesia	Cement and Construction Materials	80, 88	33.5	28.5	8.1	10.0	18.2
P.T. South Pacific Viscose	Textiles	93, 96	45.0	60.0	32.1	—	32.1
P.T. Swadharma Kerry Satya	Hotels and Tourism	92	35.0	51.0	23.3	—	23.3
P.T. Unitex	Textiles	71	1.6	1.8	—	0.3	0.3
Prudential Asia Indonesia Trust	Financial Services	94	6.8	—	—	6.8	6.8
PT Grahawita Santika	Hotels and Tourism	96	—	—	5.0	—	5.0
PT Kalimantan Sanggar Pusaka (KSP)	Food and Agribusiness and Subsidiaries	97	35.0	6.0	20.0	15.0	35.0

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
INDONESIA, continued							
PT Karabha Unggul	Industrial and Consumer Services	97	—	—	—	10.4	10.4
SEAVI Indonesia Aruba A.V.V.	Financial Services	93	1.5	—	—	1.5	1.5
					430.6	134.7	565.3
KOREA, REPUBLIC OF							
Hana Bank	Financial Services	71, 74, 76, 79, 80, 82, 85, 89, 91, 94, 97	14.3	—	—	1.7	1.7
Korea Development Investment Corp.	Financial Services	83, 91	1.7	—	—	1.7	1.7
Korea Development Leasing Corp.	Financial Services	77, 79, 87, 90	6.8	10.0	—	1.2	1.2
Korea Long Term Credit Bank	Financial Services	68, 74, 76, 77, 78, 80, 90, 94	37.2	8.9	—	12.1	12.1
Korea Zinc Company, Ltd.	Mining and Extraction of Metals and Other Ores	76, 86, 88	24.6	—	0.3	—	0.3
L.G. Electronics Inc.	Manufacturing	75, 76, 77, 79, 80, 84, 85, 87, 88, 89, 91, 92, 93, 96	47.5	10.0	—	11.4	11.4
Sam Kwang Chemical Company Ltd.	Chemicals and Petrochemicals	85	0.1	—	—	0.1	0.1
Seoshin Electronics Company Ltd.	Manufacturing	85	0.3	—	—	0.3	0.3
					0.3	28.5	28.9
MALAYSIA							
Malaysian Ventures (Two) Sdn Bhd.	Financial Services	92	1.0	—	—	0.6	0.6
Malaysian Ventures Management Incorp. Sdn. Berhad II	Financial Services	92	+	—	—	+	+
SEAVI Project–Malaysian Ventures Berhad	Financial Services	85	0.8	—	—	+	+
Twenty First Century Oleochemicals Sdn. Bhd.	Chemicals and Petrochemicals	90	5.2	3.4	3.7	—	3.7
					3.7	0.6	4.3
MALDIVES							
Villa Shipping and Trading Co. Private Ltd.	Hotels and Tourism	96	6.0	—	6.0	—	6.0
					6.0	—	6.0
MONGOLIA							
G&M Industrial Ltd.	Textiles	97	1.8	—	1.5	0.3	1.8
					1.5	0.3	1.8
NEPAL							
Himal Power Ltd.	Infrastructure	96	31.1	—	31.1	—	31.1
Soaltee Hotel Ltd.	Hotels and Tourism	75, 93	3.9	—	—	0.4	0.4
					31.1	0.4	31.6
PAPUA NEW GUINEA							
PIIF Masurina Ltd.	Food and Agribusiness	97	0.3	—	0.3	—	0.3
					0.3	—	0.3

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
PHILIPPINES							
All Asia Capital Trust	Financial Services	80, 83, 89, 90, 95	32.3	5.0	25.0	2.7	27.7
All Asia Capital Growth Ventures BVI - I, Ltd.	Financial Services	96	4.0	—	—	4.0	4.0
All Asia Capital Managers, Inc.	Financial Services	96	+	—	—	+	+
Asian Ventures Ltd.	Financial Services	96	+	—	—	+	+
Avantex Mill Corp.	Textiles	91	13.2	—	5.6	2.0	7.6
Bacnotan Cement Corp.	Cement and Construction Materials	93	23.6	—	6.3	5.6	11.9
General Milling Corp.	Food and Agribusiness	79, 90	5.7	—	—	1.7	1.7
Hambrecht & Quist Philippine Ventures - II	Financial Services	94	2.5	—	—	2.5	2.5
Hambrecht & Quist Venture Capital Fund	Financial Services	89	2.3	—	—	2.3	2.3
Hopewell Energy (Philippines) Corp.	Infrastructure	91	11.0	—	—	1.0	1.0
Hopewell Power (Philippines) Corp.	Infrastructure	93	70.0	11.0	60.0	10.0	70.0
Manila Electric Co.	Infrastructure	67, 89	34.3	3.0	14.0	—	14.0
Maria Cristina Chemical Industries, Inc.	Mining and Extraction of Metals and Other Ores	74, 79	2.2	—	—	0.4	0.4
Northern Mindanao Power Corp.	Infrastructure	92, 93	17.0	21.0	7.2	4.5	11.7
Pangasinan Electric Corp.	Infrastructure	96	30.0	196.0	30.0	—	30.0
Philippine Long Distance Telephone Co.	Infrastructure	70, 87, 88, 90	86.6	37.4	28.6	—	28.6
Pilipinas Shell Petroleum Corp.	Oil Refining	93	38.8	65.9	11.6	—	11.6
Walden AB Ayala Management Co., Inc.	Financial Services	95	0.1	—	—	0.1	0.1
Walden AB Ayala Ventures Co., Inc.	Financial Services	95	3.8	—	—	3.8	3.8
					188.4	40.6	229.0
SRI LANKA							
Asia Power (Private) Ltd.	Infrastructure	97	12.3	10.0	10.0	2.3	12.3
C.K.N. Fund Management (Private) Ltd.	Financial Services	92	0.1	—	—	0.1	0.1
Lanka Cellular Services (Private) Ltd.	Infrastructure	94	2.0	—	—	2.0	2.0
Lanka Orix Leasing Company Ltd.	Financial Services	80, 84, 85, 97	10.3	—	10.0	—	10.0
Packages Lanka (Private) Ltd.	Timber, Pulp, and Paper	97	1.1	—	—	1.1	1.1
Pyramid Unit Trust	Financial Services	92	0.3	—	—	0.3	0.3
Taj Lanka Hotels Ltd.	Hotels and Tourism	81	8.4	10.2	—	0.6	0.6
Union Assurance Ltd.	Financial Services	88, 95	1.0	—	—	1.0	1.0
					20.0	7.3	27.3
THAILAND							
Advance Agro Plantation Co. Ltd.	Timber, Pulp, and Paper	94	10.0	—	10.0	—	10.0
Ayudhya Development Leasing Co. Ltd.	Financial Services	92, 93, 96	1.5	—	—	1.5	1.5
Bangkok Mass Transit System Corp. Ltd.	Infrastructure	97	69.7	—	59.8	9.8	69.7
Bank of Asia Ltd. *, The	Financial Services	92	20.0	—	17.5	—	17.5
Bumrungrad Medical Center Co. Ltd.	Social Services (Health Care, Education)	94	27.2	35.0	25.0	2.2	27.2
Central Plaza Hotel Co. Ltd.	Hotels and Tourism	93	13.9	—	—	13.9	13.9
Central Sukhontha Co. Ltd.	Hotels and Tourism	93	7.0	—	2.0	—	2.0
Chao Khun Agro Products Co. Ltd.	Food and Agribusiness	94	0.4	—	—	0.4	0.4
Collection Industrial Associated (Bangkok) Ltd.	Manufacturing	90	0.5	—	—	—	—
Dhana Siam Finance and Securities Public Co. Ltd.	Financial Services	94	30.0	—	26.0	—	26.0
Finance One Public Co. Ltd.	Financial Services	95	30.0	150.0	30.0	—	30.0
HMC Polymers Co. Ltd.	Chemicals and Petrochemicals	88, 96	17.1	11.0	1.1	2.1	3.2

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
THAILAND, continued							
Krung Thai IBJ Leasing Co. Ltd.	Financial Services	92	0.4	—	—	0.4	0.4
Ladprao General Hospital Co. Ltd.	Social Services (Health Care, Education)	90	0.3	—	—	0.3	0.3
National Finance and Securities Public Co. Ltd.	Financial services	96	30.0	250.0	30.0	—	30.0
Peroxythai Ltd.	Chemicals and Petrochemicals	89	10.7	—	6.0	—	6.0
Phatra Thanakit Public Co. Ltd.	Financial Services	97	26.4	—	26.3	—	26.3
Saha Farms Company, Ltd.	Food and Agribusiness	96	44.9	25.0	35.0	9.9	44.9
Samui Beach Co., The	Hotels and Tourism	93	8.0	—	3.0	—	3.0
SEAVI Project	Financial Services	85, 91	1.5	—	—	1.5	1.5
Seavi Thailand Venture Management Ltd.	Financial Services	91	+	—	—	+	+
Shin Ho Paper (Thailand) Co. Ltd.	Timber, Pulp, and Paper	92, 95	29.5	34.0	15.1	7.5	22.7
Siam Asahi Technoglass Co. Ltd.	Manufacturing	90	8.3	—	—	8.3	8.3
Siam City Cement Co. Ltd.	Cement and Construction Materials	79, 81, 85, 87, 92	59.4	152.0	20.0	—	20.0
Star Petroleum Refining Co. Ltd.	Oil Refining	94	100.0	350.0	100.0	—	100.0
Thai Baroda Industries Ltd.	Textiles	93	0.8	—	—	0.8	0.8
Thai Petrochemical Industry Public Co. Ltd.	Chemicals and Petrochemicals	97	100.0	400.0	100.0	—	100.0
Top Easy Co. Ltd.	Manufacturing	90	0.2	—	—	0.2	0.2
Tuntex Petrochemicals (Thailand) Public Co. Ltd.	Chemicals and Petrochemicals	94	24.9	137.5	12.0	4.9	16.9
United Palm Oil Industry Public C. Ltd.	Food and Agribusiness	95	—	—	—	1.1	1.1
Vinythai Public Co. Ltd.	Chemicals and Petrochemicals	95	41.1	63.9	39.6	—	39.6
Wing Fat Group Co. Ltd. **	Manufacturing	93	—	—	2.5	—	2.5
					561.0	64.9	625.9
VANUATU							
South West Pacific Investments Ltd.	Hotels and Tourism	96	5.5	—	5.5	—	5.5
					5.5	—	5.5
VIETNAM							
Baria Fertilizer and Agricultural Forestry Products Import-Export Services Co.	Infrastructure	95	3.0	2.0	3.0	—	3.0
Foremost Dairy Co. Ltd.	Food and Agribusiness	97	8.0	6.5	8.0	—	8.0
Hanoi Sofitel Metropole Hotel	Hotels and Tourism	94	8.5	17.5	8.2	—	8.2
Morning Star Cement Ltd.	Cement and Construction Materials	96	30.0	66.6	30.0	—	30.0
San Miguel Haiphong Glass Co.	Manufacturing	97	10.0	4.50	10.0	—	10.0
Sucrerie de Bourbon-Tay Ninh Ltd.	Food and Agribusiness	97	22.0	20.0	22.0	—	22.0
Tosac International Hotel Ltd.	Hotels and Tourism	96	3.4	2.8	3.4	—	3.4
Tourane Hotel Ltd.	Hotels and Tourism	96	8.3	6.0	8.3	—	8.3
Vietnam International Leasing Co. Ltd.	Financial Services	97	0.8	—	—	0.8	0.8
Vinaflour Co. Ltd. (the "Company")	Food and Agribusiness	97	8.0	3.0	8.0	—	8.0
Vina Kyoei Steel Ltd.	Mining and Extraction of Metals and Other Ores	96	15.0	—	15.0	—	15.0
					115.9	0.8	116.6

ASIA

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WESTERN SAMOA								
Le Ufi Sa Village	Hotels and Tourism	96	0.2	—	—	0.2	0.2	
Wilex Cocoa and Coconut Products Ltd.	Food and Agribusiness	97	0.3	—	0.3	—	0.3	
					0.3	0.2	0.5	
OTHER (TAIWAN, CHINA)³								
Asia Cement Corporation	Cement and Construction Materials	70	4.0	0.2	—	+	+	
REGIONAL								
Asian Infrastructure Fund	Financial Services	95	50.0	—	—	50.0	50.0	
Asian Infrastructure Fund Management Co. Ltd. L.D.C.	Financial Services	95	0.1	—	—	0.1	0.1	
Asian Mezzanine Infrastructure Fund	Financial Services	97	60.0	—	50.0	10.0	60.0	
Asian Mezzanine Infrastructure Fund Management Co.	Financial Services	97	0.1	—	—	0.1	0.1	
Jardine Fleming Asia Select Ltd.	Financial Services	90	11.4	—	—	2.0	2.0	
SEAVI Project—South Asia	Financial Services	85	1.0	—	—	+	+	
South East Asia Venture Investment Co. III	Financial Services	94	10.0	—	—	10.0	10.0	
South East Asia Venture Investment Management Ltd.	Financial Services	85	0.1	—	—	0.1	0.1	
					50.0	72.2	122.2	
Total, Asia						2,284.5	606.6	2,891.0

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
CENTRAL ASIA, MIDDLE EAST AND NORTH AFRICA							
ALGERIA							
Helios S.P.A.	Chemicals and Petrochemicals	93	10.0	—	7.3	—	7.3
					7.3	—	7.3
EGYPT							
Abu Soma Development Company	Hotels and Tourism	94, 97	1.2	—	—	1.2	1.2
Al Bardi Paper Mill Company (S.A.E.)	Timber, Pulp, and Paper	91	6.2	—	2.1	—	2.1
Alexandria Carbon Black Company, S.A.E.	Oil Refining	93, 97	10.0	—	10.8	3.0	13.8
Alexandria National Iron & Steel Company S.A.E.	Mining and Extraction of Metals and Other Ores	84, 91, 93, 94, 96	31.4	—	18.6	11.4	30.0
Apache Corporation	Mining and Extraction of Fuel Minerals	96	20.0	—	—	10.0	10.0
Apache Qarun Corporation LDC	Mining and Extraction of Fuel Minerals	96	10.0	15.0	10.0	—	10.0
Club Ras Soma Hotel Company	Hotels and Tourism	94	7.5	3.8	4.9	2.4	7.3
Commercial International Bank S.A.E. of Egypt	Financial Services	94	15.6	—	—	15.6	15.6
Crocodile Tourist Project Company SAE	Hotels and Tourism	82, 89	3.0	—	—	1.4	1.4
Egyptian Tourism Investment Company, S.A.E.	Financial Services	92	2.0	—	—	2.0	2.0
Meleiha Oil Development and Exploration Project	Mining and Extraction of Fuel Minerals	87, 88, 93	41.7	—	—	30.8	30.8
Messer Gases Dikheila Company, S.A.E.	Chemicals and Petrochemicals	97	1.5	—	—	1.5	1.5
Misr Compressor Manufacturing Co. (MCMC), S.A.E.	Manufacturing	92	13.5	—	9.7	3.8	13.5
Misr Financial Investment Company	Financial Services	85	0.5	—	—	0.1	0.1
Orascom Projects and Touristic Development S.A.E.	Hotels and Tourism	97	25.0	—	20.0	5.0	25.0
Orix Leasing Egypt	Financial Services	97	0.9	—	—	0.9	0.9
Phoenix Resources Company of Qarun	Mining and Extraction of Fuel Minerals	96	20.0	30.0	20.0	—	20.0
Serena Beach Hotel S.A.E.	Hotels and Tourism	92	6.2	—	5.0	1.2	6.2
The Egypt Trust	Financial Services	97	5.0	—	—	5.0	5.0
					101.1	95.2	196.3
JORDAN							
Al Keena Hygienic Paper Mill Co. Ltd.	Timber, Pulp, and Paper	95	8.0	—	8.0	—	8.0
Hikma Investment Company Ltd.	Chemicals and Petrochemicals	87, 91, 93, 95	9.9	—	4.1	2.7	6.8
Indo-Jordan Chemicals Company Limited	Fertilizers and Agricultural Chemicals	95	30.0	—	30.0	—	30.0
Jordan Mobile Telephone Services Co. Ltd.	Infrastructure	96	18.0	20.0	15.0	3.0	18.0
Modern Aluminum Industries Co. Ltd.	Manufacturing	96	5.5	—	5.5	—	5.5
Zara Investment (Holding) Company Limited	Hotels and Tourism	97	18.0	—	15.0	3.0	18.0
					77.6	8.7	86.3
KAZAKHSTAN							
ABN-AMRO Bank (Kazakhstan) Limited	Financial Services	94, 96	9.5	10.0	7.5	2.0	9.5
Kazak Registry Company	Financial Services	97	+	—	—	+	+
Kazkommertsbank	Financial Services	97	10.0	20.0	10.0	—	10.0
					17.5	2.0	19.5

CENTRAL ASIA, MIDDLE EAST AND NORTH AFRICA
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KYRGYZ REPUBLIC							
Demirbank Kyrgyzstan	Financial Services	97	0.3	—	—	0.3	0.3
Kumtor Gold Company	Mining and Extraction of Metals and Other Ores	95	40.0	—	40.0	—	40.0
					40.0	0.3	40.3
LEBANON							
Bank of Beirut and the Arab Countries, S.A.L.	Financial Services	93, 97	11.0	10.0	9.8	—	9.8
Banque Audi S.A.L.	Financial Services	93, 97	16.0	13.0	10.0	—	10.0
Banque du Liban et d'Outre Mer S.A.L.	Financial Services	93	3.6	1.8	2.8	—	2.8
Banque Libanaise pour le Commerce S.A.L.	Financial Services	94	5.9	2.9	4.5	—	4.5
Banque Libano-Française S.A.L.	Financial Services	94, 97	16.0	21.0	15.1	—	15.1
Byblos Bank S.A.L.	Financial Services	93, 97	16.0	18.0	14.8	—	14.8
Cimenterie Nationale	Cement and Construction Materials	95	20.0	30.0	20.0	—	20.0
Fransabank S.A.L.	Financial Services	93, 94, 97	19.2	20.2	17.2	—	17.2
Lebanese Leasing Company	Financial Services	95	8.2	7.5	7.1	0.7	7.9
Société Générale Libano-Européenne de Banque S.A.L.	Financial Services	94, 97	13.5	17.5	12.6	—	12.6
Uniceramic S.A.L.	Cement and Construction Materials	93	4.0	2.0	2.3	—	2.3
					116.2	0.7	117.0
MOROCCO							
Attijari Factoring Maroc	Financial Services	96	0.5	—	—	0.5	0.5
Banque Nationale pour le Développement Economique	Financial Services	63, 78, 84, 86	46.9	40.0	2.1	—	2.1
Ciments du Maroc	Cement and Construction Materials	92, 94	25.2	8.7	5.4	—	5.4
Crédit Immobilier et Hôtelier	Financial Services	87, 90	67.5	78.4	32.8	—	32.8
Internationale de Financement et de Participation	Financial Services	93	3.7	—	—	3.2	3.2
Médiafinance S.A.	Financial Services	94, 96	1.2	—	—	1.2	1.2
Settat Filature (SETAFIL)	Textiles	88, 93	4.7	—	3.0	1.2	4.2
Société ENNASR de Pêche	Food and Agribusiness	91	2.5	—	1.0	—	1.0
Société Minière du Bou-Gaffer (SOMIFER)	Mining and Extraction of Metals and Other Ores	80	15.3	—	—	2.3	2.3
					44.4	8.4	52.8
OMAN							
Oman ORIX Leasing Company SAOG	Financial Services	93	5.5	—	4.4	0.5	4.9
United Power Corporation	Infrastructure	95	19.0	57.0	14.4	4.0	18.4
					18.8	4.5	23.3
PAKISTAN							
AES Lalpir Limited	Infrastructure	95	49.5	—	40.0	9.5	49.5
AES Pak Gen (Private) Company	Infrastructure	96	29.5	50.0	20.0	9.5	29.5
Atlas Investment Bank	Financial services	96	8.5	2.5	8.5	—	8.5
Atlas Lease Limited	Financial Services	94	10.0	2.2	7.8	0.4	8.2
Bank of Khyber	Financial Services	96	10.0	—	10.0	—	10.0
Beaconhouse Public Schools (Private) Limited	Social Services (Health Care, Education)	96	7.0	3.0	7.0	—	7.0
BRR Capital Modaraba	Financial Services	94	10.0	—	10.0	—	10.0
BSJS-AIM Asset Management Company	Financial Services	95	0.3	—	—	0.3	0.3

INTERNATIONAL FINANCE CORPORATION
INVESTMENT PORTFOLIO
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Country, region or other area, and obligor	Sector	Fiscal years in which commitments were made	Original commitments ^a (millions of U.S. dollars)		Investments held for IFC, including undisbursed balances (millions of U.S. dollars)		
			Total IFC	Total Syndications	Loans	Equity (at cost)	Total loans and equity
PAKISTAN, continued							
Central Depository Company of Pakistan Ltd.	Financial Services	93	0.2	—	—	0.2	0.2
Crescent Greenwood Ltd.	Textiles	94, 97	21.2	10.0	13.9	5.1	19.0
Crescent Industrial Chemicals Limited	Textiles	96	20.0	21.0	15.0	5.0	20.0
Crescent Investment Bank	Financial services	96	16.0	5.0	16.0	—	16.0
D.G. Khan Cement Company Limited	Cement and Construction Materials	95, 96	30.5	40.0	25.0	5.5	30.5
Engro Paktank Terminal Limited	Infrastructure	97	12.0	5.0	12.0	—	12.0
Equity International (Private) Limited	Financial Services	92	0.2	—	—	0.2	0.2
Equity International Modaraba, Limited	Financial Services	92	0.8	—	—	0.8	0.8
Exxon Chemical Pakistan Limited	Fertilizers and Agricultural Chemicals	91, 95, 97	55.1	14.0	32.7	6.1	38.7
Fauji Cement Ltd.	Cement and Construction Materials	94	29.0	20.0	24.0	5.0	29.0
First Crescent Modaraba	Financial Services	96	5.0	3.8	5.0	—	5.0
First International Investment Bank Limited	Financial Services	90, 92, 96	10.0	2.5	8.5	1.5	10.0
First Leasing Corporation Limited	Financial Services	94, 97	5.7	—	3.3	1.7	4.9
First UDL Modaraba	Financial Services	96	10.0	7.5	10.0	—	10.0
Gul Ahmed Energy Limited	Infrastructure	96	31.1	35.0	27.0	4.1	31.1
Hala Spinning Limited	Textiles	89	3.9	—	3.8	—	3.8
Hoechst Pakistan Limited	Chemicals and Petrochemicals	94	—	—	1.0	—	1.0
International Housing Finance Limited	Financial Services	92, 95	7.4	—	4.9	0.9	5.8
Jahangir Siddiqui & Co., Limited	Financial Services	93, 96	1.1	—	—	1.1	1.1
Kohinoor Energy Limited	Infrastructure	95	31.3	36.6	25.0	6.3	31.3
Maple-Leaf Cement Factory Limited	Cement and Construction Materials	94, 95, 97	43.7	35.0	38.0	5.7	43.7
Mari Gas Company Limited	Mining and Extraction of Fuel Minerals	86, 92	25.5	6.7	12.9	—	12.9
Millat Tractors Limited	Motor Vehicles and Components (including Motorcycles)	88	4.9	—	0.7	—	0.7
Mohib Textile Mills Limited	Textiles	94	2.3	—	—	2.3	2.3
Muslim Commercial Bank Limited	Financial Services	93	7.5	—	5.6	—	5.6
National Development Leasing Corp. Ltd.	Financial Services	85, 94	12.9	3.3	9.1	1.3	10.4
ORIX Investment Finance Co. Pakistan Ltd.	Financial services	96	0.6	—	—	0.6	0.6
Orix Leasing Pakistan Ltd.	Financial Services	94	12.5	3.3	9.1	1.3	10.4
Packages Limited	Timber, Pulp, and Paper	65, 81, 82, 87, 92, 94, 95	44.8	20.1	25.0	3.5	28.5
Pak-Suzuki Motor Company Limited	Motor Vehicles and Components (including Motorcycles)	90	11.0	—	3.8	—	3.8
Pakistan Credit Rating Agency	Financial Services	94	0.2	—	—	0.2	0.2
Pakistan Industrial & Commercial Leasing Ltd.	Financial Services	94	5.0	—	4.4	—	4.4
Pakistan Industrial Leasing Corporation Limited	Financial Services	91, 94, 95	15.5	2.2	9.8	1.0	10.8
Pakistan Petroleum Limited	Mining and Extraction of Fuel Minerals	83, 85, 95	43.7	87.6	16.9	1.6	18.4
Pakistan Services Limited	Hotels and Tourism	93	15.0	—	11.0	3.0	14.0
Prudential Discount and Guarantee House Ltd.	Financial Services	91	0.4	—	—	0.4	0.4
Regent Knitwear Limited	Textiles	94	14.8	4.8	13.3	—	13.3
Rupafab Limited	Textiles	96	12.2	—	11.0	1.2	12.2

CENTRAL ASIA, MIDDLE EAST AND NORTH AFRICA
INVESTMENT PORTFOLIO
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Country, region, or other area, and obligor	Sector	Fiscal years in which commitments were made	Original commitments ¹ (millions of U.S. dollars)		Investments held for IFC ² (millions of U.S. dollars)			
			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity	
PAKISTAN, continued								
Rupafil Limited	Textiles	93	17.0	—	9.6	0.3	9.9	
Sarah Textiles	Textiles	93, 96	7.7	—	6.0	1.7	7.7	
Second BRR Modaraba	Financial Services	96	5.0	3.8	5.0	—	5.0	
The BSJS Balanced Fund (BBF)	Financial Services	96	0.5	—	—	0.5	0.5	
Uch Power Limited	Infrastructure	96	40.0	75.0	40.0	—	40.0	
					561.5	87.4	649.0	
TAJIKISTAN								
Zeravshan Gold Company	Mining and Extraction of Metals and Other Ores	97	7.5	—	6.3	1.2	7.5	
					6.3	1.2	7.5	
TUNISIA								
Adwya S.A.	Chemicals and Petrochemicals	87, 91	2.7	—	0.2	—	0.2	
Aminex Plc	Mining and Extraction of Fuel Minerals	97	0.6	—	—	0.6	0.6	
Idéal Sanitaire	Cement and Construction Materials	93	1.0	—	—	1.0	1.0	
International Maghreb Merchant Bank S.A.	Financial Services	95	0.3	—	—	0.3	0.3	
Société des Industries Textiles Réunies, S.A.	Textiles	88	2.1	—	—	2.1	2.1	
Société Industrielle des Textiles (SITEX)	Textiles	86, 92	13.2	—	1.9	2.2	4.0	
Société Minière de Bougrine (SMB)	Mining and Extraction of Metals and Other Ores	92, 94	17.1	—	—	2.2	2.2	
Société Monastirienne Internationale des Textiles	Textiles	91	5.6	—	2.9	—	2.9	
Sociétés d'Études et de Développement de Sousse-Nord	Hotels and Tourism	73, 75	3.2	—	—	0.6	0.6	
					5.0	9.1	14.0	
UZBEKISTAN								
ABN-AMRO Bank Uzbekistan	Financial Services	96	1.0	—	—	1.0	1.0	
Amantaytau Goldfields	Mining and Extraction of Metals and Other Ores	96	0.9	—	—	0.9	0.9	
Uzbekistan Leasing Company Ltd.	Financial Services	96	0.6	—	—	0.6	0.6	
					—	2.5	2.5	
WEST BANK AND GAZA								
Arab Palestine Investment Bank	Financial Services	96	3.8	—	—	3.8	3.8	
WBG MicroLending	Financial Services	97	7.5	—	7.5	—	7.5	
					7.5	3.8	11.3	
REGIONAL								
Emerging Middle East Fund	Financial Services	95	7.2	—	—	7.2	7.2	
First ANZ International Modaraba Limited	Financial Services	97	5.0	—	—	5.0	5.0	
Framlington Maghreb Fund	Financial Services	95	6.1	—	—	6.1	6.1	
Framlington Maghreb, S.A.	Financial Services	95	+	—	—	+	+	
Inter Arab Rating Company	Financial Services	96	1.0	—	—	1.0	1.0	
Middle East Capital Group	Financial Services	96	3.0	—	—	3.0	3.0	
					—	22.3	22.3	
Total, Central Asia, Middle East, and North Africa					1,003.2	246.3	1,249.5	

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Country, region, or other area, and obligor	Sector	Fiscal years in which commitments were made	Original commitments ¹ (millions of U.S. dollars)		Investments held for IFC ² (millions of U.S. dollars)			
			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity	
EUROPE								
BOSNIA AND HERZEGOVINA								
Sour Energoinvest	Manufacturing	85	15.2	—	9.0	—	9.0	
Tvornica Kartona I Ambalaze Cazin	Timber, Pulp, and Paper	77	10.8	7.4	3.9	—	3.9	
					12.8	—	12.8	
BULGARIA								
EuroMerchant Balkan Fund SICAV	Financial Services	95	5.0	—	—	5.0	5.0	
					—	5.0	5.0	
CYPRUS								
Dome Investments Limited	Hotels and Tourism	83	1.5	—	—	0.3	0.3	
Leptos Calypso Hotels Limited	Hotels and Tourism	91	9.0	—	7.1	—	7.1	
					7.1	0.3	7.3	
CZECH REPUBLIC								
Beronit a.s.	Cement and Construction Materials	95	5.0	—	3.9	—	3.9	
Cementarny a Vapenky Mokra A.S.	Cement and Construction Materials	92	17.2	—	—	17.6	17.6	
Energy Center Kladno Generating s.r.o. (ECKG)	Infrastructure	97	59.3	24.6	59.3	—	59.3	
EZANOVA Sumperk a.s.	Cement and Construction Materials	95	5.6	—	4.4	—	4.4	
Hayes Wheels Autokola Nova Hut, a.s.	Motor Vehicles and Components (including Motorcycles)	94	16.4	22.1	13.2	—	13.2	
Nova Hut, A.S.	Mining and Extraction of Metals and Other Ores	97	37.5	172.2	37.5	—	37.5	
Plzensky Prazdroj, a.s.	Food and Agribusiness	96	38.6	19.2	34.8	—	34.8	
Zivnostenska Banka	Financial Services	92	6.4	—	—	5.4	5.4	
					153.1	23.0	176.1	
ESTONIA								
Eesti Uhispank	Financial Services	97	5.9	—	5.8	—	5.8	
Elcoteq Tallinn, A.S.	Manufacturing	97	7.7	—	7.7	—	7.7	
Estonian Industrial Leasing Ltd.	Financial Services	95, 97	0.5	—	—	0.5	0.5	
Kunda Nordic Cement A.S.	Cement and Construction Materials	94	10.0	—	6.0	4.0	10.0	
Toftan AS	Timber, Pulp, and Paper	97	2.0	—	2.0	—	2.0	
					21.5	4.5	26.0	
GEORGIA								
Georgian Glass and Mineral Water Company N.V.	Food and Agribusiness	97	2.8	—	—	2.8	2.8	
					—	2.8	2.8	
HUNGARY								
Agroferm Hungarian-Japanese Fermentation Industry Ltd.	Food and Agribusiness	87	11.2	—	4.3	—	4.3	
Albadomu Malatatermelo Es Kereskedelmi BT	Food and Agribusiness	94	7.4	—	4.3	2.0	6.3	
Dexter Mold Making Company Limited	Manufacturing	90	3.9	—	—	0.9	0.9	

EUROPE
INVESTMENT PORTFOLIO
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Country, region, or other area, and obligor	Sector	Fiscal years in which commitments were made	Original commitments ¹ (millions of U.S. dollars)		Investments held for IFC ² (millions of U.S. dollars)		
			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
HUNGARY, continued							
Dunastyr Polisztirolgyarto Rt.	Chemicals and Petrochemicals	89	18.0	14.4	5.3	3.8	9.1
ERU Hungaria KFT	Food and Agribusiness	97	2.5	2.0	2.5	—	2.5
Euroventures Hungary B.V.	Financial Services	92	2.6	—	—	2.6	2.6
First Hungarian Investment Advisory Rt.	Financial Services	90	+	—	—	+	+
First Hungary Fund Limited, The	Financial Services	90	7.5	—	—	3.8	3.8
Hungarian Telecommunications Co. Ltd.	Infrastructure	94, 96	44.5	50.0	—	28.5	28.5
Hungary Private Equity Fund Ltd.							
Partnership, The	Financial Services	96	2.5	—	—	2.5	2.5
Inter-Europa Bank RT	Financial Services	96	10.0	5.0	10.0	—	10.0
Mirelite Budapest Frozen Food Company, Inc.	Food and Agribusiness	94	9.0	—	5.4	3.0	8.4
Papa Regional Telephone Company Rt.	Infrastructure	94	0.5	—	—	0.5	0.5
Salgotarjan Glass Wool Limited	Manufacturing	88, 89, 92	5.5	—	0.5	2.0	2.5
Westel 900 GSM Mobil TavkÖzlesi RT	Infrastructure	95	39.0	—	—	4.0	4.0
					32.3	53.5	85.8
LATVIA							
Tilts Communications A/S	Infrastructure	92, 95	19.1	—	5.4	13.7	19.1
Vereinsbank Riga	Financial Services	97	1.8	—	—	1.8	1.8
Vika Wood Sawmill	Timber, Pulp, and Paper	97	4.0	—	4.0	—	4.0
					9.4	15.4	24.8
LITHUANIA							
Liteksas Ir Calw A.B.	Textiles	96	10.7	—	8.5	1.0	9.5
					8.5	1.0	9.5
MOLDOVA							
Incon JSC, Cupchin JSC, Ungheni JSC, and Floresti JSC	Food and Agribusiness	97	9.1	—	7.0	2.0	9.0
					7.0	2.0	9.0
POLAND							
Amoco Poland Limited Liability Company	Mining and Extraction of Fuel Minerals	95	8.7	—	—	4.0	4.0
Baltic Malt	Food and Agribusiness	97	8.4	—	5.9	1.9	7.9
Bona Sp. z o. o.	Food and Agribusiness	94	2.0	—	1.6	—	1.6
Chemagev, Limited	Industrial and Consumer Services	92	3.9	7.6	1.2	—	1.2
Export Development Bank *	Financial Services	90	17.7	—	10.9	—	10.9
Gaspol S.A.	Infrastructure	96, 97	6.0	—	—	6.0	6.0
Globi Sp. z o.o.	Industrial and Consumer Services	95	10.0	—	—	10.0	10.0
Handlowy-Heller S.A.	Financial Services	94	0.6	—	—	0.4	0.4
Huta L.W. Sp. z o.o.	Mining and Extraction of Metals and Other Ores	93	40.7	—	34.2	4.5	38.7
Intercell Spolka Z o.o.	Timber, Pulp, and Paper	95, 97	7.7	—	—	7.7	7.7
International Bank in Poland (IBP)	Financial Services	91	3.2	—	—	3.2	3.2
Nesky Inc.	Motor Vehicles and Components (including Motorcycles)	95	2.2	—	1.7	0.5	2.2
Norgips Opole SP Z o.o.	Cement and Construction Materials	97	11.5	21.6	11.3	—	11.3

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Country, region, or other area, and obligor	Sector	Fiscal years in which commitments were made	Original commitments ¹ (millions of U.S. dollars)		Investments held for IFC ² (millions of U.S. dollars)			
			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity	
POLAND, continued								
Peters Fleischindustrie und Handel AG (Peters)	Food and Agribusiness	94	6.3	—	5.3	1.0	6.3	
Philips Lighting Poland S.A.	Manufacturing	92	15.0	—	8.8	—	8.8	
Pilkington Sandoglass SP. z o.o.	Manufacturing	93	44.7	26.2	25.5	8.3	33.8	
Piotr Ostrowski Partnership in Wetlina	Hotels and Tourism	90	+	—	0.1	—	0.1	
Poland Investment Fund L.P.	Financial Services	95	2.3	—	—	2.3	2.3	
Polish American Mortgage Bank	Financial Services	97	15.0	—	15.0	—	15.0	
					121.4	49.9	171.3	
PORTUGAL								
Al Hikma Farmaceutica (Portugal), Limitada	Chemicals and Petrochemicals	91	2.0	—	1.4	—	1.4	
Banco Finantia S.A.	Financial Services	88, 90, 91, 94	10.1	—	—	10.1	10.1	
Uniao Industrial Textil e Quimica, S.A.	Chemicals and Petrochemicals	90	6.6	—	2.1	—	2.1	
					3.5	10.1	13.6	
ROMANIA								
Alcatel Network Systems Romania S.A.	Infrastructure	92	2.6	—	—	0.7	0.7	
Danube Fund, The	Financial Services	97	2.0	—	—	2.0	2.0	
Romlease S.A.	Financial Services	95	5.5	—	5.0	0.5	5.5	
					5.0	3.1	8.1	
RUSSIAN FEDERATION								
Alpha Cement Open Joint Stock Company	Cement and Construction Materials	96	13.5	—	—	13.5	13.5	
Aminex Plc	Mining and Extraction of Fuel Minerals	97	22.5	—	17.0	5.5	22.5	
Depsona z.a.o.	Food and Agribusiness	96	8.3	—	5.3	1.5	6.8	
First NIS Regional Fund	Financial Services	95	15.0	—	—	15.0	15.0	
Framlington Russian Investment Fund	Financial Services	94	8.0	—	—	8.0	8.0	
National Registry Company, The	Financial Services	95	1.5	—	—	1.5	1.5	
Nizhniy Newsprint Holdings Limited	Timber, Pulp, and Paper	97	41.0	45.0	30.0	11.0	41.0	
Pioneer First Russia, Inc.	Financial Services	97	4.0	—	—	4.0	4.0	
Polar Lights Company	Mining and Extraction of Fuel Minerals	94	60.0	—	26.8	—	26.8	
Russian Technology Fund	Financial Services	96	2.0	—	—	2.0	2.0	
Russian Telecommunications Development Corp. Holdings, Inc.	Infrastructure	95	7.5	—	—	7.5	7.5	
Sector Capital Fund Limited	Financial Services	96	4.5	—	—	4.5	4.5	
United Export Import (Unexim) Bank	Financial Services	97	15.0	—	15.0	—	15.0	
Vasyugan Services Joint Enterprise	Mining and Extraction of Fuel Minerals	95	9.0	—	6.2	—	6.2	
					100.3	74.0	174.3	
SLOVENIA								
Delo Pre-Press Modernization	Manufacturing	91	3.9	—	0.4	—	0.4	
L.B. Leasing D.o.o. Ljubljana	Financial Services	95	3.6	3.6	2.9	—	2.9	
Ljubljanska Banka—Intermarket Factoring	Financial Services	95	0.2	—	—	0.2	0.2	
Salonit Anhovo Industrija Grad Materiala	Cement and Construction Materials	74, 90	10.1	7.5	1.3	—	1.3	
Slovenian Development Capital Fund Limited	Financial Services	95	5.0	—	—	5.0	5.0	
					4.6	5.2	9.8	

EUROPE
INVESTMENT PORTFOLIO
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Country, region, or other area, and obligor	Sector	Fiscal years in which commitments were made	Original commitments ¹ (millions of U.S. dollars)		Investments held for IFC ² (millions of U.S. dollars)		
			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
TURKEY							
Arçelik, A.S.	Manufacturing	96	48.0	40.0	48.0	—	48.0
Assan Demir ve Sac Sanayi A.S.	Mining and Extraction of Metals and Other Ores	94, 97	30.2	10.0	29.5	—	29.5
Aytac Dis Ticaret Yatirim Sanayi A.S.	Food and Agribusiness	94	10.0	10.0	6.7	2.0	8.7
Bank Ekspres	Financial Services	96	10.0	—	10.0	—	10.0
Borcelik Celik Sanayii Ticaret A.S.	Mining and Extraction of Metals and Other Ores	92, 95, 96	32.6	—	25.0	7.6	32.6
Cayeli Bakir Isletmeleri A.S.	Mining and Extraction of Metals and Other Ores	93	30.0	45.0	27.6	—	27.6
CBS Boya Kimya Sanayii ve Ticaret A.S.	Manufacturing	95, 96	0.7	—	—	3.7	3.7
CBS Holding A.S.	Manufacturing	94	15.0	—	6.5	—	6.5
CBS Printas Baski Murekkepleri ve Gereçleri A.S.	Manufacturing	96	—	—	—	0.6	0.6
Cerrahogullari T.A.S.	Infrastructure	94	8.8	—	5.5	—	5.5
Demir Finansal Kiralama A.S.	Financial Services	97	10.0	—	10.0	—	10.0
Demirbank T.A.S.	Financial Services	94, 97	30.0	60.0	21.4	—	21.4
Edirne Giyim Sanayi A.S.	Textiles	89	6.4	—	4.0	—	4.0
Elbo Gaz Mamulleri ve Kontrol Cihazlari Sanayi ve Ticaret A.	Manufacturing	92	14.7	4.6	5.9	—	5.9
Eldor Electronics Turkiye A.S.	Manufacturing	93, 97	6.0	—	6.0	—	6.0
Elginkan Holding A.S.	Manufacturing	88, 93, 97	48.1	1.9	24.3	—	24.3
F S P Turizm ve Yatirim A.S.	Hotels and Tourism	90	12.2	—	10.1	—	10.1
Finans Finansal Kiralama A.S.	Financial Services	97	6.0	—	6.0	—	6.0
Garanti Finansal Kiralama A.S.	Financial Services	95	7.0	—	6.0	—	6.0
Global Securities Inc.	Financial Services	94, 95, 96	2.8	—	—	2.5	2.5
Is Genel Finansal Kiralama A.S.	Financial Services	88, 90, 93	4.9	—	1.8	—	1.8
Isivire Hayat Sigorta A.S.	Financial Services	96	0.4	—	—	0.4	0.4
Kepez Elektrik T.A.S.	Infrastructure	91	20.2	—	17.2	—	17.2
Kiris Otelcilik ve Turizm A.S.	Hotels and Tourism	89, 90	21.9	—	21.8	—	21.8
Koc Finansal Kiralama A.S.	Financial Services	97	15.0	—	15.0	—	15.0
Kocbank A.S.	Financial Services	97	10.0	60.0	10.0	—	10.0
Korfezbank	Financial Services	92, 97	23.0	51.4	15.0	—	15.0
Koy-Tur Holding A.S.	Food and Agribusiness	91, 92	12.7	—	7.8	4.1	11.9
Kula Mensucat Fabrikasi A.S.	Textiles	91	19.4	—	15.4	—	15.4
Medya Holding A.S.	Manufacturing	93, 96	28.6	—	12.4	—	12.4
NASCO Nasreddin Holding A.S.	Textiles	92	17.5	5.0	13.2	2.5	15.7
Pinar Entegre ET ve Yem Sanayii A.S.	Food and Agribusiness	84, 94	10.9	—	4.1	—	4.1
Pinar Sut Mamulleri Sanayii A.S.	Food and Agribusiness	94	7.5	—	4.4	—	4.4
Silkar Turizm Yatirim ve Isletmeleri A.S.	Hotels and Tourism	86, 90	19.3	9.8	5.4	4.9	10.3
Tekfen Investment Bank	Financial Services	96	5.0	—	5.0	—	5.0
Toprak Finansal Kiralama A.S.	Financial Services	97	8.0	—	8.0	—	8.0
Trakya Cam Sanayii A.S.	Manufacturing	79, 83, 84, 89, 91, 96	66.0	31.4	—	6.2	6.2
Turk Ekonomi Bankasi	Financial Services	95	12.5	12.5	10.0	—	10.0
Turkiye Garanti Bankasi A.S.	Financial Services	93	20.0	80.0	20.0	—	20.0
Turkiye Sise ve Cam Fabrikalari A.S.	Manufacturing	93, 97	41.0	50.2	30.2	—	30.2
Türk Demir Döküm Fabrikalari A.S.	Manufacturing	96	2.0	—	2.0	—	2.0
Yalova Elyaf ve Iplik A.S.	Textiles	96	15.0	8.0	13.8	—	13.8
Yapi Kredi Finansal Kiralama A.S.	Financial Services	97	7.8	—	7.1	—	7.1
Yeditepe Beynelmillel Otelcilik Turizm ve Ticaret A.S.	Hotels and Tourism	90, 94	29.6	27.5	21.5	4.0	25.5
					513.6	38.5	552.1

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
UKRAINE							
Ukraine Fund	Financial Services	94, 97	3.5	—	—	3.5	3.5
					—	3.5	3.5
YUGOSLAVIA (SERBIA AND MONTENEGRO), FEDERAL REPUBLIC OF							
Institut Za Fizikalnu Medicinu I Rehabilitaciju—Dr. Simon Milose	Social Services (Health Care, Education)	82, 88	19.1	—	9.8	—	9.8
Investiciona Banka Titograd-Udruzena Banka	Hotels and Tourism	80	21.0	—	2.0	—	2.0
Jugobanka—Udruzena Banka Beograd	Financial Services	86	25.4	10.4	4.9	—	4.9
Loan to Eight Banks for Small-Scale Enterprises	Financial Services	80	26.0	4.2	1.1	—	1.1
Radoje Dakic	Manufacturing	80	18.7	—	1.2	—	1.2
Vojvodjanska Banka—Udruzena Banka	Financial Services	87, 89	56.0	31.2	46.3	—	46.3
					65.3	—	65.3
REGIONAL							
Advent Central Europe Management L.P.	Financial Services	95	+	—	—	+	+
Advent Private Equity Fund—Central Europe L.P.	Financial Services	95	10.0	—	—	9.9	9.9
Alliance ScanEast Fund, L.P.	Financial Services	94	7.0	—	—	7.0	7.0
Central Europe Telecom Investments, L.P.	Financial Services	94	10.0	—	—	10.0	10.0
Czech and Slovak Private Equity Fund L.P.	Financial Services	95	2.50	—	—	2.5	2.5
Investment Fund for Central, and Eastern Europe The*	Financial Services	97	15.0	—	15.0	—	15.0
New Europe-East Investment Fund	Financial Services	93	10.0	—	—	9.4	9.4
Renaissance Capital	Financial Services	94	5.0	—	—	5.0	5.0
					15.0	43.8	58.8
Total, Europe					1,080.3	335.7	1,416.0

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LATIN AMERICA AND THE CARIBBEAN							
ARGENTINA							
Aceitera General Deheza S.A. and Aceitera Chabas S.A.	Food and Agribusiness	95	25.0	—	15.0	10.0	25.0
Acindar Industria Argentina de Aceros, S.A.	Mining and Extraction of Metals and Other Ores	60, 95, 97	67.9	70.7	63.8	—	63.8
Aguas Argentinas	Infrastructure	95, 96	85.0	307.5	75.1	7.0	82.1
Algodonera Santa Fe S.A. **	Textiles	90	—	—	0.3	—	0.3
Alpargatas S.A.I.C.	Textiles	77, 84, 86, 88, 94, 97	81.3	157.5	30.4	7.4	37.8
Alto Paraná S.A.	Timber, Pulp, and Paper	93, 96	6.7	—	—	—	—
Argentine Equity Investments I Limited, The	Financial Services	94	4.0	—	—	2.9	2.9
Banco de Crédito Argentino S.A.	Financial Services	91	10.0	—	1.9	—	1.9
Banco de Galicia y Buenos Aires S.A.	Financial Services	97	30.0	200.0	30.0	—	30.0
Banco Francés del Río de la Plata S.A.	Financial Services	89, 97	55.0	—	43.2	—	43.2
Banco General de Negocios S.A.	Financial Services	94	15.0	—	15.0	—	15.0
Banco Roberts S.A.	Financial Services	95	20.0	—	20.0	—	20.0
Banco Río de la Plata, S.A.	Financial Services	88, 92	50.0	—	9.6	—	9.6
Bansud S.A.	Financial Services	97	25.0	—	25.0	—	25.0
Bolland & Cía, S.A. **	Hotels and Tourism	89, 93	—	—	0.2	—	0.2
Bridas S.A.P.I.C.	Mining and Extraction of Fuel Minerals	93, 96	80.0	100.0	42.1	25.0	67.1
Bunge y Born S.A.	Food and Agribusiness	88, 93	63.0	57.5	3.7	—	3.7
Cadipsa S.A.	Mining and Extraction of Fuel Minerals	93	20.0	13.0	13.6	—	13.6
CCBA S.A. (Brahma-Argentina)	Food and Agribusiness	96	18.5	33.0	18.5	—	18.5
Cervecería y Maltería Quilmes S.A.	Food and Agribusiness	94	15.0	15.0	11.9	—	11.9
Cerámica Zanón S.A.C.I. y M.	Cement and Construction Materials	96	20.0	—	20.0	—	20.0
Comesi S.A.I.C. **	Manufacturing	89	—	—	0.3	—	0.3
Compañía Elaboradora de Productos Alimenticios S.A.	Food and Agribusiness	95	15.0	6.0	12.3	—	12.3
Compañías Asociadas Petroleras S.A.	Mining and Extraction of Fuel Minerals	97	17.0	33.0	17.0	—	17.0
Corporación de Inversiones y Privatización S.A.	Financial Services	90	0.1	—	—	0.1	0.1
Empresa Distribuidora Norte Sociedad Anónima S.A.	Infrastructure	94, 96	45.0	128.0	34.5	—	34.5
Emprigas S.A. **	Infrastructure	93	—	—	0.2	—	0.2
Ferroexpreso Pampeano, S.A.C.	Infrastructure	93	13.0	20.0	10.3	—	10.3
Ferrum S.A. **	Cement and	94	—	—	0.8	—	0.8
Finca Flichman, S.A. **	Food and Agribusiness	88, 89	—	—	0.2	—	0.2
Fracchia Hnos. S.A. **	Infrastructure	89	—	—	0.1	—	0.1
Frigorífico Rioplatense S.A.I.C.I.F.	Food and Agribusiness	92	13.0	4.0	5.3	1.0	6.3
Frigorífico Toba, S.A. **	Food and Agribusiness	90	—	—	0.1	—	0.1
Grunbaum, Rico y Daucourt S.A.I.C. y F.	Manufacturing	96	10.0	5.0	10.0	—	10.0
Guilford Argentina S.A. **	Textiles	91	—	—	0.1	—	0.1
Guipeba-Ceval S.A.	Food and Agribusiness	97	20.0	20.0	20.0	—	20.0
Inta S.A. **	Textiles	89	—	—	0.3	—	0.3
Interpack, S.A. **	Timber, Pulp, and Paper	93	—	—	0.4	—	0.4
Juan Minetti S.A.	Cement and Construction Materials	78, 81, 86, 87, 93, 94, 96	57.8	97.5	22.7	—	22.7

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity	
ARGENTINA, continued.								
Kleppe S.A. and El Caldero S.A.	Food and Agribusiness	95	6.0	—	6.0	—	6.0	
La Buenos Aires New York Life Seguros de Vida S.A.	Financial Services	95	3.6	—	—	3.6	3.6	
La Buenos Aires S.A. Retiro	Financial Services	95	1.2	—	—	1.2	1.2	
La Industrial Alimenticia S.A. **	Food and Agribusiness	93	—	—	0.1	—	0.1	
Longvie Paraná, S.A. **	Manufacturing	93	—	—	0.3	—	0.3	
Maltería Pampa S.A.	Food and Agribusiness	93, 96	19.0	12.0	13.8	—	13.8	
Mastellone Hermanos S.A.	Food and Agribusiness	95	40.0	35.0	37.1	—	37.1	
Máxima S.A. AFJP	Financial Services	95, 97	18.4	—	—	18.4	18.4	
Mendoza Refrescos, S.A. **	Food and Agribusiness	93	—	—	0.2	—	0.2	
Merchants Bankers Asociados S.A.	Financial Services	96	0.2	—	—	0.2	0.2	
Milkaut S.A.	Food and Agribusiness	97	20.0	5.0	20.0	—	20.0	
Molinos Río de la Plata S.A.	Food and Agribusiness	93, 94	2.3	—	—	5.5	5.5	
Nahuelsat S.A.	Infrastructure	95	35.0	—	30.0	5.0	35.0	
Neuquen Basin	Mining and Extraction of Fuel Minerals	97	26.4	—	—	26.4	26.4	
Nuevo Central Argentino S.A.	Infrastructure	93	13.0	15.0	6.9	3.0	9.9	
Oleaginoso Oeste, S.A.	Food and Agribusiness	92	20.0	15.0	11.9	—	11.9	
Parafina del Plata, S.A. **	Chemicals and Petrochemicals	89	—	—	0.6	—	0.6	
Petroken Petroquímica Ensenada S.A.	Chemicals and Petrochemicals	90, 95	40.0	11.0	26.8	—	26.8	
Petrolera Argentina San Jorge S.A.	Mining and Extraction of Fuel Minerals	92, 93	42.0	35.0	—	27.0	27.0	
Refinería San Lorenzo S.A.	Oil Refining	97	20.0	30.0	20.0	—	20.0	
Roberts Participaciones S.A.	Financial Services	86	0.1	—	—	—	—	
S.A. Genaro García Limitada C.I.F. e. I. **	Food and Agribusiness	92	—	—	0.7	—	0.7	
Sancor Cooperativas Unidas Limitada	Food and Agribusiness	95	40.0	30.0	40.0	—	40.0	
Sideco Americana S.A.	Infrastructure	96	—	—	—	15.0	15.0	
Socma Americana S.A.	Infrastructure	95	40.0	60.0	22.9	—	22.9	
TBR, S.A. **	Manufacturing	91	—	—	0.2	—	0.2	
Terminal 6 S.A.	Infrastructure	87, 90, 91, 96	23.0	6.5	9.8	—	9.8	
Terminales Portuarias Argentinas S.A.	Infrastructure	96	12.0	—	9.5	2.0	11.5	
Tower Fund, L.P., The	Financial Services	95	20.0	—	—	16.4	16.4	
Tower Investment Management Company, The	Financial Services	95	0.2	—	—	0.1	0.1	
Transportadora de Gas del Norte S.A.	Infrastructure	97	45.0	210.0	45.0	—	45.0	
Vicentin S.A.I.C.	Food and Agribusiness	97	25.0	10.0	25.0	—	25.0	
Willmor S.A. **	Food and Agribusiness	90	—	—	0.7	—	0.7	
Yacylec S.A.	Infrastructure	94	20.0	45.0	8.8	5.0	13.8	
					910.3	182.3	1,092.6	
BARBADOS								
Almond Resorts, Inc.	Hotels and Tourism	95	7.1	—	5.6	1.1	6.7	
Caribbean Financial Services Corporation	Financial Services	84	0.3	—	—	0.3	0.3	
					5.6	1.4	7.0	
BELIZE								
Belize Electric Company Limited	Infrastructure	93	15.0	11.0	8.5	—	8.5	
					8.5	—	8.5	

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BOLIVIA								
Banco Industrial, S.A.	Financial Services	76,88,91,92,95	28.3	10.0	15.7	2.7	18.4	
Banco Mercantil S.A.	Financial Services	96	10.0	—	10.0	—	10.0	
Bermejo Petroleum Development & Exploration	Mining and Extraction of Fuel Minerals	91	9.9	—	—	5.9	5.9	
Central Aguirre Portuaria, S.A.	Infrastructure	92	2.5	—	1.2	0.4	1.6	
Compañía Boliviana de Gas Natural Comprimido S.A.	Chemicals and Petrochemicals	93	3.0	—	2.5	—	2.5	
Compañía Minera Concepción S.A.	Mining and Extraction of Metals and Other Ores	88	1.2	—	—	0.4	0.4	
Compañía Minera del Sur, S.A.	Mining and Extraction of Metals and Other Ores	92, 90, 94, 96	30.6	5.0	17.5	3.0	20.5	
Empresa Minera Inti Raymi, S.A.	Mining and Extraction of Metals and Other Ores	92	40.0	—	20.0	—	20.0	
Minproc Bolivia S.A.	Mining and Extraction of Metals and Other Ores	92	1.0	—	—	0.7	0.7	
Telefónica Celular de Bolivia S.A. (Telecel)	Infrastructure	97	15.0	20.0	15.0	—	15.0	
					82.0	13.0	95.0	
BRAZIL								
Bacell Servicios e Industria Limitada	Timber, Pulp, and Paper	94	24.7	36.0	13.5	10.7	24.2	
Bahia Sul Celulose, S.A.	Timber, Pulp, and Paper	90, 91, 93	61.0	60.0	20.7	21.0	41.7	
Bahia Sul Celulose, S.A. **	Timber, Pulp, and Paper	94	—	—	6.8	—	6.8	
Banco Bradesco, S.A.	Financial Services	97	40.0	60.0	40.0	—	40.0	
Banco Bradesco, S.A. *	Financial Services	92	60.0	—	26.0	—	26.0	
Banco Liberal S.A.	Financial services	97	10.0	—	10.0	—	10.0	
Brasilpar Comércio e Participações S.A.	Financial Services	81	1.2	—	—	+	+	
Brazilian Investment Fund, Inc., The	Financial Services	92	3.0	—	—	3.0	3.0	
Cambuhy M.C. Industrial Ltda.	Food and Agribusiness	95	30.0	—	24.4	—	24.4	
Celucat, S.A.	Timber, Pulp, and Paper	66, 69, 89	19.5	2.6	1.2	—	1.2	
Cerâmica Portobello S.A.	Cement and Construction Materials	95	22.0	—	17.0	5.0	22.0	
Ceval Alimentos S.A.	Food and Agribusiness	93, 96	90.0	130.0	68.6	10.0	78.6	
Chapeco Companhia Industrial de Alimentos	Food and Agribusiness	94, 96	31.9	5.0	25.0	—	25.0	
Companhia de Tecidos Norte de Minas (Coteminas)	Textiles	97	—	—	—	4.0	4.0	
Companhia Central Brasileira de Acabamentos Texteis	Textiles	93	10.0	—	3.0	—	3.0	
Companhia Cervejaria Brahma	Food and Agribusiness	95	35.0	123.0	35.0	—	35.0	
COPENE—Petroquímica do Nordeste S.A.	Chemicals and Petrochemicals	89	45.0	5.0	9.1	—	9.1	
CRP-Caderi Capital de Risco S.A.	Financial Services	95	2.0	—	—	2.0	2.0	
Dende do Para S/A—DENPASA—Agricultura, Indústria e Comércio de Olea	Food and Agribusiness	80, 94	5.3	—	0.4	1.1	1.6	
Duratex S.A.	Timber, Pulp, and Paper	88, 97	29.4	78.0	22.1	—	22.1	
Eluma S.A. Indústria e Comércio	Mining and Extraction of Metals and Other Ores	89	16.4	—	5.0	—	5.0	
Empresa de Desenvolvimento de Recursos Minerais (CODEMIN) S.A.	Mining and Extraction of Metals and Other Ores	73, 78, 83	9.3	54.0	—	4.3	4.3	
Engenpol Engenharia de Polimeros	Manufacturing	91	3.5	—	1.8	—	1.8	
Eucatex do Sul S.A. **	Timber, Pulp, and Paper	95	—	—	7.5	—	7.5	
Gavea Hotelaria e Turismo S.A.	Hotels and Tourism	94	16.8	7.5	16.1	—	16.1	

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BRAZIL, continued							
Globo Cabo S.A.	Infrastructure	95, 97	53.1	118.0	35.0	18.1	53.1
GP Capital Partners, L.P.	Financial Services	94	20.0	—	—	19.5	19.5
Hering Textile **	Textiles	95	—	—	7.5	—	7.5
Industrias Romi S.A. **	Manufacturing	93	—	—	2.8	—	2.8
Ipiranga Petroquímica S.A.	Chemicals and Petrochemicals	80, 87	21.3	28.0	—	6.3	6.3
J. Macedo Alimentos S.A.	Food and Agribusiness	93	24.0	10.0	19.3	—	19.3
Latas de Alumínio S.A.	Manufacturing	95	21.0	5.0	18.3	—	18.3
Lightel Serviços de Tecnologia da Informação S.A. (Lightel)	Infrastructure	97	43.2	—	25.0	18.2	43.2
Lojas Americanas S.A.	Industrial and Consumer Services	96	33.0	20.0	33.0	—	33.0
Mallory Limitada	Manufacturing	96	12.0	—	8.0	4.0	12.0
Minerações Brasileiras Reunidas S.A.	Mining and Extraction of Metals and Other Ores	92, 88, 93	55.0	27.0	24.5	—	24.5
OPP Petroquímica S.A.	Chemicals and Petrochemicals	80, 88	32.6	—	0.9	1.6	2.6
Oxitenor Nordeste S.A. Indústria e Comercio	Chemicals and Petrochemicals	75, 96	39.6	—	30.0	—	30.0
Pará Pigmentos S.A.	Mining and Extraction of Metals and Other Ores	95	39.0	35.0	30.0	9.0	39.0
Perdigão S.A. Comércio e Indústria	Food and Agribusiness	88, 96	57.9	20.0	35.0	10.0	45.0
Petroflex Indústria e Comércio S.A. **	Manufacturing	96	—	—	7.5	—	7.5
PISA—Papel de Imprensa S.A.	Timber, Pulp, and Paper	83, 85, 88	55.9	31.7	—	3.9	3.9
Politeno Indústria e Comércio S.A.	Chemicals and Petrochemicals	96	19.0	—	19.0	—	19.0
Politeno Linear Indústria e Comércio S.A.	Chemicals and Petrochemicals	89	23.6	—	4.5	—	4.5
Rhodia-Ster S.A.	Chemicals and Petrochemicals	92	26.0	—	11.4	6.0	17.4
Rhodiaco Indústrias Químicas Ltda.	Chemicals and Petrochemicals	96	30.0	30.0	30.0	—	30.0
Ripasa S.A. Celulose e Papel	Timber, Pulp, and Paper	91	25.0	—	8.6	5.0	13.6
S.A. Indústria e Comércio Chapecó	Food and Agribusiness	94, 96	7.9	—	6.9	7.9	14.7
Sadia Concórdia S.A. Indústria e Comércio	Food and Agribusiness	94, 95, 97	80.0	222.0	64.0	10.0	74.0
Samarco Mineração S.A.	Mining and Extraction of Metals and Other Ores	97	18.0	16.0	18.0	—	18.0
SOCOCO S/A—Agroindústrias da Amazônia	Food and Agribusiness	83	5.5	—	—	2.5	2.5
Sucorrico S.A.	Food and Agribusiness	97	15.0	—	15.0	—	15.0
São Paulo Alpargatas S.A.	Manufacturing	87, 97	60.0	—	31.6	—	31.6
Trikem S.A.	Chemicals and Petrochemicals	92, 95	12.9	—	—	12.9	12.9
Tubos e Conexoes Tigre Ltda. (Tigre)	Manufacturing	97	30.0	23.5	30.0	—	30.0
Votorantim Celulose e Papel S.A.	Timber, Pulp, and Paper	93	24.0	15.0	16.9	—	16.9
					885.8	195.9	1,081.7
CHILE							
Bosques y Maderas S.A. (BOMASA)	Timber, Pulp, and Paper	92, 94	10.3	6.0	2.4	4.8	7.2
Celulosa Arauco y Constitución S.A.	Timber, Pulp, and Paper	87, 88, 89	85.0	45.5	16.6	—	16.6
Celulosa del Pacífico, S.A.	Timber, Pulp, and Paper	90, 93, 94	55.5	33.0	12.2	15.5	27.6

LATIN AMERICA AND THE CARIBBEAN
INVESTMENT PORTFOLIO
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Country, region, or other area, and obligor	Sector	Fiscal years in which commitments were made	Original commitments ¹ (millions of U.S. dollars)		Investments held for IFC ² (millions of U.S. dollars)		
			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
CHILE, continued							
Compañía de Telecomunicaciones de Chile S.A.	Infrastructure	91, 92, 94	99.1	113.0	45.8	—	45.8
Empresa Eléctrica Pangue S.A.	Infrastructure	94	66.7	88.0	—	4.7	4.7
Fibranova S.A.	Timber, Pulp, and Paper	92, 93	17.5	—	3.5	1.5	5.0
Fundición Refimet S.A.	Mining and Extraction of Metals and Other Ores	97	15.0	46.0	15.0	—	15.0
Hidroeléctrica Aconcagua S.A.	Infrastructure	92, 93	16.1	6.0	—	8.1	8.1
Leasing Andino S.A.	Financial Services	91, 94	20.0	20.0	8.8	—	8.8
Mercado Mayorista de Santiago S.A.	Food and Agribusiness	96	10.0	—	10.0	—	10.0
Minera Escondida Limitada	Mining and Extraction of Metals and Other Ores	89, 91	67.7	—	15.7	7.5	23.1
Moneda Asset Management S.A.	Financial Services	94, 96, 97	0.5	—	—	0.5	0.5
Nature's Farm Products (Chile) S.A. **	Food and Agribusiness	91	—	—	1.5	—	1.5
Pionero Fondo de Inversión Mobiliaria	Financial Services	94	10.0	—	—	10.0	10.0
Proa Fondo de Inversión de Desarrollo de Empresas	Financial Services	96	8.4	—	—	8.4	8.4
Reynolds Chile S.A.	Manufacturing	96	11.0	—	6.5	2.5	9.0
					138.0	63.5	201.4
COLOMBIA							
Promotora de la Interconexión de los Gasoductos de la Costa Atlantica S.A.	Infrastructure	77, 89, 93, 94, 97	38.3	69.5	16.1	1.1	17.3
Compañía Colombiana de Tejidos	Textiles	63, 91	22.9	1.7	9.0	—	9.0
Corporación Financiera de Santander S.A.	Financial Services	94, 95	6.4	—	4.3	1.4	5.7
Corporación Financiera del Valle	Financial Services	69, 85, 88, 93, 95	51.1	60.0	24.1	7.4	31.6
Corporación Nacional y Suramericana S.A.	Financial Services	96	40.0	40.0	40.0	—	40.0
Enka de Colombia, S.A.	Textiles	67, 70, 74, 85, 86, 87, 89	43.1	16.8	1.1	—	1.1
Industria Colombiana de Llantas S.A.	Motor Vehicles and Components (including Motorcycles)	95, 97	19.5	—	14.0	5.5	19.5
Leasing Bolívar, S.A.	Financial Services	81, 85, 87, 90, 91, 92, 95	15.4	6.3	6.2	0.3	6.5
Oleoducto de Colombia S.A.	Mining and Extraction of Fuel Minerals	91, 92	55.0	75.0	14.4	—	14.4
Petróleos Colombianos Limited	Mining and Extraction of Fuel Minerals	81, 82	6.3	9.3	1.8	3.4	5.2
Productora de Derivados de la Sal, S.A. (PRODESAL)	Chemicals and Petrochemicals	87	7.2	—	—	0.6	0.6
Proyectos de Infraestructura S.A.	Infrastructure	97	15.0	—	10.0	5.0	15.0
					141.1	24.7	165.8
COSTA RICA							
Banco Interfin S.A.	Financial Services	93	5.0	—	3.9	—	3.9
Corporación Banex, S.A. and Banex Internacional, S.A.	Financial Services	91	5.8	—	2.9	0.8	3.6
Hidroeléctrica Aguas Zarcas S.A.	Infrastructure	94	4.0	6.1	3.6	—	3.6
Hotel Camino Real, S.A.	Hotels and Tourism	93	7.0	—	7.0	—	7.0
Ticofrut S.A.	Food and Agribusiness	96	5.0	5.0	5.0	—	5.0
					22.4	0.8	23.1

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Country, region, or other area, and obligor	Sector	Fiscal years in which commitments were made	Original commitments ¹ (millions of U.S. dollars)		Investments held for IFC ² (millions of U.S. dollars)			
			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity	
DOMINICAN REPUBLIC								
Transamerican Hoteles, Dechiaro, Siskind, Vincent + Co. S. en C. por A.	Hotels and Tourism	87	6.0	—	1.2	—	1.2	
Cranberry Dominicana S.A. and Tlantimar S.A.	Hotels and Tourism	93	6.8	—	4.8	—	4.8	
Desarrollos Turísticos del Caribe, S.A.	Hotels and Tourism	92, 94	10.0	—	6.1	—	6.1	
Smith/Enron Cogeneration Limited Partnership	Infrastructure	95, 96	32.3	50.0	30.3	—	30.3	
					42.4	—	42.4	
ECUADOR								
Agrocapital, S.A.	Food and Agribusiness	97	3.5	—	3.5	—	3.5	
Compañía Financiera Ecuatoriana de Desarrollo, S.A. (COFIEC)	Financial Services	69, 73, 77, 81, 82, 88	3.0	—	—	0.3	0.3	
Rey Banano del Pacífico C.A.	Food and Agribusiness	94	10.0	5.0	8.4	—	8.4	
Tripetrol Exploration and Production Company	Mining and Extraction of Fuel Minerals	93	10.0	—	4.4	—	4.4	
					16.3	0.3	16.6	
EL SALVADOR								
Cemento de El Salvador S.A. (CESSA)	Cement and Construction Materials	97	22.0	24.0	20.0	2.0	22.0	
Telemóvil El Salvador, S.A.	Infrastructure	94, 96	9.9	14.5	9.0	0.2	9.2	
					29.0	2.2	31.2	
GUATEMALA								
Basic Petroleum International Limited	Mining and Extraction of Fuel Minerals	94, 97	27.8	18.0	21.1	5.8	26.9	
Fabrigas S.A.	Infrastructure	95	7.0	—	6.3	—	6.3	
Pantaleón S.A.	Food and Agribusiness	97	20.0	—	20.0	—	20.0	
Puerto Quetzal Power Corporation	Infrastructure	93, 96	20.0	51.0	12.1	—	12.1	
Vidriera Guatemalteca, S.A.	Manufacturing	93	11.0	—	8.9	—	8.9	
					68.4	5.8	74.2	
HONDURAS								
Cressida International Investment Corp.	Manufacturing	97	15.0	30.0	15.0	—	15.0	
Electricidad de Cortés S. de R.L. de C.V.	Infrastructure	95	16.6	36.3	12.8	2.6	15.5	
Textiles Río Lindo, S.A. de C.V.	Textiles	78	4.8	6.0	0.3	1.0	1.3	
					28.2	3.6	31.8	
JAMAICA								
Caribbean Cement Company Limited	Cement and Construction Materials	93	8.0	—	5.5	—	5.5	
Jamaica Energy Partners	Infrastructure	97	23.9	—	21.4	1.9	23.3	
					26.9	1.9	28.8	
MEXICO								
Aislantes de León, S.A. de C.V. (ALSA)	Motor Vehicles and Components (including Motorcycles)	92	16.1	—	5.0	—	5.0	
Alimentos Naturales Sabroza S.A. de C.V. **	Food and Agribusiness	94	—	—	3.0	—	3.0	
Apasco, S.A. de C.V.	Cement and Construction Materials	88, 91, 92, 93, 96	176.4	120.0	24.8	—	24.8	

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity	
MEXICO, continued								
Arancia-CPC S.A. de C.V. **	Food and Agribusiness	95	—	—	4.7	—	4.7	
Aurum-Heller Factoraje, S.A. de C.V.	Financial Services	94, 96	2.0	—	—	2.0	2.0	
Banca Serfin, S.N.C.	Financial Services	89, 90	60.0	—	24.0	—	24.0	
Banco Bilbao Vizcaya-Mexico, S.A.	Financial Services	97	30.0	—	30.0	—	30.0	
Banco Nacional de México, S.N.C.	Financial Services	92, 90	60.0	—	21.5	—	21.5	
Baring Venture Fund	Financial Services	95	6.5	—	—	6.5	6.5	
Baring Venture Partners de México S.A. de C.V.	Financial Services	95, 96	0.2	—	—	0.2	0.2	
Calizas Industriales del Carmen, S.A. de C.V.	Cement and Construction Materials	88, 92	32.0	—	11.2	—	11.2	
Celular de Telefonía, S.A. de C.V.	Infrastructure	92	16.0	36.3	12.8	0.8	13.5	
Celulosa y Derivados, S.A. de C.V.	Textiles	93	11.0	26.0	8.8	—	8.8	
Cemex, S.A.	Cement and Construction Materials	89	20.0	—	3.7	—	3.7	
Cifunsa S.A. de C.V.	Motor Vehicles and Components (including Motorcycles)	96	18.0	12.0	18.0	—	18.0	
Compañía Tratadora de Aguas Negras de Puerto Vallarta, S.A.	Infrastructure	95	7.4	—	7.3	—	7.3	
Fomento Económico Mexicano S.A. de C.V. (Visa)	Food and Agribusiness	89, 92	107.6	—	12.5	16.8	29.3	
Grupo Condumex S.A. de C.V.	Manufacturing	90, 92	44.5	18.0	10.9	—	10.9	
Grupo Financiero BBV-Probursa, S.A. de C.V.	Financial Services	92, 96, 97	9.0	—	—	9.0	9.0	
Grupo Idesa S.A. de C.V.	Chemicals and Petrochemicals	94	23.0	42.5	13.8	8.0	21.8	
Grupo Industrial Bimbo, S.A. de C.V.	Food and Agribusiness	92, 96	65.0	175.0	49.6	—	49.6	
Grupo Irsa, S.A. de C.V. (GIRSA)	Chemicals and Petrochemicals	97	40.0	115.0	40.0	—	40.0	
Grupo Minsa S.A. de C.V.	Food and Agribusiness	97	30.0	30.0	20.0	10.0	30.0	
Grupo Operador de Terminales Maritimas S.A.	Infrastructure	94	1.8	2.6	1.5	—	1.5	
Grupo Posadas S.A. de C.V.	Hotels and Tourism	92, 93, 95, 96	48.7	58.5	32.0	5.0	37.0	
Grupo Primex, S.A. de C.V.	Chemicals and Petrochemicals	85, 90	26.0	2.2	1.2	—	1.2	
Hotel Camino Real Ixtapa, S.A.	Hotels and Tourism	79, 81, 87	4.2	—	—	4.2	4.2	
Indelpro, S.A. de C.V.	Chemicals and Petrochemicals	90, 91, 94	31.0	3.0	12.4	—	12.4	
Internacional de Ceramica S.A. de C.V.	Cement and Construction Materials	94	21.0	17.5	20.0	—	20.0	
Masterpak, S.A. de C.V.	Timber, Pulp and Paper	93	12.0	28.0	9.6	—	9.6	
Metalsa, S.A.	Motor Vehicles and Components (including Motorcycles)	92, 84, 88, 94	33.4	35.0	15.3	—	15.3	
Mexico City Toluca Toll Road, The	Infrastructure	92	13.8	—	8.2	—	8.2	
Mexico Partners Trust	Financial Services	97	20.0	—	—	20.0	20.0	
Mexplus Puertos S.A. de C.V.	Infrastructure	93, 95	3.0	—	—	3.0	3.0	
Nemak S.A.	Motor Vehicles and Components (including Motorcycles)	96	30.0	35.0	30.0	—	30.0	
Petrocel, S.A.	Chemicals and Petrochemicals	91	32.0	—	11.4	—	11.4	
Pyosa, S.A. de C.V. **	Manufacturing	94	—	—	6.2	—	6.2	

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity
MEXICO, continued							
Sigma Alimentos, S.A. de C.V.	Food and Agribusiness	88, 95, 96	48.0	32.0	20.0	5.0	25.0
Tereftalatos Mexicanos, S.A.	Chemicals and Petrochemicals	78, 95	39.0	20.0	16.8	—	16.8
Terminal Maritima de Altamira S.A. de C.V.	Infrastructure	97	5.1	10.4	5.1	—	5.1
Vitro Flotado, S.A. de C.V.	Manufacturing	91	25.0	101.0	14.1	—	14.1
Vitro S.A.	Manufacturing	91, 92	18.2	—	—	10.2	10.2
Vulica Shipping Company Ltd.	Infrastructure	88	18.0	—	10.5	—	10.5
					535.7	100.7	636.4
PANAMA							
Banco Continental de Panamá, S.A.	Financial Services	93	1.7	—	1.4	—	1.4
Manzanillo International Terminal Panama, S.A.	Infrastructure	95	25.0	35.0	23.6	—	23.6
					24.9	—	24.9
PERU							
AFP Horizonte S.A.	Financial Services	94, 96	1.1	—	—	1.1	1.1
Banco de Crédito del Perú	Financial Services	95	15.0	—	12.0	—	12.0
Compañía de Minas Buenaventura, S.A.	Mining and Extraction of Metals and Other Ores	79, 83, 90, 93	8.4	—	—	1.7	1.7
Minera Quellaveco S.A.	Mining and Extraction of Metals and Other Ores	93, 96	11.5	—	—	11.5	11.5
PPF Cayman Ltd	Financial Services	95	+	—	—	+	+
Peru Privatization Fund Limited, The	Financial Services	95	20.0	—	—	20.0	20.0
S.A. Minera Regina	Mining and Extraction of Metals and Other Ores	85	2.7	—	2.3	—	2.3
Sogewiese Leasing, S.A.	Financial Services	82, 92, 96	19.5	25.0	12.0	1.4	13.4
Yanacocha S.A.	Mining and Extraction of Metals and Other Ores	93, 95	22.7	19.0	12.9	0.3	13.2
					39.2	36.0	75.3
ST. LUCIA							
Anse Chastanet Resort Hotel	Hotels and Tourism	96	6.2	—	6.2	—	6.2
					6.2	—	6.2
TRINIDAD AND TOBAGO							
Caribbean Ispat Limited	Mining and Extraction of Metals and Other Ores	96	27.4	55.0	27.4	—	27.4
Development Finance Limited	Financial Services	89, 92	0.6	—	—	0.6	0.6
Home Mortgage Bank	Financial Services	87	0.4	—	—	0.4	0.4
Trinidad Nitrogen Company Limited	Fertilizers and Agricultural Chemicals	87	33.2	124.3	12.4	—	12.4
					39.8	1.0	40.8
URUGUAY							
Azucitrus S.A.	Food and Agribusiness	85, 93	14.4	—	7.1	3.9	11.0
Banco Comercial, S.A.	Financial Services	93	5.0	—	2.4	—	2.4
Banco Surinvest S.A.	Financial Services	80, 89, 97	15.9	10.0	5.3	1.8	7.1
Consorcio Aeropuertos Internacionales S.A.	Infrastructure	96	8.0	10.0	8.0	—	8.0
Granja Avícola Moro	Food and Agribusiness	92	3.8	—	2.0	0.8	2.7
Migranja S.A.	Food and Agribusiness	90	5.3	—	3.3	2.0	5.3
					28.1	8.4	36.5

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VENEZUELA							
Banco de Inversión Mercantil, C.A.	Financial Services	91	16.0	—	5.4	—	5.4
Cementos Caribe, C.A.	Cement and Construction Materials	97	—	—	10.0	—	10.0
Compañía Anónima Nacional Teléfonos de Venezuela	Infrastructure	96	75.0	185.6	75.0	—	75.0
Compañía Anónima Fábrica de Papel Maracay **	Timber, Pulp and Paper	94	—	—	2.1	—	2.1
Complejo Siderúrgico de Guayana, C.A. (Comsigua)	Mining and Extraction of Metals and Other Ores	97	45.0	61.0	35.0	10.0	45.0
Corporación Industrial Montana, C.A., S.A.	Chemicals and Petrochemicals	91, 92	21.1	—	—	11.0	11.0
Eka Nobel de Venezuela C.A.	Chemicals and Petrochemicals	91	14.3	18.0	9.8	—	9.8
Grupo Zuliano, C.A.	Chemicals and Petrochemicals	92, 94	14.1	—	—	14.1	14.1
Mavesa, S.A.	Food and Agribusiness	92	9.0	—	—	9.0	9.0
Metanol de Oriente, Metor S.A.	Chemicals and Petrochemicals	93	37.9	93.3	22.9	6.8	29.7
Polipropileno de Venezuela, S.A.	Chemicals and Petrochemicals	89	40.0	7.0	18.3	—	18.3
Productora de Alcoholes Hidratados, C.A.	Chemicals and Petrochemicals	91	38.4	2.0	17.4	7.5	24.9
Siderúrgica del Turbio S.A. **	Mining and Extraction of Metals and Other Ores	94	—	—	3.5	—	3.5
Sistema Electrónico de Transacciones C.A. (SET)	Financial Services	96	0.5	—	—	0.5	0.5
					199.4	58.9	258.2
REGIONAL							
Eastern Caribbean Home Mortgage Bank	Financial Services	97	0.4	—	—	0.4	0.4
IFC Latin America Index Fund	Financial Services	95	10.0	—	—	10.0	10.0
Latin America Corporate Debt Fund	Financial Services	94	15.0	—	—	15.0	15.0
Latin America Enterprise Fund, L.P., The	Financial Services	95	20.0	—	—	20.0	20.0
Profund Internacional, S.A.	Financial Services	96	2.5	—	—	2.5	2.5
Scudder Latin American Trust for Independent Power	Financial Services	93	25.0	—	—	25.0	25.0
					—	72.8	72.8
Total, Latin American and Caribbean					3,278.2	773.2	4,051.4

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			Total IFC	Total syndications	Loans	Equity (at cost)	Total loans and equity

WORLDWIDE							
Emerging Markets Investment Fund	Financial Services	88	10.0	—	—	1.5	1.5
Crédit Lyonnais (Multicountry Loan Facility) *	Financial Services	91	15.0	15.0	11.1	—	11.1
Algemene Bank Nederland N.V. *	Financial Services	90	10.0	10.0	7.0	—	7.0
Banque Nationale de Paris *	Financial Services	91	5.0	5.0	5.0	—	5.0
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank)*	Financial Services	97	50.0	50.0	50.0	—	50.0
Emerging Markets Gold Fund	Financial Services	94	9.5	—	—	0.1	0.1
Emerging Markets Gold Fund Management Co.	Financial Services	95	+	—	—	+	+
Emerging Markets Local Currency Debt Fund	Financial Services	97	10.0	—	—	10.0	10.0
Global Power Investment LDC	Financial Services	95	1.1	—	—	1.1	1.1
Global Power Investments Company, L.P.	Financial Services	95	50.0	—	—	50.0	50.0
IFC Latin America and Asia Trust 1995-A	Financial Services	96	—	—	—	14.6	14.6
Internationale Nederlanden Groep N.V. *	Financial Services	90	15.0	18.0	8.9	—	8.9
State Street Bank & Trust Company IFC Emerging Markets Index	Financial Services	94	10.0	—	—	10.0	10.0
					82.0	87.3	169.3
Total, Worldwide					82.0	87.3	169.3
Total, International Finance Corporation					8,322.5	2,237.2	10,559.7
Total, International Finance Corporation (Net of Write-Off Adjustments)*					8,291.0	2,229.7	10,520.7

Notes and Definitions

- IFC's fiscal year runs from July 1 to June 30.
- Investment amounts are given in U.S. dollars, regardless of the original currency/ies based on the exchange rate in effect on June 30, 1997.
- Commitments are loans, syndicated loans, and equity and quasi-equity investments for which agreements were signed during FY97.
- Investments held for IFC's account are loans, and equity and quasi-equity investments disbursed and outstanding, and undisbursed.
- Totals may differ from the sum of individual figures because of rounding.
- The operational investments are represented by loans and equity, as stated. In addition, in certain investments, IFC has the right to acquire shares and/or participate in the profits of the enterprise.

* Financial intermediary through which IFC makes loans to, and equity investments in, various small-scale companies.

** Subproject under an agency line or a multi country loan facility. The corresponding commitment is shown for the agent.

+ Less than \$50,000.

1. Commitments include funds to be provided by IFC for its own account, funds to be provided by participants through the purchase of an interest in IFC's investment, and funds to be provided by their financial institutions in association with IFC, where IFC has rendered material assistance in mobilizing those funds. Original commitments are composed of disbursed and undisbursed balances. The undisbursed portion is revalued at current exchange rate while the disbursed portion represents the cost of the commitment at the time of disbursement. Loans held for the Corporation are revalued at the current exchange rates. Amounts shown are for commitments outstanding at June 30, 1997, net of cancellations.
2. Including undisbursed balances
3. Represents investments made at a time when the authorities on Taiwan represented China in the Corporation (before May 15, 1980).
4. Of the total \$45,662,435 in write-offs for FY97, write-off adjustments are \$31,596,418 in loans and \$7,471,849 in equity (at cost) for a total of \$38,988,797.



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WBG ARCHIVES

INTERNATIONAL FINANCE CORPORATION

1997 ANNUAL REPORT

THE INTERNATIONAL FINANCE CORPORATION (IFC), A MEMBER OF THE WORLD BANK GROUP, SHARES THE PRIMARY OBJECTIVE OF ALL BANK GROUP INSTITUTIONS: TO IMPROVE THE QUALITY OF THE LIVES OF PEOPLE IN ITS DEVELOPING MEMBER COUNTRIES.

TODAY IFC IS THE LARGEST MULTILATERAL SOURCE OF LOAN AND EQUITY FINANCING FOR PRIVATE SECTOR PROJECTS IN THE DEVELOPING WORLD. IFC FINANCES AND PROVIDES ADVICE FOR PRIVATE SECTOR VENTURES AND PROJECTS IN DEVELOPING COUNTRIES IN PARTNERSHIP WITH PRIVATE INVESTORS AND, THROUGH ITS ADVISORY WORK, HELPS GOVERNMENTS CREATE CONDITIONS THAT STIMULATE THE FLOW OF BOTH DOMESTIC AND FOREIGN PRIVATE SAVINGS AND INVESTMENT. ITS PARTICULAR FOCUS IS TO PROMOTE ECONOMIC DEVELOPMENT BY ENCOURAGING THE GROWTH OF PRODUCTIVE ENTERPRISE AND EFFICIENT CAPITAL MARKETS IN ITS MEMBER COUNTRIES. IFC PARTICIPATES IN AN INVESTMENT ONLY WHEN IT CAN MAKE A SPECIAL CONTRIBUTION THAT COMPLEMENTS THE ROLE OF MARKET OPERATORS. IT ALSO PLAYS A CATALYTIC ROLE, STIMULATING AND MOBILIZING PRIVATE INVESTMENT IN THE DEVELOPING WORLD BY DEMONSTRATING THAT INVESTMENTS THERE CAN BE PROFITABLE. SINCE ITS FOUNDING IN 1956, IFC HAS COMMITTED MORE THAN \$21.2 BILLION IN FINANCING FOR ITS OWN ACCOUNT AND HAS ARRANGED \$15 BILLION IN SYNDICATIONS AND UNDERWRITING FOR 1,852 COMPANIES IN 129 DEVELOPING COUNTRIES.

IFC COORDINATES ITS ACTIVITIES WITH THE OTHER INSTITUTIONS IN THE WORLD BANK GROUP—THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD), THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA), AND THE MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)—BUT IS LEGALLY AND FINANCIALLY INDEPENDENT, WITH ITS OWN ARTICLES OF AGREEMENT, SHAREHOLDERS, FINANCIAL STRUCTURE, MANAGEMENT, AND STAFF. ITS SHARE CAPITAL IS PROVIDED BY ITS 172 MEMBER COUNTRIES, WHICH COLLECTIVELY DETERMINE ITS POLICIES AND ACTIVITIES. STRONG SHAREHOLDER SUPPORT AND A SUBSTANTIAL PAID-IN CAPITAL BASE HAVE ALLOWED IFC TO RAISE MOST OF THE FUNDS FOR ITS LENDING ACTIVITIES THROUGH ITS TRIPLE-A RATED BOND ISSUES IN THE INTERNATIONAL FINANCIAL MARKETS.

HIGHLIGHTS OF 1997

Operational Results

New projects approved	276
Total financing including syndications and underwriting	\$6.7 billion
Financing for IFC's own account	\$3.3 billion
Total project costs	\$17.9 billion
Disbursed loan and equity portfolio for IFC's own account on June 30	\$8.4 billion

Resources and Income

Net income	\$431.9 million
Paid-in capital	\$2.2 billion
Retained earnings	\$2.5 billion
Borrowings for the fiscal year	\$3.3 billion

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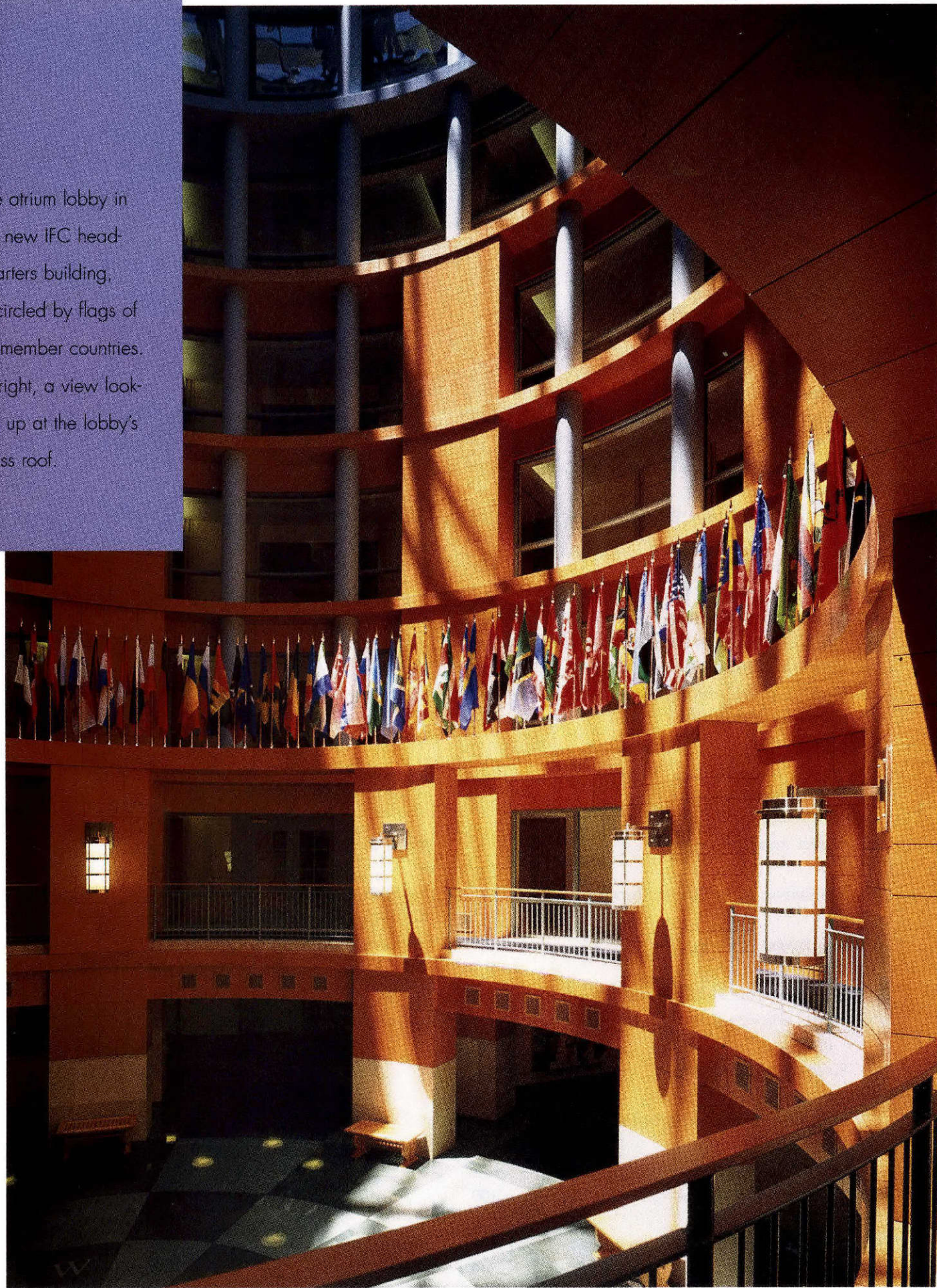
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The atrium lobby in the new IFC headquarters building, encircled by flags of all member countries. At right, a view looking up at the lobby's glass roof.



LETTER TO THE BOARD OF GOVERNORS

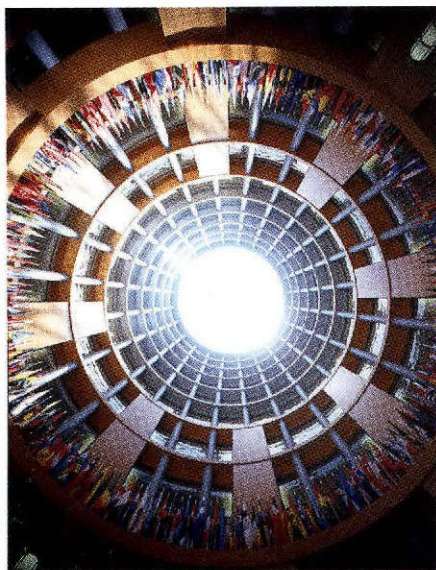
August 1, 1997

To the Board of Governors:



The Board of Directors of the International Finance Corporation has had this annual report for the fiscal year ended June 30, 1997, prepared in accordance with the Corporation's by-laws. James D. Wolfensohn, President of IFC and Chairman of the Board of Directors, has submitted this report with the accompanying audited financial statements to the Board of Governors.

The Directors are pleased to report that in fiscal 1997 IFC continued to expand its project financing operations and advisory activities in its developing member countries, while further strengthening its financial position.



Directors

Jan Piercy	Juan Cariaga
Atsuo Nishihara	Jannes Hutagalung
Gus O'Donnell	Joaquim R.
Helmut Schaffer	Carvalho
Marc-Antoine	Young-Hoi Lee
Autheman	Kacim Brachemi
Luc Hubloue	Khalid M. Al-Saad
Franco	Li Yong
Passacantando	Khalid H. Alyahya
Enzo Del Bufalo	Ali Bourhane
Leonard Good	
Surendra Singh	
Ruth Jacoby	
Andrei Bugrov	
Pieter Stek	
Juanita D. Amatong	
Jean-Daniel Gerber	

Alternates

Michael Marek	Sun Vithespongse
Akira Kamitomai	Godfrey Gaoseb
David Stanton	Christopher Y. Legg
Erika Wagenhöfer	Abdul Karim Lodhi
Olivier Bourges	Zhao Xiaoyu
Namik Dagalp	Ibrahim M.
Helena Cordeiro	Al-Mofleh
Inigo Fernandez	Luc-Abdi Aden
de Mesa	
Winston Cox	
Syed Ahmed	
Jorgen Varder	
Eugene Miagkov	
Mioara Ionescu	
Murilo Portugal	
Jan Sulmicki	
Julio Nogues	

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT



Fiscal 1997 was a good year for IFC. It was also a year of innovation and change for the Corporation. We achieved \$6.7 billion in new approvals in 276 projects of which \$3.4 billion was mobilized through loan syndications, underwriting, and private placements. Net income was \$432 million resulting in a return on average net worth of 9.7 percent, well above target. All product lines performed well, most notably the loan portfolio, and contributed to net income.

We are operating in more countries, in more areas, and more sectors than ever before. We are shifting our focus away from countries where we are less relevant to those where we are more needed. In countries with better access to capital, we are aiming our efforts at specific sectors and regions where we can make a difference.

We are concentrating our efforts on maximizing our development impact. Despite the increase in private foreign investment in developing countries in recent years, many countries still do not benefit from these flows. This year we undertook our first projects in 8 countries where we had not worked before, among them Azerbaijan, Tajikistan, Cambodia, Georgia, former Yugoslav Republic of Macedonia, and Mongolia. We also successfully launched the "Extending IFC's Reach" initiative. This initiative, targeted at 16 countries or groups of countries throughout the world, where difficult

environments have limited IFC's activities, is helping us develop new approaches to doing business in such economies and serving to broaden our overall contribution to development. The Small Enterprise Fund has been established to support the initiative, allowing us to make smaller investments through simplified procedures. The result has been a strong pipeline of new projects, with 16 investments for \$17.6 million already approved this year under the Small Enterprise Fund and a broad range of technical assistance work under way.

The environments in which we are working are changing more rapidly than ever before, requiring constant innovation. In this process, there is no substitute for close knowledge of the market's needs. We have launched the first comprehensive client survey in IFC's history and will incorporate its findings into our business plan as the results become available in the new fiscal year. We are working more closely with the World Bank both here in Washington and in the field. This cooperation has facilitated our strategic focus, and we have benefited from a pilot program of joint Bank/IFC Country Assistance Strategies in a select group of countries. In FY97, to better serve our clients, we made progress establishing regional hubs in Moscow and New Delhi as a first step in improving delivery capacity in the field.

In March 1997, IFC moved into its new headquarters at 2121 Pennsylvania Avenue. For



JANNIK LINDBAEK, EXECUTIVE
VICE PRESIDENT OF IFC (LEFT)
AND JAMES D. WOLFENSOHN,
PRESIDENT OF THE WORLD
BANK GROUP

the first time in many years, all IFC staff are under one roof, and internal communication and the quality of our workday have markedly improved. This well-designed building was completed on time and under budget. We share the building with our colleagues at the World Bank who work on private sector issues, thus facilitating communication within the Bank Group.

This year we have also made significant management changes, ushering in a new generation of leadership for IFC. In January 1997, Mr. Jemal-ud-din Kassum was appointed Vice President, Investment Operations, and Mr. Assaad Jabre was appointed Vice President, Portfolio Management and Advisory Operations. Under this structure, all new business is consolidated under Mr. Kassum, while portfolio management and advisory operations are the responsibility of Mr. Jabre. This change has made corporate strategy easier to

develop and implement and has facilitated focus on managing our young and rapidly growing portfolio. Subsequently, a major rotation of department directors and managers was undertaken to ensure that the Corporation benefits from the breadth of experience of its management and to facilitate career development. Women now hold 15 percent of the managerial jobs, up from 5 percent in 1993, and in the coming months I expect this number to improve further. As we begin FY98, these changes should leave us well positioned to take up the challenges that lie ahead.

IFC's Strategy for FY98-FY00

The world around us is changing quickly, enabling many countries to gain improved access to capital. These positive changes for developing countries require IFC to increase our flexibility and adaptability so that our efforts meet the varying needs of this new landscape.

To open up new markets for private sector investors in the developing world, we see a strong continuing role for IFC's advisory services: in privatization and postprivatization, in capital markets development and foreign direct investment, in project structuring, and in management support for small and medium enterprises.

Our future investment activities will focus on meeting the huge needs of infrastructure, including sectors just opening up to private participation such as water and transportation. We will also seek to do more institution building in the capital markets area, to develop private insurance and pension plans, and to strengthen mortgage markets. Agribusiness, increasingly important in some countries, will continue to represent a significant part of our investments. We also intend to do much more with small and medium enterprises and expand our work in microenterprise, health, and education.

But with our dual role as a financial institution and a development organization, we cannot do everything. As a financial institution, we have to invest in those activities that will result in bankable projects in a reasonable period of time. As a development institution, we must focus on areas where we can have the greatest development impact.

What Are the Priorities?

As we approached FY98, we attempted to balance these objectives by establishing the following priorities.

In *Africa*, we see the best prospects in decades, but few private financial institutions are willing to fill the needs. Reforms are taking hold; growth is again increasing. Complementing our traditional business in the region in capital markets, extractive industries, and small and medium enterprises, our primary areas of focus will be privatization and infrastructure, both through direct investment and advisory services.

We will look to more challenging countries and sectors—the “*new frontiers*”—where the needs are greatest and conditions more difficult. Reaching these markets will require increased delivery capacity in the field. While we will always be quite centralized, I believe that we cannot serve these difficult markets effectively from Washington; we need to continue to get closer to our clients.

We will continue to strengthen IFC's *core expertise* to remain on the cutting edge and support our initiatives in key sectors. We must invest in enhancing our specialized knowledge in the sectors where we have major contributions to make, particularly in infrastructure, privatization, capital markets, and small enterprises.

Environment will continue to be one of our highest priorities. IFC's management is committed to maintaining high standards of environmental work in new projects, in portfolio supervision, and in public disclosure of environment-related information. A key component of IFC's development impact is facilitating investment in environmentally and socially sustainable projects. We have an obligation to our shareholders and clients to lead the way in this field.

Portfolio management is another of our top priorities. In the coming year, we expect to add almost \$3.0 billion of new assets to our portfolio, supervising projects with more than 1,100 companies in 110 countries. We must invest in managing this portfolio since it sustains our future growth.

All this adds up to an ambitious program. Much has been accomplished, but much more remains to be done. I am pleased with what we have achieved this year and with the promise that our new directions hold for the future. In the coming year, we should be well positioned to achieve a great deal through the initiatives undertaken in FY97. IFC is fortunate to have a highly dedicated and skilled staff who form the foundation of our ability to meet the challenges ahead.



Jannik Lindbaek
Executive Vice President

“The message is clear: more must be done. The development impact of private capital can be increased only if more investment goes to a broader range of geographic and sectoral destinations....IFC must stay close to the frontiers, diversify its operations among regions and within countries and be ready to rapidly modify its product line to meet the expanding role of the marketplace and the changing face of project finance.”



NEW FRONTIERS:

MEETING THE CHALLENGE THROUGH INNOVATION



Today's financial climate shows unprecedented levels of acceptance for IFC's historic goal of increasing the developing world's access to private capital.

Aggregate net long-term private capital flows to developing countries soared to a record \$244 billion in 1996. This was a 35 percent increase over 1995, and a fivefold rise from the 1990 level. Two years after the shock of the Mexican peso crisis, not only are global direct and portfolio equity investment flows on a steady rise, but debt financing is also opening up as never before, with borrowing costs dropping and maturities extending on both corporate bonds and commercial bank loans.

These are welcome changes. But there is more to the story.

This huge influx of private capital is largely confined to a dozen of the 110 countries in which IFC currently works. All but two of these (China and India) are middle-income countries. None is in Sub-Saharan Africa. Many others have suffered a double disappointment, seeing their levels of official development assistance decline without private investment increasing. Overall, the private sector's contribution to development still lacks sufficient breadth of coverage.

The message is clear: more must be done. The development impact of private capital can be increased only if more investment goes to a broader range of geographic and sectoral destinations.

Such is the challenge for IFC and its partner institutions in the World Bank Group. It is one that requires IFC to strengthen its strategic framework, its business competencies, and its delivery mechanisms. More than ever before, the Corporation needs greater differentiation in the type and intensity of its development role. In countries that have become well integrated into the global economy, IFC is working to increase its selectivity. In others that so far are not, it must take new steps to catalyze private investment. In all markets, IFC must continue to examine the range of instruments it can offer, strengthen its partnerships with other multilateral and bilateral agencies, and take a leadership role by disseminating its knowledge and experience.

There has never been a better time to take up this challenge. More developing-country blue-chip corporations have direct access to substantial amounts of international capital than could have been imagined a decade ago. Nevertheless:

- A much larger number of smaller companies still need help in obtaining the financing they need to grow, and they are the main sources of job creation.
- Even countries most favored by investors have many regions that attract little private investment and show wide disparities in income and living standards.

Transactions in private infrastructure and other sectors that can be financed in credit-worthy countries remain difficult to close, as do deals in other countries that the markets perceive as risky.

The needs remain enormous.

COMPLEMENTING ITS ESTABLISHED ROLE IN PHYSICAL INFRASTRUCTURE, IFC IS NOW FINDING NEW WAYS TO CONTRIBUTE IN THE SOCIAL SECTOR—THIS YEAR IT FINANCED THE EXPANSION OF ONE OF KENYA'S TOP PRIVATE EDUCATIONAL INSTITUTIONS, NAIROBI'S MAKINI SCHOOL

A Time for New Techniques

As a key catalyst of private investment in the developing world, IFC is seeking to meet this challenge in several ways. The Corporation is working in more countries, more industries, and employing more financial products than ever before. Fiscal year 1997 saw many innovations, with several new frontiers crossed that will strengthen IFC's development impact and increase the private sector's role in member countries.

Improving market conditions warrant these new approaches. Greater access to private capital, for example, means that IFC's role in financing conventional projects is diminishing in some middle-income countries. So IFC is shifting its activities in such countries. In Argentina, for example, it is pioneering new types of transactions, including one that may ultimately mobilize more than \$1 billion in new medium- to long-term housing finance loans. IFC organized an eight-year, \$100 million mortgage securitization facility, in part by

guaranteeing loans of First Argentine Mortgage Corporation ("Argie Mae"). A first-of-a-kind project structure has been designed, whereby IFC will syndicate up to \$65 million of its guarantee exposure to commercial banks.

Today's environment also requires IFC to do more to bring a wider range of lower income countries into the global investment market. In FY97, companies from 8 additional countries received IFC investment for the first time. Turkmenistan and Cambodia also became IFC's newest member nations. Sub-Saharan Africa remained one of the Corporation's highest priorities, with IFC financing instrumental in the creation of Mozal, a greenfield \$1.3 billion aluminum smelter that stands as the largest private investment in the history of Mozambique (Box 3-1). In its first few years of operation, Mozal is projected to boost national GDP by more than 7 percent annually. It will also spark industrial development in one of the world's poorest countries via technology transfer, sound environmental planning, and the creation of 800 permanent jobs.

Today's market conditions allow IFC to undertake a more diverse set of infrastructure and capital market projects in a greater range of countries than in the past. This year IFC was the principal adviser in the \$7 billion privatization of Manila's Metropolitan Waterworks and Sewerage System (MWSS, Box 4-6). Already a developing world leader in attracting private investment in power generation, the Philippine government sought to break new ground with this transaction, the most ambitious in the water sector to date anywhere in the world. IFC's technical skills and unique position as an "honest broker" helped it find top sponsors who could deliver greatly improved service in this vital aspect of urban infrastructure—and at much lower prices than proved possible under public sector ownership.

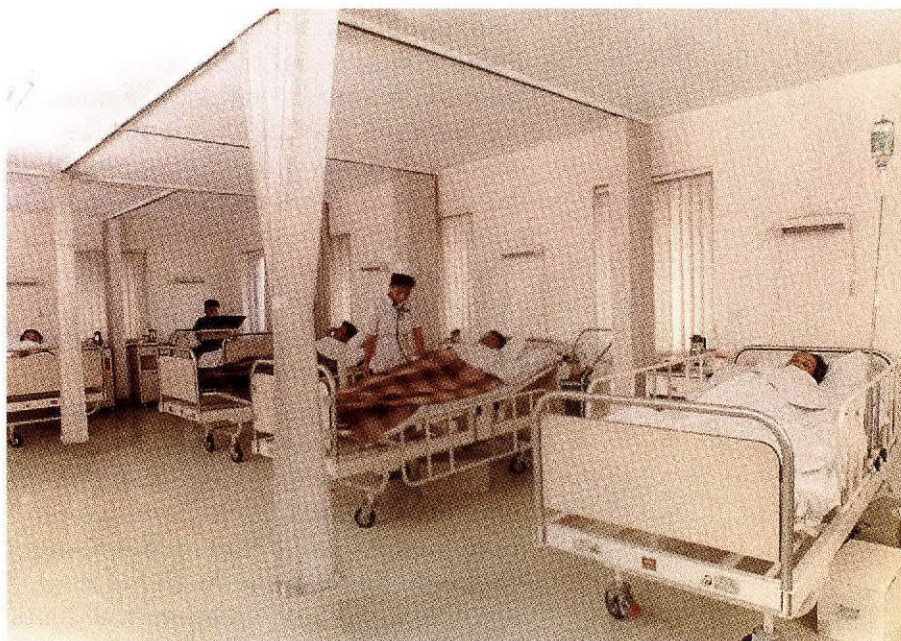


In Brazil, IFC helped finance the \$525.5 million privatization of the only major highway linking São Paulo and Rio de Janeiro. Poorly maintained during more than 40 years of government control, the Rodovia Presidente Dutra had the worst safety record in Brazil, with more than 500 fatalities reported in 1995 alone. After transfer to a consortium of Brazil's leading construction companies, the road's conditions improved dramatically. IFC's presence attracted \$70 million in long-term debt from commercial banks otherwise skeptical about the risks of private toll roads in Latin America. This important early success story is helping to catalyze Brazil's plan to privatize 6,000 km of highways in the coming years.

New market dynamics are also leading IFC to develop innovative financing tools that help bring needed transactions to closure. One example is in Venezuela, where a 34 million metric tonne nickel reserve called Loma de Niquel had been undeveloped since its discovery in 1941. It is now finally set to enter production through the government's active encouragement of new private investment in mining to diversify a historically oil-dominated economy. IFC helped make it possible for a Minorco-led consortium to develop this rich ore body by devising a flexible new loan repayment schedule that mitigates the most important project risk, volatility in world nickel prices. For the first time, IFC extended a loan structure that, in effect, enables the sponsors to average out nickel price risk over a limited time in meeting repayment obligations. The resulting project is expected to increase Venezuela's foreign exchange earnings by \$150 million a year.

Capital Markets: Casting a Wider Net

IFC is also expanding its capital markets work to increase the role of local private savings as a sustainable source of long-term financing for



development. One clear priority here is sparking growth of local currency bond markets, a key, but embryonic, component of developing-country financial sectors. For this reason IFC worked alongside Lazard Frères Asset Management to launch a fund comprising a global portfolio of local currency fixed-income securities issued by emerging market corporate borrowers. Targeted at international investors, this vehicle promotes emerging market debt as an asset class, and local currency debt as a subset, much as earlier IFC-supported funds did for emerging market equities. The result: increased financing options for developing-country firms, which will lead to more efficient overall allocation of development capital.

After playing an important role in building securities markets in Asia and Latin America, the Corporation has begun similar work in other parts of the world. In the Russian Federation, expansion of sales and trading activity by an IFC-backed securities company, Troika Dialog, helped increase the liquidity of local capital markets, a vital contributor to

AS PART OF ITS NEW EMPHASIS ON HEALTH CARE, IFC HELPED FUND A NEW \$29 MILLION PRIVATE HOSPITAL IN CALCUTTA. DUNCAN GLENEAGLES HOSPITAL IS INDIA'S FIRST PRIVATE FOREIGN JOINT VENTURE IN THIS SECTOR, LINKING A LOCAL INDUSTRIAL GROUP WITH THE SINGAPORE-BASED GLENEAGLES CHAIN, ASIA'S LARGEST PRIVATE HOSPITAL OPERATOR

economic development. IFC can also help countries build toward such goals through technical assistance as well as investments. During Jannik Lindbaek's visit to Hanoi in October 1996, the Vietnamese government asked for IFC's help in designing a securities market regulatory training program for officials expected to become future managers and staff of the State Securities Commission. A two-year series of seminars has begun with financial support from the Japan/IFC Comprehensive Trust Fund. The seminars introduce Vietnamese participants to concepts and principles of securities regulation that have been successfully applied in both developed countries such as Australia, Singapore, the United Kingdom, and the United States, and in emerging Asian markets such as China, Malaysia, South Korea, and Thailand. Similar efforts are also under way in Africa, where IFC is advising Kenyan regulatory authorities on establishing a central depository system and assisting Malawi in developing incentive programs to expand trading on its nascent stock exchange.

Throughout the developing world, however, financial sector liberalization has revealed major problems in the financial adequacy of domestic banking systems. In response, governments are allowing privatization of state-owned banks and opening them to competition from new private banks. IFC is investing in several new institutions around the world to support this encouraging trend. In Nepal, a number of local businesses have formed a new joint venture with Hana Bank, an IFC client that has grown into Korea's sixth largest commercial lender. Nepal Hana Bank will expand the scope and scale of financial services offered in Nepal beyond traditional commercial banking by providing project finance, term lending, and merchant banking. IFC is also a founding shareholder in Burkina Faso's first, fully private commercial bank since its

economic liberalization of 1991, Ecobank-Burkina. Operations such as these help build the local private banking sector, a critical player in the development process.

To complement its work with commercial banks, IFC has also begun targeting microfinance institutions. They offer essential financial services to low-income entrepreneurs who, though overlooked by larger institutions, are capable of building businesses that play an important role in alleviating poverty. IFC has recently become active in this area, focusing both on the small but growing universe of commercially viable, for-profit microlenders needing new capital to expand and on nongovernmental organizations in the process of transforming into commercial institutions. Some initial investments have emerged from IFC's participation last year in Profund, the first regional equity investment fund for microfinance institutions in Latin America. They included regulated commercial banks for the poor in Bolivia and Ecuador, a regulated commercial banking intermediary in Colombia, a savings and loan institution in Bolivia, and a nongovernmental organization in Peru that is converting into a financial institution. Meanwhile, a new microfinance institution is being launched with IFC support in Bosnia and Herzegovina, drawing on the Corporation's experience in building for-profit financial institutions with the right legal structure and commercial objectives to attract private capital. A related microfinance project has also been approved in West Bank and Gaza, in which IFC is collaborating with the World Bank.

In FY97, IFC also substantially increased its efforts to help broaden local financial sectors by strengthening housing finance in developing countries. In Mexico, for example, merely keeping up with population growth will require that an estimated 2.5 million housing



IFC HELPED FINANCE
ESSENTIAL SAFETY
IMPROVEMENTS IN
BRAZIL'S MOST IMPOR-
TANT HIGHWAY, THE
RODOVIA PRESIDENTE
DUTRA RUNNING
BETWEEN SÃO PAULO
AND RIO DE JANEIRO

units be built over the next six years. But the underdeveloped local financial sector has been virtually unable to provide new mortgages since the 1995 peso crisis, largely because Mexico does not yet have a functioning secondary market for mortgages or mortgage-backed securities. To help remedy the situation, IFC is investing \$2 million in a new private home mortgage bank, General Hipotecaria S.A. de C.V. It will both originate new mortgages and, over time, issue local currency mortgage-backed securities that will make new and existing homes more affordable to lower income families.

Similar dynamics are also at work in Bangladesh, where a weak formal financial sector is meeting only 5 percent of the market's large demand for housing finance. A new approach is clearly in order, so IFC is bringing in Mumbai-based Housing Development Finance Corp. (HDFC), a private lender it

helped launch in 1978 that now has a \$2 billion portfolio and a reputation as one of South Asia's most successful housing finance companies. HDFC and IFC will be founding shareholders in a unique joint venture, teaming one of the developing world's best known nongovernmental organizations, Bangladesh Rural Advancement Committee (BRAC), with a top national insurance company, Delta Insurance Group. Delta BRAC Housing Finance Corp. initially expects to provide long-term mortgages to the middle-income market. By increasing the role of nonbank financial institutions, it will be a catalyst for much needed capital market development in one of the world's poorest countries.

Financing the Social Sector

There is also a role for IFC in helping to increase the private sector's contribution in priority social sectors. In health care, IFC is working with a Singapore-based partner,



PRICES WILL FALL AND SERVICE QUALITY WILL INCREASE THROUGH THIS YEAR'S PRIVATIZATION OF MWSS, THE INTEGRATED WATER AND SEWERAGE UTILITY SERVING THE MANILA AREA (POP. 11 MILLION)—IFC WAS THE ADVISER TO THE PHILIPPINE GOVERNMENT IN A PROCESS EXPECTED TO CHANNEL \$7 BILLION IN NEW PRIVATE INVESTMENT FOR SYSTEMS UPGRADES OVER 25 YEARS

Gleneagles International, to develop about 20 private medical diagnostic centers in the next four years in Asian developing countries at a total cost of \$60 million (Box 4-2). These centers will offer high-quality diagnostic and medical services, including laboratory tests and medical imaging. The project will initially focus on Indonesia and China, easing market entry and providing a flexible investment vehicle that could lead to more substantial investments, including hospitals, once the market is established. IFC is also putting together a \$9 million financial package to help Gleneagles launch India's first private joint venture with a foreign partner in the health care sector, a 270-bed private hospital in Calcutta, and extending \$1 million in financing for a new 89-bed medical center in an area of Cape Town, South Africa, where there are no other major hospitals within a 23-km radius.

New opportunities are also arising for IFC to help expand access to education. Following up on last year's investment in a nationwide private school network in Pakistan, Beaconhouse School System, IFC this year financed the expansion of one of Nairobi's leading moderately priced private educational institutions, Makini School. Middle-class Kenyan parents' disappointment with the quality of public education has created a booming market for such schools, which currently have a combined enrollment of 20,000 students in Nairobi. But with local banks generally unable to lend at maturities beyond three or four years, few can afford to expand, given the long gestation period of most education projects. IFC is helping fill this void by providing a long-term loan to Makini, a profitable and well-run nursery and primary school that will add secondary grades and establish another school to meet strong demand from parents. The resulting quality education will increase employment opportunities for the students, serve as a model for other such ventures, and create 126 jobs for teachers and administrative staff.

While making these social sector investments, IFC is also finding new ways to work proactively with the private sector on priority environmental issues. A pooled venture capital structure has proved an effective instrument for achieving such objectives. IFC took this approach to help demonstrate the commercial viability of industries promoting biodiversity conservation in Latin America and the Caribbean such as sustainable agriculture, aquaculture and forest management, ecotourism, and nontimber forest products. The Corporation not only approved an investment of up to \$5 million in a new Brazil-based investment vehicle, the Terra Capital Fund, but also conducted the initial market feasibility study and helped structure the project, identify potential investments, attract additional investments from other sources, and

bring together the required expertise in fund management and biodiversity project development within the fund management company. This same general approach was used in creating the first global fund dedicated to investing in the renewable energy and energy-efficiency sectors in developing countries. The Renewable Energy and Energy Efficiency Fund's investments will support commercially viable alternatives to fossil, fuel-based, power generation projects, thus contributing to global climate change objectives. Both funds are supported by grant resources from the Global Environmental Facility (GEF), a Financial mechanism that provides funding to achieve global environmental benefits. GEF project activities are implemented through the United Nations Development Programme, the United Nations Environment Program, and the World Bank.

Looking Ahead

The rapid and generally favorable changes in international markets are prompting an evolution in IFC's role as the Corporation approaches the new millennium. In order to stimulate private sector-led development in many member countries that have yet to benefit fully from this trend, IFC must stay close to the frontiers, diversify its operations among regions and within countries, and be ready to rapidly modify its product line to meet the expanding role of the marketplace and the changing face of project finance. This approach will allow clients and countries lacking direct access to private capital on their own to experience some of the development benefits that such access brings.

“IFC tailored its activities increasingly to the needs of individual countries and intensified efforts to reach new countries, markets, and sectors where the development needs are greatest.”





Developments in fiscal year 1997 created new opportunities and challenges for the International Finance Corporation (IFC). The face of emerging market finance is changing. Private capital flows continued to increase, access to capital improved overall, and many emerging markets saw their sovereign credit ratings rise and lending spreads decline.

In this context, IFC tailored its activities increasingly to the needs of individual countries and intensified efforts to reach new countries, markets, and sectors where the development needs are greatest. This diversification strategy has been effective, with IFC approving pioneering investments in 8 member countries during FY97. IFC is now working in more countries, in a broader range of sectors, and with more far-reaching development impact than ever before. Advisory services and technical assistance continue to grow in importance as an integral part of IFC's program, contributing significantly to the development process.

The Board of Directors approved the "Extending IFC's Reach" initiative in September 1996, with the aim of expanding the Corporation's work in the most challenging countries (Box 2-1). This program was off to a strong start in FY97, with IFC staff in 13 additional countries and regions throughout the world, and with the approval of 16 investment projects, valued at \$17.6 million, and 34 technical assistance assignments valued at \$3.3 million.

Project Financing

IFC approved a total of \$6.7 billion in financing in FY97, of which \$3.4 billion was mobilized through loan syndications, underwriting, and private placements. These figures compare with \$8.1 billion and \$4.9 billion, respectively, in FY96. The total project costs of FY97 approvals were \$17.9 billion; the ratio of IFC funding to total costs was 1 to 2.7.

Financing approved for IFC's own account included \$2.6 billion in loans, \$673 million in equity and quasi-equity investments, and \$84 million in guarantees, swaps, and standby arrangements.

Investment volume remained level in FY97, slightly more than in FY96, reflecting a shift in IFC's focus toward smaller projects in some

Figure 2-1 **Project Approvals by Sector** (millions of U.S. dollars)

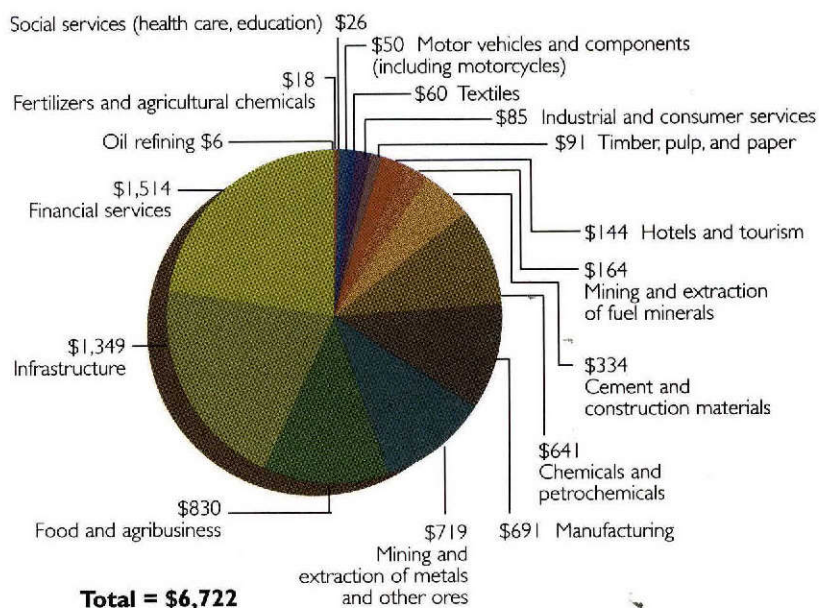


Table 2-1 The Past Ten Years (millions of U.S. dollars)

Fiscal year	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Operations										
Investment approvals										
Number of projects	95	92	122	152	167	185	231	213	264	276
Total financing	\$1,270	\$1,710	\$2,201	\$2,846	\$3,226	\$3,936	\$4,287	\$5,467	\$8,118	\$6,722
For IFC's own account	1,039	1,292	1,505	1,540	1,773	2,133	2,463	2,877	3,248	3,317
Held for others	231	418	695	1,306	1,452	1,803	1,824	2,590	4,876	3,405
Total project costs	5,010	9,698	9,490	10,683	12,000	17,422	15,839	19,352	19,633	17,945
Committed portfolio^a										
Number of firms	454	468	495	618	703	798	868	939	985	1,046
Total committed portfolio	\$4,270	\$4,968	\$5,884	\$7,008	\$8,718	\$10,026	\$11,512	\$14,315	\$16,336	\$18,992
For IFC's own account	3,374	4,045	4,752	5,494	6,423	7,132	7,893	9,461	9,844	10,521
Held for others	896	923	1,132	1,514	2,295	2,894	3,619	4,854	6,492	8,471
Resources and income										
Capitalization										
Borrowings	\$2,047	\$2,255	\$3,580	\$4,130	\$5,114	\$5,565	\$6,531	\$7,993	\$8,956	\$10,123
Paid-in capital	850	948	1,072	1,145	1,251	1,423	1,658	1,875	2,076	2,229
Retained earnings	438	635	792	957	1,138	1,280	1,538	1,726	2,071	2,503
Earnings										
Net income	\$100.6	\$196.5	\$157.0	\$165.9	\$180.2	\$141.7	\$258.2	\$188.0	\$345.8	\$431.9

a. Total committed portfolio and held for others at June 30, 1997 and 1996 include securitized loans—see Note E to the financial statements.

areas and toward more difficult markets and sectors to which private sector capital does not readily flow.

Geographic Distribution. IFC approved 276 projects in 84 countries and regions in FY97, up from 264 projects in 76 countries and regions in FY96. IFC invested in 8 new countries, including Tajikistan, Moldova, and Eritrea. In Africa, IFC continued to focus on expanding support through technical assistance services, capital markets work, and direct support to small industry. An assignment to assist in the privatization of Gabon's water and electricity industry was successfully completed in FY97. Other important advisory work on privatization provided growing confirmation that infrastructure will receive increased private investment in Africa. In Central Asia, the Middle East, and North Africa, IFC's operational activities focused on supporting efforts to liberalize economies and to foster a dynamic private sector. In Asia, IFC's operational emphasis increasingly shifted to new sectors and markets and to countries with less access to private capital. In Latin America and the Caribbean, IFC continued to

focus on encouraging development through domestic private investment in financial institutions and second-tier and small and medium enterprises. In Europe, IFC continued to work toward its central objective of advancing the private sector through environmentally sustainable investments.

Sectoral Distribution. IFC invested across a wide spectrum of sectors from capital markets, infrastructure, agribusiness, petrochemicals, and extractive industries to general manufacturing. Projects ranged across every geographic region. Agribusiness and food processing investments again rose strongly in FY97, as IFC approved more than \$830 million for its own account in 49 projects. Extractive industries accounted for \$883-million in investment. IFC pursued opportunities to invest in social service projects such as health care and education. In addition to its well-established work with small and medium enterprises, the Corporation supported microfinance.

Capital Markets

Through a variety of advisory and investment activities, IFC continued to play a pioneering

Box 2-1 "Extending IFC's Reach" Initiative

The "Extending IFC's Reach" initiative was established in early FY97 as a three-year pilot program to promote private investment in selected countries where difficult country conditions have constrained IFC activity. They include 16 countries and regions.

role in developing countries' financial markets. During FY97, the Corporation focused on financial sector development through:

- technical assistance to create appropriate regulatory frameworks for securities markets
- equity investments to create strong domestic financial institutions
- credit lines to support the supply of longer term finance in local markets, particularly for small and medium enterprises (SMEs)
- catalytic activities (private equity funds, underwritings, and the Emerging Markets Data Base, EMDDB) to attract foreign direct and portfolio investment to emerging markets.

IFC increasingly coordinated its activities in the capital markets with other World Bank Group efforts.

Innovative Products. To raise financing for its clients, IFC continued to pioneer capital market products in FY97. New efforts were begun to promote emerging markets debt instruments, paralleling the Corporation's similar work since the 1980s to establish investor interest in emerging market equities. In FY97, IFC structured and launched a local currency debt fund designed to invest mainly in private, local currency debt issues.

To deepen local debt markets, IFC introduced loan option facilities in Kenya and in West Bank and Gaza. This new instrument allows financial institutions to use their short-term liabilities to fund hedged medium- to long-term loans.

IFC was also involved in developing new microfinance institutions and facilities in several member countries. In Bosnia and Herzegovina, the Corporation helped structure a new microfinance bank to support microenterprises on a commercial basis. Similarly, IFC worked to develop a microfinance facility through existing commercial banks in the West Bank and Gaza. In both

- | | | |
|---|--|--|
| 1. Albania | Equatorial Guinea, | 10. Kazakhstan |
| 2. Azerbaijan | Gabon) | 11. Mongolia |
| 3. Bosnia and Herzegovina | 6. El Salvador | 12. Mozambique |
| 4. Cambodia and Lao People's Democratic Republic | 7. Ethiopia and Eritrea | 13. Senegal and Western Africa (Mauritania, Mali, The Gambia, Guinea, Cape Verde, and Guinea-Bissau) |
| 5. Central Africa (Central African Republic, Chad, Republic of Congo, | 8. FYR Macedonia | 14. Slovak Republic |
| | 9. Guyana and Eastern Caribbean (Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia) | 15. Uzbekistan |
| | | 16. West Bank and Gaza |

At the core of the pilot program is an enhanced field presence that will allow IFC staff to become familiar with local conditions and adapt its program accordingly. Technical assistance to client entities is a major part of this program. The program is to be administered within an overall budget envelope of \$18 million during the first pilot period.

IFC has also created a \$40 million Small Enterprise Fund (SEF) under this initiative, from which \$17.6 million in loans and equity financing was approved for 16 projects in FY97. The priority IFC has given this program has also resulted in several mainstream projects in Cambodia and the former Yugoslav Republic of Macedonia (FYR Macedonia).

In Sub-Saharan Africa, one project has been approved in Mozambique (Box 3-1), and in Mali, two projects have completed the appraisal stage. In Senegal, one project has been approved with Nouvelles Brasseries Africaines. In the Asia region, a leather garment project in Mongolia has been approved (Box 4-4). In the Central Asia, Middle East, and North Africa region, a furniture project has been approved in Uzbekistan, and one project in Kazakhstan is in an advanced stage of processing. One project each in El Salvador and Guyana is past the appraisal stage.

During FY97, the Technical Assistance Trust Fund supported 34 technical assistance assignments, totaling more than \$3.3 million, in 13 "Reach" countries. Consistent with the "Extending IFC's Reach" objectives, these assignments focused mainly on developing SMEs so important to these economies. Strengthening and privatizing the banking systems of selected countries also received support. Other sectors supported by donor-assisted work included leasing in Ethiopia, textiles in FYR Macedonia, and insurance in West Bank and Gaza.

regions, development of financing capacity for small enterprises will be crucial to supporting the recovery process.

Emerging Markets Data Base. Since the mid-1970s, IFC has provided international financial markets with reliable and comprehensive information and statistics on developing-country stock markets. Using a sample of stocks in each market, EMDB calculates indexes of stock market performance that serve as consistent benchmarks across national boundaries and eliminate variations that make locally produced indexes difficult to compare. A set of EMDB-produced indexes, the IFC Investable index (IFCI) and IFC Global index (IFCG), have won recognition as a major gauge of emerging market performance for institutional investors and international fund managers. About \$7.5 billion of passively managed funds track these indexes.

EMDB activities during FY97 focused on extending IFC's equity index and database coverage to new countries and on expanding

IFC's information service to fixed income products. On the equity side, IFC began the year with 27 countries in its database and ended the year covering 45 countries. In February 1997, IFC added Egypt, Morocco, Russia, and Slovakia to its daily coverage, the first such additions to a major stock index series. In May 1997, IFC added Israel to its daily coverage and announced that it would release a regional Mideast index product later in 1997.

Perhaps more significant, IFC created a new index classification in late 1996, the *frontier markets*, which are often newer, smaller, and less well known than traditional emerging stock markets. By providing international investors with this market information, IFC encourages their development and promotes their entry into global financial markets. Most of the markets introduced in 1996 were in Sub-Saharan Africa and Eastern Europe. Many of these markets saw significant increases in their trading activity and international exposure after their inclusion in the new frontier series.

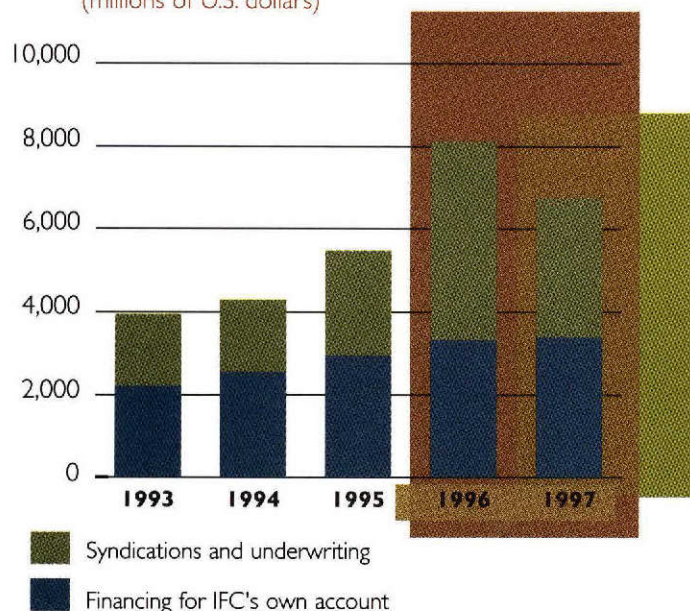
During the fiscal year, EMDB started a major new project on developing corporate debt indexes in emerging markets. This project, directed at six East Asian countries, is being implemented with financial assistance from the Comprehensive Japan/IFC Technical Assistance Trust Fund and in cooperation with Japanese consultants and organizations.

Infrastructure

IFC's role in the provision of private infrastructure continues to be marked by path-breaking financings and advisory assignments.

Gross investment approvals amounted to \$1.4 billion in FY97, supporting \$4.0 billion in total project values. IFC's infrastructure strategy during FY97 was to reach new coun-

Figure 2-2 **Financing Approved Worldwide, FY93-97**
(millions of U.S. dollars)



tries, develop new products, and work with new clients. This shift in focus from large projects to smaller investments in newer market segments took place as the growth in international private financing for private infrastructure projects in the emerging economies gained momentum. In 1996, some \$20 billion was raised through commercial loans, bonds, and equity issues, nearly six times the level of five years earlier. This development reflected the fast spread of privatization and private investment in infrastructure in developing countries in the 1990s.

With the FY97 investment decisions, IFC has approved investments in most major infrastructure subsectors. Transport service projects in IFC's portfolio include shipping, pipelines, and railroads. Transport infrastructure projects include ports, airports, and toll roads. In the utilities sectors, IFC has agreed to finance projects in water and wastewater, mainline and cellular telecommunications, natural gas distribution, as well as power generation and transmission.

Power generation is IFC's largest investment subsector. During FY97, the Board of Directors approved 14 investments in the power sector, projects with IFC's own investment totaling \$241.3 million. IFC helped arrange financing for about 640 MW in new capacity in five countries, including IFC's first power generation projects in Brazil, Czech Republic, Mexico, and Senegal. Sponsors of Brazil's Guilman-Amorin project obtained a 30-year concession to build and operate a 140 MW hydroelectric plant. IFC also helped finance its first power project in Central and Eastern Europe, the Kladno combined heat and power project in the Czech Republic. This project will reduce noxious air emissions by updating equipment (Box 6-3). IFC also agreed to help finance the expansion of Asian Electronics Limited, a company that helps large con-



TWO MEN ARRAYED IN THEIR TRADITIONAL CLOTHING AT AN OUTDOOR FESTIVAL IN MONGOLIA, A COUNTRY TARGETED BY THE "EXTENDING IFC'S REACH" INITIATIVE

sumers and electricity companies in India improve their energy efficiency.

In transport in FY97, IFC helped finance the renovation of the Presidente Dutra highway between Brazil's two largest cities. IFC has also developed a strong line of business in grain ports, approving \$52 million in financing for three new terminals in FY97—one in Argentina, two in Mexico. Terminal 6 in Argentina, a long-standing IFC client, will expand its throughput to take advantage of the boom in export crop plantings now that privatization of the inland transport system has reduced transport costs.

Telecommunications remained a key area for IFC support, especially in countries with poor access to international capital. Among IFC-approved telecom investments in FY97 were projects in Tanzania to provide low-cost data transmission services; in Romania to help finance one of the nation's first two mobile telephone networks; and in the Philippines to support expanded coverage of a long-distance service company.

IFC also expanded its coordination with World Bank Group infrastructure efforts in FY97. In southern Africa and Central America, IFC teamed up with the International Bank for Reconstruction and Development (IBRD) and the Multilateral Investment Guarantee Agency (MIGA) to

Box 2-2 Foreign Investment Advisory Service

In response to the strong interest of developing member countries in attracting foreign direct investment, IFC created the Foreign Investment Advisory Service (FIAS) in 1986. FIAS is now a joint venture of IFC and IBRD. FIAS advice is given only at client government request. It is free-standing, that is, not tied to a World Bank Group loan, credit, or investment. The primary objective of FIAS is to help governments fill long-term development needs by getting the greatest possible benefit from foreign investment: not only capital, but also technology and managerial expertise. FIAS advises governments on the policies, laws, regulations, programs, and procedures needed to create an attractive investment climate and to increase inflows of productive foreign direct investment (FDI). FIAS also helps governments build effective institutions to interact with investors and promote investment. To economize and better serve clients in Asia and the Pacific, FIAS in FY95 opened a mission in Sydney, Australia.

Since its inception, FIAS has completed 231 advisory projects in 100 countries of widely different sizes and income levels. Nearly half of its work has been in low-income countries in all regions, including most of those targeted by "Extending IFC's Reach" initiative. The largest programs have been in Africa and Asia, where FIAS has worked with 30 and 23 countries, respectively. FIAS has been active in 17 countries in Latin America and the Caribbean, 15 countries in Central Asia, the Middle East, and North Africa, and 15 transition countries in Central and East Europe and the former Soviet Union. In addition to advising individual countries, FIAS sponsors multicountry conferences to raise awareness of FDI policy issues.

A committee of three supervised FIAS activities in FY97, chaired by IFC's executive vice president, with the World Bank's vice president of finance and private sector development and IFC's vice president of portfolio management and advisory operations. IFC contributed about one quarter of the FIAS budget, while IBRD contributed about half that amount. Another 40 percent came from a trust fund supported by Belgium, Canada, Finland, France, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom; as well as contributions to specific projects by multilateral and bilateral agencies such as the United Nations Development Programme and the U.S. Agency for International Development, and by individual country donors such as Australia and New Zealand. Reimbursement from client countries covered the remaining 20 percent.

find ways of supporting power-trading activity. IFC participated in a Bank-wide working group that aims to improve Bank efforts to increase institutional capital flows to finance infrastructure projects.

Technical Assistance and Advisory Services

Strong demand for technical assistance and advisory services continued throughout FY97.

As a basic part of its operational strategy, IFC provided a broad range of technical assistance and advisory services. During the past five years, IFC expanded the scope of its technical assistance and advisory services to include capital markets technical assistance; advisory work in the infrastructure area; privatization and corporate restructuring work; project development facilities; investment and project-specific advisory services; and the Foreign Investment Advisory Service (FIAS), a joint facility with the IBRD (Box 2-2). All of these services have a strong practical foundation in IFC's transaction-based experience.

Capital Markets. By the end of FY97, IFC undertook 57 capital markets projects in 41 countries or regions. Capital market technical assistance projects during the year centered around developing securities markets, establishing legal and regulatory frameworks, creating leasing industries, and strengthening local banking institutions.

In securities market work, for example, IFC provided securities regulatory market training for regulators in Vietnam; assisted in developing a framework for credit rating as well as a central depository in Kenya; and refined the corporate structure for developing a regional equity fund in Barbados.

In leasing, IFC's assignments included advisory assistance to develop recommendations regarding leasing laws in Kazakhstan, Kenya, China, and Mongolia.

In the banking sector, IFC initiated eight advisories, some involving more than one financial institution in FY97. For example, IFC provided personnel training in commercial banking to selected banks in China and, in Ethiopia, advised the Bank of Abyssinia on operating factors.

During FY97, IFC also advised governments on developing legal infrastructure for securitization in Colombia, Morocco, Lebanon, and Pakistan; and on strengthening the regulatory framework for discount house operations in Zambia.

Foreign Investment Advisory Service. FIAS, jointly operated by IFC and the World Bank, advises member governments on policies, laws and regulations, institutional arrangements, and investment promotion strategies to help them attract more and better foreign direct investment (Box 2-2).

In FY97, FIAS completed 31 new advisory projects in 27 countries. FIAS continued to work on more complex advisory projects in the area of foreign direct investment (FDI) in infrastructure, backward linkages, administrative barriers to investment, and promotional strategies. FIAS also conducted and participated in multicountry conferences on foreign investment policy. These included a roundtable on outbound FDI promotion and its implication for the Asia Pacific Region and Asian countries, and a meeting to explore the

feasibility and desirability of a unified promotion strategy for Asian members of the Association of Southeast Asian Nations (ASEAN). Based on the outcome of two previous roundtables on policy for promoting FDI in infrastructure, in Eastern Europe and in Africa, FIAS published two occasional papers on related policy issues. FIAS's advisory activities, seminars, and research projects are further described in the regional reports.

Technical Assistance Trust Funds Program

IFC's development and operational work is supported by bilateral and multilateral donors through its Technical Assistance Trust Funds (TATF) Program, a unique resource for both IFC and private entrepreneurs in developing countries (Figure 2-3). The program was initiated in 1988 through a strategic alliance with the donor community to promote shared objectives.

Four main types of technical assistance are provided under this program: feasibility and prefeasibility studies; project identification studies; strengthening the enabling environ-

Table 2-2 **Project Approvals by Region**

Region	Number	F Y 9 7		Number	F Y 9 6	
		Total financing ^a (millions of U.S. dollars)	Financing for IFC's own account		Total financing ^a (millions of U.S. dollars)	Financing for IFC's own account
Sub-Saharan Africa	72	384	284	71	190	174
Asia	54	1,620	790	53	2,773	888
Central Asia, the Middle East, and North Africa	43	610	387	38	910	517
Europe	46	1,111	563	38	617	405
Latin America and the Caribbean	57	2,762	1,188	63	3,628	1,257
Worldwide	4	235	105	1	1	1
Total	276	6,722	3,317	264	8,118	3,242

a. Dollar amount refers to total financing approved for IFC's account, loan syndications, and underwriting.

Figure 2-3 IFC Donor Supported Technical Assistance Program

Countries

Australia
Austria
Belgium
Canada
Denmark
Finland
France
Germany
India
Ireland
Israel
Italy
Japan
Luxembourg
Mexico
Netherlands
New Zealand
Norway
Poland
Portugal
Spain
Sweden
Switzerland
United Kingdom
United States

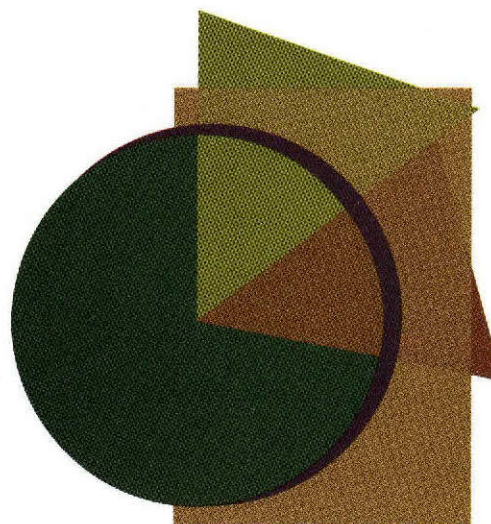
Institutions

African Development Bank
Caribbean Development Bank
European Bank for Reconstruction
and Development
European Union
Industrial Council for Development
Services
Inter-American Development Bank
United Nations Development
Programme

The World Bank Group

World Bank
International Finance
Corporation
Multilateral Investment
Guarantee Agency

Other sources
User fees





MOSAIC ON EXTERIOR WALL OF BORJOMI SPRING WATER BOTTLING PLANT, AN IFC CLIENT IN GEORGIA

ment for private sector development; and capacity-building for private businesses and government officials. Project-level assistance initiatives are designed to encourage sector-wide growth through market, legal, and regulatory improvements. In FY97, for example, review of the legal framework of Jordan's insurance industry was structured to culminate in a draft action plan for the whole sector.

Through FY97, the donor community provided cumulative contributions of some \$60 million to support the TATF program. Since the 1988 inception of the program, donors have approved more than 400 technical assistance projects involving \$46 million in funding (Figure 2-3).

Resource Mobilization: Syndications

Mobilization of additional resources from private markets has long been a key component of IFC's operational strategy. Money has been raised with various instruments, such as underwriting and equity funds, but IFC's syndicated loan program has consistently proved to be a significant source of funding. Known as B-loans, the loan participation program is IFC's principal direct means of mobilizing third-party funds. In this process, IFC, as lender-of-record, extends its "umbrella" to participating financial institutions. As a result, IFC has successfully secured financing for many borrowers that would not otherwise have had access to long-term project funds on reasonable terms from the international financial markets. Bank regulatory authorities of many capital-exporting countries enhance IFC's ability to raise financing for companies in emerging markets by exempting IFC loan participations from country-risk provisioning.

Reflecting borrowers' improved access to international capital markets, increasingly favorable economic conditions in a number of emerging markets, and IFC's shift toward smaller projects, the volume of syndicated loans approved by IFC's Board of Directors declined in FY97. Total approvals reached \$3.4 billion for 98 projects, compared with a record \$4.8 billion for 94 projects in the previous year. However, the volume of Board-approved syndications exceeded that of loans approved for IFC's own account by a 1.34-to-1.0 ratio. A total of 122 institutions from 28 countries participated in IFC's syndicated loan program in FY97, while individual loan participations numbered 433. Major loans involved projects for infrastructure as well as chemicals and petrochemicals.

For more than a decade, IFC's principal financing partners have been leading European institutions, particularly from Germany, France, and the Netherlands. These sources are likely to remain highly important for the foreseeable future, but the Corporation continues to broaden its participant base in view of the continued demand for its loan syndication services. European financial partners held 60 percent of loan participation signings in FY97, compared with 62 percent in FY96. North American lenders increased their share from 16 percent in FY96 to 17 percent in FY97, while Asian lenders maintained the same 20 percent share as in FY96. A total of 35 institutions participated for the first time in IFC loan syndications in FY97, including new partners from Europe and Asia.

IFC is also working with nonbank financial institutions in its loan participation program.

LOAN SYNDICATIONS SIGNED IN FISCAL 1997

ABB Export Bank
 ABN AMRO Bank N.V.
 ANZ Banking Group
 Arab American Bank
 Asian Banking Corporation
 Asian Finance and Investment
 Corporation Ltd (AFIC)
 BHF-Bank AG
 Bacob Ireland Plc
 Baden-Württembergische
 Aktiengesellschaft
 Banco Atlántico SA
 Banco Central Hispano
 Banco de Galicia y Buenos Aires
 Banco Exterior de España SA
 Banco Luso Español, SA
 Bank Austria AG
 Bank Bruxelles Lambert
 Bank of America NT&SA
 Bank of Montreal
 Bank of Scotland
 Bank of Tokyo-Mitsubishi, Ltd., The
 Banque Belgolaise S.A.
 Banque et Caisse d'Epargne de l'Etat,
 Luxembourg
 Banque Française du Commerce
 Extérieur
 Banque Nationale de Paris
 Banque Paribas
 Banque Sudameris
 Banque Worms SA
 Barclays Bank PLC
 Bayerische Hypotheken-und
 Wechsel-Bank AG
 Bayerische Landesbank Girozentrale
 Bayerische Vereinsbank AG
 Berliner Bank AG
 Boram Bank
 CBA Asia Limited
 Caja de Madrid
 Canadian Imperial Bank of Commerce
 Chang Hwa Commercial Bank Ltd.
 Chase Manhattan Bank NA, The
 Cho Hung Bank
 Christiania Bank og Kreditkasse ASA
 Citibank, NA
 Comerica Bank
 Commerzbank AG

Compagnie Financière de CIC et de
 l'Union Européenne
 Cooperatieve Centrale Raiffeisen-
 Boerenleenbank B.A. (Rabobank
 Nederland)
 Crédit Agricole Indosuez
 Crédit Commercial de France SA
 Crédit Industriel et Commercial
 Crédit Lyonnais
 Crédit National
 Credit Suisse
 Creditanstalt-Bankverein
 Credito Italiano SpA
 DG Bank
 Daedong Bank Ltd.
 Daegu Bank, Ltd., The
 Dai-Ichi Kangyo Bank, Limited, The
 Deutsche Bank AG
 Den norske Bank ASA
 Development Bank of Singapore Limited
 DongNam Bank
 Dresdner Bank AG
 Espirito Santo Bank of Florida
 First National Bank of Chicago, The
 Frankfurter Sparkasse
 Fuji Bank, Limited, The
 Generale Bank
 GiroCredit Bank AG der Sparkassen
 Gulf International Bank B.S.C.
 Goldman Sachs Credit Partners L.P.
 Hanil Bank
 ING Group NV
 Industrial Bank of Japan Limited, The
 Industrial Bank of Korea
 Instituto de Crédito Oficial
 International Commercial Bank of China
 KDLC Lease & Finance Limited
 Kangwon Bank
 Keppel Bank of Singapore Limited
 Korea Exchange Bank
 Korea Long Term Credit Bank
 Korea Merchant Banking Corporation
 Korean French Banking Corporation
 (Sogeko)
 Kredietbank NV
 Kumho Merchant Bank
 Landesbank Rheinland-Pfalz Girozentrale
 Landesbank Sachsen Girozentrale

Landesbank Schleswig-Holstein
 International SA
 Lloyds Bank Plc
 Long-Term Credit Bank of Japan,
 Ltd., The
 MLD Leasing (Panama) S.A.
 Marubeni Leasing (Cayman) Ltd.
 Maybank International (L) Ltd.
 Mediocredito Centrale S.p.A
 Merita Bank Ltd.
 Mitsubishi Trust and Banking
 Corporation, The
 Mitsui Trust & Banking Company,
 Limited, The
 Morgan Guaranty Trust Company of
 New York
 NatWest Markets
 Nationale Investeringsbank Asia Ltd, (De)
 Nederlandse Financierings-Maatschappij
 voor Ontwikkelingslanden N.V. (FMO)
 Nomura Bank International plc
 Norddeutsche Landesbank
 Girozentrale
 Orix Corporation
 PT Bank Ekspor Impor Indonesia
 (Persero)
 Raiffeisen Zentralbank Österreich AG
 Royal Bank of Scotland Plc, The
 Sakura Bank, Limited, The
 Sanwa Bank, Limited, The
 SEOULBANK
 Société Générale
 Socimer International Bank Limited
 State Bank of India
 Sumitomo Trust & Banking Company,
 Limited, The
 Swiss Bank Corporation
 Taipei Business Bank
 Toronto-Dominion Bank, The
 Toyo Trust and Banking Company,
 Limited, The
 Union Bank of Switzerland
 Westdeutsche Landesbank
 Girozentrale
 Zürcher Kantonalbank

Major insurance companies, leasing companies, and specialized finance companies are expanding their participation in the B-loan. These investors' ability to provide financing of 12 to 15 years' maturity is particularly valuable in infrastructure projects requiring large amounts of long-term finance. North American insurance regulators have been particularly receptive to IFC's syndication program. In the past two fiscal years, 21 insurance companies have committed to five syndicated loans for a total of \$580 million.

Since its inception just over 30 years ago, IFC's syndication program has placed participations of nearly \$14 billion with some 380 financial institutions. The Corporation-administered loan portfolio for the account of its participants amounted to \$8.5 billion at the end of FY97.

Securities Underwriting and Placement

IFC continued its work to help private companies in developing countries gain access to international capital markets. In FY97, IFC helped structure two funds and one securities issue.

IFC structured and placed the Egypt Trust, a \$75 million, closed-end, offshore equity fund that invests primarily in equities listed on the Cairo Stock Exchange and also structured the Lazard Frères Emerging Markets Local Currency Debt Trust, an open-ended fund that invests in short-term local currency corporate debt securities of emerging market issuers. Additionally, IFC was joint-lead manager of a 10 billion yen floating rate note offering for Phatra Thanakit Public Company, a leading financial institution in Thailand.

Within IFC, the new Resource Mobilization Group handles syndications, underwrites, and places international securities and provides developing-country clients access to international capital markets. This group absorbed

the functions of the former International Securities Division, Central Capital Markets Department.

Risk Management Services

During the 1990s, many emerging economies embarked on programs of economic deregulation and liberalization. As fixed foreign exchange and interest rate regimes were replaced by market systems, volatility increased substantially in both systems. Unlike emerging markets, the developed world has had risk management mechanisms to enable corporate and financial institutions to unbundle and hedge the risks inherent in exchange and interest rate volatility.

To give emerging market clients access to these risk management markets, IFC in 1990 instituted a risk management program. By acting as a credit bridge, IFC helped these clients hedge their foreign exchange, interest rate, and commodity price risks. As a result, these companies were able to compete more effectively in a global marketplace.

In the past seven years, IFC's Board has approved 64 risk management projects, an exposure of \$406.3 million for clients in 24 different countries. Transactions have been completed with clients to hedge a notional amount of approximately \$1.5 billion. (The potential exposure or future risk of these transactions is a fraction of the notional amount, estimated by market-based option valuation techniques.)

In FY97, the Corporation approved seven risk management projects for companies and banks located primarily in Eastern Europe (Czech Republic and Turkey) and Asia (Sri Lanka and India). The approvals in Sri Lanka, the Czech Republic, and Senegal were IFC's first risk management projects in these countries. Sectorally, more risk management

Box 2-3 Environmental Projects Unit

The Environmental Projects Unit was established in 1996 in the Environment Division within IFC's Technical and Environment Department to:

- carry out IFC's activities related to the Global Environment Facility (GEF) and the Multilateral Fund of the Montreal Protocol (MFMP)
- act as a catalyst in identifying, developing, and structuring environmental projects for IFC's own account.

GEF provides grants and concessional funds to help meet the incremental costs of projects addressing international environmental concerns in four areas: mitigation of climate change, conservation of biological diversity, prevention of pollution in international waters, and phaseout of ozone-depleting substances. The MFMP also provides grants to help projects in selected countries phase out the use of ozone-depleting substances. IFC has developed innovative ways to use funds available from GEF and MFMP in private sector projects.

As part of its strengthened catalytic efforts in this field during 1997, IFC, in collaboration with the GEF or the MFMP, launched the Renewable Energy and Energy Efficiency Fund, a fund of up to \$210 million to finance grid-connected and off-grid energy and energy-efficiency projects; the Terra Capital Fund, a \$20 million to \$25 million fund focusing on sustainable forestry and agriculture, nontimber forest products, and ecotourism projects in Latin America; and the Hungary Energy Efficiency cofinancing program, which will provide credit guarantees to financial intermediaries to support energy-efficiency financing. IFC also began a series of projects to phase out the use of ozone-depleting substances by domestic and commercial refrigeration manufacturers in Zimbabwe.

In this catalytic role, the Environmental Projects Unit focuses on projects where IFC can add value through technical expertise and financial structuring to overcome market barriers, reduce high transaction costs, and mitigate risks that otherwise prevent companies from pursuing worthwhile environmental investments. Among the unit's target sectors are energy efficiency, renewable energy, advanced power technologies, clean vehicle technologies, and sustainable agriculture and forestry.

work has been approved for power projects, given their clear need for interest rate and currency hedging.

Risk management products are offered to IFC customers solely for hedging purposes in managing exposure. IFC accepts no market risk on these transactions, as either an offsetting hedge is effected or risk-sharing arrangements are entered into with the international banking community. The current exposure of these transactions, monitored regularly in line with

market practices, was approximately 4.8 percent of the Corporation's total derivative exposure at end-FY97.

Operations Evaluation Group

The Operations Evaluation Group (OEG) selectively reviews IFC programs, investments, advisory services, policies, and procedures to assess results and provide accountability for achieving objectives and development impact. OEG also makes recommendations to management and disseminates evaluation lessons to help improve corporate performance.

FY97 was a watershed year for OEG. To accommodate its expanded work program, its staff grew from 5 persons to 12. OEG finished revamping IFC's self-evaluation system, based on IFC's operational staff reviews of randomly selected operations that reach maturity. The system was designed as a basis for assessing the achievement of corporate and project goals, development impact, and lessons learned. Drawing on the output of the new self-evaluation system, OEG will finish its first *Annual Review of Evaluation Results*. During the year, OEG also completed special studies on IFC's market assessments and recent problem projects to provide insights for feedback to staff. Additionally, progress was made in developing an on-line lessons database to give staff easy access to lessons from IFC's self-evaluation program and OEG studies.

WORLDWIDE
1997 PROJECT APPROVALS
(MILLIONS OF U.S. DOLLARS)

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
WORLD								
Emerging Markets Local Currency Debt Fund	Establish fund to invest in local currency-denominated corporate debt securities from emerging markets		10.00				10.00	50.0
Cooperative Centrale Raiffeisen- Boerenleenbank B.A. (Rabobank)	Provide medium- and long-term loans to small and medium agribusiness companies	50.00				50.00	100.00	100.0
Renewable Energy and Efficiency Fund	Launch fund to finance grid-connected and off-grid energy and energy efficiency projects	20.00	15.00			80.00	115.00	210.0
TCW Emerging Markets Fixed- Income Fund	Establish fund to invest in globally diversified portfolio of hard currency- denominated emerging market corporate debt. Fund to be structured as collateralized bond obligation.			10.00			10.00	250.0

**1997 TECHNICAL ASSISTANCE
AND ADVISORY PROJECTS**

Country	Purpose	Assistance
WORLD		
	Environmental protection	Do market review and feasibility study to determine need for facility to provide nongrant financing for elimination of ozone-depleting substances. Contingent on initial study results indicating need for such facility, study will continue in order to identify modalities of financing, likely deal flow, size of core pool to be set up with donor funds, potential for leveraging these funds with commercial financing, and conflict with operations and policies of existing facilities and funds (TATF)
	Education	Analyze investment outlook for private schools and universities in developing world, evaluate characteristics of investments in them, and provide information to assist World Bank Group in helping governments develop sectoral policies related to private educational institutions (TATF)
	Environmental protection	Promote integration of sound environmental practice and finance-related environmental considerations into financial institutions' activities by establishing environmental skills training course (TATF)
	Microenterprise development	Provide funding for Africans to participate in major microenterprise summit organized in Washington, DC (TATF)
	Institutional development	Two staff appointments, one a fixed-income analyst to support the emerging markets bond index; the other to strengthen IFC's ongoing country assistance strategy and efforts and enhance its planning and operational monitoring functions

TATF Technical Assistance Trust Funds

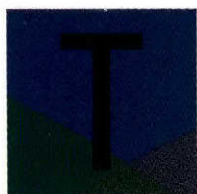
IFC Regional Members
Sub-Saharan Africa

Angola • Benin •
Botswana • Burkina
Faso • Burundi •
Cameroon • Cape
Verde • Central African
Republic • Comoros •
Congo, Republic of •
Congo, Democratic
Republic of the • Côte
d'Ivoire • Djibouti •
Equatorial Guinea •
Eritrea (new member) •
Ethiopia* • Gabon •
The Gambia • Ghana •
Guinea • Guinea-Bissau
• Kenya • Lesotho •
Liberia • Madagascar •
Malawi • Mali •
Mauritania • Mauritius •
Mozambique* •
Namibia • Niger •
Nigeria • Rwanda •
Senegal* • Seychelles •
Sierra Leone • Somalia
• South Africa •
Sudan • Swaziland •
Tanzania • Togo •
Uganda • Zambia •
Zimbabwe



**In fiscal year 1997, IFC opened these three new regional missions. IFC missions in Africa now number 11.*

3 REGIONAL REPORT SUB-SAHARAN AFRICA



he many countries of Sub-Saharan Africa have made great progress since the region's economic reform movement started.

Compared to a few years ago, the economic landscape in Africa has changed significantly. Most countries have implemented market reforms intended to free up the energies of the private sector. Nevertheless, it is essential that reform programs be sustained and that countries address key constraints, which are mainly in the form of structural bottlenecks in infrastructure, skill shortages, and weak institutions. Despite these obstacles, the rebound that started two years ago is firming up. The region continued to make progress in 1996 and consolidated the results achieved in 1995. Early estimates indicate that GDP may have increased by more than 5.2 percent in 1996, the best in more than 10 years, up from 3.7 percent in 1995, 1.9 percent in 1994, and 0.9 percent in 1993. This is the second year since 1989 of positive per capita GDP growth. More interestingly, growth has been more widespread, exceeding 3 percent in nearly 30 countries and 5 percent in 20. Exports increased by 6.3 percent in 1996. Stable commodity prices, better economic policies, good weather, and continued improvements in the CFA zone following its devaluation all contributed to this growth.

Total net resource flows to Africa reached an estimated \$26.1 billion in 1996, up from \$23.2 billion in 1995. Of this amount, private flows increased 70 percent from \$6.9 billion in 1995 to \$11.7 billion in 1996. Most of the private flows went to South Africa and to a few nat-

ural resources projects. For the first time, net flows of long-term debt to the private sector surpassed those to governments and public enterprises. The private sector received \$5.6 billion, compared with \$2 billion for the public sector. Net foreign direct investment to the region, concentrated in extractive industries, increased to \$2.6 billion in 1996, up from \$2.2 billion in 1995. In contrast, the five-year average for foreign direct investment was \$1.7 billion in 1990-95 and \$1.4 billion in 1985-89. Unlike most regions that received increased portfolio equity flows in 1996, Africa's share fell from \$4.9 billion in 1995 to \$3.6 billion in 1996, largely as a result of outflows following the rand depreciation in South Africa. This still compares favorably with the zero portfolio flows before 1991.

Table 3-1 Sub-Saharan Africa: Project Financing
(millions of U.S. dollars)

	FY97	FY96
Financing approved for IFC's account	284	175
Loans and swaps	201	136
Equity and quasi-equity	83	39
Direct mobilization	100	15
Loan ^a syndications	100	15
Underwriting	—	—
Total financing approved	384	190
Committed portfolio for IFC's account	751	886
Loans	564	714
Equity	187	172
Committed portfolio held for others (loop participations)	262	275
Total committed portfolio	1,013	1,161

a. Includes guarantees and standby loans.

A real, if slow, turnaround occurred in Africa, led by increased exports and investments. The results of the last three years and the continuing improvements in policies allow for cautious optimism. The rebound is expected to continue in an environment of lower inflation and modest improvements in exports and investments.

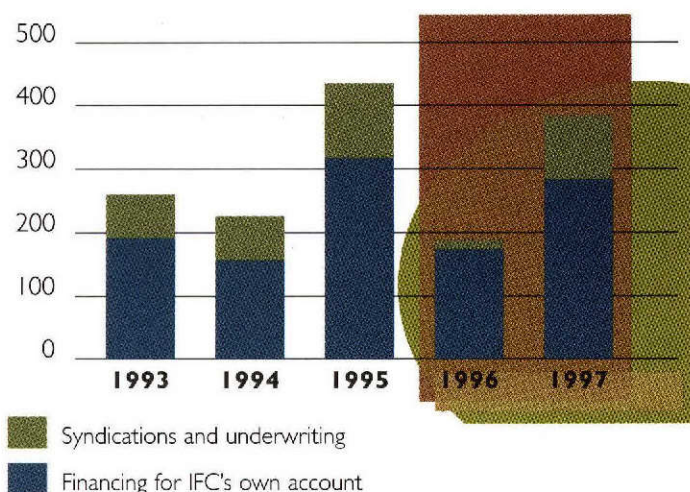
The CFA countries performed well as a result of their currency devaluation and improved commodity prices. After positive growth in 1994 (+1.5 percent), the zone rebounded strongly in 1995 (+5.1 percent) and 1996 (+5 percent). Inflation moderated, and exports increased. In summary, confidence in the zone was renewed, and prospects are the best they have been in 10 years. The outlook for Nigeria remained clouded by political uncertainty related to domestic developments. On the economic front, the improvements of last year continued. Nigeria's growth was up, estimated at more than 3.1 percent in 1996. While foreign exchange reserves increased substantially, inflation declined by half, and interest rates fell. The picture in Ghana

remained mixed. Growth improved, up 5 percent in 1996, but the macroeconomic situation remained fragile, with inflation still at 30 percent, but well below the 60 percent rate of 1995. Nevertheless, Ghana's relatively liberal economy, with market-determined interest and exchange rates, remained attractive for private investment. Last year, elections went well. The peaceful outcome reinforced Ghana's stability.

Eastern Africa also continued its good performance. Uganda maintained its very strong growth, its GDP increasing by 9.8 percent in 1996 after the 11.2 percent increase of 1995. This boom was fueled by agricultural growth, construction, and investments. Kenya also managed to better its 4.4 percent growth rate of 1995, growing by 5 percent in 1996. In Tanzania, the economic environment remained fragile, but the economy grew by 4.5 percent in 1996 and 4 percent in 1995.

In southern Africa, performance was mixed. South Africa managed only a 3 percent GDP growth in 1996, slightly lower than the 3.4 percent achieved in 1995 and a point below the forecast. Portfolio flows fell sharply in 1996, and the exchange rate depreciated by 25 percent. Both inflation and interest rates rose, dampening economic activity. Economic instability continued to hinder Zimbabwe. The overall fiscal deficit shot up to 14 percent of GDP in 1995 and hovered at 12 percent in 1996. Growth rebounded to 8 percent after declining 1.8 percent in 1995, mostly as a result of the agricultural recovery from drought. The high monetary growth necessary to finance the deficit put upward pressure on inflation and the exchange rate, crowding out private investment.

Figure 3-1 **Sub-Saharan Africa: Financing Approved, FY93-97**
(millions of U.S. dollars)

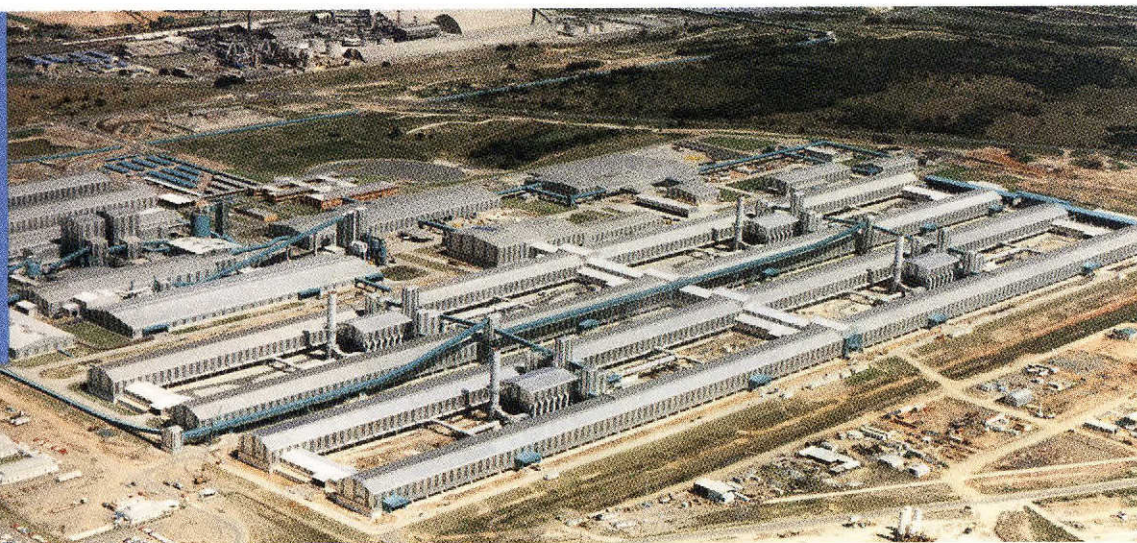


Box 3-1 Mozambique: Mozal Aluminum Company

Mozambique, just emerging from the devastation of a 17-year civil war, is one of the world's poorest and most indebted countries. Per capita GNP is \$80. Unemployment exceeds 45 percent. External debt equals 3.7 times GDP. Its postwar reconstruction will benefit greatly from the success of Mozal, a 245,000-ton-a-year greenfield aluminum smelter, to be built near the port of Maputo for \$1.36 billion.

The project will give Mozambique's economy a significant boost. Mozal is projected to contribute \$157 million a year to GDP. In its first few years of operation, Mozal will boost GDP by more than 7 percent a year. It will also triple the 1996 level of exports.

MOZAL SMELTER
TO BE BUILT IN
MOZAMBIQUE
WILL BE A HALF-
SIZED REPLICA OF
THIS ALUMINUM
PLANT, RUN BY
PROJECT SPONSOR
GENCOR IN
SOUTH AFRICA



Other benefits include job creation, infrastructure development, enhanced regional integration, strong demonstration effects, technology and know-how transfer, and industrialization in an environmentally and socially responsible and sustainable manner. During the construction phase, the project is expected to employ more than 5,000 people. Once in operation, it will provide 800 full-time jobs. The sponsors are Gencor, a South African mining company through its subsidiary, Alusaf, Ltd., and Industrial Development Corp. of South Africa.

IFC played a key role in appraising the project. It made a detailed analysis of the project's economic merits and its environmental and development impact. IFC will provide up to \$120 million in long-term loan and quasi-equity financing for its own account, currently the Corporation's largest investment for its own account anywhere in the world. IFC's involvement is considered key to postwar reconstruction and to the restoration of confidence among other institutions reluctant to invest in Mozambique. In its role as honest broker, IFC will reassure the government and financial institutions that financial, technical, commercial, development, environmental, and legal issues are addressed objectively and fairly.

Given its size, Mozal will act as a spur in developing the infrastructure needed by the project and others. Upgrades and new investment will be made in roads, electric power, the port, telecommunications, water supply, and sewerage and draining systems. Environmental impact assessment played a major role in the site selection process, allowing Alusaf to minimize the resettlement of area residents and the impact of air emissions.



MAKING SCHOOL
FURNITURE AT
AFRICRAFT IN SOUTH
AFRICA, SUPPORTED
BY THE AFRICA ENTER-
PRISE FUND

Mozambique's continuing liberalization and privatization programs substantially improved its investment climate. In addition, 1996 saw a considerable improvement in macroeconomic stability. Inflation was cut to 17 percent from 40 percent in 1995. Interest rates also declined. Foreign investment and foreign aid inflows contributed to GDP growth of 5.7 percent in 1996. The Zambian economy seemed to have recovered from the deep recession of the last two years, in which drought, tight monetary policy, and a collapse in mining output triggered GDP contractions of 1.6 percent in 1994 and 3.1 percent in 1995. On the uptrend in 1996, Zambia's GDP increased by more than 5 percent.

Regional Investment Strategy

IFC continued to place special emphasis on Sub-Saharan Africa because of its enormous

development needs. In FY97, the Corporation approved \$284.49 million for its own account and \$100 million in syndications for 72 projects in 24 countries, up from FY96's \$174 million for IFC's own account and \$16 million in syndications for 71 projects in 20 countries (Figure 3-1). One out of every four IFC approvals was in Africa, the highest rate for any region. Because of the prevalence of small and medium enterprises (SMEs) in the region, IFC invested in few large projects; SMEs accounted for 70 percent of the number of all FY97 approvals in Africa. Although smaller projects are more costly to process and relatively time-intensive, small enterprises are the fastest-growing segment of Africa's private sector and strong contributors to job creation. IFC investments in the region have grown from an annual average of about \$14 million in the 1970s and \$75 million in the 1980s to a current annual average of \$221 million.

In FY97, IFC approved \$120 million in financing for its own account for Mozambique Aluminum (Mozal), the largest IFC net investment (excluding syndications) in its current approved portfolio. The \$1.36 billion Mozal is expected to have an enormous development impact on the economy of Mozambique (Box 3-1). On June 30, 1997, IFC's committed portfolio included loans and investments for 255 companies in 32 countries, compared with 224 companies in 30 countries a year earlier (Table 3-1).

To support private sector development in the region, IFC's investment priorities in Africa were to help:

- develop small and medium enterprises
- deepen financial markets
- revive extractive industries
- improve the productivity of existing industry
- develop physical infrastructure.

IFC's most important activity, and the basis of its strategy in Africa, was to provide SMEs with financing and technical assistance. This approach has two prongs:

- institutional development in the financial sector through intermediating with credit lines, leasing, and venture funds
- a comprehensive package of direct financial and technical assistance.

In FY97, a total of \$27.69 million in funding was approved from the Africa Enterprise Fund for 44 projects in a variety of sectors. In addition, 7 other SME projects, totaling \$6.69 million, were approved by the Small Enterprise Fund for Mali, Senegal, Mozambique, and Eritrea, launched under the "Extending IFC's Reach" initiative, bringing the total number of SME projects for the year to 51.

Capital markets are IFC's second priority in Africa after SMEs. It is crucial that Africa develop financial institutions that can mobilize savings and channel them to investments. Financial systems in Africa are weak. In particular, the need for risk capital and term finance is unmet. IFC's investment focus remained on institution-building and provision of term foreign exchange resources through credit lines and the introduction of new products. Accordingly, in 1997, IFC approved seven projects in six countries for a total of \$42.7 million. IFC's investment approvals included setting up the first discount house in Zambia (Box 3-2); the provision of the first loan option facility in Kenya; and the creation of a commercial bank in Burkina Faso. IFC has also provided lines of credit to two local private financial institutions in Mauritania and Zambia to enable them to onlend to export-oriented enterprises.

Extractive industries form a key sector in Africa because of their potential for attracting foreign investment. Most of the foreign direct

investment in the region goes to this sector. Boosting investment in oil, gas, and mining is important because of its potential for increasing exports and fiscal receipts quickly and substantially. Notwithstanding its current production, Sub-Saharan Africa generally is considered to be underexplored relative to other regions. Many African countries that once had government monopolies are opening their resource sector to private investors. This has led to a surge in exploration and new project starts. In FY97, IFC approved three investments in extractive industries for a total of \$35 million, one for a gold mine expansion in Mali and the other two in oil and gas in Cameroon and Côte d'Ivoire.

Despite the massive need for infrastructure and tight public budgets, Africa still lags behind other regions on privatization. This situation has begun to improve, however. IFC's advisory services were active in two large transactions during FY97, both of which have had substantial development impact in their respective countries and sectors. IFC has

Box 3-2 Zambia: Intermarket Discount House

Intermarket Discount House of Zambia Limited, Zambia's first discount house, received an IFC equity investment in FY97 of \$500,000, equivalent for a 20 percent stake. IFC support of this institution will deepen Zambia's financial sector, vital to promoting sustainable private sector-led economic growth.

The discount house will play a crucial role in the development of Zambia's money market, including maintaining a desirable liquidity in the banking system by transferring cash from banks with higher liquidity to banks experiencing lower liquidity; providing short-term finance on a sustainable basis; enabling the government to execute market-friendly monetary policy by serving as an open market window and source of information; and making markets in various forms of short-term securities. IFC's participation in the discount house will provide it with the necessary credibility to sustain its regional expansion effort.

assisted various countries in developing private sector solutions to telecommunications, water, power, and transport needs. In Gabon, IFC helped realize the first water and electricity privatization in Africa. IFC is also advising Uganda on the privatization of its telecommunications company.

Small Business Programs

Financing and technical assistance for small and medium enterprises are vital because they account for most of the region's private sector activity. Its SMEs are among the prime engines driving job growth and economic expansion. IFC gave direct assistance to SMEs where market sources of funding were insufficient.

In 1986, the African Development Bank (AfDB), IFC, and the United Nations Development Programme (UNDP) established the Africa Project Development Facility (APDF) in response to the growing number of African entrepreneurs seeking advice and assistance with starting or expanding and modernizing businesses (Box 3-3). This facility helps them develop business plans, seek local or foreign financial and technical partners, raise loan and equity financing, and negotiate equitable financing terms. APDF usually assists projects with investment costs ranging from \$250,000 to \$7 million. But it also considers smaller projects likely to have significant economic impact in the host country.

APDF operates as a UNDP project, with IFC as the executing agency responsible for managing the project and AfDB as the regional sponsor. APDF receives funding from these agencies and the governments of 15 industrial countries, some of which also provide technical assistance in kind. The facility has regional missions in Abidjan, Harare, and Nairobi and country missions in Accra, Douala, and Johannesburg. APDF is on its third cycle, from July 1995 through June 2000.

The Africa Enterprise Fund (AEF), approved in 1988 as a pilot operation, assists SMEs with the financing of \$100,000 to \$1.5 million for projects valued at \$250,000 to \$5 million. A field-based operation, AEF processes investments under the supervision of IFC's regional and resident representatives. Following approval for its extension and expansion in 1995, AEF has since deployed additional staff from headquarters to enhance its responsiveness to clients. In FY97, AEF financed 44 investments for a total of \$27.69 million, increasing the number of projects approved since its inception to 226 for a total cost of \$138.82 million. Seven other SME projects for a total IFC financing of \$6.7 million were approved under the Small Enterprise Fund. Such financing included projects in agriculture, manufacturing, textiles, tourism, telecommunications, schools, health, transport, and the automotive industry. In its first project in Eritrea, IFC agreed to finance a vehicle assembly plant. Other projects signaled the increasing acceptance of private delivery of goods and services previously provided exclusively by the public sector, in areas such as infrastructure, health, and education. Among the projects approved were a public phone service in Nigeria, a nursery and primary school in Kenya, an intravenous fluids manufacturer in Mozambique, and a mango export processing plant in Madagascar.

In 1995, IFC and the Canadian International Development Agency (CIDA) established the Enterprise Support Service for Africa (ESSA). ESSA provides technical assistance to businesses after they secure financing, primarily in production, marketing, management information systems (MIS), and administration. It began pilot operations in February 1996 in Ghana. ESSA began its second year of operation with a full client roster. The ESSA concept has been well received by SMEs. Clients participate in the training courses and pay an

increasing share of the costs for ESSA services. Most important, ESSA clients report improvements in their businesses. In 1996, ESSA worked with 14 companies. In coming years, it plans to help 10 to 15 clients a year. IFC and APDF referred more than half of ESSA's current client base for "postfunding" training. ESSA offers management information systems design and implementation, management skill training, and customized technical assistance. With ESSA in place, IFC has programs to serve SME needs through each stage of development: APDF for prefinancing, AEF for financing, and ESSA for postfinancing.

Technical Assistance and Advisory Services

To support its strategic operational objectives, IFC also provides technical assistance and advisory services to improve the economic climate for private investment or to support specific industries or enterprises. Apart from the technical assistance to SMEs mentioned above, IFC focuses its efforts on capital markets, foreign investment, management services and training, privatization and private provision of infrastructure, and policy advice on private sector issues.

As in previous years, demand remained strong for IFC's technical assistance activities in developing African capital markets in FY97. During the past year in Africa, IFC's capital market technical assistance focused on developing securities markets and establishing appropriate legal and regulatory frameworks for specialized financial institutions, such as leasing companies and discount houses. For securities market development, IFC provided strategic guidance in the ongoing effort to establish a regional stock market by formulating a legal framework for the securities market in the West African Economic and Monetary Union (UEMOA). In Kenya, IFC assisted the Nairobi Stock Exchange and Kenya's Capital

During calendar year 1996, the Africa Project Development Facility (APDF) completed 39 projects in 16 countries, including initial forays into Lesotho for two projects and Chad for one project. Total investment costs amounted to \$44.8 million, of which APDF helped raise \$23.6 million in loan and equity financing. These projects are expected to create 3,263 jobs and to generate export sales of \$36 million.

Since its inception in 1986, APDF has assisted 281 projects in 33 countries. These projects have estimated total investment costs of \$405.7 million, of which APDF raised \$256 million in loan and equity financing. They are expected to create or preserve 22,000 jobs and to generate annual export sales of \$174 million.

One such project is Rukungiri Chili Growers in Uganda. This project is to grow and process dried bird's-eye chilies and dried ginger for export. All proceeds from the sales will be used to pay education costs for orphans through the end of primary school. Guardians of the orphaned children and members of their families will staff the project. Growers will receive seed, post harvest inputs, and technical assistance.

In Lesotho, APDF helped 10 local doctors from the Lesotho National Development Corporation and a foreign partner build and operate a private, 31-bed, general and maternity hospital in Maseru. The project will employ 75 people.

Market Authority in establishing a central depository system to improve market trading and settlement efficiency. Also in Kenya, IFC helped develop the legal and regulatory framework for a credit rating agency. Similarly, in Zimbabwe, IFC gave ongoing assistance to develop a legal and regulatory framework for a credit rating agency. In Malawi, IFC and Stockbrokers Malawi Limited provided ongoing advice on developing incentives to expand local stock market trading. Ethiopia and Kenya received advice from IFC on developing a legal and regulatory framework for leasing. Similarly, IFC assisted the government of Zambia in strengthening its regulatory framework on discount houses.

The work of the Foreign Investment Advisory Service (FIAS), jointly operated by IFC and the International Bank for Reconstruction and Development (IBRD), moved on to more specialized areas in FY97. To bolster reform

The government of Gabon retained IFC in February 1996 as the lead adviser to privatize water and electricity services. Société d'Energie et d'Eau du Gabon (SEEG), the local utility, has the exclusive concession for production, transportation, and distribution of both water and electricity in Gabon. It currently provides 40 percent of the population with electricity services and 66 percent with water services. Most recipients of these services are in urban areas; less than half of the rural areas have access to water and electricity.

During the preparation phase, IFC conducted a technical and strategic study of the power and water sectors, reviewed the existing legal framework, and proposed a financial restructuring plan. The implementation phase consisted of identifying suitable investors, supervising the bidding process, drafting and negotiating a new concession agreement, and assisting with transaction closing.

In March 1997, with the assistance of IFC as its financial adviser, the Gabonese government selected the winning bidder, Compagnie Générale des Eaux of France with Electricity Supply Board International of Ireland, which proposed an 18 percent reduction in the existing tariffs, the best bid.

This project marks Gabon's first foray into privatization, and it represents the first to involve full commitment for future investment by the private operator of a water and electricity utility in Africa. Its success should point the way for the privatization of a railroad and the national telephone company.

For the region, this is the first full-fledged concession arrangement for a public utility. Infrastructure assets will remain state property, but a private operator assumes all financial responsibilities. The draft maintenance and expansion program calls for aggregate investments of about \$600 million over the 20-year period of the concession. The private operator is required to improve and expand water and electricity services throughout the country or face financial penalties.

This privatization will result in the first sizable initial public offering in Gabon. Five percent of the shares will be offered to the employees and 44 percent to the general public. The offering will be organized and managed by a syndicate of local banks and is expected to serve as a pilot for developing a stock exchange.

efforts and hasten the implementation of earlier advice, FIAS developed a multiyear program for countries that have shown the desire and the ability to go beyond initial policy reforms. The removal of administrative barriers to investment was the subject of the advisory assistance in Uganda. These studies provide detailed descriptions of the process investors must endure to make an investment. In Zimbabwe, FIAS completed its work on improving the policy environment for private investment in infrastructure. In Mali, FIAS advised on improving the capacity of the investment promotion institution. Work continued in Namibia on the investment incentives framework, following an incentives study conducted last year. Several countries at an early stage of policy reform requested a general diagnostic review of their investment environment and legal framework. In Sierra Leone, FIAS reviewed the investment legislation, while in Ethiopia, a first-time client, FIAS assessed the investment approval process and general investment climate.

Individual companies received IFC assistance through the African Management Services Company (Amsco). To help enterprises become more internationally competitive and to alleviate the regional shortages of well-trained and experienced managers, IFC launched Amsco with the AfDB and UNDP in 1989. Amsco sends clients experienced executives for short periods to help manage businesses and train their local managers and staff. International development institutions, including IFC, own 70 percent of its equity. The other 30 percent is owned by ICDS, a holding company of more than 50 international private companies. AfDB, UNDP, and the governments of 11 industrial countries provide grants for two funds. One makes loans to companies that have management service contracts with Amsco but that lack foreign currency to cover contract expenses. The

other partially finances the training of local managers and staff.

During calendar year 1996, Amsco signed management training contracts with 22 companies, including its first contracts in Namibia and Madagascar. By April 1, Amsco had active management contracts with 51 companies and 67 business executives on assignment to these companies. Since its inception, Amsco has been active in 19 countries. New projects in 1996 provided consulting to export processing zone developers, a private commercial airline, maritime transport and freight forwarding companies, an engineering firm, and textile companies. In addition, the portfolio includes financial institutions, hotels, vehicle dealerships, service companies, manufacturers, and agro-industry.

IFC also provided advice to help further privatization in Africa. The privatization of Société d'Energie et d'Eau du Gabon (SEEG) was carried out through an internationally competitive bidding process (Box 3-4). Similar to the Kenya Airways transaction that took place in FY96, shares in SEEG will be offered to the public as well as to employees before the end of calendar 1997, to broaden ownership and expand capital markets.

In addition, the Ugandan government engaged IFC to advise on the privatization of Uganda Posts and Telecommunications Corporation (UPTC), the country's main telecommunications provider. With one of the lowest penetrations of telephone service in the world (0.25 lines per 100 people in July 1995 and an unmet demand of 80,000 subscribers), the need is acute to improve population access and service quality. The process entails restructuring the sector, including establishing a regulatory framework and facilitating competition within the sector by creating a second network operator. It also calls for

restructuring UPTC by segregating the telecommunications and postal services and privatizing UPTC's telecommunications business. The second network operator's license is also to be awarded by late 1997. Swaziland, Malawi, Madagascar, Botswana, and Senegal have inquired about retaining IFC to advise on privatizing their infrastructure.

SUB-SAHARAN AFRICA
1997 PROJECT APPROVALS
(MILLIONS OF U.S. DOLLARS)

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
ANGOLA								
Nova Cimangola S.A.R.L.	Rehabilitate and upgrade cement plant	5.80	0.78				6.58	18.0
BENIN								
Agrical	Rehabilitate cashew nut plantation (AEF)				0.34		0.34	1.2
BOTSWANA								
Northern Textile Mills Botswana Pty Ltd.	Modernize and expand towel manufacturer (AEF)	0.88					0.88	3.2
BURKINA FASO								
Ecobank-Burkina Faso	Establish private commercial bank		0.26				0.26	3.0
CAMEROON								
Pecten Cameroon Co.	Extend life of oil fields in Lokele and Rio del Ray off-shore concessions by increasing total recoverable oil reserves	20.00				75.00	95.00	115.0
CÔTE D'IVOIRE								
Block CI-11 Hydrocarbon Development	Finish developing off-shore oil and gas field		5.00				5.00	5.0
Société Hôtelière de la Lagune	Privatize hotel in Abidjan and renovate 150 rooms	2.68	0.54				3.22	9.1
Tropical Rubber Côte d'Ivoire	Rehabilitate rubber plantations and acquire new processing plant	3.43					3.43	12.2
ERITREA								
Tesinma	Build commercial vehicle assembly plant (SEF)	0.73	0.22				0.95	1.9
THE GAMBIA								
Kerr Kande Farm II	Modernize country's largest poultry producer for annual output of 5 million eggs (AEF)				0.22		0.22	0.5
GHANA								
Professional Technical Services Ltd.	Manufacture constant velocity (CV) joints for automobiles, using reconditioned equipment (AEF)			0.31			0.31	0.7

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
GHANA, continued								
Rafi Aluminum Co. Ltd.	Purchase computerized grinding machine to expand aluminum products manufacturer (AEF)	0.30					0.30	0.6
Signals and Controllers Ltd.	Expand electronics firm to include sales and service of intruder detection systems (AEF)	0.21					0.21	0.5
KENYA								
Ceres Estates Ltd., Subukia Tea Co. Ltd.	Rehabilitate tea and coffee estate to improve yields (AEF)	0.93					0.93	3.7
CFC Bank Ltd.	Provide loan-option facility to enable commercial bank to extend foreign exchange-term lending to export-oriented businesses				10.00		10.00	10.0
Deras Ltd.	Purchase equipment to enable company to finish leather for export (AEF)	1.00					1.00	3.9
Makini School Ltd.	Expand nursery and primary school (AEF)	0.55					0.55	1.8
Redhill Flowers Kenya Ltd.	Set up farm to grow roses for export to Europe (AEF)	0.34					0.34	1.3
MADAGASCAR								
Grands Hôtels de Madagascar	Open new three-star, 43-room hotel in Antananarivo (AEF)	1.11					1.11	2.8
Jus de Boina	Develop export-oriented mango and tomato processing plant (AEF)	0.96					0.96	2.4
MALAWI								
Maravi Flowers Ltd.	Establish 6.5-ha flower farm (AEF)	0.60					0.60	1.5
MALI								
BEN & Co. International Trading S.A.	Build chain of gas stations	5.15					5.15	18.4
Grand Hotel II	Build 80-room hotel in Bamako (SEF)	1.72					1.72	5.7
Pharmacosma S.A.	Establish manufacturer of face cream for domestic market (SEF)			0.19			0.19	0.5

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
MALI, continued								
Société des Mines de Syama S.A.	Endow capital expenditure program to expand annual gold mine production to 270,000 ounces	10.00				25.00	35.00	63.8
Timbuktu Trading and Transport	Buy eight trucks to ship petroleum products from Côte d'Ivoire to Mali (SEF)				0.19		0.19	0.5
MAURITANIA								
Banque Mauritanienne pour le Commerce International	Assist commercial bank in expanding foreign currency lending to private enterprises and trade-finance activities	14.00					14.00	14.0
Compagnie de Distribution des Produits Alimentaires	Expand country's poultry industry leader (AEF)			0.47			0.47	1.6
Société pour le traitement et l'exportation du Poisson	Establish fish-processing plant for catches of artisanal and commercial fishermen (AEF)	0.73					0.73	1.8
MOZAMBIQUE								
Afristem (Mozambique) Lda.	Develop intravenous fluids manufacturer (AEF)	0.57					0.57	1.4
Agrimo Companhia Agro-Pecuaría de Moçambique, Lda.	Build cotton gin and extend services to cotton smallholders	2.00					2.00	8.0
Companhia de Pescas da Zambezia, Lda.	Expand off-shore fisheries operation and build on-shore processing facility (SEF)	1.00					1.00	2.7
Complexo Truístico Oasis de Xai-Xai, Lda.	Develop small tourist resort (SEF)	0.73					0.73	1.8
Mozambique Aluminum (Mozal)	Build aluminum smelter, representing IFC's largest financing package to date.	55.00		65.00			120.00	1,365.0
NAMIBIA								
Life Company of Namibia	Establish Namibia's first indigenous life insurance company		1.00				1.00	4.5
NIGERIA								
Andchristie Co. Ltd. (now: Telipoint Nigeria Ltd.)	Set up 150-phone public card telephone network in Lagos (AEF)	0.18					0.18	0.4
E. Ekesons Brothers Nigeria Ltd.	Buy 10 luxury buses for transit within Nigeria (AEF)	0.39					0.39	1.2

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
NIGERIA, continued								
The Moorhouse Co.	Renovate 42-room hotel in Lagos (AEF)	1.35					1.35	5.0
Peggy Chemicals Industries Ltd.	Expand paint manufacturing company (AEF)	0.79					0.79	1.9
Radmed Diagnostic Center Ltd.	Build center for medical diagnostic work (AEF)	0.29					0.29	0.7
SENEGAL								
GTI Dakar 50 MW BOOT Project	Build and operate 50-megawatt power plant in Cap des Biches that may serve as a model for private power development in Africa	13.09	1.50		2.34		16.93	62.0
Nouvelles Brasseries Africaines	Expand beverage bottler and distributor (SEF)	1.91					1.91	5.2
Société d'Exploitation des Ressources Thonières	Increase IFC's equity investment in fishing project (AEF)		0.05				0.05	0.8
SEYCHELLES								
Sunset Beach Hotel	Expand and upgrade three-star tourist resort to five stars (AEF)	0.75					0.75	2.0
SOUTH AFRICA								
Africraft	Expand school furniture manufacturing company (AEF)			0.12			0.12	0.4
Dunkot Proprietary Ltd.	Buy, expand, and rehabilitate rose farm (AEF)	0.24	0.09				0.33	0.9
Ecoblend Gauteng	Establish building materials plant (AEF)		0.14	0.97			1.11	2.8
Eerste River Medical Centre	Build and operate medical center (AEF)		0.89				0.89	5.0
Midrand Days Inn	Set up 114-room hotel in Midrand (AEF)		0.44	1.07			1.51	4.2
TANZANIA								
Aquva Ginners Tanzania Ltd.	Set up cotton ginnery (AEF)	1.50					1.50	5.0
Horticultural Farms & Exports	Expand greenhouse rose production from 1 ha to 6 ha (AEF)	0.80					0.80	1.8
Pallsons Consumer Industries Ltd.	Produce edible oil and cake by crushing sunflower seeds (AEF)	0.55					0.55	1.8
Sunflag (Tanzania) Ltd.	Streamline and expand textile operations in Arusha	4.00					4.00	12.5

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
TANZANIA, continued								
Tanzania Data Network	Build and operate public data communications network for domestic and international service	2.25	0.51				2.76	10.0
Tourism Promotion Services (Zanzibar), Ltd.	Subscribe to rights issue to develop Stone Town beach facility.		0.03				0.03	0.2
UGANDA								
Afritours and Travel Ltd., Sambiya River Lodge	Establish 33-cottage guest quarters in national park (AEF)	0.37					0.37	2.5
Conrad Plaza	Construct seven-floor office building (AEF)	1.50					1.50	5.0
Kiwa II Industries Ltd.	Expand building materials company into concrete tile making (AEF)	0.25					0.25	0.5
Metro Hotel Ltd.	Develop and operate 62-bedroom, limited service hotel (AEF)	0.42					0.42	1.6
ZAMBIA								
Cheetah Zambia, Ltd.	Expand extension services for making paprika (AEF)	0.52					0.52	1.3
Finance Bank Zambia Ltd.	Assist a commercial bank in providing medium-term foreign currency resources to export-oriented enterprises	5.00					5.00	5.0
Intermarket Discount House Zambia Ltd.	Set up Zambia's first discount house		0.50				0.50	2.5
J Y Estates	Set up 5 hectare rose farm (AEF)	0.89					0.89	2.2
Pamodzi Pulp Mills Ltd.	Build and operate integrated pulp and paper plant to manufacture thermo-mechanical pulp from local roundwood and sawmill chips and convert it into paper	4.00	1.60				5.60	24.5
Pentire Investments Ltd./Chisamba Lodge	Build 20-room, 40-bed lodge with amenities and conference center (AEF)	0.67					0.67	1.7
Safari International (Zambia) Ltd.	Develop 67-room hotel and country club on outskirts of Lusaka	2.00	0.75				2.75	8.7
Zambia Coffee Company Ltd.	Rehabilitate recently privatized government coffee plantation (AEF)	1.30					1.30	3.5

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
ZIMBABWE								
Agflora Private Ltd.	Expand rose farm from 0.6 ha to 1.5 ha (AEF)	0.24					0.24	0.5
Isfar Private Ltd.	Expand duvet and quilt manufacturing capacity (AEF)	0.10					0.10	0.4
Kubi Cosmetic (Pvt.) Ltd.	Modernize cosmetics manufacturing company (AEF)	0.60					0.60	1.5
Lowveld Leather (Private) Ltd.	Acquire and modernize tannery (AEF)	0.30	0.20				0.50	1.5
Sunfresh Ltd.	Set up packing house for fresh and frozen vegetables for export (AEF)	0.23					0.23	0.6
UDC Ltd.	Guarantee to help finance company place long-term debenture with local institutional investors				11.90		11.90	12.0

AEF Africa Enterprise Fund.

SEF Small Enterprise Fund, part of the "Extending IFC's Reach" initiative.

SUB-SAHARAN AFRICA
1997 TECHNICAL ASSISTANCE
AND ADVISORY PROJECTS

Country	Purpose	Assistance
CÔTE D'IVOIRE	Project preparation	Review terms of reference of traffic consultant for market study, subsequent market study, concession, and project finance viability
ERITREA	Investment promotion	Finance study of Eritrean private sector focused on opportunities and constraints as well as seminars in Rome, Padua, and Milan for prospective investors and commercial partners
ETHIOPIA	Leasing	Evaluate potential market and regulatory framework necessary to establish country's first leasing company
	FDI	Assess investment climate and evaluate approval process for foreign direct investment (FIAS)
	Financial institutions	Advise Bank of Abyssinia on key operating factors, including Ethiopian banking climate, organizational structure, and management information systems (TATF)
	Leasing	Perform feasibility study for establishing equipment leasing company; assessing potential demand; determining regulatory, legal, and fiscal frameworks; recommending operating and management policies; and preparing proforma financial forecasts (TATF)
GABON	Infrastructure privatization	Assist government in issuing call for tenders to prequalified investors in privatization of country's water and electricity services and subsequently negotiating technical and financial aspects of concession agreement with winning bidder (TATF)
KENYA	Leasing	Assist government of Kenya in developing legal and regulatory framework for leasing
	Capital markets	Assist Kenyan Stock Exchange in establishing central depository system
	Capital markets	Assist government of Kenya in developing legal regulatory framework for credit rating
	Privatization	Evaluate market climate, management issues, operations, technology, environmental issues, capital needs, and procurement procedures for partial privatization of Kenya Posts and Telecommunication Corporation (TATF)
LESOTHO	FDI	Conduct detailed review of administrative barriers to private investment and existing investment legislation (FIAS)
MALAWI	Capital markets	Assist government, in cooperation with Malawi Stockbrokers Limited, in developing incentives to expand trading activities
MALI	FDI	Assist in developing capacity of national investment promotion institution (FIAS)
MOZAMBIQUE	Project preparation	Prepare project evaluation study for aluminum smelter to be used by sponsor to mobilize funding for project
NAMIBIA	FDI	Recommend strategies for improving country's investment incentives framework (FIAS)
SIERRA LEONE	FDI	Review foreign investment law (FIAS)

Country	Purpose	Assistance
SOUTH AFRICA	Project preparation	Assess market, technical, and economic factors for establishing printing plant and provide expertise in prepress operations; press operations; and plant management (TATF)
	Project preparation	Perform feasibility study for establishing venture loan fund, designed to assist South Africa's previously disadvantaged group in acquiring management and ownership positions in established businesses. Fund would provide financial assistance and technical assistance on business development and management (TATF)
	Agribusiness	Perform feasibility study on technical and economic aspects of establishing sugar mill on Makatini Flats (Kwazulu-Natal Province) with particular regard to availability of cane and demand for sugar (TATF)
SWAZILAND	FDI	Review investment legislation (FIAS)
	Privatization	Provide technical support for restructuring and privatizing Swaziland Posts and Telecommunications Corporation, including finalization of national telecommunications policy, as well as network assessment and valuation (TATF)
TANZANIA	Infrastructure	Assess technical options as well as current financial and market factors in establishment of national data communications network (TATF)
UGANDA	FDI	Conduct detailed review of administrative barriers to private investment (FIAS)
ZAMBIA	Capital markets	Assist government of Zambia in strengthening regulatory framework for discount house operations in country
ZIMBABWE	Capital markets	Assist government of Zimbabwe in developing legal and regulatory framework for credit rating
	FDI	Complete work on improving policy environment for private investment in infrastructure (FIAS)
REGIONAL	Capital markets	Continue to assist regional central bank authorities in developing legal, regulatory, and institutional framework for regional securities market
	Capital markets	Prepare detailed business plan on financial, operational, and organizational features of Regional Stock Exchange (TATF)

FDI Foreign direct investment
FIAS Foreign Investment Advisory Service
TATF Technical Assistance Trust Funds

IFC Regional Members
Asia

Bangladesh • Cambodia

• China • Fiji • India •

Indonesia • Kiribati •

Republic of Korea •

Lao People's Democratic

Republic (Lao P.D.R.) •

Malaysia • Maldives •

Marshall Islands •

Federated States of

Micronesia • Mongolia •

Myanmar • Nepal •

Papua New Guinea •

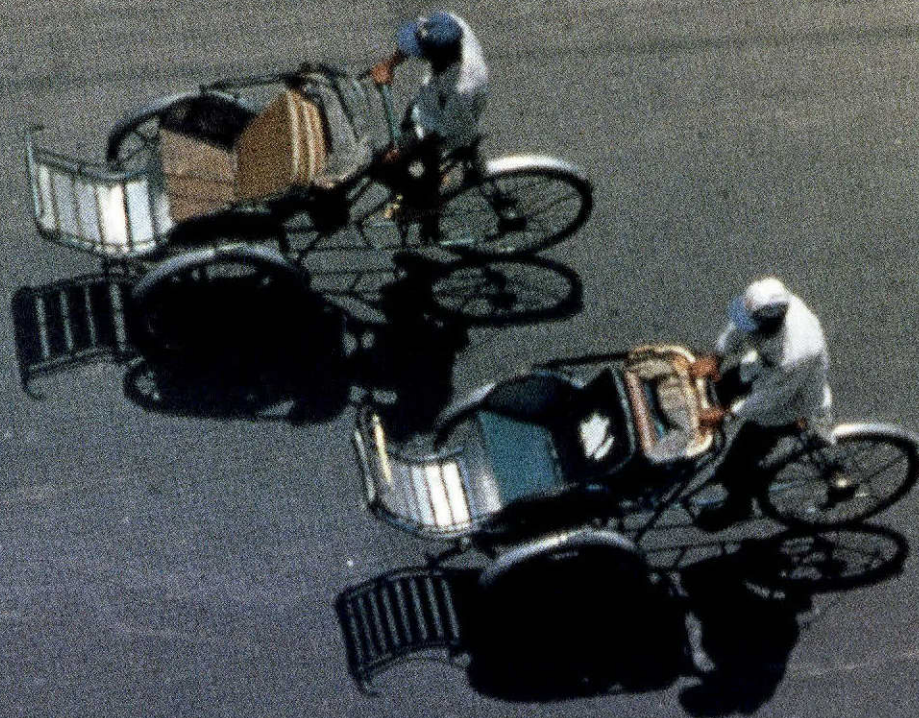
Philippines • Solomon

Islands • Sri Lanka •

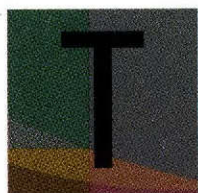
Thailand • Tonga •

Vanuatu • Vietnam •

Western Samoa



4 REGIONAL REPORT ASIA



he Asian miracle lost some of its glow in fiscal year 1997. The powerful export engine slowed down, and a number of countries confronted financial sector

problems linked to excess lending to urban real estate projects. Nevertheless, economic growth remained strong, averaging 7.3 percent across the region in calendar year 1996, as domestic demand for investment and consumer goods continued to rise. The transition economies of China and Vietnam expanded most rapidly in 1996—by 9.7 percent and 9.0 percent, respectively. Malaysia and Indonesia followed, with growth rates of 8.2 percent and 7.8 percent, respectively. The South Asian economies were able to maintain their expansion drives by recording annual growth of more than 6 percent. Some of the South Pacific Islands also experienced renewed vigor, although most are struggling to return their economies to a growth mode.

Most of Asia's fiscal and monetary authorities remained conservative, striving to control inflation, even when that meant sacrificing some economic growth. The region's average inflation rate was kept below 8 percent. Policymakers of the two large economies of China and India continued to keep inflation in check by tightening money supply and price controls on some crucial products. China tamed its inflation rate to 6.1 percent from 14.8 percent; India managed to pare inflation to 8.5 percent from 10.3 percent. On the other hand, price increases continue to challenge Mongolia (50 percent), Myanmar (25 percent), and the transition economies in

Indochina (between 10 percent and 15 percent). Policymakers throughout the region have shown dedication to keeping their economies on a stable growth path. Considering their track records, the outlook is good that inflation will decline further in most countries.

The region's slowdown in export growth from nearly 20 percent to less than 7 percent resulted from a slight appreciation of most currencies, together with a cyclical downturn in the electronics industry and modest growth in demand from the economies of the Organization for Economic Cooperation and Development. However, strong domestic demand for consumer goods and investment products triggered a rapid rise in imports in several members of the Association of South

Table 4-1 Asia: Project Financing (millions of U.S. dollars)

	FY97	FY96
Financing approved for IFC's account	790	888
Loans and swaps	620	737
Equity and quasi-equity	170	151
Direct mobilization	830	1,885
Loan syndications	817	1,875
Underwriting	13	10
Total financing approved	1,620	2,773
Committed portfolio for IFC's account	2,891	2,489
Loans	2,284	1,907
Equity	607	582
Committed portfolio held for others (loop participations)	3,257	2,517
Total committed portfolio	6,148	5,006

East Asian Nations (ASEAN). Current account deficits therefore widened, giving rise to foreign lender and investor concern. However, prospects for reforms remain strong in the original ASEAN economies of Thailand, the Philippines, Indonesia, Singapore, Malaysia, and Brunei Darussalam. Not only have these nations concentrated on lowering trade barriers and investment hurdles, but also they have agreed to establish a formal framework for financial cooperation. Envisaged first and foremost as a safety mechanism, the framework is expected to serve later as a foundation for a joint monetary market.

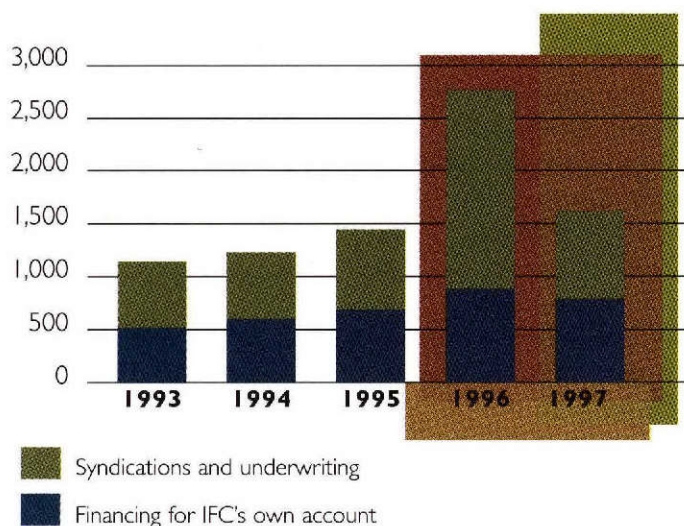
Privatization continued to advance slowly and unevenly, because the authorities in most of Asia were uncertain that the hoped-for economic benefits and efficiency gains would outweigh the negative social implications of large layoffs. On the general foreign investment front, the increased flexibility of rules and regulations has contributed to the continuation of fairly large inflows and to the growth of

intraregional investments. While foreign investor interest remains strong, the prospects for implementing many investment proposals will be determined not only by high domestic growth and favorable global market conditions, but also by improvements in the institutional framework, including the protection of property rights, the creation of regulatory agencies to supervise previously publicly owned service monopolies, a stable and transparent tax and incentive regime, and price and trade liberalization.

The South Asian economies have developed legal frameworks to govern business and private property rights, but implementation remains cumbersome. In addition, South Asia has been very slow to develop frameworks for privatization. In the transition economies of China and Indochina, although private sector development has made progress, state companies are still big players and try to attract foreign investment on terms that made foreign business more hesitant in 1996-97 than in previous years.

Regional demand for improved infrastructure services remains great, requiring not only increased domestic private capital but also foreign capital and technology. To meet the announced goals for electricity generation and transmission, telephone connections, and port modernizations, the authorities will have to create the institutional and legal frameworks needed to attract capital. The Asian countries that sought private foreign capital earlier are now in a position to advance more forcefully, basing their new deals on experience and lessons learned.

Figure 4-1 **Asia: Financing Approved, FY93-97**
(millions of U.S. dollars)



Regional Investment Strategy

As Asia's newly industrializing economies come to terms with the difficulties of managing economic maturity, a slowdown in growth does not indicate weakness. The current respite gives the high fliers breathing room to correct some economic stresses, such as steep current account deficits, skilled labor shortages, social tensions stemming from growing income inequalities, and inadequate infrastructure. The slowdown in economic growth occurred almost exclusively in Asia's more advanced economies. Their less affluent neighbors reported absolute and relative income gains.

IFC's current regional strategy focuses on the support of projects and institutions that will help address those problems. The major goals of that strategy are to

- enhance competition and improve the quality of goods and services by supporting firms with potential for world-class performance, putting special emphasis on exports
- promote projects in Asia's smaller emerging economies, as well as in the less advanced areas of the large economies, and strengthen their institutional and legal framework through technical assistance
- intensify IFC's involvement in supporting private financing of health and education, with special emphasis on training that provides skills needed in increasingly sophisticated labor markets
- support government attempts to accelerate private participation in infrastructure and concentrate operations in industries and economies with viable regulatory frameworks
- further the expansion and modernization of Asia's agro-industrial base by supporting firms that go into either export production or efficient import substitution projects
- strengthen basic financial institutions and emerging capital markets in developing Asian countries

Small and medium enterprises (SMEs) are the primary engine for economic growth and revitalization in small economies where large private enterprises are often not commercially viable. IFC therefore works to develop SMEs through specifically targeted development facilities. In FY97, it launched one such initiative in Indochina and approved plans to extend another in the Pacific Islands, both aimed at helping entrepreneurs prepare business plans, identify potential partners, and obtain financing.

The Pacific Island Investment Facility (PIIF) invests between \$100,000 and \$500,000 in private companies through instruments such as local currency, redeemable preference shares, and U.S. dollar-denominated subordinated loans. PIIF provides a strong financing base for viable projects to supplement companies' limited equity and restricted access to commercial bank loans. PIIF complements the advisory activities of the South Pacific Project Facility (SPPF), a multidonor-funded project preparation facility based in Sydney, Australia. To better serve the region, an SPPF resident mission was established in Port Moresby, Papua New Guinea, in February 1997. In FY97 PIIF made three investments: one in Papua New Guinea, one in Western Samoa, and one in Fiji.

In Cambodia, Lao P.D.R., and Vietnam, the Mekong Project Development Facility (MPDF) advises SMEs on preparing and financing business plans. MPDF is working to improve local institutions that support these enterprises by training local consultants and loan officers. It is leveraging its resources by coordinating closely with business associations and other World Bank Group and nongovernmental organizations. Missions in Hanoi and Ho Chi Minh City opened during FY97.

IFC manages MPDF and has contributed \$4 million to its five-year, \$25 million budget; several important bilateral donors will provide the balance. IFC will also extend \$5 million in seed capital to SMEs through the Mekong Financing Line to help mobilize additional capital and complement the facility's technical assistance in strengthening local private sectors.

- support the development of more sophisticated equity and local debt markets in economies with established comprehensive financial systems.

Within the wide spectrum of intermediate industries, a major IFC goal is to guide the development of Asian firms with growth potential in their transition from family- and one-person owned and directed operations to publicly owned, professionally managed corporations. This is true in economies that have traditionally used the market system, as well as in economies that have operated under state-controlled decisionmaking. In the latter

Box 4-2 Gleneagles Asia Regional: Medical Diagnostic Centers

In FY97, IFC approved a project to develop about 20 private medical diagnostic centers over the next four years in developing countries throughout Asia at a total cost of \$60 million. These diagnostic centers will provide high-quality diagnostic and medical services, including laboratory tests and medical imaging, which are sorely needed in these locales. A Singaporean holding company owned by Gleneagles and IFC will make the investments in each diagnostic center in joint venture with local partners.

Gleneagles, the project sponsor and Singapore's leading hospital group, has successfully established its first diagnostic center in Indonesia. The project is currently focusing on China, where the holding company will team up with regional Chinese investors with a strong local presence.

This project offers a rare opportunity to make a series of small investments in several countries in a high-priority social sector. It will also provide low-cost market entry and a flexible investment vehicle that could lead to more substantial investments, including hospitals, once the market is established.

A number of development extensions to the project will be pursued such as low-cost diagnostic centers for low-income urban and rural areas. The project will expose doctors and medical staff in these countries to modern diagnostic technology and professional management and will demonstrate the importance of high-quality diagnosis and treatment.

case, IFC has an additional task: to support public enterprise reform and privatization. IFC is participating in several international joint ventures that bring in strong partners with modern technology and international marketing capabilities.

To respond effectively to the demands of smaller clients in the Asia region, IFC has realized that to improve the pipeline of viable projects in those economies, it might first have to assist with project preparation and then selectively invest in promising ventures. Along these lines, the South Pacific Project Facility (SPPF) was established in 1990, followed by a similar institution for the economies of the Mekong in 1996 (Box 4-1). While the latest initiative is being studied for the eastern islands of Indonesia and the southern islands of the Philippines, IFC has also become increasingly active in looking for viable investment opportunities in the interior of China and in diversifying its activities in India. IFC plans to collaborate with the World Bank on some of the latter activities.

The Bank Group has a long tradition of supporting Asia's health and education sectors. No longer limited to public investment, medical care and education are increasingly attracting private interests. IFC is participat-

ing in a number of hospital and clinic projects in Southeast Asia and is also preparing projects in East and South Asia (Box 4-2). In the case of education, a similar pattern is evolving. The private sector risks and rewards to be found in these two areas are not yet fully understood, so IFC has commissioned sector studies on both.

Private participation in infrastructure has become an accepted fact of life in almost all Asian countries. Although the potential demand for investment in power, transport, and telecommunications is huge in China and India, private participation has been constrained by a number of factors. As conditions improve there, IFC will invest substantially more than in FY97. Larger projects in the Philippines and Indonesia will receive increased attention, as will projects in smaller countries, including those in the Mekong region. Private capital is available for places with established rules and acceptable political risk, leaving IFC to search for infrastructure niches to support. This can take several forms, from advice on privatization to bringing together various parties for long-term project finance.

Income growth and urbanization are fueling important shifts in demand across the region.

As more and more consumers diversify their diets, preferences are growing for wheat-based products, meat, and dairy products. This puts pressure on the economies to expand their local production of feed, meats, and dairy products, to raise the efficiency of their agroindustrial firms, and to improve infrastructure to reduce access costs to world grain and protein markets. As a consequence, South and East Asia are proving to be a fertile source of opportunities for IFC agribusiness investments. While the high level of private foreign capital flows into the most advanced countries will limit IFC's role there, most of the transition economies will continue to present IFC with opportunities.

The varied stages of development of Asia's capital markets call for a variety of IFC strategies to improve financial intermediation. In countries with the more developed banking industries and securities markets—such as India, Indonesia, Thailand, Malaysia, and the Philippines—IFC is involved in responding to increased demand for longer term financing to meet infrastructure needs, improving integration with international markets, and providing technical assistance on the development of new financial instruments. In China and Vietnam, IFC expects to work with the authorities and to use technical assistance to foster the maturing of banking, leasing, and securities institutions. In countries with rudimentary financial systems, IFC can help refine institutional structures. Possible projects would develop institutions for commercial banking, leasing, securities, housing finance, and insurance.

Country Programs

In FY97 in Asia, the Corporation approved \$790 million for its own account and \$830 million in syndications and underwriting for 50 projects in 12 countries and 4 regional projects (Figure 4-1). In FY96, IFC approved 50



projects in 12 countries and 3 regional projects. In its portfolio at the close of FY97, IFC had committed for its own account \$2.9 billion in 237 companies in 18 countries compared with 213 companies in 19 countries a year earlier (Table 4-1). The Corporation's gross committed portfolio, including all other participants in its syndicated B-loans, was \$6.1 billion in Asia on June 30, 1997.

In China, key macroeconomic indicators continued to improve after the successful soft landing in the previous year. Real GDP expanded by 9.7 percent, while inflation declined to 6.1 percent. Total international trade expanded by only 3.2 percent, reflecting lower domestic demand, a slowdown in export markets, and reduced tax incentives. The trade balance remained healthy, showing a surplus of \$12.3 billion. Foreign capital

CARGO INSPECTOR AT WORK AT IFC-FINANCED BARIA SERECE PORT IN PHU MY INDUSTRIAL AREA, SOUTH OF HO CHI MINH CITY, VIETNAM

Box 4-3 China: From Tree Farms to Fiberboard

Plantation Timber Products Holdings Ltd., (PTPH) has launched the second stage of its program to install several modern, medium-density fiberboard (MDF) plants in interior China. The \$57 million greenfield project will manufacture and sell 110,000 cubic meters a year of the fiberboard. The program will supply high-quality MDF panels to China's fast-growing furniture and construction industries; put into commercial use timber plantations that have been developed over the past decade with support from the World Bank and Chinese authorities; develop new plantations; and transfer international management and marketing practices to China's interior. The latest project, PTP-Hubei Ltd., is located in Shishou, Hubei province, an interior region where economic development has lagged behind China's coastal provinces.

The project will create jobs and help improve the well-being of hundreds of thousands of farmers as the timber plantation becomes a significant source of their income. It provides direct employment and training to more than 300 employees.

PTPH launched its MDF activities in 1994. The following year, IFC agreed to invest in PTP-Leshan Ltd., PTPH's first MDF project in China. IFC's FY97 investment in PTP-Hubei consisted of an A-loan and a B-loan totaling \$38 million. IFC also approved an added \$5.7 million in loan and equity for PTP-Leshan and the holding company's other activities.

PTPH has developed a comprehensive approach to environmental management for all its facilities and promoted cultivation of timber plantations on a sustainable basis. Measures are in place to minimize waste, control fumes and air pollution from wood processing, treat wastewater before its discharge, and monitor environmental performance.

inflows grew by 14.2 percent, continuing the strong growth of recent years, with utilized foreign direct investment reaching \$42.3 billion in 1996. Despite substantial achievements in macroeconomic conditions, China still faces major structural challenges, particularly in the areas of state-owned enterprise reform, financial sector liberalization, and income distribution, with a need to address the large income gap between urban and rural residents as well as between coastal and inland provinces.

IFC's priorities in China continue to be to develop limited recourse financing; encourage globally competitive industries by attracting capable foreign sponsors, particularly to the inland provinces; assist in restructuring state-owned enterprises; support the growth of domestic nonstate sectors; and promote capital markets development. To support the development of China's interior regions, IFC approved financing for a \$57 million project

to manufacture medium-density fiberboard (MDF) in Shishou, Hubei province (Box 4-3). In FY97, IFC also approved a \$30 million credit line to a Chinese private finance company, a major breakthrough for IFC's capital markets operation in China. During the year, IFC approved 9 projects in China with net investments of \$133.6 million. Emphasis remained on general manufacturing and agribusiness.

In the context of the "Extending IFC's Reach" initiative, the Corporation approved its first project in Mongolia and is preparing several other projects there that seek to expand activities reflecting Mongolia's competitive advantage (Box 4-4). Although Mongolia's policymakers face dual problems of high inflation and low growth, the newly elected government has launched many legal initiatives, which will transform that country from a command- to a market-oriented economy in the years to come.

The South Asian economies of the Indian subcontinent showed remarkable resilience under politically difficult situations. Governments changed in Bangladesh and India, while the civil war in Sri Lanka continued unabated. India's strong growth, an estimated 6.8 percent, was even more surprising in light of the tight credit policies imposed in late 1995 to fight inflation. Agriculture had a banner year, as did a number of industrial sectors, particularly consumer durables and capital goods. The Bangladeshi economy got a respite from political strife as the new government took over in mid-1996. Long-delayed investment plans were revived. However, as foreign aid was reduced, imports had to be cut, constraining domestic growth to a rate of less than 5 percent. Sri Lanka faced similar constraints in its external balance, which also had growth-slowing implications. In addition, large government expenditures kept the fiscal deficit and inflation high.

In India, IFC supported the general manufacturing sector and approved major projects in steel and fiberglass in the first half of FY97. In infrastructure, IFC approved a project to promote energy efficiency, by helping to set up an energy service company. IFC also initiated its first hospital project in India. In the financial sector, the Corporation supported several leasing companies in their efforts to diversify into financing infrastructure-related equipment and machinery. In Bangladesh, IFC agreed to invest in the country's first private gas exploration and development project at Jalalabad. It has also participated in a joint Indian-Bangladeshi housing finance company. Investment opportunities in Sri Lanka and Nepal remained limited, but IFC was able to provide an intraregional link by joining a Sri Lankan-Pakistani investment in the packaging industry and by agreeing to provide long-term finance to a Korean-Nepali joint venture commercial bank in Nepal. IFC has intensi-

fied its search for smaller projects in South Asia. One example is the support for a Sri Lankan-Japanese joint venture specializing in export factoring operations.

The Southeast Asian economies were affected differently by the slowdown of foreign trade in the region, because exports have played such a dominant role in their development. While Thailand's simultaneous problems in the financial sector led to an overall economic slowdown, Indonesia continued its expansion, as foreign and domestic investment remained

Box 4-4 Mongolia: Leather Garments

IFC's first investment in Mongolia—and one of the first ever multilateral-agency supported, private sector projects in Mongolia—will expand the activities of G&M Industrial Co. Ltd., Mongolia's largest private sector tanner. In a country where one third of the population lives as nomadic herders, this project taps into the industry where Mongolia has a distinct comparative advantage: livestock.

G&M, a Mongolian-German joint venture, will build a \$3.5 million leather garment sewing plant with an annual capacity of 80,000 garments. IFC provided a \$1.45 million loan and invested \$300,000 in equity. G&M will make use of its internally tanned, high-quality goat and sheep leather, a skilled labor force, and support from German tanning, sewing, and marketing specialists. The finished leather garments will be sold initially to the domestic China and regional export markets, specifically, to Siberia, Russia, and Inner Mongolia, China. Exports to European markets will subsequently be developed.

The project promotes the objectives of the "Extending IFC's Reach" initiative of providing financial and technical support to small, private sector companies. It also adds value to Mongolia's livestock industry and introduces local products to international markets.

The project is expected to have an important demonstration effect and set the stage for similar future investments in Mongolia. In addition to providing long-term debt financing, which is not available from the local financial community or foreign creditors, and assistance in structuring the project, IFC also assisted government agencies in understanding the dynamics and requirements of international debt finance.

The emergence of the Mekong states from a period of war and destruction has renewed tourist interest in the area. With IFC help, a new 150-room hotel will be built in Siem Reap, Cambodia, near the world heritage site of Angkor Wat. The first international mid-class hotel in Siem Reap, it will cater to the expected increase in visitor arrivals.

The Angkor Novotel Hotel will be IFC's first investment in Cambodia. It will demonstrate the Corporation's commitment toward financing projects that have natural competitive advantages but operate in difficult and uncertain environments. IFC has played an important role in minimizing the environmental impact of this project by working closely with the sponsor in selecting a site outside the archaeologically protected zone.

In Lao P.D.R., IFC plans to provide a loan of approximately \$1 million to foreign investor Belmont Hotel Investments Ltd. to renovate the 1930s-era Settha Palace Hotel in Vientiane. The 43-room hotel renovation coincides with increased visitor arrivals to the Lao capital. Belmont's owner, a nonresident Lao, has leased the property from the Lao government. It is hoped the preparation work done on this in FY97 will lead to IFC's first investment in Lao P.D.R., representing an early entry into a transition economy that is opening up to private investment.

strong. A decade of structural reform in the Philippines has improved its prospects for sustained growth, which reached 5 percent in 1996. Although concerns persist over the Philippines' increasing trade deficits and its lack of recurring fiscal revenues, the country's pragmatic macroeconomic management continued to attract increased domestic and foreign investment. In addition, its skilled labor force and experienced training institutions are expected to play a crucial role in maintaining strong growth in domestic output and exports.

In Indonesia, Thailand, and the Philippines, IFC made many investments in line with its goal of supporting firms on their way to becoming internationally competitive companies. These firms range from aluminum processors, petrochemicals producers, and soap manufacturers to commercial banks. In Indonesia, IFC contributed \$158 million to projects with a total cost of more than \$607 million. In Thailand, IFC introduced a Thai intermediary to foreign private financial institutions. The Philippines' program included financing approvals for shipping, petrochemicals, and telecommunications. IFC's net con-

tribution rose to \$111 million in projects with a total cost of \$665.1 million.

In line with the region's income distribution concerns and the need to decentralize away from ASEAN's major cities, IFC is investigating the possibility of establishing a project facility for the outer islands of Indonesia and the Philippines. That special initiative would be modeled after the South Pacific Project Facility, which has provided technical assistance to small and medium enterprises (SMEs) for projects ranging from \$250,000 to \$5 million. In FY97, IFC authorized an additional \$6 million in the Pacific Islands Investment Facility (PIIF), an equity facility that actively supports some of the projects prepared by the SPPF. Its major accomplishments and the start-up of the Mekong Project Development Facility are described in Box 4-1.

Southeast Asia's smaller transition economies—Vietnam, Cambodia, and Lao P.D.R.—achieved high economic growth in 1996. However, inflation remained at the two-digit level, averaging 12 percent for the three Indochinese economies. In addition, the current account deficit in Vietnam ballooned to an unprecedented 12 percent of GDP, as rapid industrialization demanded increased imports of capital equipment. In neighboring Lao P.D.R. and Cambodia, imports expanded at a slightly lesser pace, and current account deficits did not exceed 5 percent of GDP. IFC continued its active involvement in the Vietnamese economy and agreed to finance projects in the construction, agro-industrial, and tourism industries. The Corporation supported IFC's first 100 percent private joint enterprise in Vietnam. In the context of the "Extending IFC's Reach" initiative, the Corporation paid special attention to Lao P.D.R., Cambodia, and Mongolia. IFC approved its first investment in Cambodia, supporting tourism in Siem Reap (Box 4-5).



Technical Assistance and Advisory Services

Advisory services in Asia were focused on helping several of the region's economies improve their financial systems, their legal frameworks, their investment incentive systems, and their privatization programs. The IFC Corporate Finance Services helped implement the privatization of Manila's Metropolitan Waterworks and Sewerage System (MWSS), the world's largest water utility privatization, by some measures (Box 4-6). In India, IFC worked on two advisory projects. The first involves a privately financed water supply project in Cochin in the southern state of Kerala, providing water to a group of industrial users on a commercial basis and a large quantity of bulk water to the domestic water authority at nominal cost. IFC presented a project implementation strategy, which

the government accepted in March 1997. The second mandate involved providing market and traffic studies for two pilot sites slated for private development in the western state of Gujarat, where challenging marine conditions translate into very high development costs.

In the capital markets sector, IFC reinforced its institutional support in the transition economies. In China, IFC completed technical assistance to improve leasing regulation and the draft securities law. As follow-up to IFC's 1996 work with Shanghai City United Bank, IFC is preparing a second phase concentrating on international operations, credit risk analysis, and other selected areas of commercial bank analysis. A similar program was launched this year with the Beijing City United Bank. In Thailand, IFC assisted the development of the local bond market by pro-

JAKARTA'S DECADE OF DEREGULATION SPURRED THE ECONOMIC GROWTH EVIDENT IN ITS YOUNG AND EVOLVING SKYLINE

viding assistance in the formulation of the legal and regulatory framework for securitization transactions.

Vietnam, eager to integrate more fully into the global economy, is developing its securities markets as a source of funding for its enterprises. Sponsored by the Japan-supported Comprehensive Trust Fund and the IFC Technical Assistance Trust Fund, IFC and Vietnam's State Securities Commission have set up several training programs on regulating securities markets in Hanoi and Ho Chi Minh City. The training covers concepts and principles that have been successfully applied in other countries by securities market regulatory authorities. Most of the participants are expected to become future managers and staff of Vietnam's State Securities Commission.

The Foreign Investment Advisory Service (FIAS) program, jointly operated by IFC and the International Bank for Reconstruction and Development (IBRD), continued its multifaceted approach, responding to the diversity of needs presented by different countries. China requested advice on the treatment of

branch offices of foreign firms operating there and also received assistance in improving its data system for foreign direct investment.

Mongolia's newly elected government requested a review of foreign investment incentives and institutions. Several Pacific Island countries received help in structuring investment legislation more suitable to their small size and limited investment opportunities. In the Philippines, FIAS worked to improve the legal and regulatory environment to attract and retain foreign direct investment in infrastructure. In Nepal, FIAS reviewed the investment incentives regime.

In addition to country advisory work, FIAS organized its traditional year-end regional roundtable for more than 50 high-level government officials and prominent businessmen. The theme was the role of Asian governments in encouraging outflows of foreign direct investment. Participants discussed the implications of such outflows, as well as expected trends and developments.

Box 4-6 Philippines: Asia's Largest Water Privatization

Manila took a big step toward averting a crisis when, advised by IFC's Corporate Finance Services Department, in January 1997 it opened four bids in an international tender for the privatization of the city's Metropolitan Waterworks and Sewerage System (MWSS), Asia's largest and, by some measures, the world's largest water sector privatization to date.

MWSS, as the government agency responsible for delivering water and sewerage services to Manila's 11 million residents, had invited private water groups to bid for two 25-year concession contracts, one for the city's west side, the other for its east side. Currently, MWSS supplies water to only 67 percent of Manila's residents. Less than 10 percent of the city's residential dwellings are connected to the MWSS sewerage system. Furthermore, most of the water produced is never billed because of leakages, poor metering, and theft. Four prequalified bidding groups, each consisting of at least one prominent Filipino company and one international water operator, submitted bids for each of the two concession zones. The two winning consortia, which included Benpres Corp. (Philippines) and Lyonnaise des Eaux (France) for the west zone and Ayala Corp. (Philippines) and International Water (UK-USA) for the east zone, bid tariffs averaging 42 percent of existing rates.

When the two winning concessionaires take over in August 1997, they will assume full operational and investment responsibility for the water and sewerage system. At that time, MWSS will be converted to a regulator, to monitor and enforce the concession agreements.

Under the concession contracts, the private operators must provide international standards of water availability and pressure within three years, universal water coverage in Manila within 10 years, and extensive sewerage and sanitation coverage by the end of the 25-year concession period. The total cost of these improvements over the life of the project is estimated at \$7 billion.

The country's president initiated the move toward privatization in 1995. Following IFC's appointment as lead adviser to the privatization process in November 1995, the Corporation assisted MWSS on all aspects of the preparation for the privatization and subsequently led the bidding process. It took just 14 months from IFC's appointment to prepare MWSS for privatization and successfully complete the bidding process. Subsequently, MWSS has retained IFC as financial adviser on a separate Build-Operate-Transfer contract to supply an additional 300 million liters per day of treated water to its service area and to augment the existing supply of bulk water already supplied to the concessionaires.

ASIA
1997 PROJECT APPROVALS
(MILLIONS OF U.S. DOLLARS)

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
BANGLADESH								
Bangladesh Leasing Co.	Establish leasing company	3.50	0.45			3.50	7.45	10.5
Delta Brac Housing Corp.	Establish housing finance company	2.50	0.69				3.19	13.0
Jalalabad Gas	Appraise and develop Jalalabad gas field through unincorporated joint venture		15.00				15.00	80.0
Scancem Cement	Import, bag, and distribute cement	11.00	1.25				12.25	35.0
Sena Hotel Developments Ltd.	Build and operate 205-room international-standard hotel in Dhaka	6.00					6.00	20.1
CAMBODIA								
SLP Investments Ltd.	Build and operate 150-room hotel in Siem Reap	5.25				2.25	7.50	15.0
CHINA								
Beijing Chinefarge Cement Ltd.	Establish high-grade cement plant	12.80				20.00	32.80	75.5
Der Kwei Industrial (Shanghai) Co. Ltd., DKI (Shenzhen) Co. Ltd., & DK Overseas Investment (HK) Ltd.	Expand capacity in Shanghai and Shenzhen to produce plastic containers for cosmetics and other personal care products	25.00	5.00			71.00	101.00	178.0
Hangzhou Dongfeng Nissan Diesel Motor Co. Ltd.	Build and operate heavy duty truck and large bus chassis manufacturing facility	20.20				27.00	47.20	86.6
Liaocheng Jiaming Industry and Commerce Co. Ltd.	Renovate and expand integrated poultry production joint venture in Liaocheng, Shandong Province	18.00				18.00	36.00	63.0
Ningbo Taihang Agricultural Products Co. Ltd.	Build and operate spore factory and 250 greenhouses to grow natural log shiitake mushrooms for export to Japan		2.00				2.00	14.0
Orient Finance Co.	Finance onlending to SMEs in IFC's first transaction with Chinese private-sector company	10.00				20.00	30.00	30.0

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
CHINA, continued								
Plantation Timber Products Holdings Ltd., PTP-Hubei Ltd., PTP-Leshan Ltd.	Establish several medium-density fiberboard processing plants in the country's interior	17.20	1.50			25.00	43.70	88.6
Shanghai Malayan Flour & Food Co. Ltd.	Privatization, modernization, and expansion of flour mill	14.00				14.00	28.00	28.0
Suzhou Huasu Plastics Co., Ltd.	Provide additional financing to construct 100,000-tpy PVC plant	7.90				6.40	14.30	93.4
INDIA								
Asian Electronics Ltd., Eurolight Electricals Private Ltd., & Steuerung Anlage Private Ltd.	Establish energy services company to offer load management and energy conservation services to state electricity boards and large industrial clients	16.00	5.60				21.60	86.0
CEAT Financial Services Ltd.	Credit line for long-term financing for general purpose and infrastructure equipment	20.00					20.00	20.0
Duncan Gleneagles Hospitals Ltd.	Build and operate a 270-bed multi-speciality private hospital in Calcutta	7.00	1.00				8.00	29.3
GVK Industries Ltd.	Risk management facility to hedge interest rate risk				2.50		2.50	2.5
Ispat Industries Ltd.	Expand hot rolled steel production with EAF technology	15.00	6.00			25.00	46.00	630.0
ITC Classic Finance	Credit line for SME loans for equipment leasing and purchasing	20.00		10.00			30.00	30.0
Nicco-Uco Financial Services, Ltd.	Expand long-term lease financing for SMEs and infrastructure projects	5.00	0.13			5.00	10.13	11.3
Owens Corning (India) Ltd.	Establish export-oriented, world-scale fiberglass manufacturing plant at Taloja, Maharashtra	25.00					25.00	102.2
SREI International Finance Ltd.	Credit line to fund long-term leases or loans for small and medium infrastructure-related projects	15.00	3.00				18.00	18.0
Twentieth Century Finance Corp. Ltd.	Credit line for SME loans for equipment leasing and purchasing	15.00					15.00	15.0

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
INDIA, continued								
Walden Nikko Holding Co. & Walden-Nikko India Ventures Co.	Establish fund management company and capital fund to provide early capital to high-tech and growth companies in India		6.08				6.08	60.6
WIPRO Finance Ltd.	Credit line for SME loans for equipment leasing and purchasing	10.00					10.00	10.0
INDONESIA								
P.T. Ades Alfindo Putrasetia	Expand and modernize water and beverage production facilities	24.00	7.00			46.00	77.00	97.4
P.T. Alumindo Light Metal Industry	Modernize and expand production capacity for hot and cold rolled aluminum sheet and foil	15.00				20.00	35.00	97.4
P.T. Bank NISP	Finance onlending to SMEs	10.00					10.00	10.0
P.T. Berlian Laju Tanker	Acquire 10 small product tankers to sail under Indonesian flag	22.00	20.00			68.00	110.00	120.0
P.T. Kalimantan Sanggar Pusaka & Subsidiaries	Expand palm oil and rubber output by investing in plantation, processing, and port storage	20.00	15.00			15.00	50.00	161.5
P.T. Sayap Mas Utama and P.T. Wings Surya	Upgrade and expand production of soap and detergent facilities in Jakarta and Surabaya	25.00				55.00	80.00	120.8
KOREA, REPUBLIC OF								
Hana Bank	Subscribe to rights issue to support IFC investee company, initial IFC investment circa 1971		0.65				0.65	64.0
MONGOLIA								
G&M Industrial Co. Ltd.	Expand tannery and upgrade into leather garment factory for domestic market (SEF)	1.45	0.30				1.75	3.5
NEPAL								
Nepal Hana Bank Ltd.	Establish full-service bank with Korean technical partner		1.32				1.32	8.8
PHILIPPINES								
Bataan Polyethylene Corp.	Construct world-scale polyethylene facility with annual capacity of 250,000 tons	30.00		10.00		163.00	203.00	343.0
Far East Bank and Trust Co.	Provide term loan for onlending to infrastructure projects	25.00				50.00	75.00	75.0

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
PHILIPPINES, continued								
A. Magsaysay Inc.	Expand shipping fleet by acquiring four LPG carriers	8.00	3.00			26.50	37.50	43.5
Philippine Telegraph and Telephone Corp.	Expand PT&T's telephone network	30.0	5.00			30.00	65.00	203.6
SRI LANKA								
Asia Power (Private) Ltd.	Risk management to hedge interest rate and currency risk				2.00		2.00	2.0
Lanka Orix Factors Ltd.	Support factoring company	1.50	0.26				1.76	1.8
Packages Lanka (Private) Ltd.	Support Sri Lankan-Pakistani joint venture to establish flexible packaging production plant		1.13				1.13	9.3
THAILAND								
Phatra Thanakit Public Co. Ltd.	Support structuring, underwriting, and placement of 10 billion Euro-Yen bond offering	13.04				13.04	26.09	90.9
VIETNAM								
KIA-Huy Hoang Ceramic Tile Co.	Establish ceramic floor tile manufacturing plant with annual capacity of 2.2 million sm	6.20	0.62	0.80		6.20	13.82	20.6
Nghe An Tate & Lyle Ltd.	Assist joint venture to develop and operate sugar mill	20.00				30.00	50.00	85.0
Nghi Son Cement Corp.	Develop and operate cement plant and distribution terminal with 2.1 million tons annual capacity	30.00				26.50	56.50	373.0
SEM Hotel Pointe des Blagueurs	Build and operate 390-room hotel with 30 serviced apartments in Ho Chi Minh City	13.00		4.50		30.00	47.50	81.5
Vinafood-GCR Flour Mill Co. Ltd.	Build and operate wheat flour mill in southern Vietnam	10.50				13.50	24.00	41.0
REGIONAL								
Asia Mezzanine Infrastructure Fund	Second investment in fund that will make mezzanine investments in infrastructure projects		10.06				10.06	401.0

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
REGIONAL , <i>continued</i>								
Gleneagles International Diagnostic Services	Establish 20 private medical diagnostic centers throughout East Asia	10.00	6.00				16.00	60.0
Global Guarantee Assurance	Support first global financial guarantee insurance company for emerging markets		15.00	7.50			22.50	180.0
Kula Fund	Invest in venture capital fund for Pacific Islands Trust Territory		3.60				3.60	18.0
SEF <i>Small Enterprise Fund, part of the "Extending IFC's Reach" initiative.</i>								
SMEs <i>Small and medium enterprises.</i>								

ASIA

1997 TECHNICAL ASSISTANCE AND ADVISORY PROJECTS

Country	Purpose	Assistance
BANGLADESH	Project preparation	Provide market study for hotel, including economic, environmental, and market factors to assess average annual room occupancy rate structure, revenues, costs, and gross operating profit (TATF)
CAMBODIA	FDI	Assist in developing system for monitoring investment incentives granted to foreign investors (FIAS)
	Financial institutions	Compile preliminary information for auditing and valuation of Foreign Trade Bank, at request of National Bank of Cambodia Bank
	Financial institutions	Perform independent audit and valuation of National Bank of Cambodia as part of preparations for privatization (TATF)
CHINA	FDI	Review existing foreign direct investment data sources, definition, and classification and make recommendations for strengthening foreign direct investment data statistical system (FIAS)
	FDI	Assist in preparing new regulations on treatment of branches of foreign firms (FIAS)
	Capital markets	Review securities regulations for national Securities Regulatory Commission
	Privatization	Assess socioeconomic impacts resulting from restructuring Chinese state-owned enterprises and devise long-term solutions to address issues of labor redundancy and social service delivery (TATF)
	Project preparation	Assess status of leather products company, helping to formulate business plan for expansion and providing basic environmental audit of company's existing operations (TATF)
	Industrial development	Market analysis of cement sector to improve availability and transparency of market data for authorities, investors, and equipment suppliers (TATF)
	Financial institutions	Train senior and middle management from financial institutions on international banking standards, controls, and practices and help identify potential opportunities for "twinning" arrangements with reputable international institutions (TATF)
	Leasing	Draft regulatory framework and laws and provide follow-up advisory assistance to national authorities on improving regulations governing leasing industry (TATF)
INDIA	Private infrastructure	Two advisories on two pilot port transactions in western state of Gujarat at Dahej and Hazira. One on structuring Build-Own-Operate-Transfer contract; other to provide market and traffic studies, including coordination of technical, legal and environmental consultants appointed by Gujarat Maritime Board (TATF)
	Private infrastructure	Advise government of State of Kerala on country's first Build-Own-Transfer and Build-Own-Operate-transfer contracts for water supply project. Subsequent support to include coordination of bidding process; assist in negotiations; and provide advice on other aspects of transaction (TATF)
	Infrastructure privatization	Organize Martrans workshop on ports in India (TATF)
KIRIBATI	FDI	Conduct diagnostic review of investment climate (FIAS)
LAO P.D.R.	Financial institutions	Review country's banking sector, including operations of Joint Development Bank

Country	Purpose	Assistance
MICRONESIA, FEDERATED STATES OF MONGOLIA	FDI	Assist in implementing recommendations for revised legal framework to attract foreign investment (FIAS)
	FDI	Draft report and organize roundtable to discuss opportunities, policies, and implications for investment promotion (FIAS)
	FDI	Help in revision of investment law (FIAS)
	Leasing	At request of Ministry of Finance, evaluate and assist in developing country's legislative and regulatory framework for leasing (TATF)
	Tourism	Provide training in tourism project development for private companies, banking sector, and relevant government and nongovernmental institutions for development of tourism industry (TATF)
NEPAL PHILIPPINES	Natural resources	Assist country's petroleum authority in conducting audit of past costs and using new oil and gas cost control system (TATF)
	FDI	Review incentives regime and legal framework for foreign investment (FIAS)
	FDI	Review policy implications of promoting foreign direct investment in infrastructure sector (FIAS)
	Microenterprise development	Provide assessment for development of a microfinance program (TATF)
	Infrastructure privatization	Advise on privatization of metropolitan Manila's water and sewerage system
SOLOMON ISLANDS	FDI	Conduct review of national investment law (FIAS)
VIETNAM	Tourism	Assist government in developing tourism master plan for Khanh Hoa province (TATF)
	Financial institutions	Train senior and middle management of banks on international banking practices, help implement strategy for future development, and assist in establishing corporate finance departments able to provide full services for local private companies, particularly SMEs (TATF)
	Capital markets	Develop and conduct training program for Vietnamese officials and managers to establish, operate, and regulate effective securities market (TATF)
	Financial institutions	Assist in designing appropriate regulatory framework for organizing and operating specialized finance companies (TATF)
	Financial institutions	Assist in revising security and mortgage laws in country, with aim of allowing outside investors to take out mortgages or otherwise collateralize their loans (TATF)
	FDI	Prepare sector study of textile industry in Vietnam to identify private sector domestic and foreign investment opportunities (TATF)
	Nurse training	Assess training needs of health care personnel and establish viable and self-sustaining training program at Hanoi International Hospital (TATF)

Country	Purpose	Assistance
ASIA REGION	Financial institutions	Identify and assess alternatives regarding housing finance and secondary market institutions in Asia (TATF)
VIETNAM, CAMBODIA, LAO P.D.R.	Consulting services	Provide general consulting services to private sector entities on managerial, financial, and marketing issues by retaining outside consultants for relatively short-term advisory assignments (TATF)
INDONESIA AND PHILIPPINES	Outer Island development	Prepare feasibility study and business plan to serve as basis for decision-making by international bilateral and multilateral donors and IFC management, regarding possible funding to support small and medium private sector businesses in eastern islands of Indonesia and Mindanao region of Philippines (TATF)
SOUTH PACIFIC ISLANDS	Fisheries	Identify fisheries specialist for South Pacific Project Facility to provide analytic services and recommendations for design of regional fisheries markets (TATF)

FDI Foreign direct investment.
FIAS Foreign Investment Advisory Service.
SMEs Small and medium enterprises.
TATF Technical Assistance Trust Funds.

IFC Regional Members
**Central Asia, the
Middle East, and
North Africa**

Afghanistan • Algeria

• Bahrain • Egypt

Arab Republic of •

Iran, Islamic Republic

of • Iraq • Jordan •

Kazakhstan • Kuwait •

Kyrgyz Republic •

Lebanon • Libya •

Morocco • Oman •

Pakistan • Saudi

Arabia • Syrian Arab

Republic • Tajikistan •

Tunisia • Turkmenistan

• United Arab

Emirates • Uzbekistan

• Yemen, Republic of



5 REGIONAL REPORT CENTRAL ASIA, THE MIDDLE EAST, AND NORTH AFRICA



In the Middle East and North Africa, GDP improved significantly in 1996 in most of the countries in which IFC operated, with oil exporters continuing to benefit from higher oil prices. Agriculture had a record year, as Algeria, Morocco, and Tunisia recovered from the drought of 1995. Egypt and Jordan began to reap the benefit of strengthened economic policies, and GDP in both countries grew by 4 percent to 5 percent in 1996. Egypt's progress was recognized by an investment grade rating, and portfolio flows reached \$600 million in the second half of 1996, reinforcing the financial community's confidence in the country's prospects. Tourism in both Egypt and Jordan benefited from the peace process during most of 1996. Lebanon's strong recovery continued, with GDP growth estimated at 5 percent in 1996, and reconstruction is proceeding. In West Bank and Gaza, GDP fell marginally in 1996, with economic progress impaired by border closures, increased transport costs arising from tightened security at the border, and the slow recovery of investment.

In North Africa, both Morocco and Tunisia recorded strong economic recoveries. These countries, together with Egypt, attracted most of the foreign direct investment in the Middle East and North Africa, while the increase in portfolio investment in 1996 was almost entirely a response to Morocco's and Egypt's privatization programs. Growth strengthened in Algeria, boosted by oil price rises and improved macroeconomic performance.

In Pakistan, real GDP grew by almost 3.1 percent in calendar 1996. During the second half of 1996, political factors undermined public confidence. After November, the interim government took measures to reinstate the dialogue with the International Monetary Fund and the World Bank, restore and maintain macroeconomic stability, strengthen the banking system, and speed up privatization. The newly elected prime minister reconfirmed his commitment to sustaining the reform effort and announced a far-reaching economic reform package, welcomed by both business and international financial institutions.

Economic performance was mixed in Central Asia during 1996. The Kyrgyz Republic recorded one of the highest growth rates among the former Soviet Union countries.

**Table 5-1 Central Asia, the Middle East, and North Africa:
Project Financing (millions of U.S. dollars)**

	FY97	FY96
Financing approved for IFC's account	387	517
Loans and swaps	316	389
Equity and quasi-equity	71	128
Direct mobilization	223	394
Loan syndications	193	381
Underwriting	30	13
Total financing approved	610	910
Committed portfolio for IFC's account	1,247	1,170
Loans	1,003	943
Equity	244	227
Committed portfolio held for others (loan participations)	598	443
Total committed portfolio	1,845	1,613

Output stabilized in Kazakhstan and Uzbekistan at about 1.5 percent in both countries, but continued to decline in Turkmenistan and strife-ridden Tajikistan. Tight macroeconomic policies brought inflation under control in Kazakhstan, the Kyrgyz Republic, and Tajikistan. Kazakhstan and the Kyrgyz Republic continued to hold their course in market reforms, and Kazakhstan privatized large mining, manufacturing, and utility enterprises. Backed by these achievements, Kazakhstan raised \$200 million with its first international bond issue. After a promising start, some slippage occurred in Uzbekistan's reform program. In Tajikistan and Turkmenistan, while inflation remained high and reforms slowed, both governments embarked on a more active approach to economic reforms. Turkmenistan became an IFC member in FY97.

Regional Investment Strategy

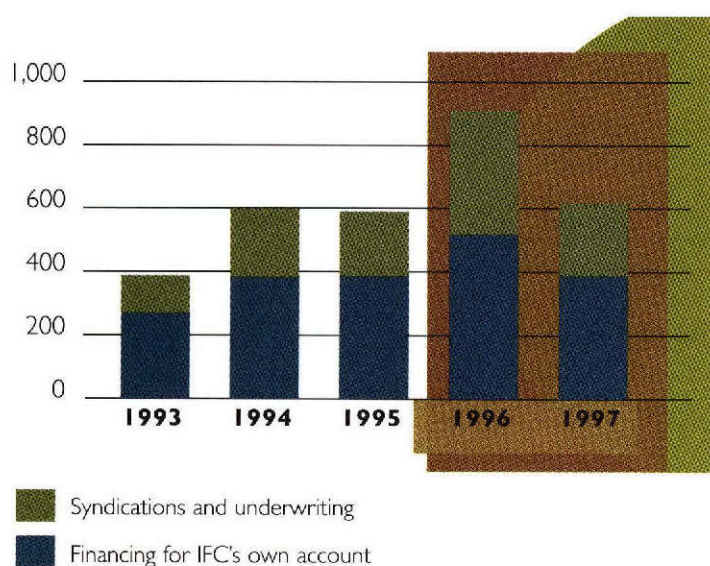
Three key factors continued to drive IFC's investment strategy in Central Asia, the Middle East, and North Africa (CAMENA). First, high population growth in the Middle East is exerting pressure on resources and exacerbating the already severe problem of unemployment. Second, population growth combined with rural migration is straining urban infrastructure, health standards, and living conditions in major cities. Third, on the plus side, strong trends toward market-oriented economics have spread to most countries in the region. These factors underpin IFC's strategy of continuing to invest in the infrastructure needed to support private sector development, supporting job-creating, value-added manufacturing industry, and developing the financial markets needed to attract and channel foreign and domestic investment.

IFC's strategy in the CAMENA region follows five key priorities to

- stimulate the development of diversified and competitive financial systems
- support the growth of small and medium enterprises, thus contributing to employment generation
- invest in enterprises in the main manufacturing, natural resource development, and services sectors that build on the country's areas of comparative advantage
- develop the physical infrastructure necessary to support and sustain economic growth
- strengthen the environment for private activity through technical assistance with regulatory frameworks, privatization, and agriculture.

Within this overall vision, IFC's development impact strategy differentiates between established and newer IFC member countries. In established member countries, IFC plays a development role by supporting projects with

Figure 5-1 **Central Asia, the Middle East, and North Africa: Financing Approved, FY93-97** (millions of U.S. dollars)



strong institution-building elements, such as financial intermediation and capital market development; continuing to invest in key manufacturing and services sectors; and emphasizing resource mobilization and acting as a catalyst through innovative “firsts,” including Islamic financing instruments, microlending programs, and large ticket leasing. In newer economies, such as the Central Asian republics and West Bank and Gaza, IFC’s role focuses on developing medium and small enterprises (SMEs), both through its normal operations and the “Extending IFC’s Reach” initiative; developing investments in manufacturing and the power sector; and building the financial sector.

The CAMENA region is characterized by severe land and water resource constraints, low food self-sufficiency, and urban bias in public policies and expenditures. Rural development remains a priority for the region, however, as large populations still live in rural areas and rural outmigration puts severe economic and social pressure on urbanized areas. Privatization and restructuring are the dominant priorities in agribusiness in these countries. IFC’s agricultural sector strategy emphasizes projects that save and increase return on scarce resources, for example, high-value horticultural exports; projects that enhance competitiveness of agricultural marketing and processing companies; and projects that promote transfer of technology and improve marketing through regional collaboration. The former Soviet Republics of Central Asia raise a different set of issues arising from the transition from a command to a market economy and the breakdown of the economic environment for agribusiness.

Country Programs

During FY97, IFC approved \$387 million for its own account and \$223 million in syndications and underwriting for 41 projects in 9

Box 5-1 West Bank and Gaza: Microenterprise Credit

Microenterprises in West Bank and Gaza will gain access to a sustainable source of credit and technical support through this project. The goal is to create incentives so that commercial banks devise lending programs for microenterprises. In so doing, it is hoped the banks will recognize this sector’s market potential and continue their involvement, thus providing a sustainable source of credit for microenterprises. The project, made possible through IFC and private financing and World Bank lending, should generate 4,000 new jobs and help secure another 3,000 to 4,000 existing jobs in West Bank and Gaza. Microenterprises play a valuable role in stabilizing incomes and employment levels among the working poor.

More than 95 percent of the businesses in West Bank and Gaza employ fewer than five people. This group lacks access to working and investment capital for new business or expansion. Best practice in other countries indicates that banks can build profitable and sustainable microenterprise loan portfolios if they use appropriate lending methods.

This three-part project will train bank staff on procedures that help reduce risks and costs, provide technical assistance to guide microentrepreneurs in business development, and cofinance a group of commercial banks. The finance pool of up to \$20 million comes from IFC (40 percent), the World Bank (20 percent), and the local banks involved (40 percent), which are Arab Bank, Jordan National Bank, and Commercial Bank of Palestine. The project has built-in incentives to encourage local bank participation.

countries and the West Bank and Gaza in Central Asia, the Middle East, and North Africa, as well as 2 regional projects, compared with a combined \$910 million for 36 projects in 9 countries and 2 regional projects in FY96 (Figure 5-1). By end-June 1997, IFC’s total committed portfolio included loans and investments for 123 companies in 13 countries in the region, compared with 114 in 12 countries a year earlier (Table 5-1).

Economic development in the Middle East is expected to continue. Over the past year, the

"NO SMOKING!" POSTED
IN RUSSIAN ON GAS
STATION IN UZBEKISTAN.
A COUNTRY TARGETED
BY THE "EXTENDING IFC'S
REACH" INITIATIVE



improved regional political climate contributed to an upsurge of tourism in Egypt and Jordan. For the region as a whole, key development priorities are upgrading infrastructure, opening this sector further to private investors, and improving the capacity and infrastructure of the financial markets.

In Egypt, IFC is responding to the increase in economic activity with seven investments this year targeted on the financial sector, tourism, and industry. IFC helped to structure and place with foreign institutional investors one of the first international equity funds for Egypt, which has provided a supply-side impetus to the privatization program targeted on financial institutions. The Corporation also approved investments in a large tourism development project in the growing resort area of the Red Sea, four investments in the

industrial sector, and one in petrochemicals. In Jordan, where the continued implementation of firm macroeconomic and structural policies is opening the way for private sector development, IFC focused on phosphates, industry, infrastructure, and tourism. IFC approved two investments this year in manufacturing and the tourism sector, the latter in a hotel that will help to open up the Jordanian side of the Dead Sea to tourism.

In Lebanon, reconstruction continued to drive IFC's investments, which still focus on SMEs. In FY97, the Corporation approved six investments in Lebanon, including a set of credit lines for housing finance and SME support for rehabilitating and expanding a poultry operation, and upgrading the cellular telephone sector. In West Bank and Gaza, IFC has a critical role to play in supporting SMEs and cat-

alyzing foreign investment, particularly through its loans. The Corporation agreed to invest this year in employment-creating industry and tourism and in the financial sector, including microlending (Box 5-1). The "Extending IFC's Reach" initiative will also be critical in helping IFC reach the smaller enterprises that dominate in West Bank and Gaza.

In North Africa, where Morocco and Tunisia maintained economic programs that encouraged an inflow of foreign investment, IFC continued to focus on the financial sector, infrastructure, and industrial projects, particularly postprivatization. After giving Morocco technical assistance with securitization legislation, IFC also helped develop individual transactions. In Algeria, IFC reinforced its promotional efforts to assist private investment in a range of sectors in order to build on the favorable macroeconomic conditions and strong government support for private sector development.

Economic and political uncertainty during part of the year delayed IFC's investments in Pakistan, but the Corporation still approved nine investments. The rate of population growth and the demographic structure also put pressure on labor markets, and IFC continued to concentrate on value-added activities to generate employment and diversify the Pakistan export base, notably by approving investment in a software services firm (Box 5-2). IFC's other investment approvals in FY97 included a fertilizer plant (Box 5-3), a cement plant, and credit lines to support SMEs, which constitute the bulk of economic activity in the region.

With output in Central Asia starting to recover, IFC began to respond to what is likely to be strong demand for the Corporation's services as the financial sector and infrastructure

Box 5-2 Pakistan: IFC and the Millennium Bug

Systems (Private) Limited, the oldest computer software firm in Pakistan, has created a software package to rectify the so-called millennium bug, the year 2000 problem that could cause computers and software applications to malfunction at the turn of the century. Systems' tools also have applications for firms needing to expand numeric and alphabetic components of customer I.D. numbers or convert databases involving various European currencies into a single European currency. Another Systems proprietary product can recognize Arabic, Persian, and Urdu characters. With these products and ongoing R&D to develop other software, Systems is now poised to sell in export markets.

IFC financing will enable Systems to commercialize its products internationally and fulfill its domestic and offshore services contracts. IFC has agreed to finance an expansion plan that calls for computing hardware, software tools, and infrastructural support, including communications links and physical facilities. It also enables the company to hire and train 200 programmers to help fulfill new contracts. This is an innovative project for IFC, not only its first effort in the software sector, but also in terms of the venture capital mode: IFC will purchase a portion of Systems' revenues for a defined time period.

IFC recognizes the growth potential of Pakistan's software industry, based on the country's modern communications facilities, sizable workforce proficient in English, its computer literacy program, and policy incentives to stimulate software sector development.

become important regional development priorities. Despite Kazakhstan's many investment opportunities and impressive strides in reforms, private capital flowed mainly into the resource-based sectors. Although IFC has a role to play here, it will also focus on industries such as agroprocessing and value-added manufacturing, which are unlikely to attract large foreign capital inflows but will generate benefits for the local economy. In FY97, IFC continued to be active in financial markets with credit lines to a commercial bank and an investment in the first internationally owned leasing company. Uzbekistan, also rich in natural resources, has been more cautious in its economic reforms. Here, IFC played a catalytic

role by helping to generate sector reforms through investment, technical assistance, and institution-building. Investment in the agro-processing and textiles industries, which accounts for about a third of industrial output, will be important (Box 5-4). Both countries are included in the "Extending IFC's Reach" initiative, which is enhancing the Corporation's ability to help SMEs.

The Corporation approved its first investment in Tajikistan this year in connection with the

first phase of the rehabilitation and development of the Jilau gold mine (Box 5-5). IFC's role in other transition economies is developing more slowly, but is expected to focus on infrastructure, agriculture, value-added manufacturing, natural resource development, and the financial sector.

Technical Assistance and Advisory Services

IFC's investment operations in the Camena region were complemented by technical assistance and training in the areas of capital markets, policy advice on specific sectors, and general foreign investment, privatization, management services, and training.

Box 5-3 Pakistan: Engro Chemical Succeeds through Buyout

Engro Chemical Pakistan Limited is a Pakistani success story. With IFC support since 1991, Engro has transformed itself from a predominantly foreign-owned integrated ammonia-urea producer into a leading domestically owned and operated company. The story began in May 1991, when Engro underwent Pakistan's first employee-led buyout. That same year, the company decided to implement a major expansion by procuring second-hand ammonia and urea plants from the United States and the United Kingdom, respectively, and relocating them to Pakistan.

As a result of this and subsequent expansions, Engro produces more than 750,000 metric tons a year of urea for the domestic market, nearly triple the original capacity. Its market share has nearly doubled to 23 percent. Engro is further improving its energy efficiency and environmental performance, while boosting capacity by another 100,000 metric tons of urea a year, by retrofitting and modernizing its facilities.

Looking for both continued growth and diversification, Engro is pursuing two projects in joint ventures with experienced international partners. In a joint venture with Royal Pakhoed of the Netherlands, the company is building Pakistan's first dedicated bulk liquid chemical import facility, at Port Qasim, a critical infrastructure project for the further development of an indigenous chemicals industry. Engro is also developing a joint venture with Mitsubishi Corporation and Asahi Glass of Japan to establish the country's first world-scale polyvinyl chloride (PVC) plant to serve a growing domestic need for PVC in a variety of applications.

Much of IFC's technical assistance continued to be in the financial sector. In Lebanon, IFC provided the government with advice on developing the primary market for home mortgages, including the standardization of loan agreements and the elimination of tax impediments. IFC with the Arab Monetary Fund undertook a study on clearing and settlement systems in the Middle East, which was discussed with the heads of Arab stock exchanges at an Arab Monetary Fund seminar in April 1997. In Pakistan, IFC undertook a study reviewing the impediments to the development of securitization. In Central Asia, IFC commissioned the drafting of a leasing law in Kazakhstan and began to plan a strategy for developing mortgage finance in the Kyrgyz Republic.

In Pakistan, IFC provided technical assistance to a school system and a compressed natural gas project. In Jordan, IFC carried out a feasibility study for a local garment manufacturing company and undertook a technical and financial feasibility study to assist a local cement factory in environmental upgrading and rehabilitation.

IFC continued to support the modernization process in agribusiness, an important employer in this region, but one that still has a long way to go in improving its efficiency. In FY97, the Jordanian government and the International Bank for Reconstruction and Development (IBRD) requested IFC assistance in the structuring of the private component of a proposed agricultural project, with specific emphasis on irrigated horticulture in the Jordan Valley. IFC assisted with the elaboration of the joint venture business plan and acted as honest broker between the parties, while IBRD and IFC worked jointly to facilitate the project. The use of Israeli trust funds to finance technical assistance signaled the project's important regional nature, which draws on Israel's recognized expertise in high-value horticulture and irrigation efficiency.

IFC continued to advise the government of Pakistan on the sale of a controlling stake in the Faisalabad Area Electricity Board. This is the first privatization candidate in the country's electricity distribution sector and is expected to serve as a model for introducing private sector participation to seven other Area Electricity Boards. IFC developed options for the regulatory and industry framework. Social objectives were taken into account and commercially viable transaction structures were presented to the government.

The Foreign Investment Advisory Service (FIAS) continued to work on policy issues to improve the general environment for foreign direct investment (FDI). Demand for FIAS services in Central Asia was strong this year. Both the Kyrgyz Republic and Uzbekistan requested FIAS assistance for a diagnostic review of the environment for FDI, with special emphasis on administrative and legal barriers and ways of structuring a promotion agency. In West Bank and Gaza, FIAS contin-

Agriculture is the heart of the Uzbek economy, accounting for a third of GDP. It contributes about 60 percent of Uzbekistan's export earnings, mostly through cotton exports, and directly employs about 44 percent of the labor force. The country's industrial base is centered largely around the processing of agricultural products and the manufacture of machinery linked to agriculture such as tractors, cotton harvesters, and textile machinery.

Uzbekistan faces a critical shortage of farm machinery, and most of what is available is outdated. In addition, farms have little or no access to long-term credit to acquire modern equipment. As a result, agricultural production has declined in the last two years, and crop losses at harvest are substantial.

This multicomponent IFC project takes an innovative approach to addressing the needs of a key economic sector. The \$70.5 million project headed by the UzCase Group has a manufacturing component to produce cotton pickers and grain headers suited to local conditions to improve harvesting productivity and efficiency; a service component to ensure proper equipment maintenance; and a leasing component to provide a new financing mechanism to enable farmers to acquire equipment and machinery. The project will substantially improve harvesting productivity and efficiency, introduce new technology, and establish a new financial institution.

ued work on developing the basic regulatory and institutional framework necessary for private activity. In Yemen, FIAS completed a diagnostic review of the investment environment and conducted an investor survey identifying major impediments to foreign direct investment.

Box 5-5 Tajikistan: Going for Gold

For more than 30 years, miners struggled to improve the yields of gold extracted from the open-pit Jilau gold mine in the arid steppe region of northwestern Tajikistan. Partly through the help of IFC's first investment approval in Tajikistan, one of the poorest Central Asian republics, investors have been able to introduce new technology and management that is expected to nearly quadruple the annual production of gold from the mine by 1998.



EXPLORATORY DRILLING
AT JILAU GOLD MINE IN
TAJIKISTAN

IFC has agreed to make investments totaling \$9.6 million in equity and quasi-equity to help finance the \$50 million first phase of a project to rehabilitate and expand production at the Jilau gold mine. During nearly three decades of operations, inappropriate technology meant that gold recoveries were very low and the plant had been shut down. The new investors have embarked on a rehabilitation program, converting the process plant to a conventional carbon-in-leach plant in the project's first phase. Already there are signs that the investment is paying off: gold production in 1996 totaled 32,971 ounces of gold and is expected to increase to 120,000 ounces by 1998. Subsequent expansion phases, under evaluation in FY97, could lift output even further.

The project is the largest foreign joint venture in the country and will be a major source of foreign exchange earnings and government revenue. Several small businesses depend on the mine, and its success will help preserve the viability of a small local community where alternative employment opportunities are few. The project company, Zeravashan Gold Company (ZGC), is a joint venture between the Tajik government and Commonwealth and British Minerals, a wholly owned subsidiary of Nelson Gold Corp., which is quoted on the Toronto Stock Exchange.

The modernization program includes measures to address existing environmental problems as well as potential impacts from expansion. Cyanide concentrations in existing waste tailings will be significantly reduced well below what is required to protect wildlife. The tailings impoundment has been redesigned to reduce seepage and preserve groundwater quality.

IFC's experience in gold mining projects in Central Asia helped to ensure a legal and commercial framework that was equitable for both foreign investors and Tajikistan. Project negotiation, in which IFC played an active part, helped the government gain valuable exposure to the private sector, and helped establish a commercial framework for further private mining developments. ZGC has compensated the nearby Kalinin collective farm for 25 hectares of grazing land slated for use as a rock pile, and has contributed to the local hospital, school system, municipal water supply, and road improvements.

CENTRAL ASIA, THE MIDDLE EAST,
AND NORTH AFRICA
1997 PROJECT APPROVALS
(MILLIONS OF U.S. DOLLARS)

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
EGYPT								
Alexandria Carbon Black Co., S.A.E.	Expand Egypt's first carbon black production plant, supplying tire manufacturers and other rubber firms	5.00	1.50				6.50	41.2
Alexandria National Iron & Steel Co. S.A.E.	Advise and underwrite international offering of equity securities for steel rebar producer				30.00		30.00	75.0
Egypt Trust Investment Fund, The	Establish closed-end \$75 million fund investing primarily in listed equities in Egyptian companies		5.00				5.00	74.0
Egyptian Cement Co.	Build and operate a 2.8 million tons per annum cement plant	35.00					35.00	334.0
Messer Gases Dikheila Co.	Establish an industrial gas center with air-separation plant for oxygen, nitrogen, and argon	4.00	1.50				5.50	24.9
Orascom Projects and Touristic Development S.A.E	Expand integrated tourist resort at El Gouna on the Red Sea Coast	20.00	5.00				25.00	57.0
Unipak-Nile	Establish plant to make corrugated boxes, capacity 30,000 tons per year, with interest rate risk management facility	5.00			0.15	5.00	10.15	17.9
JORDAN								
Business Tourism Co.	Build and operate resort on northeastern shore of Dead Sea	4.00	1.00				5.00	25.1
El-Zay	Expand and diversify product line to include men's outerwear and restructure the company's balance sheet	5.00					5.00	10.0
KAZAKHSTAN								
ABN AMRO Registrars	Establish the first share registry company in Kazakhstan (SEF)		0.02				0.02	0.1
Central Asia Leasing	Establish first leasing company in Kazakhstan	5.00	0.32			5.00	10.32	23.0
Kazkommerts-bank	Broaden bank's funding base and extend project finance	10.00				20.00	30.00	30.0
Kosmis	Complete dairy and juice processing/packaging plant with annual capacity of 12,000 tons of beverages (SEF)	1.00					1.00	3.6
KYRGYZ REPUBLIC								
Demirbank Kyrgyz International Bank	Capital increase of the country's first joint-venture commercial bank		0.15				0.15	0.2

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
LEBANON								
Agricultural Development Co., SARL	Rehabilitate poultry operation disrupted by civil war and expand into modern integrated broiler meat production complex with annual capacity of 9,600 tons	5.00					5.00	20.0
Bank of Beirut S.A.L.	Extend long-term credit line for onlending to local SMEs and middle-income housing finance	12.50				7.50	20.00	20.0
Banque Beyrouth pour le Commerce S.A.L.	Extend long-term credit lines to four private commercial banks for onlending to local SMEs and middle-income housing finance	10.00				7.50	17.50	17.5
Banque Saradar S.A.L.	Extend long-term credit line for onlending to local SMEs and middle-income housing finance	10.00				7.50	17.50	17.5
FTML Service Cellulaire Liban	Expand and improve quality of cellular telephone network	20.00		10.00		45.00	75.00	190.0
Transorient Bank S.A.L.	Extend long-term credit line for onlending to local SMEs and middle-income housing finance	12.50				7.50	20.00	20.0
PAKISTAN								
Askari Commercial Bank	Extend long-term credit line to private commercial bank to expand operations and provide term loans to SMEs	17.00					17.00	17.0
Crescent Greenwood Limited	Rights issue to increase capital of denim producer		2.00				2.00	10.0
Engro Chemical Pakistan Limited	Retrofit and expand integrated urea fertilizer plant, improving energy efficiency and environmental performance	9.00				9.00	18.00	59.0
Faysal Bank Ltd.	Extend long-term credit line to private bank to expand operations and provide loans to SMEs	17.00					17.00	17.0
Maple Leaf Cement Co.	Support operations of cement company by rights issue to increase capital		0.51				0.51	10.0
PEPCEM	Build and operate greenfield, dry process cement plant	20.00	3.00	2.00		50.00	75.00	203.8
Prime Commercial Bank	Extend long-term credit line to private bank to expand operations and provide term loans to SMEs	8.00					8.00	8.0
Systems (Private) Limited	Finance software company that offers software design and implementation, system integration, and application reengineering		0.04	2.50			2.54	4.5
Union Bank	Extend long-term credit line for onlending to local SMEs and middle-income families for purchase of housing	8.00					8.00	8.0
TAJIKISTAN								
Nelson Gold Corporation Limited and Zeravshan Gold Co.	Rehabilitate and develop Jilau gold mine in northwestern Tajikistan		1.20	6.30	2.05		9.55	127.0

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
TUNISIA								
Aminex PLC	Develop El Biban oil and gasfield		3.05				3.05	7.2
UZBEKISTAN								
Core Pharm Sanont Uzbekistan	Construct plant to produce intravenous fluid and generic drugs	3.35	0.50			3.35	7.20	12.2
Fayz Furniture Production Co.	Upgrade existing equipment and purchase new plant and equipment to produce furniture (SEF)	1.90	0.50				2.40	4.8
UzCase Agroleasing	Establish first agricultural equipment leasing company in Central Asia	5.00	1.00			5.00	11.00	17.5
Uzcasemash	Construct an assembly plant for the production of Case two-row cotton pickers and grain headers	6.80	2.60			4.00	13.40	28.4
UzCase Service	Establish service centers for agricultural equipment	6.40	1.60			5.00	13.00	24.6
WEST BANK AND GAZA								
Arab Bank	Provide financing for microenterprises in the WBG. Second project to establish long-term housing loan option and risk management facilities	30.00		3.00	2.00		35.00	40.0
Arab Concrete Products Co. Ltd.	Expand production and delivery capacity of ready-mix concrete producer in Nablus (SEF)	0.80					0.80	2.6
Arab Hotels Co. Ltd.	Establish a first-class hotel in the town of Ramallah	6.00	0.50			4.50	11.00	25.0
Commercial Bank of Palestine	Establish facility to finance microenterprises in the WBG, with technical assistance to participating banks and microenterprises, and financing to participating banks			1.50			1.50	4.0
Jordan National Bank	Establish facility to finance microenterprises in the WBG, with technical assistance to participating banks and microenterprises, and financing to participating banks			3.00			3.00	8.0
Nabahin Industry and Trading Co.	Expand capacity of tire retreading factory in the West Bank (SEF)	0.65					0.65	1.7
Palestine Industrial Estate Development and Management Co. (PIECO)	Establish an industrial park in Gaza to provide venue for several industrial projects	8.00	1.00			7.00	16.00	39.0
REGIONAL								
AIG Central Asia Fund	Establish a closed-end regional investment fund for direct equity investment in privatized companies and joint ventures operating in Central Asia		5.20				5.20	100.0
First ANZ International Modaraba Ltd. (FAIM)	Establish the first listed Islamic leasing- oriented fund for emerging markets		5.00				5.00	50.0
SEF Small Enterprise Fund.								
SMEs Small and medium enterprises.								

CENTRAL ASIA, THE MIDDLE EAST,
AND NORTH AFRICA

1997 TECHNICAL ASSISTANCE
AND ADVISORY PROJECTS

Country	Purpose	Assistance
EGYPT	Project preparation	Conduct financial and technical assessment of integrated steel mill and arrange funding for company's future investment plans
JORDAN	Project preparation	Conduct financial and technical assessment of cement company's operations and options for equipment rehabilitation
	Project preparation	Assess operations and evaluate manufacturing company's expansion plans (TATF)
	Insurance	Two advisories to draft primary legislation and framework regulations for development of country's insurance market (TATF)
	Capital markets	Assist development of housing and secondary mortgage facility
	Agribusiness	Prepare business plan to establish private agricultural service company, composed of leading Jordanian and Israeli agribusinesses (TATF)
	Industrial development	Prepare feasibility study to expand garment plant, diversify product line, improve labor productivity, increase operation efficiencies, and expand marketing and distribution channels (TATF)
KAZAKHSTAN	Capital markets	Advise national securities commission on equity market development program
	Agribusiness	Study export markets for cut flowers industry (TATF)
	Leasing	Draft and implement leasing and taxation legislation
KYRGYZ REPUBLIC	FDI	Conduct second review of climate for foreign direct investment, with emphasis on administrative and legal barriers, as well as options for structuring promotion agency (FIAS)
LEBANON	Capital markets	Review proposed securitization legislation
MOROCCO	Capital markets	Assist with drafting securitization legislation
PAKISTAN	Capital markets	Review country's legal and regulatory framework for securitization in country
	Capital markets	Advise Ministry of Finance and Corporate Law Authority on capital markets development
	Capital markets	Review regulations on corporate debt instruments
	Capital markets	Prepare overview of legal and regulatory framework for securitization in Pakistan, in partnership with Global and New Product Development
	Energy conservation	Review market and feasibility issues for conversion of high-mileage gasoline vehicles to compressed natural gas operation (TATF)
UZBEKISTAN	FDI	Conduct diagnostic review of climate for foreign direct investment (FIAS)
	Industrial development	Assist government in developing national strategy for automotive sector, including assessing existing production capability, evaluating potential markets for automotive products, analyzing development scenarios in comparable countries, identifying opportunities and constraints impacting sector growth, and providing broad framework for industrial and trade policy (TATF)

Country	Purpose	Assistance
UZBEKISTAN <i>continued</i>	Consulting services	Perform feasibility study on establishing consulting service for private sector-oriented activities, with particular emphasis on transfer of technical skills and expertise to local consultants (TATF)
	Forestry	Identify potential projects in poplar forestry industry, with particular focus on Fergana valley (TATF)
WEST BANK AND GAZA	Taxation	Advise Palestinian Authority about effects of proposed tax regulations on private sector activities
	FDI	Help authorities develop basic regulatory and institutional framework for private sector activities (FIAS)
	Insurance	Help draft primary legislation and framework regulations for developing national insurance market (TATF)
YEMEN	FDI	Conduct diagnostic review of investment climate and initiate investor survey to identify major impediments to foreign direct investment (FIAS)
REGION	Capital markets	Review clearing and settlement practices in six countries with view to identifying areas of improvement

FDI Foreign direct investment.

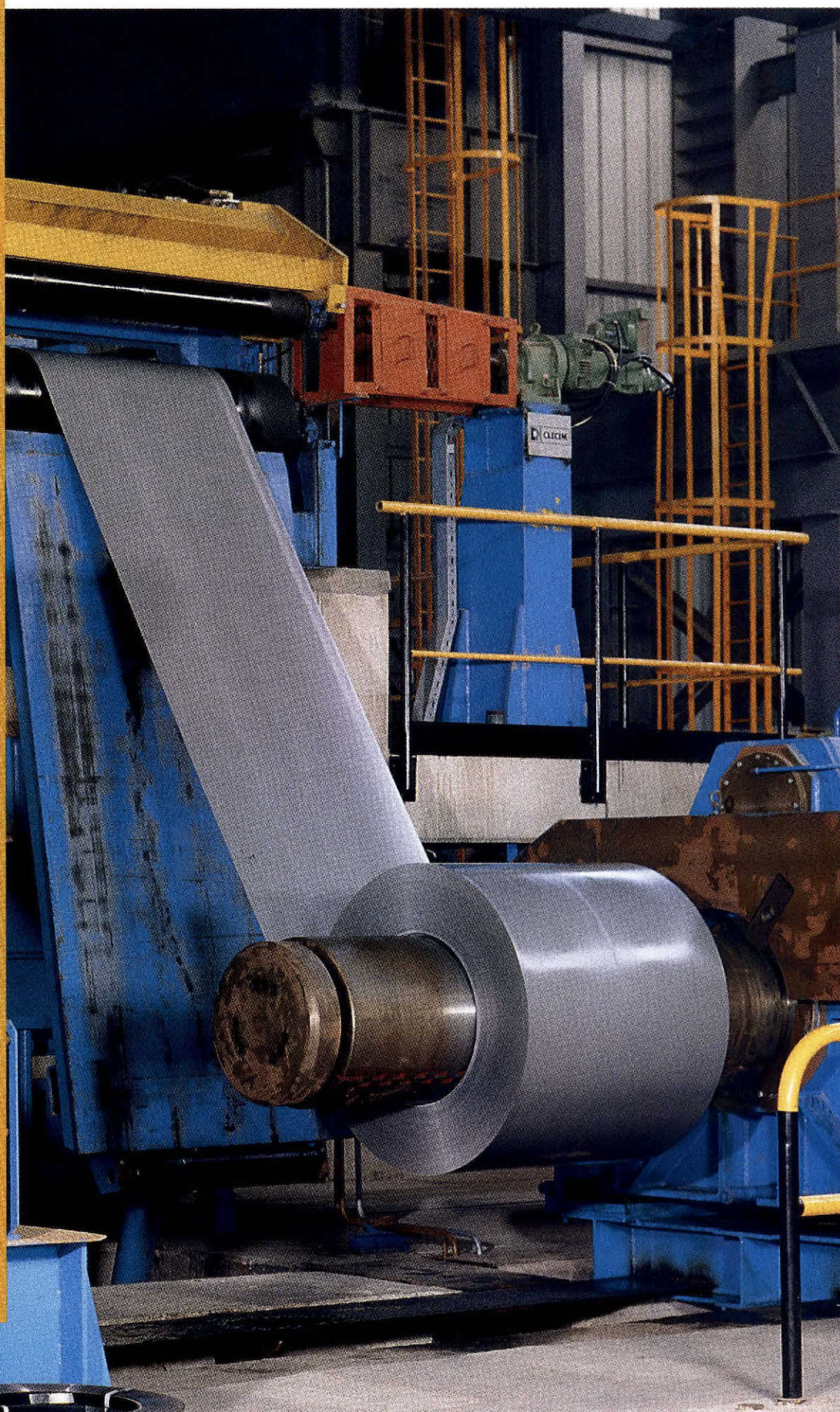
FIAS Foreign Investment Advisory Service.

TATF Technical Assistance Trust Funds.

IFC Regional Members
Europe

Albania • Armenia •
Azerbaijan • Belarus •
Bosnia and Herzegovina
• Bulgaria • Croatia •
Cyprus • Czech
Republic • Estonia •
Georgia • Hungary •
Latvia • Lithuania •
Macedonia, Former
Yugoslav Republic of
• Moldova • Poland •
Portugal • Romania •
Russian Federation •
Slovak Republic •
Slovenia • Turkey •
Ukraine

PHOTO: COURTESY
BORCELIK CELIK SANAYII
TICARET A.S., ISTANBUL, TURKEY



6 REGIONAL REPORT EUROPE

Real gross domestic product (GDP) increased during 1996 in 16 of the 21 transition countries in Central and Eastern Europe but declined in Azerbaijan, Bulgaria, Moldova, the Russian Federation, and Ukraine. Contrary to expectations that growth in Russia would resume in 1996, GDP continued to decline. In its fifth consecutive year of positive growth, Poland became the first country to exceed its pretransition peak in GDP. Inflation in 1996 was on a downward path in the region but spiraled in Bulgaria to 310 percent. In Russia, inflation dropped from 131 percent in 1995 to 22 percent in 1996. Progress remains uneven on the privatization of large enterprises throughout Central and Eastern Europe. Fewer than 20 of the 100 large, state-owned enterprises have been privatized in Armenia, Albania, and Bulgaria. At the other end of the spectrum, Estonia, the Czech Republic, and Hungary have privatized, respectively, 93 percent, 87 percent, and 82 percent of their large, state-owned enterprises. Russia and Poland have privatized, respectively, 71 percent and 55 percent of their large enterprises.

Privatization of smaller enterprises has occurred more quickly. Every small enterprise has been privatized in the Czech Republic, Estonia, Hungary, and the Slovak Republic, compared with 80 percent in Russia.

The private sector's share of GDP in the transition countries has increased as privatization has moved forward, the number of newly started companies has grown, and heavy, state-owned industry has continued to downsize. In 1996, the private sector's share ranged from 75 percent in the Czech Republic to 60 percent in Russia to only 15 percent in Belarus. This share was 25 percent in Azerbaijan, 40 percent in Ukraine, and 50 percent in Armenia and Georgia.

Motivated by the goal of speedy accession to the European Union, the Czech Republic, Hungary, and Poland are attempting to maximize growth while keeping inflation and external balances in check. Their priorities include social security reform, further development of the financial sector, and continued modernization of infrastructure. In the Czech

Table 6-1 Europe: Project Financing (millions of U.S. dollars)

	FY97	FY96
Financing approved for IFC's account	563	405
Loans and swaps	451	333
Equity and quasi-equity	112	72
Direct mobilization	548	212
Loan syndications	548	205
Underwriting	—	7
Total financing approved	1,111	617
Committed portfolio for IFC's account	1,416	1,411
Loans	1,080	1,065
Equity	336	346
Committed portfolio held for others (loop participations)	438	279
Total committed portfolio	1,854	1,690

Republic, concern that the large current account deficit incurred in 1996 might be repeated this year and prove unsustainable prompted a speculative attack on the koruna in late May, forcing the removal of the exchange rate band and an initial devaluation of 10 percent from the original parity. Growth for 1997 is expected to be in the 0 to 2 percent range in view of the restrictive macro-economic and wage policies needed to stabilize the currency and restore balance. In Russia, property rights, corporate governance, and competition remain problematic, despite the rapid pace of privatization. Modernization of the tax code and accounting system is urgently needed. Bulgaria and Romania are at turning points, with growing political consensus in favor of reform.

Turkey ended 1996 with a fiscal deficit of 9.5 percent of GDP. Real GDP growth, at 7 percent, exceeded forecasts. Turkey's inflation, at 80 percent, was a little below midyear projections. Interest rates remained high and volatile. The challenges facing Turkey were to put public finance on a sustainable basis and

to address such key structural issues as social security reform and tax reform.

Turkey's private sector, though dynamic and resilient, has been handicapped by the high and erratic inflation of the last decade, which has impeded investment and potential growth. The Turkish government has temporarily reduced financing pressures through a number of policies, and there is a prospect of faster privatization. However, there are no clear signals regarding the adoption of a medium-term reform program that could stabilize private sector expectations.

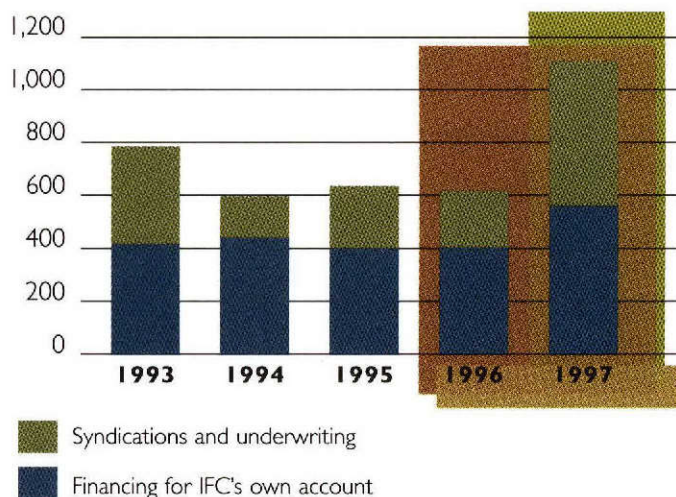
Regional Investment Strategy and Country Programs

In Europe, IFC continued to work toward its central objective of advancing the private sector through environmentally sustainable investments and technical assistance programs. IFC's priorities include:

- assisting in the creation of modern financial systems
- facilitating investment in infrastructure
- promoting private sector development in IFC's smaller and newer member countries, where the investment climate is more difficult
- emphasizing continued investment in Russia
- supporting locally owned companies in Central Europe and smaller companies throughout the region
- providing technical assistance in privatization and capital market development
- financing joint ventures and creating models to attract foreign investment
- continuing in Turkey to invest in export-oriented and second-tier viable companies.

At the close of FY97, IFC's committed portfolio in Europe consisted of investments in 142 companies in 18 countries, compared with 142 companies in 16 countries a year earlier

Figure 6-1 **Europe: Financing Approved, FY93-97**
(millions of U.S. dollars)



(Table 6-1). In FY97 in Europe, IFC approved \$563 million for its own account and \$548 million in syndications for 45 projects in 15 countries and one project with a regional focus, up from \$405 million the year before for its own account and \$212 million in syndications and underwriting for 36 projects in 13 countries and 2 regional projects (Figure 6-1).

Because sound financial systems are critical for mobilizing and channeling savings efficiently to the private sector, IFC gives high priority to developing capital markets in the transition economies. Since transition economies tend to lack choice of vehicles for savings, banks play a big role in the financial sector. Therefore, IFC strongly supports new joint-venture banks, second-tier banks, regional banks, and bank privatization. In addition, IFC continues to promote institution-building in areas such as leasing, insurance, mutual funds, and other more specialized capital markets infrastructure institutions.

In Bosnia and Herzegovina, capital remained scarce yet essential for economic recovery. Thus, IFC took the lead in sponsoring the Horizonte Bosnia and Herzegovina Enterprise Fund, a venture capital fund. The fund, IFC's first project in Bosnia and Herzegovina, will provide critically needed equity capital for the emerging private sector. IFC also approved a \$610,000 investment in the Bosnia Microcredit Bank, which will specialize in extending credit to microentrepreneurs.

In Poland, IFC agreed to invest \$15 million in Amerbank for onlending to SMEs and the possible introduction of electronic banking. In addition, to develop a regional model to encourage the creation of other regional funds, IFC agreed to invest \$5 million in the equity of the Central Poland Fund. The fund will specialize in financing existing small and medium companies as well as those owned by

Box 6-1 Poland: Equity for Small and Medium Regional Enterprises

In August 1996, the Polish Parliament passed the Law on Commercialization and Privatization of State-Owned Enterprises, which delegates the privatization of state-owned, small and medium enterprises (SMEs) to municipalities. The Central Poland Fund answers the need for equity financing on the part of both these state-owned and previously privatized SMEs.

The fund seeks to provide direct equity investments for SMEs that are either privately owned companies or state companies that form part of the central Poland region voivoids' (provincial level) privatization program. As an alternative to the National Investment Funds, which operate at a national level, the Central Poland Fund will serve as a model to spur the formation of other regional funds committed to providing SMEs with technical assistance and capital. The fund will promote the privatization of promising regional companies and introduce market dynamics through capital injection and improved corporate governance.

As a lead investor in the fund, IFC will provide up to \$5 million in equity for the project, with an envisaged initial capitalization of \$30 million to \$50 million. The fund will be managed by an investment management company formed by the Lodz Management Group, a local fund manager with significant regional experience. In addition, Credit Suisse Investment Management Group will serve as a fund adviser.

Central Poland's provinces, or voivoids, as they undergo privatization (Box 6-1).

IFC continued to support the development of the Turkish leasing industry. In FY97, the Corporation provided \$37 million in loans to five bank-owned or -affiliated, medium-sized leasing companies: Demir Leasing, Finans Leasing, Toprak Leasing, Yapi Kredi Leasing, and Rant Leasing. In addition to alleviating medium-term funding constraints for leasing companies and their customers, IFC played an important institutional development role by negotiating prudential financial and operating guidelines with these companies. Through its syndicated loan program, IFC selectively

assisted Turkish banks in accessing international capital markets for longer term loans than they could otherwise access.

Reflecting IFC's increased commitment to Russia and neighboring countries, IFC upgraded its Moscow representation to a regional hub, headed by a Director, as the base for its new Europe II Department. This structure is needed to cultivate alliances with potential regional partners, appraise complex projects,

and further expand IFC's growing investment pipeline in the region.

To inspire confidence in Russia's foreign direct investment climate, IFC supported joint ventures that would lead to the mobilization of additional financing. The Corporation approved a \$35 million A-loan, a \$10 million B-loan, and a \$5 million equity investment in International Bottlers, L.L.C., a joint venture between Leucadia National Corporation and PepsiCo to develop a distribution network.

Box 6-2 Czech Steel: Improving Efficiency and the Environment

The Nova Hut investment program, planned for the Czech Republic's largest steelmaker, is the culmination of more than two years of collaborative work by a large IFC team. The team worked with Nova Hut, Czech government officials, and local and international banks to develop a project that may serve as a model for the privatization and restructuring of other large and strategic companies in transition economies. IFC assisted Nova Hut in developing an extensive modernization program to cut annual crude steel production capacity from 4 million tons to 3 million tons, reorient production to meet market demands, improve efficiency, and ensure future competitiveness. The program entails \$650 million in new investments, including a \$75 million loan from IFC and a B-loan syndication of \$175 million.

Nova Hut is located in the Ostrava region, where the steel industry is a major source of employment and prosperity. However, dust emissions from the steel mill coke ovens impair the health of the local citizenry. Thus, the modernization program includes \$86 million in environmental upgrade measures to reduce air emissions by installing pollution control equipment, construct a biological wastewater treatment plant, and upgrade the facility sewer system. The environmental remediation procedures will dramatically improve air quality in Ostrava and will bring the company into compliance with standards of the Czech government and the European Union and World Bank environmental, health, and safety guidelines.

Trust funds from the Netherlands, Switzerland, and the United States supported various aspects of project preparation. Japanese trust funds will support the next review stage of Nova Hut's organizational structure.

Technology transfer, a significant benefit of investment for the transition economies, was another IFC priority. The Corporation approved a \$25 million A-loan, a \$15 million B-loan, and a \$5.5 million equity investment to PLM of Sweden to finance the construction of a two-line aluminum beverage can plant in Russia. The project will lead to substantial technology transfer and operating know-how through its state-of-the-art manufacturing equipment, engineering expertise, and training programs.

IFC's strategy included the development of Russia's vast natural resources. It approved an investment to help finance a joint venture oil production project in the Komi Republic and also approved financing for the development of the Pokrovskiy gold mine development in the Amur oblast of far eastern Russia. The gold mining project, which is intended to produce up to 100,000 ounces of gold per year, will be developed using largely Russian contractors and will have a positive effect on employment in an area where unemployment is high.

More IFC investments went to southeast Europe in FY97. IFC can serve as a catalyst for investment there, achieve significant development impact, and provide critical yet generally unavailable medium- and long-term financing.

The Corporation provided loans to build the Sofia Hilton Hotel in Bulgaria, including \$9.5 million in syndications; to expand and refurbish the Grand Hotel and expand production of steel products of Nikol-fert in former Yugoslav Republic of Macedonia (FYR Macedonia); and to increase the output of Koromacno Cement in Croatia.

In Europe, IFC supported investment between economies in transition. For example, IFC agreed to invest \$2 million in equity and to provide a \$2 million loan to Dunapack Rambox Prodimpex, L.L.C., a corrugated products manufacturer in Romania that was established by Dunapack Paper and Packaging Ltd., of Hungary. Also in Romania for Efes Brewery, part of Turkey's Anadolu Group, IFC approved a \$12 million A-loan, and an \$8 million B-loan, IFC's first syndication in Romania. In Azerbaijan, IFC agreed to provide a \$3.5 million loan and a \$2.3 million equity investment in Baku Coca-Cola Bottlers, Ltd., a joint venture between Efes Investments of Turkey and Ilchin Limited, an Azerbaijani trading company.

Of the 16 countries and regions included in "Extending IFC's Reach" initiative, 5 were within the Europe region: Albania, Azerbaijan, Bosnia and Herzegovina, FYR Macedonia, and the Slovak Republic. Difficult domestic conditions limited IFC's activities in those countries in the past. However, the Small Enterprise Fund (SEF), which provides funding ranging from \$100,000 to \$2.5 million under "Reach," has enabled IFC to support smaller enterprises. Those companies are the transition economies' most likely engine of growth. Under the SEF, IFC approved an expansion loan of \$610,000 to Masinomont, a small glass producer, and a \$1.5 million loan to Tetek, a textile company in FYR Macedonia.

Box 6-3 Czech Republic: Private Power in Central Europe

IFC assisted in developing the first private power generation plant in the transition economies financed without government guarantees. The ECK Generating Project involves the environmental upgrading and expansion of the ECK cogeneration plant in the town of Kladno, 30 km west of Prague. The existing plant sells hot water to the town of Kladno (population 70,000) and electricity mostly imported from the grid to customers in the Poldi Steel industrial complex.

The ECK plant, like other similar plants in the Czech Republic, is subject to fines for failure to meet new standards imposed by the Czech Clean Air Act and could be forced to shut down by 1999 if major improvements in its emission levels cannot be achieved. The costs of the required environmental upgrade could not be recovered with the current heat sales and electrical output of 21 MW without dramatic price increases. However, enlarging the electrical capacity of the plant while retaining responsibility for providing residential heat to the town offers an economically viable solution. Capacity will be increased to approximately 343 MW with the addition of a new power plant that will include two coal-fired circulating fluidized bed steam generators.

The project will cost \$401 million. IFC's investment consists of a loan of up to \$45 million for its own account, a convertible subordinated loan of \$15 million, and a syndication of \$65 million in a mix of German marks and U.S. dollars. The IFC senior loans including the B-loans have a term of almost 16 years.

The project meets Czech and World Bank objectives in demonstrating a possible solution for the environmental rehabilitation of district heating systems and in-town power plants. It will also help develop a competitive power market in the Czech Republic through efficient cogeneration and will reduce electricity prices to the local distribution network. Finally, with a Czech bank syndicate providing half of the senior debt in Czech crowns for a longer term than previously available, the project should stimulate domestic capital markets. This, together with the legal work necessary to create an adequate contractual and security structure, should serve as an impetus for financing future private infrastructure projects.

Box 6-4 Georgia: Rehabilitating "Borjomi" Mineral Water

The Republic of Georgia is renowned throughout the former Soviet Union for its Borjomi Valley mineral water. It is one of Georgia's most valuable renewable natural resources. In the 1980s, annual sales of Borjomi amounted to more than 300 million half-liter bottles. But from 1992 to 1995, after the dissolution of the Soviet Union, civil unrest idled the Borjomi bottling plants—and most other manufacturing enterprises in Georgia. In 1995, Borjomi returned to the Russian and Georgian markets, largely through the efforts of the Georgian Glass and Mineral Water Company, N.V. (GGMW), which manufactures glass bottles and produces and distributes Borjomi mineral water.

In FY97, IFC approved an investment in GGMW, IFC's first investment in Georgia, to help modernize, recapitalize, and expand the company's operations by providing new equipment, working capital, distribution facilities, and know-how for two mineral water bottling plants and a glass bottle manufacturing plant. An investment program of \$10 million, which includes IFC's equity investment of \$2.9 million, will enable GGMW to increase production and make important product quality and environmental improvements. In addition, export sales of Borjomi are expected to provide Georgia a ready source of hard currency earnings.

By analyzing the viability of the business and the strength of the Borjomi brand and working closely with the project sponsors to define a technical and financial restructuring plan, IFC helped to develop the GGMW project as a model for the nascent Georgian private sector. The U.K. and Dutch governments made trust funds available to assess market, accounting, legal, and environmental aspects of the project.



IMITATORS BEWARE! BORJOMI BOTTLED WATER HAS LAUNCHED AN AUTHENTICITY CAMPAIGN, COMPLETE WITH POSTERS THAT POINT OUT WHAT TO LOOK FOR ON A TRUE BORJOMI LABEL (INSET). THESE BORJOMI WORKERS ARE PLEASED TO BE PART OF THE COMPANY'S REVITALIZATION



IFC's strategy in Bosnia and Herzegovina put special focus on assisting in restructuring and privatizing the wood-processing industry. This critical sector for reconstruction could also offer many jobs. IFC plans to provide financing from the SEF for additional wood-processing plants.

In the Czech Republic, Hungary, and Poland, where commercial lending is more readily available, IFC shifted its emphasis toward complex projects involving locally owned companies, model infrastructure projects, and continued institutional development in the financial sector. In the Czech Republic, IFC helped Nova Hut, the country's largest steel-maker, to develop a comprehensive restructuring program, entailing \$650 million in new investments (Box 6-2). At Kladno, also in the Czech Republic, IFC approved financing for the first largely new private power generation plant in the transition economies without government-guaranteed financing (Box 6-3). IFC also provided financing for Norgips Opole, a greenfield joint venture between Opole Power Plant, a Polish joint stock company, and Norgips AS, a Norwegian plasterboard company. Norgips Opole will produce gypsum plasterboard for Poland's domestic and export market. The Corporation approved its first investment in Georgia, in the Georgian Glass and Mineral Water Company, N.V., to help modernize and expand its facilities for bottling "Borjomi" mineral water (Box 6-4), and in Moldova, one of the country's first substantial foreign equity and loan investments without sovereign guarantee, in the Incon Group (Box 6-5).

IFC investment strategy in Turkey was directed at providing scarce long-term financing to creditworthy companies for export-oriented projects. The Corporation diversified its client base to serve locally owned, second-tier companies in addition to the prime corporates.

Box 6-5 Moldova: Incon Group

"Kitchen garden of the former Soviet Union," Moldova has a major comparative advantage in agriculture, with its good climate, prime soils, and knowledgeable farming community. Agriculture accounts for 43 percent of GDP and employs a third of the labor force.

In IFC's first project in Moldova, IFC extended a loan of 12 million German marks (\$7.7 million) and acquired \$2 million in equity in the Incon Group, an agribusiness group that has emerged from a collection of individual, production-oriented processing plants, to become a commercially oriented and internationally competitive operation. IFC's financing will secure the group's position as a leading producer of quality apple juice concentrate and processed fruits and vegetables for consumers.

With these resources, Incon will invest in processing plants and will onlend \$5 million to apple farmers for orchard renovations. This program will provide critical funding to the farmers, until the financial sector can implement an effective rural credit system.

This is one of the country's first substantial foreign equity and loan investments without sovereign guarantee. It is therefore expected to have a major catalytic role in attracting foreign direct investments into Moldova, especially in agriculture.

IFC also supported foreign investment by Turkish companies in the neighboring transition countries.

IFC agreed to provide a \$25 million investment in Assan, an aluminum producer in Turkey, to modernize manufacturing technology and increase aluminum production capacity. In addition, IFC approved a \$4.6 million equity investment and a \$10 million loan to Borcelik, a stand-alone, cold-rolling steel mill.

Many Central European nations are developing agricultural policies intended to ease their integration into the European Union. In the process, improving domestic agricultural efficiency has taken a back seat. These countries, nonetheless, have good production potential. IFC therefore plans to continue selective

promotion in the areas of privatization and restructuring to improve competitiveness; investments that improve marketing and processing efficiency through vertical coordination in the food chain; and greenfield investments that add value to nontradable production and ease access to international markets.

The weak business environment (financial, marketing, trade, payments) in many countries has devastated the commercially linked farming sector. Many former state or collective farms ran large losses because they could sell their poor-quality produce only at heavily subsidized prices. From country to country, vast differences persisted in the extent to which policies have moved from command to market, in the types of farms (ranging from large collectives to small subsistence farms), and in the taxation or subsidization histories of specific agribusiness subsectors.

The former Soviet Republics raise a different set of issues related to the transition from command to market economy and the breakdown of the economic environment for agribusiness. Privatization and restructuring are the dominant priorities. IFC strategy in the region emphasizes projects that save and increase return on scarce resources, for example, high-value horticultural exports, projects that enhance competitiveness of agricultural marketing and processing companies, and projects that promote technology transfers and improve marketing through regional collaboration. While IFC has been most active in Russia, Poland, and Turkey, its presence is increasing in south European countries.

Technical Assistance and Advisory Services

FY97 was a transition year for Corporate Finance Services in Europe. Poland, the Czech Republic, and a number of other countries completed large privatizations, having made extensive use of IFC advisory services.

IFC's presence in the region remains strong. IFC assisted the First Brno Engineering Works (PBS), a company majority-owned by the Czech government, in the sale of its 33 percent interest in the joint venture ABB-PBS to ABB Asea Brown Boveri, its partner in the venture, at a price substantially exceeding its original value, reflecting the venture's success despite difficult industry conditions. IFC advised PBS in the formation of ABB-PBS, which in 1993 took over PBS' power plant supply and boiler and turbine manufacturing operations. In Turkey, IFC advised Etibank, a mining and mineral processing enterprise, in negotiations leading to the formation of a joint venture with the Garipoglu Group, a private Turkish partner, to construct and operate a hydrogen peroxide plant at Etibank's Bandirma industrial complex. Etibank, the largest Turkish hydrogen peroxide consumer, will provide an offtake agreement for one quarter of production and other in-kind contributions, in exchange for a 28 percent interest in the new venture.

In FY97, IFC helped Inkom Capital, the investment banking subsidiary of Inkom Bank, to find a foreign partner for Samara Metallurgical Company, Russia's largest manufacturer of semifinished aluminum products. Inkom Bank has a 52 percent equity stake in Samara. Through such participation, Inkom Bank hopes to relieve the serious financial and marketing problems the company has had since the Russian industry's retrenchment.

In Belarus, Russia, and Ukraine, IFC continued to provide technical assistance for privatization with donor support from the U.K. Know-How Fund, the U.S. Agency for International Development (USAID), and the Canadian and Japanese governments. In Ukraine, the land privatization program expanded with an additional 14 farms privatized this year in the Donetsk oblast. In



MELTING FURNACES
IN ALUMINUM SHEET
AND COIL PLANT
RUN BY ASSAN DENIR
VE SAC SANAYII A.S.
IN ISTANBUL, TURKEY,
FOR WHICH IFC
AGREED TO FINANCE
AN EXPANSION

Russia, IFC continued to assist the government in the reorganization of collective farms and the privatization of agricultural land. To date, under the federally approved model for farm reorganization created by IFC specialists, a start has been made toward the privatization of farmland. More than 150,000 Russian farm members have become land shareholders, 1.3 million hectares of agricultural land have been privatized, and 1,400 new, private, farming enterprises have been formed.

Thus far, IFC has helped 25 cities in Ukraine privatize 11,643 small enterprises and 11 cities in Belarus privatize 1,109 small enterprises. In addition, IFC's postprivatization projects in Ukraine and Belarus assist small and medium, newly privatized and start-up business in 10 oblasts through business centers that provide training, consulting, and information services.

Specialists also advise the respective governments on ways to reduce regulatory obstacles to small and medium enterprise development.

IFC's technical assistance program in Ukraine focuses on increasing the number of enterprises ready for privatization, stimulating demand for enterprise shares, and advising the government on relevant legislation and regulations. So far, IFC has assisted in initiating the privatization of 500 enterprises in Kharkiv oblast and 300 enterprises in Zhytomyr oblast.

The Enterprise Training Program, completed in FY97 in the Nizhny Novgorod region, trained more than 500 enterprise managers in business planning. Program participants reported receiving more than \$100 million in investment from the business plans they developed as part of the project.

IFC has continued to provide advice on developing Russia's securities markets, both to market participants on clearing and settlement and to the Federal Commission for the Securities Market as part of a World Bank technical assistance loan. IFC's other projects in Russia included designing a poultry production pilot project for Suned, one of Russia's main poultry importers.

The program of the Foreign Investment Advisory Service (FIAS), jointly operated by IFC and the International Bank for Reconstruction and Development (IBRD),

reflected the diversity of the extent of transition to market economies among countries in the region. FIAS conducted reviews of the overall business and investment climate in FY97, with an emphasis on laws, regulations, registration procedures, and investment promotion in Estonia and in Russia's Novgorod oblast. FIAS also reviewed the draft of a new FDI law in Georgia and assisted in developing plans for structuring the investment promotion agency. In Croatia, FIAS assisted the Investment Promotion Agency in developing its mandate, organizational structure, and work program.

EUROPE

1997 PROJECT APPROVALS

(MILLIONS OF U.S. DOLLARS)

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
ALBANIA								
EuroMerchant Albanian Fund	Invest in SMEs through closed-end, joint-stock investment fund		1.50				1.50	10.0
AZERBAIJAN								
Baku Coca-Cola Bottlers Ltd.	Establish greenfield Coca-Cola bottling plant in Baku with annual capacity of 60 million liters, IFC's first investment in Azerbaijan	3.50	2.30				5.80	26.5
BOSNIA AND HERZEGOVINA								
Bosnia Microcredit Bank, The	Establish financial institution specializing in financing microenterprises		0.61				0.61	7.6
Horizonte Bosnia and Herzegovina Enterprise Fund	Establish venture capital fund, IFC's first investment in Bosnia and Herzegovina since independence		2.00				2.00	15.0
Sarajevska Pivara, d.d.	Diversify brewery business to produce carbonated soft drinks and introduce new types of packaging	5.10				3.01	8.11	12.1
BULGARIA								
Sofia Hilton	Construct 256-room first-class hotel in Sofia.	10.80		2.00		9.50	22.30	46.7
CROATIA								
T.C. Koromacno d.d.	Modernize and upgrade cement plant to West European environmental standards	11.58					11.58	27.2
CZECH REPUBLIC								
Energy Center Kladno Generating s.r.o. (ECKG)	Expand cogeneration plant to increase power output from 21 megawatts (net) to 343 megawatts (net) and upgrade facility, environmentally and technically	45.00		15.00	10.00	65.00	135.00	401.0
Nova Hut, A.S.	Restructure, modernize, and privatize integrated steel works with annual production capacity of 4 million tons of crude steel, first large Czech company to be privatized without strategic partner	75.00				175.00	250.00	650.0
ESTONIA								
Eesti Uhispank	Provide medium-term loan for onlending to small and medium-sized private Estonian companies involved in food processing, wood processing and paper production, retail services, and wholesale trade	6.56					6.56	6.6

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
ESTONIA, continued								
Estonian Industrial Leasing Ltd.	Support leasing company operations by subscribing to rights issue		0.22				0.22	1.4
Oy Rudus AB	Support holding company operations with investments in construction materials sector by exercising preemptive rights in equity issue		1.48				1.48	7.4
GEORGIA								
Georgian Glass & Mineral Water Company N.V.	Manufacture glass bottles and produce and distribute natural Borjomi mineral water in Russia and other Former Soviet Union countries		1.70	1.20			2.90	10.0
HUNGARY								
ERU Hungaria Kft.	Modernize cheese processing plant and expand annual capacity from 1,800 to 4,300 tons	2.50				2.00	4.50	7.4
MACEDONIA, former Yugoslav Republic of								
Makedonija Turist A.D.	Refurbish Grand Hotel to become country's first international standard hotel	5.00					5.00	10.0
Masinomont	Expand and upgrade producer of machinery for glass working industry (SEF)	0.61			0.20		0.81	1.7
Nikol-Fert	Expand private producer of steel products used in construction	3.80					3.80	9.6
Teteks A.D.	Upgrade technology and efficiency at Macedonian textiles company in Tetovo and diversify product lines to boost exports (SEF)	1.50					1.50	3.8
MOLDOVA								
Incon JSC, Cupchin JSC, Ungheni JSC, and Floresti JSC	Modernize and expand three newly privatized fruit and vegetable processing plants, increase production of apple juice concentrate, and improve product quality and packaging	7.69	2.00				9.69	22.6
POLAND								
Amerbank-Credit Line	Financing for onlending to SMEs in Poland, for expansion and development	8.00		7.00			15.00	15.0
Central Poland Fund	Establish regional fund to invest in SMEs and other promising private companies in Lodz region		5.00				5.00	30.0

Country/client	Activity	IFC loan	IFC equity	IFC quasi-equity	IFC other	Syndications	Total project financing	Total project cost
POLAND, continued								
Gaspol S.A.	Support continued construction of liquid petroleum gas terminal by exercising rights issue		0.98				0.98	10.0
Intercell Spolka Zo.o.	Support expansion of Poland's only private sector producer of unbleached packaging paper by exercising rights issue		0.71				0.71	3.9
International Bank in Poland (IBP)	Provide subordinated loan facility to commercial bank to finance growth and improve competitive position			4.00		8.00	12.00	12.0
Norgips Opole Sp. Zo.o.	Establish greenfield gypsum board plant with annual capacity of 40 million square meters for domestic and export markets	12.92				24.31	37.22	52.0
ROMANIA								
Mobil Rom S.A.	Build and operate the first nationwide mobil phone network	40.00		10.00		120.00	170.00	290.0
Rambox	Consolidate and expand operations in Romania of Dunapack, a Hungarian paper and packaging company	2.00	2.00				4.00	12.0
Romanian Efes Brewery SA	Build and operate joint-venture brewery with annual capacity of 75 million liters	12.00	5.00			8.00	25.00	70.0
RUSSIAN FEDERATION								
Aminex Plc	Increase Kirtayel Oil Field production	17.00	3.05				20.05	85.2
Depsona, Z.A.O.	Build and operate plant to produce apple and carrot juice and apple juice concentrate					5.20	5.20	5.2
Information Technology Partners International	Participate in planned \$100 million fund to provide direct equity financing to SMEs in Russia's IT sector, including wireless telecommunications, electronic banking, and software services		15.00				15.00	100.0
International Bottlers, LLC	Build and operate two Pepsi-Cola bottling plants, in Samara and Yekaterinburg, and establish warehouse and distribution network in major cities in central and eastern Russia	35.00	5.00			10.00	50.00	242.1
Nikitas Brokerage Ltd. /Troika Dialog Investment Co.	Provide five-year revolving credit facility and five-year convertible subordinated instrument to securities brokerage company	7.00	0.01	2.99			10.00	10.0
PLM Beverage Can Manufacturing Co. and PLM Eastern Holdings AB	Build and operate Russia's first aluminium beverage can plant, with equipment supplied by its off-shore Swedish holding company	25.00	5.50			15.00	45.50	148.4

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
RUSSIAN FEDERATION, continued								
Russian Joint Stock Co. Pokrovskiy Mine (PM) and Zoloto Mining Ltd. (ZML)	PM will develop and operate open pit gold mine in Russian Far East to produce average of 85,000 ounces per year. IFC's equity is to ZML, the English parent, and loans are to PM	12.00	4.00		4.00	32.30	52.30	77.6
TURKEY								
Assan Demir ve Sac Sanayii A.S.	Expand and modernize company's aluminum and foil lines, including aluminum sheet and coil	9.85		5.00		10.00	24.85	68.0
Borcelik Celik Sanayii Ticaret A.S.	Support cold-rolling steel mill's long-term working capital requirements	10.00	4.56		1.00		15.56	42.5
Demir Finansal Kiralama A.S.	Provide leasing company with medium-term financing for aircraft, ships, and other big-ticket items	10.00					10.00	10.0
Finans Finansal Kiralama A.S.	Provide leasing company with medium-term financing for medium-scale enterprise niche market	6.00					6.00	6.0
Korfezbank A.S.	Provide commercial bank with medium-term funding for onlending to textiles, manufacturing, and agribusiness sectors	15.00				35.00	50.00	50.0
Oyak Bank, A.S.	Provide term financing to a small, well-capitalized Turkish bank for onlending to corporate clients and mortgage lending to retail customers	15.00				25.00	40.00	40.0
Rant Finansal Kiralama A.S.	Provide term funding to leasing company, owned by Turkey's largest trading house, for leasing productive equipment to private sector, particularly SMEs	4.85					4.85	5.0
Toprak Finansal Kiralama A.S.	Provide leasing company with medium-term funding for acquiring productive equipment for leasing to SMEs	8.00					8.00	8.0
Yapi Kredi Finansal Kiralama A.S.	Provide leasing company with medium-term financing for lower end of market (average equipment cost of \$30,000 to \$50,000)	8.00					8.00	8.0
REGIONAL								
Leaseholding B.V.	Establish regional holding company to create and manage network of local equipment leasing companies throughout Eastern Europe and CIS			2.00			2.00	12.0

CIS Confederation of Independent States.

SEF Small Enterprise Fund, part of the "Extending IFC's Reach" initiative.

SMEs Small and medium enterprises.

EUROPE
1997 TECHNICAL ASSISTANCE
AND ADVISORY PROJECTS

Country	Purpose	Assistance
BELARUS	Small-scale privatization	Continue to help implement small-scale privatization programs in 11 Belarussian cities and provide policy advice to Belarussian government
	Postprivatization	Assist small and medium newly privatized and start-up businesses by setting up business center for training, consulting, and information
BOSNIA AND HERZEGOVINA	Project preparation	Prepare assessment of electrical manufacturing and international contracting company, focusing on business factors critical for rehabilitating company's operations (TATF)
	Project preparation	Review status of state-owned wood processing conglomerate, including preparation of overview of forestry and timber sectors, as well as preliminary market and product analysis of timber products market. In subsequent assistance, provide detailed assessments of most-promising plants in market for eventual establishment of sectorwide credit line (TATF)
	Financial institutions	Provide assistance to establish country's first commercial microlending institution designed to extend very small unsecured credits, mostly working capital loans with short maturities, to private sector (TATF)
	Project preparation	Audit brewery's financial statements to prepare IFC investment proposal (TATF)
	Microenterprise development	Provide assistance to SMEs in project preparation work, including advice on preparing business plans, management, marketing and other functions (TATF)
CROATIA	FDI	Assist in developing mandate, organizational structure, and work program for national investment promotion agency (FIAS)
	Project preparation	Study feasibility of establishing modern meat processing operation (TATF)
	Leasing	Assist in establishing equipment leasing company. Assess regulatory, legal, and fiscal framework. Perform financial forecast and recommend operating and management procedures. (TATF)
CZECH REPUBLIC	Privatization	Assist in sale of remaining state shares of power plant and equipment company to joint-venture partner
	Privatization	Assess management, organization, and corporate governance structure as part of privatization of steel manufacturing complex (TATF)
ESTONIA	FDI	Conduct diagnostic review of the investment climate (FIAS)
GEORGIA	FDI	Conduct two-day workshop in Washington to review draft of new foreign direct investment law (FIAS). Provide staff training to Georgia Investment Center officials (TATF). Advise on structure, design, and strategy of investment promotion agency (FIAS/TATF)

Country	Purpose	Assistance
GEORGIA <i>continued</i>	Project preparation	Two advisories to Borjomi bottled water operation, one to appraise legal and accounting frameworks, with particular emphasis on foreign equity and debt investments and restrictions that would hinder ability of private project to export bottled mineral water competitively; the other to study the project's feasibility, including marketing opportunities and transportation options to Russia and other export markets (TATF)
HUNGARY	Project preparation	Provide comprehensive strategic sector review and business assessment for group of privatized fruit and juice canning companies that wish to restructure. Emphasize strategic marketing, managerial, organizational, and operational issues, management information systems, financial projections, and valuations (TATF)
LITHUANIA	Project preparation	Perform environmental assessment of past and present operations of Ekranas TV tube factory, with view to local and IFC/IBRD environmental standards (TATF)
MACEDONIA, FORMER YUGOSLAV REPUBLIC OF	Investment promotion	Review and analyze legal system and subsequently conduct preparatory and advisory work related to private foreign investments in country (TATF)
	Project preparation	Audit glass machinery plant's 1996 financial statements, provide opinion for audit and financial statements, and to extent possible, check inventory (TATF)
	Project preparation	Audit steel company's 1996 financial statements, provide opinion for audit and financial statements, and to extent possible, check inventory (TATF)
	Project preparation	Provide preinvestment environmental audit and assessment of Management Information Systems for woven and knitted products manufacturer and, subsequently, undertake preinvestment financial audit and market study and advise on corporate strategy (TATF)
	Project preparation	Conduct preinvestment financial audit of hotel and catering company planning refurbishment and expansion project and reviewed privatization process and legal structure of company (TATF)
MOLDOVA	Project preparation	Provide preinvestment operational and environmental assessment for cement and construction materials plant (TATF)
	Project preparation	Do study to identify key target markets for wine production, including price levels, trade constraints, competition, and distribution patterns in each. Also identify potential marketing and distribution partners (TATF)
	Agribusiness	Two advisories for fruit and vegetable processing and marketing company to serve as model for other private projects. One to review legal and regulatory framework to facilitate private investment in country, train local counsel in due diligence, and prepare security documents for proposed investment with newly privatized agribusiness firm. The other advisory to help initiate management information and control system (TATF)
POLAND	Institutional development	Special one-time grant to provide management support to Polish Business Advisory Network during transition from role as IFC-sponsored Business Advisory Service to independently constituted and managed entity (TATF)
	Project preparation	Provide market, technical, and financing study for proposed establishment of modern fresh dairy products facility (TATF)
RUSSIAN FEDERATION	Capital markets	Continue to assist government with securities market development
	Postprivatization	Conduct seminars on business planning preparation for business managers of large privatized enterprises in Nizhny Novgorod province

Country	Purpose	Assistance
RUSSIAN FEDERATION, <i>continued</i>	Privatization	Assist privatization of farms in Moscow, Nizhny Novgorod, Rostov, Orel, Volgograd, Kirov, Krasnodar, Tula, Voronezh, and Samara, and provide training at federal, regional, and farm levels
	FDI	Review investment climate in Novgorod oblast in Russia (FIAS)
	Capital markets	Provide advisory assistance in structuring and arrangement of Regent Undervalued Assets Russia Fund
	Project preparation	Assist state-owned bank in restructuring and in attracting foreign partner for country's largest manufacturer of semifinished aluminum products
	Project preparation	Assist in design of pilot project for poultry production for one of country's primary poultry importers
	Privatization	Assist in privatizing state power monopoly by coordinating support from donor agencies and determining needs for specific advice (TATF)
	Infrastructure	Assist power plant management in preparing project, including negotiating power purchase agreements and gas field rights, structuring transmission agreements, obtaining land rights and tax holidays from municipality, and formulating request for proposals for plant construction (TATF)
TURKEY	Project preparation	Assist state-owned mining company in forming joint venture between hydrogen peroxide plant and private local sponsor
	Privatization	Assist state-owned mining company in structuring agreement with private developers to exploit iron deposit by building mine and soda ash plant
	Project preparation	Provide feasibility and market assessment of joint venture to produce high-quality shirting fabrics, including identification of market trends in European Union, as well as projections on supply and demand (TATF)
UKRAINE	Small-scale privatization	Continue to help implement privatization of small enterprises and unfinished construction sites nationwide
	Privatization	Expand land privatization program to add 15 farms in Donetsk oblast
	Postprivatization	Assist small and medium newly privatized and start-up businesses through business centers that provide training, consulting, and information and advise government on regulatory policy
	Privatization	Assist in privatization of medium and large enterprises in Kharkiv, Zhytomyr, and Sumy oblasts, and in Autonomous Republic of Crimea
	Leasing	Study feasibility of establishing joint venture leasing company, including political and economic overview of Ukraine, status review of agricultural sector, and assessing legal, regulatory, and fiscal environment (TATF)
	Privatization	Continue facilitating mass privatization in three Ukrainian regions by supporting local advisory centers in each region and national advisory center in Kiev (TATF)
REGION OF ALBANIA AND SLOVAKIA	Project preparation	Identify private enterprises in Albania and Slovak Republic with growth potential that fit objectives of "Extending IFC's Reach" initiative to help them become eligible for financing from IFC and other institutions (TATF)

FDI Foreign direct investment.

FIAS Foreign Investment Advisory Service.

TATF Technical Assistance Trust Funds.

IFC Regional Members
**Latin America and
the Caribbean.**

Antigua and Barbuda

• Argentina •

Bahamas • Barbados

• Belize • Bolivia •

Brazil • Chile •

Colombia • Costa

Rica • Dominica •

Dominican Republic •

Ecuador • El Salvador •

Grenada • Guatemala

• Guyana • Haiti •

Honduras • Jamaica •

Mexico • Nicaragua •

Panama • Paraguay •

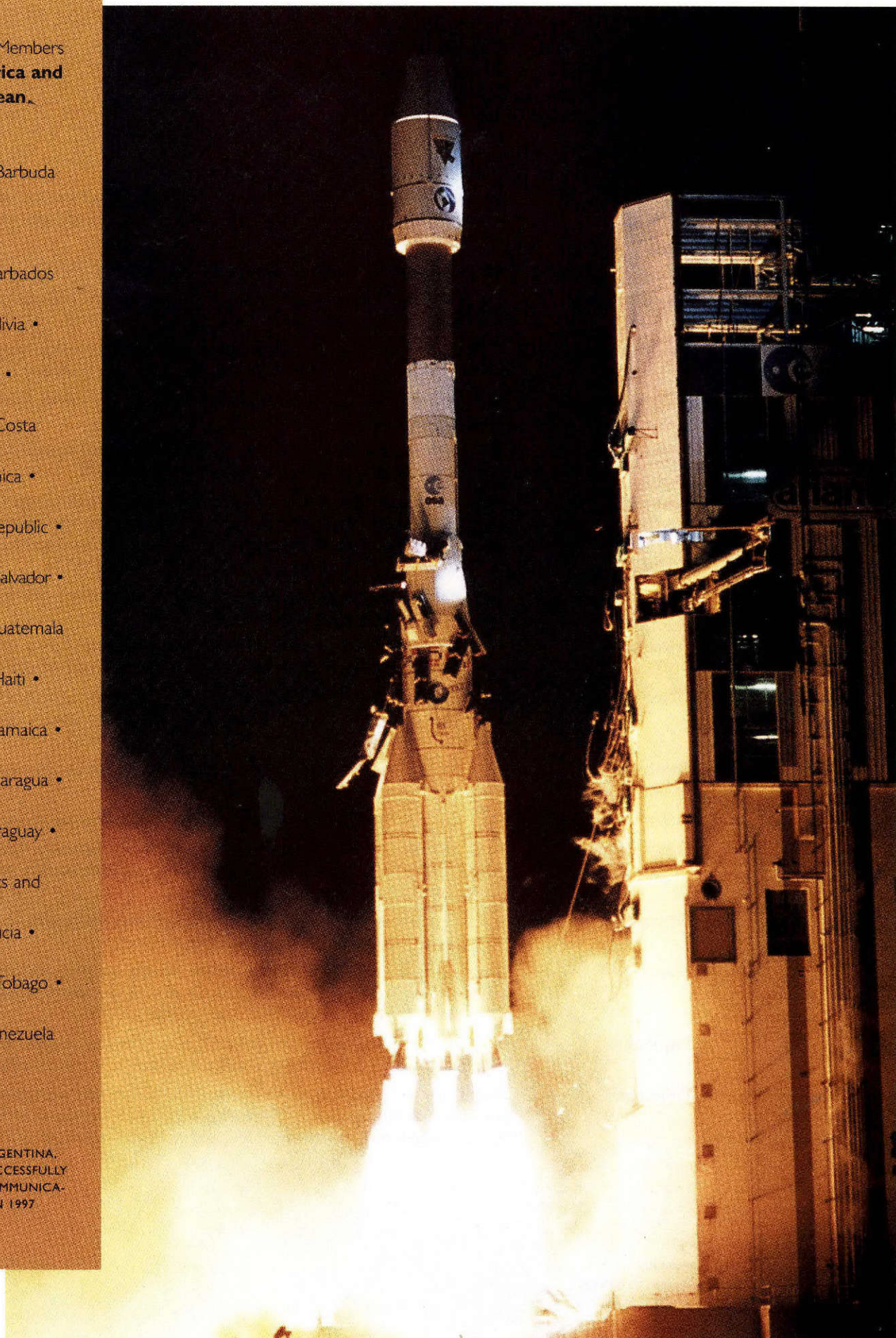
Peru • St. Kitts and

Nevis • St. Lucia •

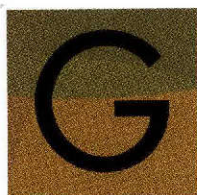
Trinidad and Tobago •

Uruguay • Venezuela

NAHUELSAT OF ARGENTINA,
AN IFC CLIENT, SUCCESSFULLY
LAUNCHED ITS COMMUNICA-
TIONS SATELLITE IN 1997



7 REGIONAL REPORT LATIN AMERICA AND THE CARIBBEAN



Global conditions were good for Latin America and the Caribbean (LAC) during 1996 and the beginning of 1997. Low inflation of roughly 2 percent in 1996

in the major industrial countries meant that the central banks could maintain relatively low interest rates. This not only stimulated industrial country growth but also promoted exports from and capital inflows to Latin America. Net private capital inflows to LAC increased to an estimated \$74 billion in 1996, compared with \$53 billion in 1995. Progress in stabilization and deeper economic reforms, together with high international liquidity, facilitated a gradual economic recovery from the peso crisis, and creditworthiness in the region improved.

GDP in Latin America grew by an estimated 3.6 percent in 1996, compared with 0.8 percent in 1995. The increase was largely due to Argentina's and Mexico's recovery from recession. In Argentina, GDP increased by 4.4 percent in 1996 after declining by 4.6 percent in 1995; in Mexico, the economy grew by 5.1 percent after a 6.2 percent contraction in 1995. Growth in Bolivia increased slightly to 3.9 percent. However, growth in much of the rest of the region slowed. In Brazil, GDP grew by 2.9 percent as the economy recovered from a mid-1995 recession. Economic growth slowed in Colombia to 3.0 percent in response to a tightening of monetary policy to dampen inflationary pressures. Although still high, growth in Chile declined to 7.1 percent from 8.5 percent in 1995. Growth also slowed in Peru, from 6.9 percent in 1995 to 2.8 percent

in 1996 as monetary and fiscal policy tightened to control a growing current account deficit. GDP declined in Venezuela by 1.6 percent as measures to reduce the fiscal deficit caused an economic contraction. Growth in Ecuador was about 2.0 percent. Growth in Central America ranged from 0.9 percent in Costa Rica, 1.8 percent in Panama, 3 percent in El Salvador and Guatemala, and 3.4 percent in Honduras to 4.8 percent in Nicaragua. The larger Caribbean countries showed similar variation, with growth in 1996 ranging from 0.5 percent in Jamaica and 2.8 percent in Trinidad and Tobago to 7.3 percent in the Dominican Republic.

Inflation continued its downward trend in the region, from an average of 30 percent in 1995 to 23 percent in 1996. Fiscal deficits declined

Table 7-1 Latin America and the Caribbean: Project Financing
(millions of U.S. dollars)

	FY97	FY96
Financing approved for IFC's account	1,188	1,257
Loans and swaps	984	1,021
Equity and quasi-equity	204	236
Direct mobilization	1,574	2,371
Loan syndications	1,574	2,371
Underwriting	—	—
Total financing approved	2,762	3,628
Committed portfolio for IFC's account	4,046	3,758
Loans	2,841	3,048
Equity	770	709
Committed portfolio held for others (loop participations)	3,868	2,879
Total committed portfolio	7,914	6,637

from an average of 4 percent in 1995 to 3 percent in 1996. There was a wide range of variation, from a 7 percent fiscal surplus in Venezuela to a 6 percent deficit in Brazil. Exports continued their strong growth in 1996, almost 13 percent, hitting \$225 billion. Imports grew by a similar amount to \$217 billion.

Economic prospects across the region depend on ever-stronger reliance on private sector development to generate growth to compete in the global economy, create jobs, and increase per capita income. Regional economic growth remains constrained by a number of factors, most importantly, underdeveloped domestic financial sectors and infrastructure. Low domestic savings rates, and the associated scarcity of capital for investment financing, are a continuing problem. Domestic savings in Latin America increased by an estimated 1 percent to 19 percent of GDP in 1996 but remain well below levels achieved in East Asia. International private capital flows increased strongly in response to the end of the Mexican financial crisis and continued structural reform throughout most of the

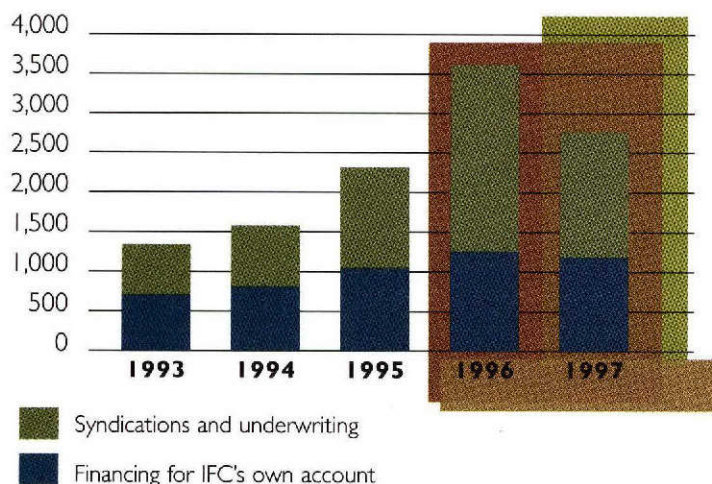
region; net flows were the equivalent of 4.6 percent of regional GDP in 1996 and play an increasingly important financing role.

Regional Investment Strategy

IFC continues to have a very active, albeit evolving, role in supporting the environmentally responsible private sector projects in Latin America and the Caribbean. Strong access to market financing for IFC's traditional clients is enabling the Corporation to extend its support to a broader cross-section of the region's private sector than ever before. The Corporation is using regional and country strategies, coordinated with the World Bank and emphasizing the evolution of private capital flows, to deploy its resources in a more focused manner and to ensure maximum development impact. The most pressing private sector development priorities in LAC are: maintenance of macroeconomic stability and continuation and deepening of the reform process under way; creation of a broader base for growth and improved distribution of its benefits; upgrading and expanding decayed regional infrastructure; and improving the ability of domestic financial sectors and capital markets to finance capital investments. As a result, IFC's strategy in the region will focus on the following areas:

- **Private Infrastructure.** Deficient infrastructure is one of the major development constraints facing countries throughout the region. Limited public resources and pressing needs in social sectors are causing governments to turn increasingly to the private sector to address deficiencies in infrastructure, thereby opening promising opportunities. However, perceived risks remain high, and projects are complex and difficult to complete. IFC works closely with the International Bank for Reconstruction and Development (IBRD) to advise governments on setting an appropriate framework for private participation in infrastructure.

Figure 7-1 Latin America and the Caribbean:
Financing Approved, FY93-97 (millions of U.S. dollars)



Once an appropriate regulatory environment is in place, IFC structures and supports "model transactions" in a number of subsectors that create demonstration effects, leading to further investments by the market.

- **Domestic Capital Markets.** Together with infrastructure, the development of domestic capital markets is a priority in every country in the region. The Corporation continues to emphasize institution building, particularly in four main segments: commercial banks, to strengthen their capital base by providing Tier 1 and Tier 2 capital; equity markets, to broaden and deepen markets by supporting the demand side through domestic institutional investors and on the supply side through equity underwriting facilities, venture capital, and private equity instruments, while also supporting development of financial market infrastructure, including rating agencies, credit bureaus, and securities market research; debt markets, to increase liquidity for quality paper of longer tenor through underwriting facilities and asset securitization; and contractual savings, to stimulate domestic savings through pension funds, promoting a greater role for life insurance, and professional asset management. IFC also supports small and medium enterprises, including microenterprises, by providing wholesale financing through financial intermediaries.
- **Second Tier, Medium-Sized Companies.** As access to international capital flows increases for first-tier companies throughout the region, IFC is shifting resources to supporting second-tier companies that do not yet enjoy this access. The Corporation will concentrate on identifying viable companies with growth potential, often where IFC can act as an agent of change in corporate culture, and its participation will encourage the introduction of best practices and of good governance, higher accounting standards,

Box 7-1 Guatemala: Low-Cost Geothermal Power

Guatemala's Zunil field has shown geothermal potential since the early 1970s. In 1993, the national electricity utility company, Instituto Nacional de Electrificación (INDE), signed a 25-year power supply agreement with a private sponsor to develop a power plant on Zunil field, 7 km south of Quetzaltenango, Guatemala's second-largest city. In a country suffering from energy shortages because of insufficient generation capacity, heavy dependence on hydro-facilities, and inefficient thermal plants, this project allows exploitation of an indigenous and renewable fuel and will provide power in a least-cost manner.

The 24 MW geothermal plant will be built on a Build-Own-Operate basis by Orzunil, a limited liability company established under Guatemalan law, which is related to Ormat Industries Ltd., an Israeli power equipment vendor and project developer. Its \$66.7 million in financing needs will be subscribed by IFC, the Scudder Latin American Fund, Ormat Inc., the Commonwealth Development Corp., and a group of local investors. IFC will provide a \$14.4 million A-loan for its own account, a \$12.8 million B-loan, and equity of up to \$2.2 million.

The plant's environmental management plan addresses the key issues of land compensation, control of soil erosion during construction, and reinjection of geothermal fluid. The energy-generating equipment uses a closed system to handle steam and brine and full reinjection into the geothermal formation, for a regenerating power source without discharge into the environment. Hydrogen sulfide warning devices will be installed even though tests indicate a low risk for this noxious gas. Those who occupy land needed for the project will be reimbursed for crops in place at the time of purchase.

and management professionalization.

- **Regional Diversification.** Similarly, international capital flows are concentrated in major industrial centers of the larger LAC countries. IFC is also shifting activity to the smaller economies in LAC, and to less developed regions within Mexico, Brazil, and Argentina.

In FY97, IFC approved investments of \$1.2 billion for its own account and \$1.6 billion in syndications for 54 projects in 21 countries and 3 regional projects in Latin America and

Box 7-2 Mexico: IFC Supports Economic Recovery

Financial restructuring of the corporate sector, particularly of SMEs, is crucial to sustaining Mexico's economic recovery from the recession precipitated by the peso crisis. Consistent with the World Bank Group's 1997–99 Country Assistance Strategy, IFC's capital markets operations focus on supporting wholesale financial restructuring of SMEs and on strengthening individual banking institutions. In this connection, IFC has established a \$110 million facility for Grupo Financiero BBV-Probursa, S.A. de C.V. (BBV-Probursa), a medium-sized Mexican financial group, including an \$80 million restructuring credit line and a \$30 million subordinated exchangeable loan. This investment has supported the restoration of BBV-Mexico, S.A., as a sound banking institution and serves to highlight a model restructuring of a Mexican bank involving a foreign sponsor.

The restructuring credit line has been provided to BBV-Probursa's banking subsidiary, BBV-Mexico. It will provide medium- to long-term loans to enterprises that currently have no alternative funding sources to restructure their balance sheets and operations. At least \$10 million of the restructuring credit line will be onlent to enterprises in Oaxaca and Chiapas to support private sector development in these less-developed states. As part of the facility, IFC has designated a senior investment officer stationed in Mexico to work closely with BBV-Mexico on the identification, restructuring, and approval of loans from the restructuring credit line.

The subordinated exchangeable loan has also helped strengthen the capitalization of BBV-Mexico through an injection of second-tier capital. It complements the more than \$350 million in capital that its controlling shareholder, Banco Bilbao Vizcaya S.A. (BBV) of Spain, has injected into BBV-Mexico since the peso devaluation.

the Caribbean (Figure 7-1). This compares with approvals of \$1.25 billion for its own account and \$2.4 billion in syndications for 61 projects in 14 countries and 2 regional projects in FY96. On June 30, 1997, IFC's committed regional portfolio of \$4 billion included loans and investments for 276 companies in 21 LAC countries compared to a committed portfolio of \$3.8 billion in 282 companies in 21 countries a year earlier (Table 7-1). Investments approved for IFC's own account in FY97 amounted to \$401.5 million in Brazil, \$219 million in Mexico, and \$228.1 million

in Argentina. The Andean countries of Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela received \$173.6 million. Central America received \$125.6 million, and the Caribbean \$73 million.

Private infrastructure investment approvals included support for a power cogeneration project at a petrochemical complex in Mexico, one port project in Argentina, and a hydroelectric plant, a cellular and fixed telephone network, and a toll road in Brazil. In Guatemala, the Corporation helped finance a geothermal project (Box 7-1). IFC also invested in a regional private equity fund to support independent power producers in Latin America.

IFC supported domestic capital market development across an array of countries and products. Institution-building investments included two private equity funds, a fund management company in Chiapas state, Mexico, an underwriting facility in Brazil, and a leasing company in Colombia. In housing finance, IFC agreed to assist three pioneering ventures, including the first-ever emerging market mortgage securitization warehousing facility in Argentina, a second-tier home mortgage bank to develop mortgage-backed securities in Mexico, and a mortgage lending credit line in Panama. IFC also continued to support economic recovery in Mexico by supporting wholesale debt and portfolio restructuring of SMEs and strengthening of banks (Box 7-2). Wholesale financing for SMEs was provided through an innovative U.S. commercial paper facility in Peru, a multicountry agent facility in the Caribbean, and two commercial bank investments in Argentina.

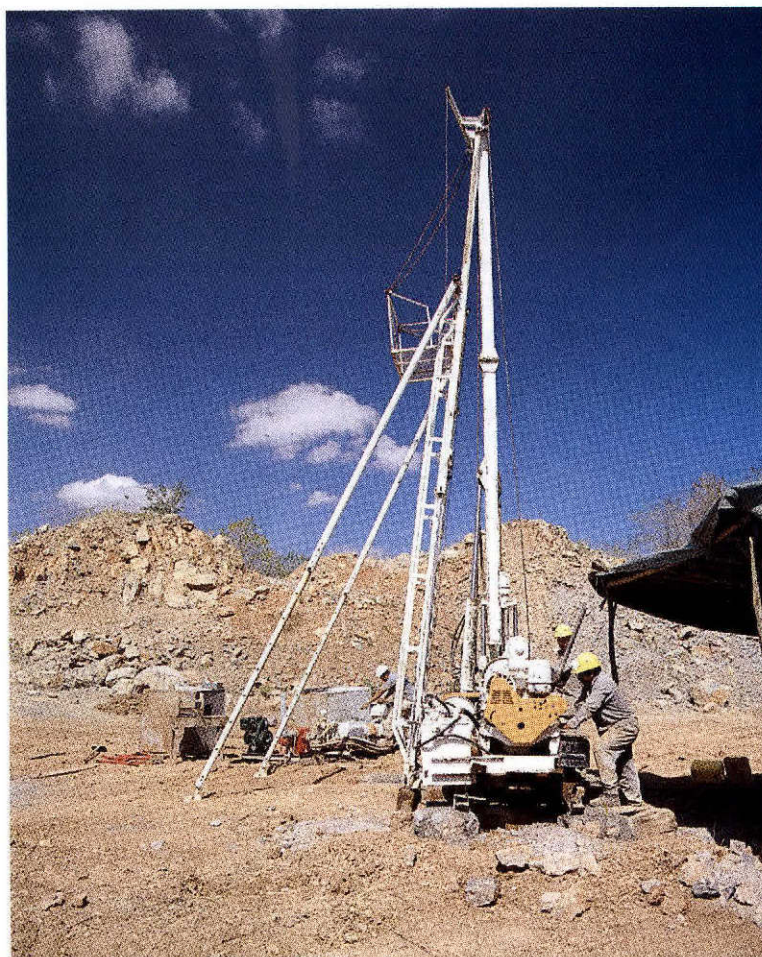
IFC investment approvals also included direct support for second-tier companies in an array of industries and countries. These ranged from support for a cement producer in El Salvador,

a cut flower exporter from Ecuador, an engine block manufacturer in Mexico, and a soap producer in Honduras (Box 7-3).

Regional diversification is becoming more important with increasing activity in smaller economies and in less developed regions of the larger countries. The latter work involves collaboration with IBRD in southern Mexico, northern Argentina, and northeast Brazil. Investment approvals in these regions included a private equity fund in Chiapas state in Mexico, support for fruit and oilseed projects and a credit line in northern Argentina, and retail, textile, petrochemical, and diversified food production in northeast Brazil. The "Extending IFC's Reach" initiative (Box 2-1) has been implemented in El Salvador, Guyana, and the Organization of Eastern Caribbean States countries, including Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, and St. Lucia, with the first project approved in April 1997.

Country Programs

In Argentina, the economy has come out of the recession that followed the peso crisis: strong expansion of agricultural production and rapidly growing exports supported a real economic growth of 4.4 percent, and inflation was practically nil in 1996. The private sector continues to respond positively to the new economic environment, and public confidence has improved. Domestic and international enterprises are investing heavily in privatized companies, and the corporate sector is implementing important restructuring measures. Performance remains uneven, however, across sectors. Restructuring needed to improve competitiveness is being implemented faster in larger corporates, while progress of smaller firms is slower. Unemployment remains high at about 17 percent, reflecting to some extent prevailing rigidities in the labor market.



LIMESTONE QUARRY DRILLING, PART OF CEMENTO DE EL SALVADOR'S CEMENT PRODUCTION PROCESS, FOR WHICH IFC AGREED TO FINANCE AN EXPANSION

In FY95 and FY96, IFC was a major source of finance for Argentina's private sector, bridging the gap created by the "tequila effect." FY96 investments, including syndications, reached \$1.5 billion. Much of this investment supported privatization and concessioning initiatives in infrastructure. With the return of private capital flows and improved access to financing for large corporates and many infrastructure projects, the need for IFC has been reduced and has shifted toward smaller firms and projects, leading to a sharp reduction in investment volume. IFC's investments concentrated on the agribusiness sector in FY97, with projects in meat processing, oilseed crushing, and

dairy product production. Capital markets activity focused on innovations, particularly in mortgage securitization. The Corporation also supported development in the provinces, through a credit line to support lending in Tucuman and the northern provinces, as well as institution-building in a bank in Cordoba. These two credit line operations were an outgrowth of a joint World Bank-IFC effort, the Tucuman initiative, to stimulate public sector reform and private sector growth in northern Argentina. IFC continues to assist a project development facility for Tucuman, which also stemmed from the same initiative.

Box 7-3 Honduras: Cleaning Up Soap Factories

A leading Honduran consumer products manufacturer, Cressida is Central America's largest producer of soap, detergent, and tomato-based products. With IFC support, Cressida is modernizing its facilities, expanding its soap and detergent capacity and food-processing lines, and diversifying into edible oils. To meet increased demand for these products, Cressida will upgrade its plants in Honduras at San Pedro Sula and the Comayagua region, and also in El Salvador.

The \$84 million project has three components. First, Cressida will build a new facility and close its old environmentally detrimental soap and detergent plant located there. The planned industrial complex will include new soap and detergent and sulfonation plants, a methyl-ester plant with glycerin-recovery and methanol-recovery units, and an edible-oil facility. The second component entails expansion and modernization of Cressida's soap and detergent factory in San Salvador. And the third component consists of expanding and modernizing its food, drink, and snack plants in Honduras.

These improvements, which IFC has agreed to finance, are designed to boost Cressida's soap and detergent capacity to 139,000 tons a year and its food-processing capacity to 39,000 tons a year.

In Brazil, the Real Plan continues to achieve remarkable success in lowering inflation. With this progress and a favorable external environment, Brazil has achieved considerable economic and social progress. Economic growth increased from near stagnation through 1992 to an average of 4 percent during 1993-96; and inflation declined from 2,668 percent in 1994 to about 10 percent in 1996. The drastic fall of inflation eliminated the inflation tax, and real wages have increased, which contributed to improving income levels of the poor. These achievements are also supporting a deepening of critical structural reforms. Privatization, in particular, appears set to accelerate with the successful sale of Companhia do Vale do Rio Doce (CVRD) in May 1997. The transformation of the Brazilian economy, with its increased reliance on exports and on the private sector, has significantly increased needs and opportunities for private sector development. Although private external capital flows meet part of these needs, they remain small relative to the size of Brazil's economy (2.0 percent of GDP in 1996) and play a minimal role in a number of areas that are critical to Brazil's development, such as increased private participation in infrastructure, development of domestic capital markets, strengthening of second-tier companies and SMEs, and the further development of the Northeast. This, combined with the size of the economy, is leading to unprecedented levels of demand for IFC support. During FY97, IFC approved investments in a wide range of projects in Brazil, from support for expansions in footwear and petrochemicals to poultry production (Box 7-4). In the Wentex project, the Corporation agreed to help finance a textile mill to produce cotton fabrics in the less-developed Northeast. In the Guilman Amorim Hydroelectric project, IFC agreed to finance Brazil's first entirely private hydroelectric power project. In another private infrastructure project, IFC approved an

Box 7.4 Brazil: Loans for Small Poultry and Pig Farmers

Brazilian livestock growers are the beneficiaries of a \$50 million line of credit by IFC to finance capital investments and improvements of integrated poultry and pig operations. Initially, up to \$25 million of the facility will be used by more than 500 farmers associated with Ceval Alimentos, S.A., an IFC client, to build or expand broiler houses for poultry; to build breeding pens, farrowing crates, and fattening houses for pigs; to modernize feeding equipment; and to improve energy and water use as well as waste treatment systems. The balance of the facility will be used by other farmers linked to other IFC clients and companies in the sector.

With the northward expansion of grain-producing areas, Ceval and other integrated meat companies are undertaking projects in the poorer north-central and northeast regions of Brazil, where there are few integrated "commercial outgrower systems"—networks that link small farmers to meat processing operators.

Brazilian livestock farmers have limited access to long-term financing for capital investments at reasonable rates. Working capital needs are usually self-financed through successive contracts with the integrator company. The proposed livestock facility will help reduce the financing constraints on the expansion of poultry and pork farming and will complement IFC's recent investments in Brazil's leading companies in the sector.

Because of the complexity of handling more than a thousand small borrowers, IFC's loan will be channeled through Unibanco, an IFC client, and a leading Brazilian bank with extensive branches in farming regions. Unibanco, the borrower of record, will onlend and administer the flow of funds to the farmers selected by the sponsors, within parameters agreed to with IFC. The sponsors will guarantee repayment to both Unibanco and IFC.

investment in Companhia de Telecomunicações do Brasil Central. IFC also mobilized \$200 million for Sadia, a major agribusiness concern, through the first-ever single-asset securitization in Brazil, bringing U.S. insurance companies in as new sources of long-term investment capital. The Corporation approved the IFC structuring and participation in a Brazil-based regional venture capital fund, Terra Capital Fund, which will invest in firms that promote biodiversity through sustainable agriculture, aquaculture, and forest management, as well as ecotourism. A Global Environment Facility grant of \$5 million is expected to leverage an investment of \$20 million to \$50 million in the fund.

Mexico's rapid recovery resulted in overall growth of 5.1 percent in 1996, accompanied by strong growth in the volume of exports and

imports, as well as public investment.

Financial markets also strengthened as public confidence grew. However, many Mexican SMEs are still deep in debt. IFC's projects in FY97 included support for electricity cogeneration in a petrochemicals complex and for a corn flour producer. In the Cifunsa project, the Corporation helped finance the expansion of Mexico's leading producer of cast iron engine blocks and cylinder heads, as part of the continuing integration of the North American auto market. IFC also supported a credit line to support SME restructuring and a second-tier mortgage bank. In the Fondo Chiapas project, the IFC provided SMEs in the southern states with financial and technical assistance as part of a Bank Group effort to stimulate growth in Mexico's south.



ECONOMIC OPPORTUNITY IS ON THE RISE IN ONE OF MEXICO'S POOREST STATES, CHIAPAS, THROUGH AN IFC-SUPPORTED VENTURE CAPITAL FUND TARGETING LOCAL INVESTMENT PROJECTS

In the Andean region, IFC approved financing for the development of a nickel deposit in Venezuela, a leasing company in Colombia, a commercial paper-based on lending facility in Peru, and an agribusiness company in Ecuador. A number of advisory assignments in these countries are discussed below. In Central America, IFC supported the expansion of a cement plant and an agricultural tool manufacturer in El Salvador; a geothermal power plant, the modernization of a steel plant, and the development of oil reserves in Guatemala; a credit line for new mortgages and the securitization of existing mortgages by a second-tier company in Panama; and the expansion of a soap and detergent manufacturer in Honduras (Box 7-3). In the Caribbean, IFC agreed to finance a loan facility for small and medium projects through the Bank of Nova Scotia (Box 7-5) and arranged a syndication for a power generation project in Jamaica.

Technical Assistance and Advisory Services

In Brazil, IFC advised SABESP, the São Paulo State water utility, in structuring and awarding a Build-Operate-Transfer contract designed to produce drinking water for the São Paulo Metropolitan region. Technical assistance was also given on appropriate tunnel technology and techniques for pipeline construction, identification of environmentally sensitive areas, groundwater management, and cost control. In transport, IFC advised the Companhia do Metropolitano de São Paulo (Metro) on building the city's fourth mass-transit line by introducing private participation. In power, IFC began advising Companhia Energética do Ceará (COELCE) and the government of Ceará on structuring their Pecém Power Plant project as a Build-Operate-Own contract in northeast Brazil.

IFC advised the government of Ecuador on the privatization of Emetel, the national telecommunications company. Emetel will be split into two regional operating companies to be sold to private operators or qualified consortiums and Emetel's employees. The Corporation is also preparing a feasibility study to include a technical financial assessment and an initial environmental examination for a commercial port facility in Ecuador needed by agribusiness for bulk shipments.

In Venezuela, IFC undertook two advisory mandates for Fondo de Inversiones de Venezuela (FIV)—a general advisory mandate and the preparation for sale of the Isla Margarita Power System. The general mandate consisted of devising a strategy for restructuring and privatizing FIV's electricity companies.

IFC advised the Colombian government on securitization, emphasizing mortgage assets. Advice was also provided to the Securities

and Exchange Commission on rating agency regulations. In Guatemala, IFC assisted local entrepreneurs in preparing, setting out to contract, and supervising a feasibility study for a new mortgage securitization company. In Peru, IFC helped develop investment savings funds, building on the Programa de Participación Ciudadana (PPC).

The Foreign Investment Advisory Service (FIAS) focused its services mainly on Central America and the Caribbean. In El Salvador, FIAS helped the government draft a new investment law and advised on the strategy and design of a new investment promotion agency with mixed public and private sector participation. FIAS helped the government of Costa Rica to develop a strategy to promote more foreign direct investment in the country's electronics industry. In St. Lucia, a first-time client, FIAS helped the government design an investment promotion institution.

Box 7.5 Caribbean Loan Facility

The \$50 million Caribbean Loan Facility (CLF), with Bank of Nova Scotia (BNS), will provide scarce, long-term funding for small and medium-sized projects in IFC member countries in the Caribbean. BNS will administer the facility through its local branches and subsidiaries in the Caribbean and will have a 50 percent participation through other corporate affiliates in these loans. BNS and IFC have agreed to contribute \$25 million each to the facility under an A-loan and a B-loan structure.

BNS will be responsible for project identification, appraisal, environmental compliance, negotiation of the terms and conditions of each loan, and supervision over the life of the loan, according to criteria agreed with IFC. The CLF is intended to enable IFC to lend, through BNS's branch network, to projects too small for IFC direct financing at reasonable processing and supervision costs. It will also encourage BNS to provide foreign currency term loans, which it would not otherwise provide. Projects will be mainly hard currency earners, and both greenfield and expansion projects will be eligible. BNS will market the facility through its local branches, affiliates, and subsidiaries.

Initially, the facility will cover Antigua, Barbados, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts, St. Lucia, and Trinidad and Tobago. However, most of the projects are expected to occur in Jamaica, Trinidad, Barbados, and the Dominican Republic.

LATIN AMERICA AND THE CARIBBEAN
1997 PROJECT APPROVALS
(MILLIONS OF U.S. DOLLARS)

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
ARGENTINA								
Acindar Industria Argentina de Aceros S.A.	Provide additional funding for major steel mill modernization program	25.00		15.00		50.00	90.00	105.0
Banco del Suquia S.A.	Provide second-tier capital to support expansion of commercial banking in Cordoba and neighboring provinces			10.00			10.00	10.0
Banco Roberts NoA Credit Line	Establish credit line facilities to provide medium-term finance to middle-market, second-tier, and recently privatized companies in Tucuman and other northern provinces	30.00					30.00	30.0
First Argentine Mortgage Corp.	Structure and arrange mortgage securitization warehousing facility			0.40	35.00	65.00	100.40	100.4
Friar S.A.	Modernize facilities, develop higher value products, and update distribution system for second-tier meat processing company	10.00		2.50		7.00	19.50	38.5
Guipeba-Ceval S.A.	Expand, modernize, and diversify oilseed crushing plants and expand oilseed storage facilities	15.00		5.00		20.00	40.00	47.5
Kleppe S.A.	Expand storage and packing facilities of fruit production and packing company supplying apples, pears, and stone fruits to domestic and export markets	6.00					6.00	13.5
Máxima S.A. AFJP	Rights issue to acquire another pension fund manager for FY95 project		4.20				4.20	28.5
Milkaut S.A.	Expand processing capacity and consolidate and rationalize production facilities of dairy cooperative	20.00				5.00	25.00	44.5
T6 Industrial S.A.	Build 4,000 ton per day soybean crushing plant adjacent to Terminal 6	10.00		5.00		30.00	45.00	61.1
Terminal 6, S.A.	Expand existing berth and storage capacity of grain export terminal to provide port storage for adjacent soybean crushing plant	10.00				13.00	23.00	27.8

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
ARGENTINA, continued								
Transportadora de Gas del Norte, S.A.	B-loan increase for expansion of privatized natural gas pipeline, FY96 project					10.00	10.00	*
Vicentín S.A.I.C.	Modernize and expand storage and processing facility for a medium-sized diversified oilseed crushing company	25.00				10.00	35.00	60.0
BRAZIL								
Bompreço S.A. Supermercados do Nordeste	Assist supermarket chain's expansion and modernization program	25.00		5.00			30.00	180.6
Companhia de Telecomunicações do Brasil Central	Modernize and expand fixed and cellular telephone networks in Central Brazil	35.00				150.00	185.00	425.4
Companhia Petroquímica do Sul S.A.	Increase annual naphtha cracking capacity of olefins producer to 1.1 million tons of ethylene and 0.6 million tons of propylene	40.00				180.00	220.00	727.9
Concessionaria da Rodovia Presidente Dutra S.A.	Expand and rehabilitate Rio-São Paulo Highway under 25-year concession from Brazilian government	35.00				80.00	115.00	535.5
Duralex, S.A.	B-loan increase for FY96 project to establish Brazil's first medium-density fiberboard plant and modernize other operations					20.00	20.00	*
Guilman-Amorim	Build and operate 140MW hydroelectric plant on the Piracicaba River to meet electricity requirements of sponsors	30.00				90.00	120.00	148.0
Ipiranga Petroquímica S.A.	Expand and diversify petrochemical facilities to produce 150,000 tons of polyethylene and 150,000 tons polypropylene	35.00	0.32	5.00		150.00	190.32	399.7
Lightel Serviços de Tecnologia da Informação S.A.	Exercise IFC's preemptive rights by subscribing for 9.2 million shares		8.17				8.17	73.2
Sadia Concórdia S.A. Indústria e Comércio (SADIA)	Support expansion and upgrade of production facilities and develop distribution channels for poultry, meat, pork, beef, and edible oil producer	30.00		10.00		160.00	200.00	505.4
Samarco Mineração S.A.	Build 25 MW hydroelectric power plant and install pollution abatement equipment at iron ore mining and pelletizing plant	23.00				16.00	39.00	44.8

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
BRAZIL, continued								
São Paulo Alpargatas S.A.	Support modernization program to enable shoe manufacturer to meet growing demand, increase productivity, and reduce fixed and variable unit costs	25.00		5.00		30.00	60.00	117.2
Sucorrico S.A.	Establish modern processing plant for frozen concentrated orange juice	15.00					15.00	44.0
União de Bancos Brasileiros S.A.-Unibanco	Credit line for small and medium poultry and pork farmers associated with Ceval Alimentos S.A. in northern regions	50.00					50.00	50.0
Wentex Textil S.A.	Establish mill to produce 2,000 tons per month of knitted cotton fabrics for domestic market	15.00	10.00			20.00	45.00	113.8
CHILE								
Agrisouth (Chile) S.A.	Develop vertically integrated fruit export operation, including plantation, packing house, and conventional and controlled atmosphere storage	10.00				5.00	15.00	57.1
Moneda Asset Management S.A.	Rights issue for investment fund, FY94 project		0.14				0.14	0.8
COLOMBIA								
Corporación Financiera de Santander S.A. (Corfinansa)	Provide long-term funding for leasing by Colombian medium-sized companies for modernization/expansion needs	30.00					30.00	30.0
Industria Colombiana de Llantas, S.A.	Rights issue for tire manufacturer, FY95 project		0.46				0.46	16.0
ECUADOR								
Agrocapital, S.A.	Establish horticultural farm to produce 30 million roses per year for export	3.50					3.50	14.0
EL SALVADOR								
Cemento de El Salvador, S.A. (CESSA)	Help finance major expansion of private cement producer	20.00	5.00			24.00	49.00	102.9
Implementos Agrícolas Centroamericanos, S.A. de C.V.	Restructure short-term debt and modernize facilities of agricultural hand tools manufacturer (SEF)	2.00					2.00	4.4
GUATEMALA								
Basic Petroleum International Ltd.	Develop oil producer's reserves to increase production by 8,000 barrels per day and lay 106 km crude oil pipeline	12.00	1.83			12.00	25.83	73.0

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
GUATEMALA, continued								
Orzunil S.A.	Build 24 MW geothermal power plant based on Ormat technology to sell entire output to national power utility	14.50	2.30			13.00	29.80	66.7
Siderúrgica de Guatemala, S.A.	Provide long-term funds to help steelmaker build in-house power plant and revamp other facilities at Escuintla to reduce costs and improve productivity and quality	18.00				14.00	32.00	58.7
HONDURAS								
Corporación Cressida, S.A. de C.V. and Cressida International Investment Corp.	Help soap, detergent, and tomato-product manufacturer expand and modernize	15.00		10.00		30.00	55.00	83.7
JAMAICA								
Jamaica Energy Partners	B-loan for diesel power plant on barges, FY95 project					48.00	48.00	48.0
MEXICO								
Banco Bilbao Vizcaya-México, S.A.	Help restructure middle-market enterprise sector and support banking sector restructuring, two key parts of program developed by IFC in response to peso crisis	80.00		30.00			110.00	110.0
Cifunsa S.A. de C.V.	Expand operations and make environmental improvements for manufacture of engine block castings for North American diesel market	21.00				11.00	32.00	65.0
Comercializadora la Junta, S.A. de C.V.	Build and operate specialized marine terminal for handling grain and edible oils	3.50		2.50		7.50	13.50	24.0
Enertek S.A. de C.V. and Cinergy S. de R.L. de C.V.	Build a cogeneration plant in Altamira to supply 105 MW of electricity and 800,000 lbs/hour of steam to several companies	17.80		1.00		38.00	56.80	75.3
Fondo Chiapas S.A. de C.V. Sociedad de Inversión de Capitales	Support fund management company and provide financial and technical assistance to SMEs in Chiapas state		0.02	5.00			5.02	12.1
General Hipotecaria	Help Mexican primary private home mortgage bank develop secondary markets for home mortgages and mortgage-backed securities		2.50				2.50	10.0
Grupo Financiero BBV-Probursa, S.A. de C.V.	Rights issue in financial group, FY96 project		0.60				0.60	76.6

Country/client	Activity	IFC loan	IFC equity	IFC quasi- equity	IFC other	Syndi- cations	Total project financing	Total project cost
MEXICO, continued								
Grupo Minsa, S.A. de C.V.	Help finance corn flour producer's expansion, including new plant, working capital increase, and short-term debt reduction	20.00	10.00			30.00	60.00	80.0
Mexico Partners Trust	Establish Buy-Out/Buy-In private equity fund of up to \$500 million to invest in Mexican export-oriented, middle-market enterprises		20.00				20.00	300.0
Terminal Marítima de Altamira S.A. de C.V.	Develop terminal and ancillary installations to handle grain, bulk minerals, and chemical solids	3.00		2.10		10.40	15.50	20.4
PANAMA								
Banco General S.A.	Credit line to support new mortgage issuance in Panama	25.00					25.00	25.0
PERU								
Banco Internacional del Perú	Provide term financing for private, middle- market companies for projects involving consolidation, modernization, expansion, and export-related growth	20.00				100.00	120.00	120.0
VENEZUELA								
Compañía Anónima Nacional Teléfonos de Venezuela	B-loan increase for expansion of wireline and mobile telecommunications networks, FY96 project					10.60	10.60	*
Minera Loma de Niquel, C.A.	Develop Loma de Niquel lateritic nickel deposit, build on-site ferro-nickel smelter, lay 17-km natural gas pipeline to fuel smelter	65.00	2.40	7.10		50.00	124.50	430.0
Telecomunicaciones Movilnet C.A.	Expand and modernize the company's national cellular network over the next two years	35.00				40.00	75.00	178.4
REGIONAL								
Scotiabank Multicountry Loan Facility	Establish multicountry facility through The Bank of Nova Scotia branch network to enable IFC to lend to SMEs in Caribbean region	25.00				25.00	50.00	50.0
Scudder Latin American Trust For Independent Power II	Investment in second private equity fund for private power projects in LAC region		10.00				10.00	250.0
Terra Capital Fund and Terra Capital Fund Management Co.	Establish private equity fund targeted at projects that promote biodiversity throughout South America		5.05				5.05	50.5
SEF Small Enterprise Fund.								
* Transaction does not increase original total project cost.								

LATIN AMERICA AND THE CARIBBEAN 1997 TECHNICAL ASSISTANCE AND ADVISORY PROJECTS

Country	Purpose	Assistance
BARBADOS	Capital markets	Assist in developing corporate structure for regional equity fund
BRAZIL	Private infrastructure	Advise São Paulo state water utility on expanding, through Build-Own-Transfer contract, to increase water supply in region (TATF)
	Private infrastructure	Advise government of Ceará on structuring Build-Operate-Own contract for private power plant project (TATF)
	Private infrastructure	Advise Companhia do Metropolitano de São Paulo (Metro) on structuring city's fourth metro line through Build-Own-Transfer contract; one of first projects to involve private sector in developing and operating heavy-rail subway network
COLOMBIA	Capital markets	Advise government on mortgage securitization and rating agency regulations
COSTA RICA	FDI	Assist in developing national strategy for promoting FDI in electronics sector (FIAS)
ECUADOR	Infrastructure privatization	Advise government on sale of strategic stake in national telephone company, country's first infrastructure privatization
	Transport	Prepare feasibility study to evaluate technical, financial, and environmental issues related to establishment of commercial port facility designed primarily for agribusiness needs and bulk handling (TATF)
EL SALVADOR	FDI	Assist in drafting new investment law (FIAS)
	FDI	Assist in strengthening role of investment agency and developing national promotion strategy (FIAS)
GUYANA	Capital markets	Prepare feasibility study for establishing Guyana Bank for Trade and Industry as country's first merchant bank of its kind (TATF)
HAITI	Privatization	Advise government, in partnership with IBRD, on eventual privatization of selected state-owned enterprises
MEXICO	Fisheries	Prepare feasibility and environment studies to assess establishment of greenfield shrimp farming venture, including construction of processing plant to serve venture as well as other fisheries and aquaculture companies (TATF)
PERU	Capital markets	Assist in development of investment savings funds
ST. LUCIA	FDI	Assist in defining institutional framework and exploring strategic options for investment promotion (FIAS)
VENEZUELA	Infrastructure privatization	Advise Fondo de Inversiones de Venezuela on devising strategy for restructuring and privatizing state's electricity companies
	Infrastructure	Advise on sale of integrated state-owned electricity company (Isla Margarita) to serve as privatization model for future privatizations

FDI Foreign direct investment.
FIAS Foreign Investment Advisory Service.
TATF Technical Assistance Trust Funds.



8 FINANCIAL REVIEW



IFC earned a record \$432 million in net income in fiscal year 1997, 25 percent above FY96, and equivalent to a return on average net worth of 9.7 percent.

Strong performance of IFC's major product lines and continued control of administrative expenses drove this achievement. Net income from the loan portfolio (after allowances for borrowing costs, nonaccruals, specific loss provisions, and administrative expenses) reached \$40 million in FY97. Net income from the equity/quasi-equity portfolio (after allowances for nonaccruals, specific loss provisions, and administrative expenses) was \$249 million as a result of significant levels of capital gains realized through the sale of mature equities (\$196 million) and dividend receipts (\$148 million). Net income from IFC's invested net worth and treasury activities totaled \$203 million after administrative expenses.

During FY97, IFC received \$153 million in capital subscription payments from member countries under the General and Special Capital Increases approved by IFC's Board of Governors in 1991 and 1992 and from special allocations of shares. IFC's borrowings continued to expand in line with its growing lending activities. New borrowings, almost entirely in the international markets, totaled \$3.9 billion (\$3.3 billion raised under the FY97 funding program, the remaining \$0.6 billion under FY98 pre-funding authority).

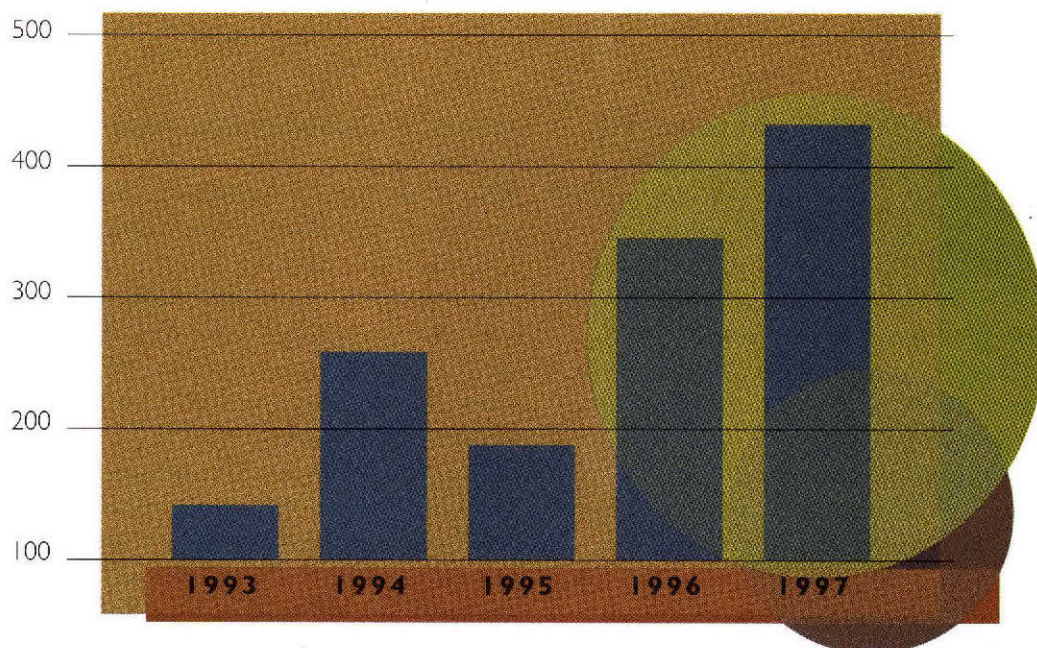
Financial Performance from Major Product Lines

IFC's record FY97 net income was driven by the strong performance of all its major product lines. It was consistent with IFC's strategy to increase the Corporation's earning asset base while controlling the growth of administrative expenses and continuing to achieve operational efficiencies. The disbursed portfolio increased by 8 percent from \$7.8 billion in FY96 to \$8.4 billion in FY97. Administrative expenses decreased by 4 percent to \$178 million. New investment approvals for IFC's own account amounted to \$3.3 billion, and an additional \$3.4 billion of loan syndications were approved. Investment-related administrative expenses fell to 2.0 percent of average disbursed portfolio, from 2.2 percent in FY96.

Table 8-1 IFC's Sources of Income (millions of U.S. dollars)

	F Y 9 7	F Y 9 6
Interest and financial fees	580.2	520.5
Dividends and profit participation	147.7	87.4
Realized gains on equity sales	195.9	154.7
Service fees	75.0	63.3
From deposits and securities	411.0	348.3
Other (losses) income	7.2	1.3
Total	1,417.0	1,175.5

Figure 8-1 **IFC's Net Income, FY93-97** (millions of U.S. dollars)



The loan portfolio, (excluding loan type quasi-equity), IFC's largest product line, continued to perform well in FY97 and grew by 5 percent from \$5.6 billion in FY96 to \$5.9 billion in FY97. Net income from the loan portfolio (after allowances for borrowing costs, nonaccruals, specific loss provisions, and administrative expenses) amounted to \$40 million, equivalent to a return on disbursed portfolio of 69 basis points. The equity and quasi-equity portfolio, IFC's second largest product line, grew by 13 percent to \$2.5 billion (including \$1.8 billion in straight equity and \$0.7 billion in loan type quasi-equity). Net income from the equity/quasi-equity portfolio (after allowances for nonaccruals, specific loss provisions, and administrative expenses) amounted to \$249 million, equivalent to a return on disbursed portfolio of 11 percent in FY97, driven mainly by realized capital gains of \$196 million on sales of equity and \$148 million in dividend receipts.

General and specific provisions for losses for FY97 were \$266 million, 76 percent higher than in FY96. The accumulated reserve for losses represented 12.8 percent of the year-end disbursed and outstanding portfolio, compared with 11.2 percent in FY96.

Capital and Retained Earnings

IFC's net worth consists of retained earnings and paid-in capital. Total capital subscription payments of \$153 million received in FY97 brought the Corporation's paid-in capital to \$2.2 billion, while retained earnings increased by \$432 million to \$2.5 billion.

During FY97, the subscription rate to IFC's 1991 General Capital Increase (GCI) rose to 96 percent of the total allocated shares. The fifth and final installment payment period under this GCI was extended to August 1, 1998, and total capital payments of \$153 million were received during FY97. This brought

cumulative payments under the GCI to \$833 million, 88 percent of the \$947 million subscribed shares. Cumulative payments for shares allocated under the Special Capital Increase (SCI) totaled \$115 million, 88 percent of the \$131 million subscribed under the SCI.

Cambodia joined the Corporation in FY97, followed by the former Soviet Republic of Turkmenistan, the last of the 15 CIS and Baltic States to become a member, bringing the number of IFC member countries to 172. On June 30, 1997, IFC's capital adequacy ratio (paid-in capital, retained earnings, and adjusted general reserves compared to risk-weighted assets, both on- and off-balance sheet) stood at 48 percent. This is well above the policy minimum of 30 percent, defined under the capital adequacy framework adopted by the Board of Directors in May 1994, and reflects the strength of IFC's capital and reserves in relation to its risk exposure. IFC's leverage ratio—outstanding borrowings and guarantees measured in relation to the sum of subscribed capital and retained earnings—was 2.1 to 1, well within the limit of 4.0 to 1 defined by the Corporation's Articles of Agreement.

Funding Management

In FY97, IFC borrowed \$3.9 billion equivalent, \$0.9 billion more than in FY96, including \$0.6 billion raised under FY98 pre-funding authority. As in previous years, most was borrowed in the international capital markets, with only a small amount borrowed from the International Bank for Reconstruction and Development (IBRD), with which IFC maintains a Master Loan Agreement. In FY97, IFC also repurchased and retired \$389 million in outstanding debt; this debt was refinanced during the year. IFC also sold two issues of index-linked warrants.

IFC issued securities in 12 different currencies, including Slovak korunas and Philippine

pesos. These transactions, IFC's inaugural transactions in these markets and among the first by nonresident borrowers, continued IFC's practice of borrowing in emerging market currencies to assist the capital market development of its member countries. Total borrowings in emerging market currencies accounted for about 13 percent of aggregate borrowings in FY97.

IFC raised relatively large amounts through structured transactions and in the Japanese capital markets. Structured trades, primarily equity-linked notes sold in the Spanish and Italian capital markets, accounted for about 22 percent of total borrowings, while notes targeted to Japanese retail investors accounted for about 38 percent. In FY97, IFC once again achieved excellent funding costs and remained one of the world's lowest cost borrowers in terms of the London Interbank Offered Rate (LIBOR).

All borrowings were swapped into floating rate U.S. dollars to fund loans that, in response to client demand, are denominated mainly in U.S. dollars and bear interest on a floating rate basis. The below-LIBOR cost achieved through these swaps as well as the profit generated through the debt repurchases and warrants issuance contributed significantly to lowering IFC's funding cost and increasing its profitability in FY97.

Liquidity Management

The rapid growth in IFC's investment activities has resulted in a simultaneous growth in its liquid assets, which increased during the year by \$1.5 billion (24.6 percent), to \$7.6 billion. Liquid assets were held primarily in U.S. dollars (97 percent of the total); most of the remaining portfolio balance was held in German marks. The entire liquid assets portfolio generated \$118 million in net income (including \$19.6 million in spread income

from funded liquidity and \$101 million in total income from net worth liquidity), compared with \$106 million during FY96 (including \$17 million in spread income from funded liquidity and \$89 million in total income from net worth liquidity).

IFC's liquid assets are invested in line with policies and standards set under the Investment Authority granted by its Board of Directors. The authority specifies instruments and types of entities eligible for investment. IFC is authorized to invest its liquid assets in the obligations of highly rated governments, agencies, corporations, and commercial banks. Within the authority's framework, IFC senior management has established prudential guidelines for managing the portfolio in terms of market (interest rate) risk and credit risk.

For management and reporting purposes, IFC's liquid assets are separated into three distinct portfolios. The first consists of funded liquidity, such as proceeds from IFC's variable rate borrowings, that is invested in matching variable rate investments, pending disbursements on approved loans. IFC's objective is to capture a carrying gain on this portfolio without any exposure to market risk. This carrying gain was 36.0 basis points during the FY97, compared with 37.3 basis points during FY96. The second portfolio corresponds primarily to the Corporation's paid-in capital and accumulated earnings. During FY97, the IFC Board of Directors approved a new policy framework proposed by IFC for the management of this portfolio. The main outcome of this initiative was to lengthen the duration of the portfolio and to establish a new benchmark with a duration of 3 years (instead of the previous 12-month benchmark). During the fourth quarter of FY97, IFC initiated a gradual increase in the duration of this portfolio—and the full transition to three years will be completed in the first half of FY98.

The third portfolio consists of borrowed variable rate funds assigned to external managers and actively managed against a six-month U.S. dollar LIBOR index. This portfolio was initiated at the beginning of FY96, when IFC awarded a total of \$205 million to five external managers. The Corporation submitted to the Board in October 1996 a detailed assessment of the program's first year, and in view of the success of the initial experience, obtained approval to expand this portfolio. At the beginning of 1997, IFC increased the size of the existing global fixed-income mandates to a total of \$350 million and initiated a different program, with four new managers who actively manage a total of \$170 million in mortgage-backed securities. Board authorization provides that total funds under external management cannot exceed 10 percent of the total liquid assets portfolio. During FY97, the net weighted-average performance of IFC's funds under outside management was LIBOR plus 23 basis points after fees, compared with LIBOR plus 34 basis points during FY96.

Credit Risk

IFC closely coordinates its credit policies with those of IBRD. These policies set eligibility criteria and credit limits for counterparties. Counterparty specific limits are based on the rating and size of the counterparty as well as IFC's diversification caps.

To protect against a deterioration in counterparties' creditworthiness after undertaking derivatives contracts, IFC has entered into mark-to-market collateral agreements with a large number of its derivative counterparties. Under these agreements, which by June 30, 1997, covered about 85 percent of IFC's total potential exposure from derivatives, a counterparty is required to post collateral to IFC once IFC's net derivatives exposure to that counterparty exceeds a specified limit. This limit declines with the counterparty's credit

rating. Through these arrangements, IFC is better able to manage its exposure to counterparties over time, particularly if their credit standing is reduced and they are no longer eligible to enter into new derivatives business with IFC.

Market Risk

As a matter of policy, IFC keeps its exposure to market risk to minimum levels. Loans are funded with liabilities that have matching currency and interest rate characteristics. This matched-funding policy provides a strong protection against market risk. IFC is, however, exposed to small amounts of currency risk on its loan portfolio, from its spread income in currencies other than the U.S. dollar or unanticipated risks. Similarly, interest rate risks can arise because assets that are fully matched-funded at loan inception can become mismatched over time from write downs, prepayments, or rescheduling. IFC therefore monitors and manages these exposures on a portfolio basis to minimize mismatches.



9 THE PORTFOLIO



IFC's committed portfolio at the end of FY97 increased by 7 percent to \$10.5 billion, from \$9.8 billion in FY96, of which nearly 79 percent was in loans

amounting to \$8.3 billion and \$2.2 billion was in equity investments. In addition, IFC held and managed for participants \$8.5 billion in loans it had syndicated. Table 9-1 summarizes IFC's portfolio on June 30, 1997.

The net increase was \$677 million after taking into account new commitments, repayments, sales, cancellations, prepayments, write-offs, and translation adjustments. Loan repayments totaled \$1.1 billion; \$143 million in equity investments were sold or redeemed.

The total disbursed portfolio for IFC's own account increased by 8 percent to \$8.4 billion at the end of FY97, from \$7.8 billion in FY96. The disbursed loan and equity portfolio grew by 7 percent and by 10 percent, respectively, during this period.

At the end of FY97, IFC's committed portfolio included loans and equity investments in 1,047 companies in 102 countries. Of these companies, 31 were regional financial institutions; 13 were global financial institutions or investment funds. IFC added 158 companies to its portfolio in 1997 and removed 96 companies because of loan repayments, sales of its equity holdings, or investment write-offs.

Most IFC investments are denominated in U.S. dollars. The currency breakdown of the disbursed loan portfolio on June 30, 1997, is shown in the *Notes to the Financial Statements*. Aggregate off-balance-sheet exposure on client risk management products on June 30, 1997, relating to guarantees and derivatives amounted to \$290 million for 46 clients in 23 countries and one regional financial institution.

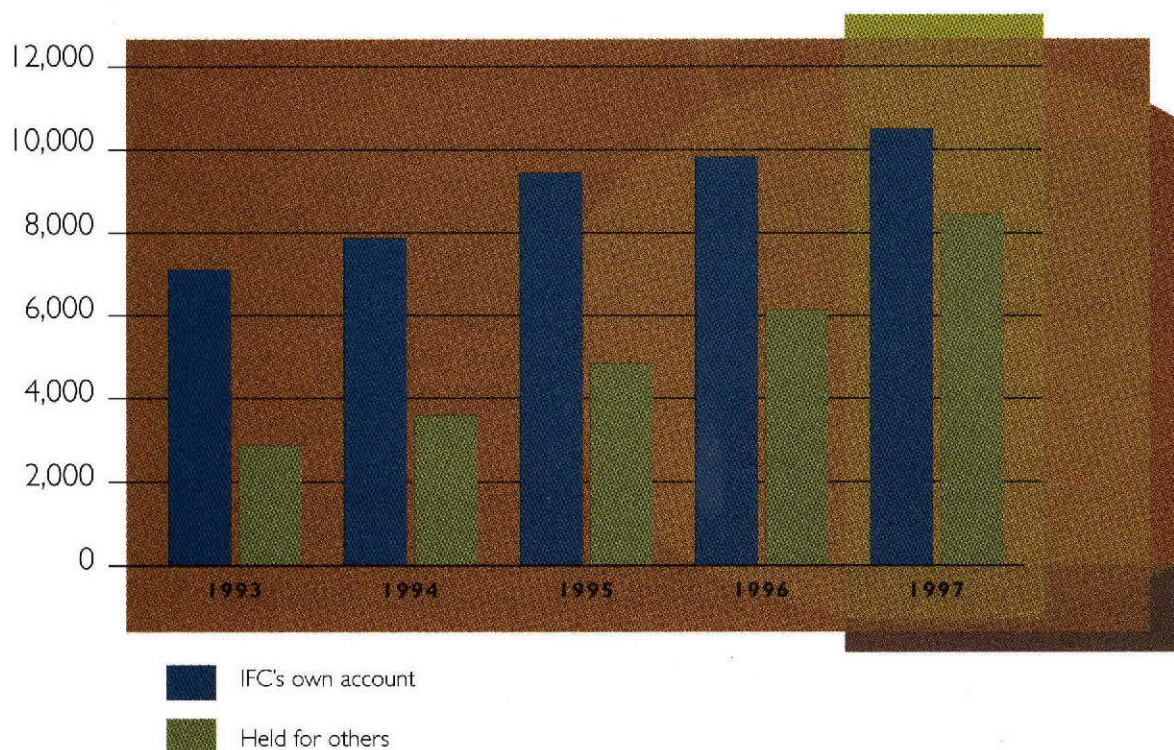
Commitments and Disbursements

The pace of commitments remained strong in FY97 as a result of sustained demand for IFC's financing and successful efforts to convert approvals into earning assets. In volume terms, Latin America and Asia regions were major contributors to the growth in commitments due to the financing of a number of

Table 9-1 Breakdown of IFC Portfolio on June 30, 1997
(millions of U.S. dollars)

Total committed portfolio for IFC's own account	\$10,521
Loans	8,291
Equity	2,230
Total disbursed portfolio	8,423
Total undisbursed portfolio	2,098
Total committed portfolio held for participants	8,471
Off-balance-sheet exposure on client risk management products	290

Figure 9-1 **IFC's Committed Portfolio, FY93-97** (millions of U.S. dollars)



large infrastructure and petrochemicals projects in these regions. In terms of number of projects, commitments in Sub-Saharan Africa and Latin America were the highest, owing to IFC's continuing focus on encouraging development through domestic private investment in smaller enterprises. During the year, IFC committed its first investments in projects under the "Extending IFC's Reach" initiative, in addition to increasing its commitments through the African Enterprise Fund to \$25 million from an average of \$14 million during the past three fiscal years. IFC's pursuit of development impact was also reflected in the record volume of commitments in agribusiness projects for the year.

IFC built on the momentum of its record levels of commitment growth of the previous two fiscal years, as new commitments for FY97 increased to \$2.4 billion, compared with \$2.1 billion in FY96. Loan commitments amounted to \$2.1 billion and equity commitments to \$285 million. New commitments concentrated in Latin America and the Caribbean with 39 percent and Asia with 28 percent. The business sectors with the largest volume of new commitments were financial services with 27 percent, infrastructure with 20 percent, and food and agribusiness with 13 percent. In addition, IFC made commitments in several countries where it had not invested before, including Georgia, Moldova, Mongolia, and Tajikistan.

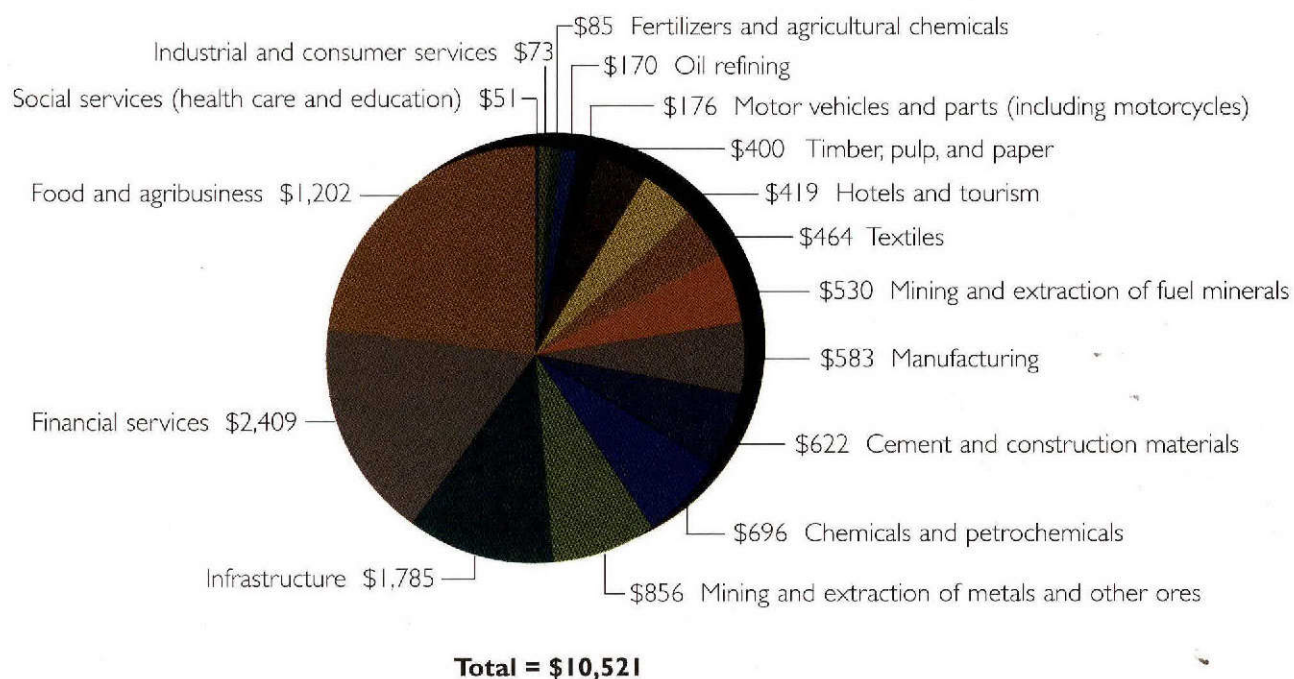
Disbursements in FY97 remained strong at \$2 billion, even if slightly lower than the \$2.1 billion in FY96. This reflected the substantial volume of new commitments as well as the high volume of commitments pending disbursement at the end of FY96 (\$2.0 billion). Loan disbursements were \$1.7 billion, and equity disbursements \$321 million, representing 16 percent of total disbursements. IFC also disbursed \$3.1 billion on behalf of financial institutions participating in its syndicated loans. A constraining factor on the growth of the disbursed portfolio was the increased amount of prepayments during the year, reflecting the dramatic improvement in the access to private funding sources of a number of developing countries.

Portfolio Management

The portfolio retained its high quality in FY97, despite its record growth during the last few years and IFC's pioneering investments in new sectors and regions. To sharpen the focus on portfolio matters, the senior management structure was reorganized in FY97, and responsibility for portfolio management was given to one of the two operations vice presidents.

To maintain the high quality of its portfolio, IFC closely monitors compliance with investment agreements; regularly visits project sites to check on project status; and helps find solutions to problem projects. More extensive use of local staff in resident missions for portfolio supervision is envisaged, particularly with the strengthening of certain offices such as those in Moscow and New Delhi.

Figure 9-2 **IFC's Committed Portfolio by Sector on June 30, 1997** (millions of U.S. dollars)





LOCAL BOYS PLAY
MUSIC ABOVE THE
ROLLING HILLS NEAR
NGORONGORO
CONSERVATION AREA
IN TANZANIA

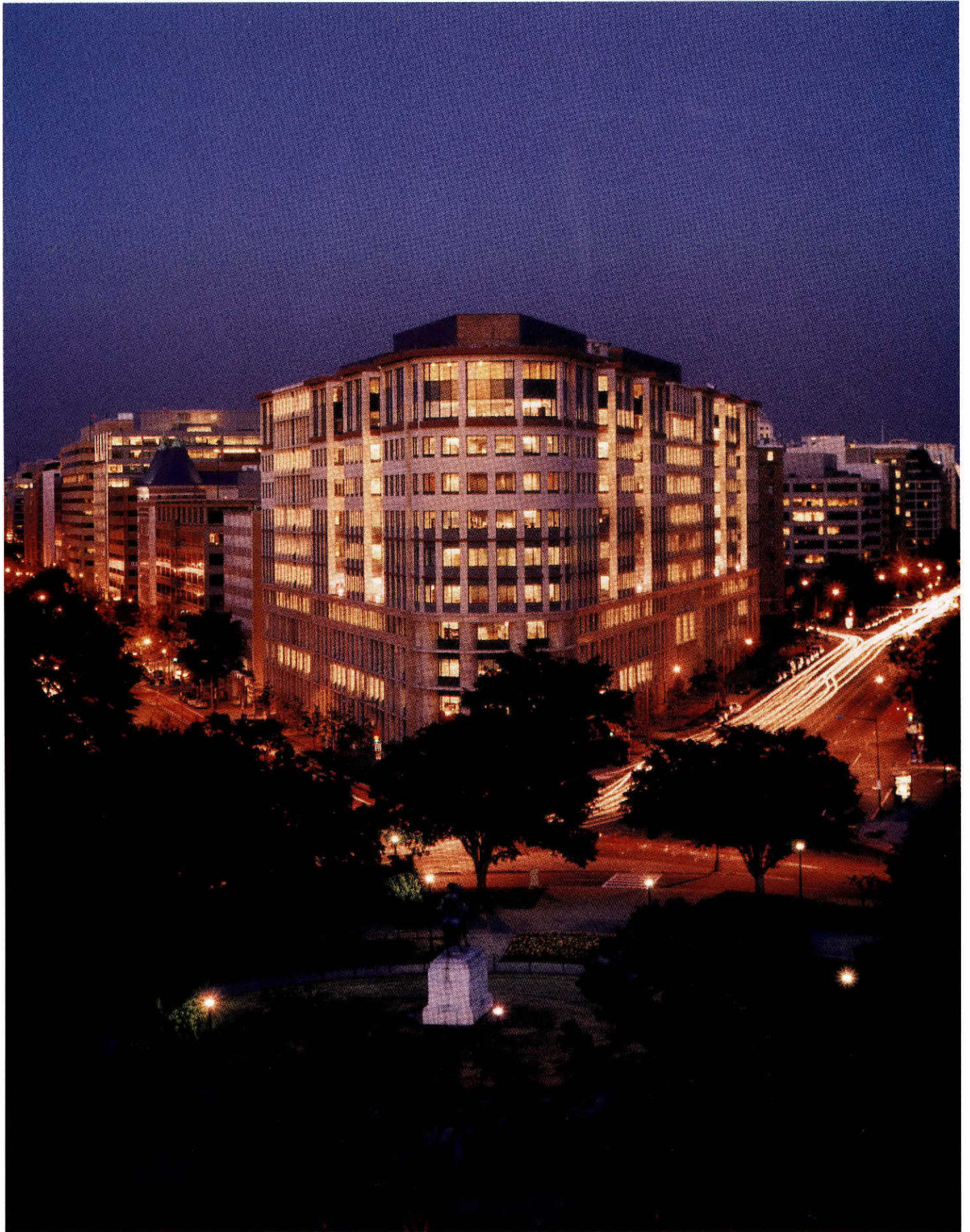
Operational departments evaluate projects case by case when difficulties arise. For projects with particularly severe problems, IFC's special operations unit determines appropriate remedial action. In such situations, IFC seeks to negotiate agreements with all creditors and shareholders to allocate responsibilities, so that problems can be worked out while the project continues to operate. In exceptional cases, when the parties reach an impasse in negotiations, IFC takes all necessary and appropriate measures to protect its interests.

During FY97, portfolio income of \$924 million on both equity and loans far surpassed plan estimates of \$784 million. The quality of the loan portfolio showed further improvements from June 30, 1996, to June 30, 1997. The interest collection rate improved to 95.7

percent, from 94.8 percent at end-FY96. Principal outstanding on nonaccruing loans dropped as a percentage of the disbursed loan portfolio, from 5.6 percent on June 30, 1996, to 4.9 percent on June 30, 1997. The larger disbursed loan portfolio and the improved interest collection rate contributed to strong growth in interest income.

Robust equity markets sustained the high performance of the equity portfolio during FY97. Capital gains of \$196 million were realized on 47 investments, up from \$155 million in FY96. Nevertheless, the estimated fair value of IFC's equity investments remained stable, reflecting the overall improvements in markets, as well as the robustness of the equity portfolio.

Reserves against losses increased to \$1.1 billion in FY97, representing 12.8 percent of the disbursed portfolio, up from 11.2 percent in FY96. This increase resulted from \$266 million in provisions for losses net of a \$21 million currency revaluation effect on non-U.S. dollar loss reserves and write-offs of \$46 million. The loss reserves comprise specific reserves for impaired investments as well as a general reserve that covers risks inherent in the entire portfolio.



10 MANAGEMENT AND ORGANIZATION



FC programs and activities are guided by its 172 member countries through a Board of Governors and a Board of Directors. Each country appoints one gov-

ernor, usually the Minister of Finance or an equivalent, and an alternate. Corporate powers are vested in the Board of Governors, which delegates most of its powers to the Board of Directors. A Corporate Secretariat facilitates decision-making processes of the Board of Directors, assists the chairman, and serves as liaison with management. The 24 directors meet regularly at World Bank Group headquarters in Washington, DC. IFC is based in Washington, DC, and has representatives, staff, or agents in more than 36 countries.

Since June 1995, James D. Wolfensohn, president, has led the World Bank Group, comprising IBRD, IDA, IFC, and MIGA. Jannik Lindbaek, IFC's executive vice president, is responsible for the overall management of IFC's day-to-day operations. The Management Group, which includes IFC's six vice presidents, assists the executive vice president in decision making and planning for the future. During FY97, IFC initiated some fine-tuning of the organizational structure to promote the highest standard in the delivery of services to clients and member countries and to improve coordination within IFC and the Bank Group. To date, IFC has developed country knowledge and delivered services to clients mainly from a centralized base in Washington. The development of a regional operational pres-



ence in some, if not all, of the regions, as opportunities arise, will be an important strategic focus for the Corporation. In two regions, Asia and Europe, with their rapidly developing markets and broad country coverage, regional hubs expand the Corporation's field presence.

Operations

Two vice presidents for operations oversee IFC's regional and specialist departments. Operational activities are organized into regional, specialized, central capital markets and corporate finance services departments. As of July 1, 1997, there were seven regional investment departments: Sub-Saharan Africa; Asia I; Asia II (based in New Delhi); Central Asia, the Middle East and North Africa;

JANNIK LINDBAEK, EXECUTIVE VICE PRESIDENT (SEATED CENTER), AND (COUNTERCLOCKWISE) VICE PRESIDENTS JEMAL-UD-DIN KASSUM, CHRISTOPHER BAM, CAROL LEE, SHENGMAN ZHANG, ASSAAD JABRE AND BIRGITTA KANTOLA

OPPOSITE: IFC'S NEW HEADQUARTERS BUILDING ON WASHINGTON CIRCLE IN WASHINGTON, DC

Europe I; Europe II (based in Moscow); and Latin America and the Caribbean.

These regional departments develop strategies for member countries in their region and promote business, cultivate relationships with governments, and coordinate with other members of the World Bank Group. They also process all general manufacturing and other projects not handled by the specialized departments, and supervise the advisory services for small and medium enterprises. A capital markets division in each region develops investment projects that involve financial institutions.

There are five specialized departments:

- Agribusiness
- Chemicals, Petrochemicals, and Fertilizers
- Power
- Oil, Gas, and Mining
- Telecommunications, Transportation, and Utilities

These departments handle projects in specific sectors where IFC can make a strong contribution through the work of specialized financial and technical staff. They are responsible for building contacts with companies in their sectors, implementing investment projects, and providing advisory services in all developing regions.

The Corporate Finance Services Department provides fee-based advisory services to state enterprises and governments on privatization and restructuring Build-Operate-Transfer transactions.

The Central Capital Markets Department works with the regional departments to promote capital market development. It provides core expertise to the regional departments, coordinates advice to member governments,

monitors emerging stock markets, and maintains IFC's Emerging Markets Database. The department also develops new capital market products and services and handles global and cross-regional capital market projects.

Finance and Planning

The vice president for finance and planning serves as IFC's chief financial officer, supervising three departments, two units, and the Office of the Principal Financial Adviser.

The Controllers and Budgeting Department prepares and manages the budget; supervises investment accounting, disbursements, and billings; monitors financial and operating performance and the loan and equity portfolio; and generates financial statements.

The Corporate Planning and Financial Policy Department is responsible for IFC's long-term strategic planning through three-year plans and for monitoring progress against annual/business objectives. This department promotes IFC's role in private sector development through dissemination of the main lessons of its transactions experience and through the overall coordination of its activities within the World Bank Group; manages IFC's Technical Assistance Trust Funds program and its associated relationships with donor countries and agencies; and exercises the financial policy function, including corporate risk management and responsibility for Part I Governmental Relations.

The Information Technology Unit is responsible for all technology usage in the Corporation to ensure that the Corporation is integrated fully to respond to operational and support departments. The unit develops and operates on a corporate-wide basis the information systems and databases, local area net-

works, access security, desktop standards and support, coordination within the World Bank Group for systems and resources used by IFC staff, and facilities to provide access and exchange of information with outside parties. All of these services are tailored to IFC business processes, and specific requirements are based on ongoing discussions with Department and Corporate Management.

Legal Department

The Legal Department, under the direction of the vice president and general counsel and the deputy general counsel, offers policy-related advice and transactional support to senior management, operational departments, and the financial complex. As the chief legal officer, the vice president and general counsel advises on all issues arising under IFC's Articles of Agreement and on the conformity of proposed transactions with policies and practices.

IFC's attorneys and legal assistants collaborate with the regional and specialized investment departments to structure and negotiate investment terms. They are responsible for documenting all investments, including equity subscriptions, loan investments for IFC's account, loan guarantees, syndicated loans, and securities arrangements, in coordination with international transaction counsel in selected transactions.

The department actively assists in the expansion of the range of treasury activities, including IFC bond issues, swaps and other derivatives, liquidity management, and securitization transactions. It also provides legal support to the Special Operations Unit in negotiating the resolution of problematic projects.

Technical and Environment Department

The Technical and Environment Department has three principal functions, to

- provide technical and industry expertise for investment operations of regional departments and to exercise functional control of industry specialists in specialist departments
- review and monitor environmental and social compliance of all IFC projects and promote IFC involvement in environmental projects
- provide insurance review functions for all IFC projects

The environmental activities are the responsibility of the Environment Division, which consists of two main units:

- the Environmental Review Unit, which reviews and monitors the environmental and social impacts of projects, to ensure compliance with IFC and host-country requirements
- the Environment Project Unit, which has a lead role in developing innovative projects that address specific environmental concerns and acts as an executing agency for the Global Environment Facility (GEF) for private sector projects.

Other Operational Support

The Economics Department assists the investment departments in reviewing the economic merits of project proposals. It prepares country risk assessments and industry studies and provides economic intelligence.

The Operations Evaluation Group selectively reviews IFC programs, investments, advisory services, and policies and procedures to assess results and provide accountability for achieving objectives and development impact. It

also makes recommendations to management and disseminates evaluation lessons learned to help improve corporate performance.

The Special Operations Unit is responsible for resolving the problems of companies in IFC's portfolio that are experiencing serious difficulties. Where possible, this is achieved through restructuring the company, enhancing the value of the investment, and maximizing IFC's development impact.

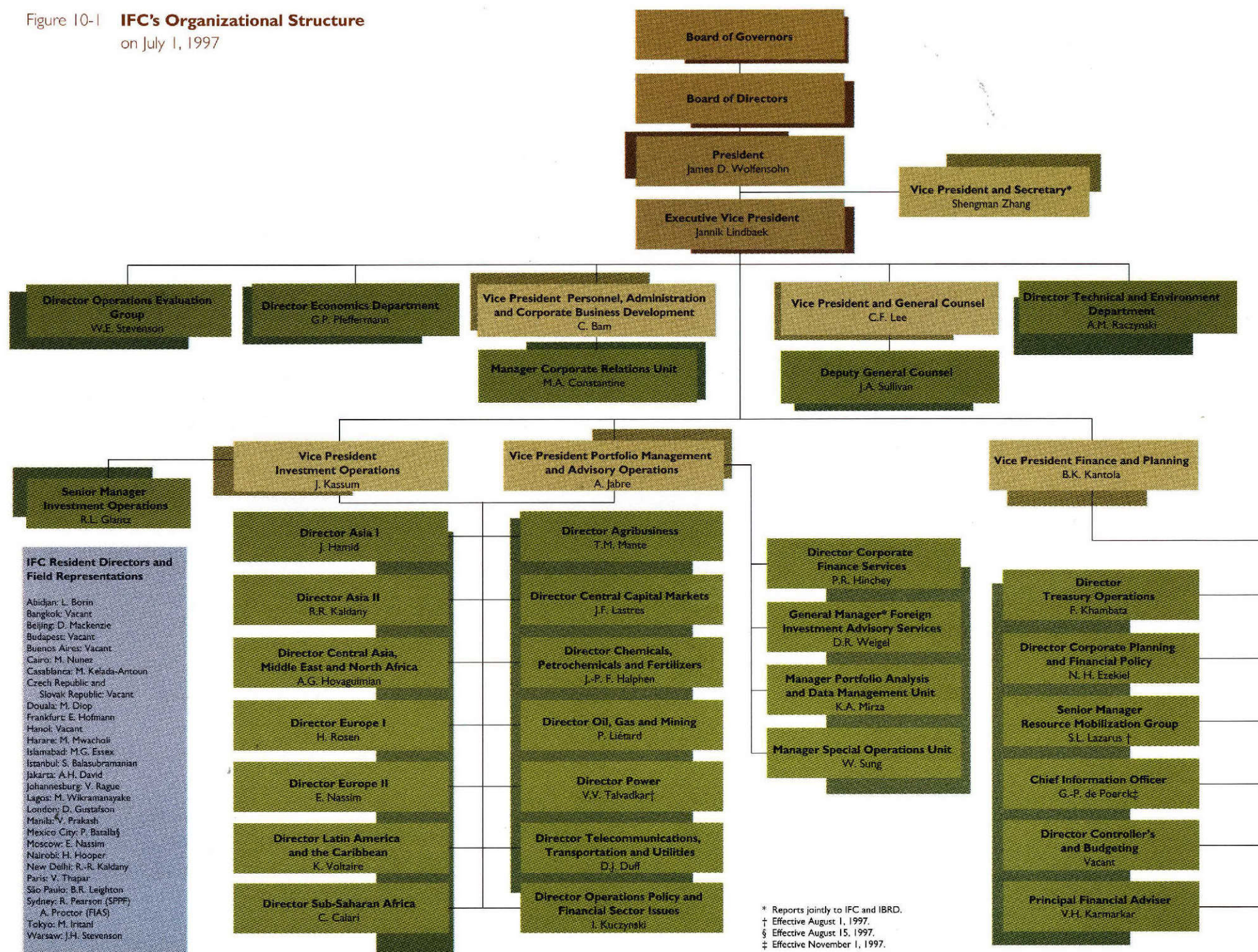
Personnel and Administration

The vice president for personnel, administration, and corporate business development is responsible for the recruitment, training, and career development of IFC staff and for personnel management in conformity with the policies of the World Bank Group. This vice presidential unit also has responsibility for administrative matters, external relations, and publications. In addition, the vice president advises the executive vice president on organizational matters and corporate business development.

IFC's staff come from 110 countries. On June 30, 1997, there were 880 regular and fixed-term staff on the payroll. The total number of employees was 1,335¹ at the end of December 1996, including long-term consultants and temporary staff, as well as staff in overseas missions, who are generally nationals of the host countries. To keep up with its growing business, IFC has expanded substantially in the past 10 years. Its new headquarters allows staff to be housed under one roof with space for future growth. Construction was completed on time and under budget, and IFC moved into the new building at 2121 Pennsylvania Avenue in Washington, DC, in March 1997. Financial details can be found in the *Notes to the Financial Statements*.

¹ Does not include staff on special assignment, leave without pay, or external service.

Figure 10-1 **IFC's Organizational Structure**
on July 1, 1997



* Reports jointly to IFC and IBRD.
 † Effective August 1, 1997.
 § Effective August 15, 1997.
 ‡ Effective November 1, 1997.

INTERNATIONAL
FINANCE
CORPORATION
**FINANCIAL
STATEMENTS**

JUNE 30, 1997

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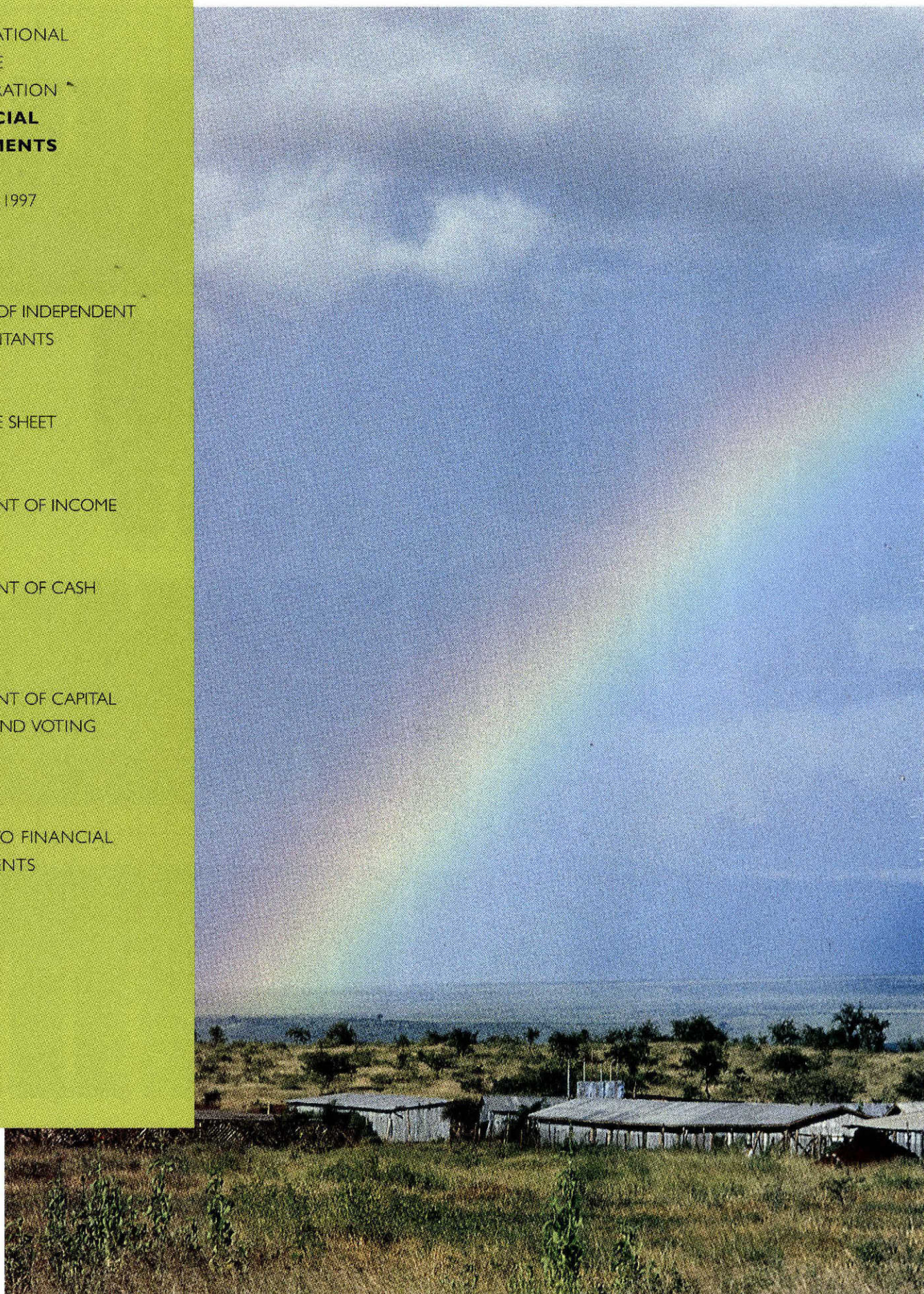
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REPORT OF INDEPENDENT
ACCOUNTANTS

Price Waterhouse
(International Firm)

The Hague
Beijing
Hong Kong
London

New York
Tokyo
Washington

Price Waterhouse



July 28, 1997

President and Board of Governors
International Finance Corporation

In our opinion, the financial statements appearing on pages 128 through 148 of this report present fairly, in all material respects, in terms of U.S. dollars, the financial position of the International Finance Corporation at June 30, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States and with International Accounting Standards. These financial statements are the responsibility of management of the International Finance Corporation; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, including International Standards on Auditing, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

*Price Waterhouse
(International Firm)*

BALANCE SHEET

AS OF JUNE 30, 1997, AND JUNE 30, 1996

(US\$ THOUSANDS)

	1997	1996
Assets		
Due from banks	\$ 70,370	\$ 39,389
Time deposits	3,793,178	3,438,476
Deposits and securities—Note B		
Trading	1,364,247	944,989
Available for sale	3,504,158	2,158,632
Securities purchased under resale agreements—Note B	16,183	38,775
Receivables and other assets—Note C	1,479,720	940,844
Loan and equity investments disbursed and outstanding—Note D		
Loan investments	6,574,362	6,139,365
Equity investments	1,848,675	1,678,004
Total investments	8,423,037	7,817,369
Less: Reserve against losses	(1,076,192)	(876,206)
Net investments	7,346,845	6,941,163
Derivative Instruments—Notes B, K and L		
Receivables from currency and interest rate swaps	10,341,582	7,812,781
Receivables from covered forwards	1,058,432	325,136
Total Assets	\$ 28,974,715	\$ 22,640,185
Liabilities and Capital		
Liabilities		
Payables and other liabilities—Note F	\$ 1,274,462	\$ 977,023
Securities sold under agreements to repurchase and payable for cash collateral received—Note B	601,454	210,104
Borrowings withdrawn and outstanding—Note G		
From market sources	9,524,665	8,165,069
From International Bank for Reconstruction and Development	598,676	791,020
Total borrowings	10,123,341	8,956,089
Derivative Instruments—Notes B, K and L		
Payables for currency and interest rate swaps	11,094,564	7,961,527
Payables for covered forwards	1,086,402	321,375
Deferred income	57,623	55,856
Total Liabilities	24,237,846	18,481,974
Capital		
Capital stock, authorized 2,450,000 shares of \$1,000 par value each—Note H		
Subscribed	2,364,104	2,348,133
Less: Portion not yet paid	(135,253)	(271,971)
Total capital stock	2,228,851	2,076,162
Payments received on account of pending subscriptions	1,908	2,143
Net unrealized gains on available for sale securities	2,690	8,423
Retained earnings	2,503,420	2,071,483
Total Capital	4,736,869	4,158,211
Total Liabilities and Capital	\$ 28,974,715	\$ 22,640,185

The Notes to Financial Statements are an integral part of these statements.

STATEMENT OF INCOME

FOR THE YEARS ENDED JUNE 30, 1997, AND JUNE 30, 1996

(US\$ THOUSANDS)

	1997	1996
Income		
Income from loan and equity investments		
Interest and financial fees—Note I	\$ 580,245	\$ 520,533
Dividends and profit participations	147,733	87,444
Capital gains on equity sales	195,876	154,669
Total income from loan and equity investments	923,854	762,646
Service fees	75,018	63,324
Income from deposits and securities—Note B	411,009	348,265
Translation adjustments, net	826	3,332
Other income (expense), net	6,319	(2,073)
Total Income	1,417,026	1,175,494
Expenses		
Charges on borrowings—Note G	536,180	488,562
Administrative expenses—Notes N, O and P	177,562	185,413
Provision for losses—Note D	266,436	151,480
Contributions to special programs—Note J	4,911	4,271
Total Expenses	985,089	829,726
Net Income	\$ 431,937	\$ 345,768

The Notes to Financial Statements are an integral part of these statements.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 1997, AND JUNE 30, 1996

(US\$ THOUSANDS)

	1997	1996
Cash Flows from Loan and Equity Investment Activities		
Loan and equity disbursements	\$(2,002,855)	\$(2,053,457)
Loan repayments and equity redemptions	1,169,553	858,422
Sales of investments at cost	<u>115,288</u>	<u>519,039</u>
Net Cash Used in Investing Activities	<u>(718,014)</u>	<u>(675,996)</u>
Cash Flows from Financing Activities		
Drawdown of borrowings	3,925,815	3,106,703
Repayment of borrowings	(2,112,227)	(1,515,002)
Capital subscriptions	<u>152,689</u>	<u>201,517</u>
Net Cash Provided by Financing Activities	<u>1,966,277</u>	<u>1,793,218</u>
Cash Flows from Operating Activities		
Net income	431,937	345,768
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for losses	266,436	151,480
Translation adjustments, net	(826)	(3,332)
Change in accrued income on loans, deposits and securities	(46,019)	(19,178)
Change in payables and other liabilities	866,684	368,795
Change in receivables and other assets	<u>(559,868)</u>	<u>(146,419)</u>
Net Cash Provided by Operating Activities	<u>958,344</u>	<u>697,114</u>
Change in liquid assets	2,206,607	1,814,336
Effect of exchange rate changes on liquid assets	<u>(56,140)</u>	<u>(33,502)</u>
Net change in liquid assets	2,150,467	1,780,834
Liquid assets at beginning of year	<u>6,581,486</u>	<u>4,800,652</u>
Liquid assets at end of year	<u>\$ 8,731,953</u>	<u>\$ 6,581,486</u>
Composed of:		
Due from banks	\$ 70,370	\$ 39,389
Time deposits	3,793,178	3,438,476
Deposits and securities held in trading portfolio	1,364,247	944,989
Deposits and securities available for sale	<u>3,504,158</u>	<u>2,158,632</u>
	<u>\$ 8,731,953</u>	<u>\$ 6,581,486</u>
Supplemental disclosure		
Change in ending balances resulting from exchange rate fluctuations		
Loans outstanding	\$ (74,843)	\$ (100,700)
Borrowings	(559,443)	(674,775)
Currency swaps	<u>(466,229)</u>	<u>(557,156)</u>

The Notes to Financial Statements are an integral part of these statements.

STATEMENT OF CAPITAL STOCK AND VOTING POWER

JUNE 30, 1997

Member	Capital stock (US\$ thousands)		Voting power		Member	Capital stock (US\$ thousands)		Voting power	
	Amount paid	Percent of total	Number of votes	Percent of total		Amount paid	Percent of total	Number of votes	Percent of total
Afghanistan	\$ 111	*	361	.02	Egypt, Arab Republic of	12,360	.55	12,610	.56
Albania	1,188	.05	1,438	.06	El Salvador	11	*	261	.01
Algeria	3,788	.17	4,038	.18	Equatorial Guinea	43	*	293	.01
Angola	1,353	.06	1,603	.07	Eritrea	935	.04	1,185	.05
Antigua and Barbuda	13	*	263	.01	Estonia	1,308	.06	1,558	.07
Argentina	34,813	1.56	35,063	1.54	Ethiopia	116	.01	366	.02
Armenia	992	.04	1,242	.05	Fiji	287	.01	537	.02
Australia	31,895	1.43	32,145	1.41	Finland	15,697	.70	15,947	.70
Austria	18,024	.81	18,274	.80	France	110,492	4.96	110,742	4.87
Azerbaijan	2,367	.11	2,617	.12	Gabon	931	.04	1,181	.05
Bahamas, The	335	.02	585	.03	Gambia, The	94	*	344	.02
Bahrain	1,746	.08	1,996	.09	Georgia	861	.04	1,111	.05
Bangladesh	8,251	.37	8,501	.37	Germany	117,701	5.28	117,951	5.19
Barbados	361	.02	611	.03	Ghana	4,630	.21	4,880	.21
Belarus	4,708	.21	4,958	.22	Greece	6,898	.31	7,148	.31
Belgium	50,610	2.27	50,860	2.24	Grenada	74	*	324	.01
Belize	93	*	343	.02	Guatemala	878	.04	1,128	.05
Benin	119	*	369	.02	Guinea	339	.02	589	.03
Bolivia	1,571	.07	1,821	.08	Guinea-Bissau	18	*	268	.01
Bosnia and Herzegovina	620	.03	870	.04	Guyana	1,392	.06	1,642	.07
Botswana	113	.01	363	.02	Haiti	306	.01	556	.02
Brazil	36,046	1.62	36,296	1.60	Honduras	370	.02	620	.03
Bulgaria	1,789	.08	2,039	.09	Hungary	10,932	.49	11,182	.49
Burkina Faso	786	.04	1,036	.05	Iceland	42	*	292	.01
Burundi	100	*	350	.02	India	74,268	3.33	74,518	3.28
Cambodia	339	.02	589	.03	Indonesia	28,539	1.28	28,789	1.27
Cameroon	885	.04	1,135	.05	Iran, Islamic Republic of	1,444	.06	1,694	.07
Canada	81,342	3.65	81,592	3.59	Iraq	147	.01	397	.02
Cape Verde	15	*	265	.01	Ireland	1,290	.06	1,540	.07
Central African Republic	67	*	317	.01	Israel	2,135	.10	2,385	.10
Chile	11,710	.53	11,960	.53	Italy	81,342	3.65	81,592	3.59
China	24,500	1.10	24,750	1.09	Jamaica	4,282	.19	4,532	.20
Colombia	12,606	.57	12,856	.57	Japan	141,174	6.33	141,424	6.23
Comoros	14	*	264	.01	Jordan	941	.04	1,191	.05
Congo, Dem. Rep. of	2,159	.10	2,409	.11	Kazakhstan	2,031	.09	2,281	.10
Congo, Republic of	131	.01	381	.02	Kenya	4,041	.18	4,291	.19
Costa Rica	952	.04	1,202	.05	Kiribati	12	*	262	.01
Côte d'Ivoire	3,544	.16	3,794	.17	Kuwait	14,558	.65	14,808	.65
Croatia	2,882	.13	3,132	.14	Kyrgyz Republic	1,720	.08	1,970	.09
Cyprus	2,139	.10	2,389	.11	Lao People's Dem. Rep	278	.01	528	.02
Czech Republic	8,913	.40	9,163	.40	Latvia	2,150	.10	2,400	.11
Denmark	18,554	.83	18,804	.83	Lebanon	118	.01	368	.02
Djibouti	21	*	271	.01	Lesotho	71	*	321	.01
Dominica	39	*	289	.01	Liberia	83	*	333	.01
Dominican Republic	1,187	.05	1,437	.06	Libya	55	*	305	.01
Ecuador	2,161	.10	2,411	.11	Lithuania	2,135	.10	2,385	.10
					Luxembourg	2,139	.10	2,389	.11

STATEMENT OF CAPITAL STOCK AND VOTING POWER

JUNE 30, 1997

Member	Capital stock (US\$ thousands)		Voting power		Member	Capital stock (US\$ thousands)		Voting power	
	Amount paid	Percent of total	Number of votes	Percent of total		Amount paid	Percent of total	Number of votes	Percent of total
Macedonia, FYR of	270	.01	520	.02	Sierra Leone	83	*	333	.01
Madagascar	432	.02	682	.03	Singapore	177	.01	427	.02
Malawi	1,346	.06	1,596	.07	Slovak Republic	4,457	.20	4,707	.21
Malaysia	15,222	.68	15,472	.68	Slovenia	1,585	.07	1,835	.08
Maldives	16	*	266	.01	Solomon Islands	24	*	274	.01
Mali	451	.02	701	.03	Somalia	83	*	333	.01
Marshall Islands	663	.03	913	.04	South Africa	15,948	.72	16,198	.71
Mauritania	214	.01	464	.02	Spain	37,026	1.66	37,276	1.64
Mauritius	1,665	.07	1,915	.08	Sri Lanka	6,514	.29	6,764	.30
Mexico	25,562	1.15	25,812	1.14	Sudan	111	*	361	.02
Micronesia, Federated States of	744	.03	994	.04	Swaziland	684	.03	934	.04
Moldova, Republic of	744	.03	994	.04	Sweden	24,539	1.10	24,789	1.09
Mongolia	144	.01	394	.02	Switzerland	41,580	1.87	41,830	1.84
Morocco	9,037	.41	9,287	.41	Syrian Arab Republic	72	*	322	.01
Mozambique	322	.01	572	.03	Tajikistan	1,212	.05	1,462	.06
Myanmar	666	.03	916	.04	Tanzania	1,003	.05	1,253	.06
Namibia	404	.02	654	.03	Thailand	10,941	.49	11,191	.49
Nepal	822	.04	1,072	.05	Togo	808	.04	1,058	.05
Netherlands	51,250	2.30	51,500	2.27	Tonga	34	*	284	.01
New Zealand	3,583	.16	3,833	.17	Trinidad and Tobago	3,754	.17	4,004	.18
Nicaragua	652	.03	902	.04	Tunisia	3,255	.15	3,505	.15
Niger	147	.01	397	.02	Turkey	13,280	.60	13,530	.60
Nigeria	21,643	.97	21,893	.96	Turkmenistan	810	.04	1,060	.05
Norway	16,071	.72	16,321	.72	Uganda	735	.03	985	.04
Oman	1,187	.05	1,437	.06	Ukraine	8,907	.40	9,157	.40
Pakistan	19,380	.87	19,630	.86	United Arab Emirates	4,033	.18	4,283	.19
Panama	1,007	.05	1,257	.06	United Kingdom	121,015	5.43	121,265	5.34
Papua New Guinea	490	.02	740	.03	United States	533,271	23.93	533,521	23.48
Paraguay	436	.02	686	.03	Uruguay	3,569	.16	3,819	.17
Peru	6,898	.31	7,148	.31	Uzbekistan	3,873	.17	4,123	.18
Philippines	11,405	.51	11,655	.51	Vanuatu	55	*	305	.01
Poland	7,236	.32	7,486	.33	Venezuela	27,588	1.24	27,838	1.23
Portugal	8,324	.37	8,574	.38	Vietnam	446	.02	696	.03
Romania	2,429	.11	2,679	.12	Western Samoa	35	*	285	.01
Russian Federation	81,342	3.65	81,592	3.59	Yemen, Republic of	652	.03	902	.04
Rwanda	306	.01	556	.02	Zambia	1,286	.06	1,536	.07
St. Kitts and Nevis	638	.03	888	.04	Zimbabwe	2,120	.10	2,370	.10
St. Lucia	74	*	324	.01	Total				
Saudi Arabia	20,693	.93	20,943	.92	June 30, 1997	<u>\$2,228,851</u>	<u>100.00+</u>	<u>2,271,851</u>	<u>100.00+</u>
Senegal	1,777	.08	2,027	.09	Total				
Seychelles	27	*	277	.01	June 30, 1996	<u>\$2,076,162</u>	<u>100.00+</u>	<u>2,118,662</u>	<u>100.00+</u>

* Less than .005 percent.

+ May differ from the sum of the individual percentages shown because of rounding.

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Purpose

The International Finance Corporation (the Corporation), an international organization, was established in 1956 to further economic development in its member countries by encouraging the growth of private enterprise. The Corporation is a member of the World Bank Group, which also includes the International Bank for Reconstruction and Development (IBRD), the International Development Association and the Multilateral Investment Guarantee Agency (MIGA). The Corporation's activities are closely coordinated with and complement the overall development objectives of the other World Bank Group institutions. The Corporation, together with private investors, assists in financing the establishment, improvement and expansion of private sector enterprises by making loan and equity investments where sufficient private capital is not otherwise available on reasonable terms. The Corporation's share capital is provided by its member countries. It raises most of the funds for its investment activities through the issuance of notes, bonds and other debt securities in the international capital markets. The Corporation also plays a catalytic role in mobilizing additional project funding from other investors and lenders, either through cofinancing or through loan syndications, underwritings and guarantees. In addition to project finance and resource mobilization, the Corporation offers an array of financial and technical advisory services to private businesses in the developing world to increase their chances of success, and also advises governments on how to create an environment hospitable to the growth of private enterprise and foreign investment.

Note A—Summary of Significant Accounting and Related Policies

The accounting and reporting policies of the Corporation conform with generally accepted accounting principles in the United States (U.S. GAAP) and with International Accounting Standards (IAS).

During the year ended June 30, 1997, the Corporation adopted IAS No. 32, "Financial Instruments: Disclosure and Presentation." IAS No. 32 specifies the disclosure of certain information on various risk elements associated with financial instruments which have been included in Notes B, D, G and K.

In 1996, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 125, "Accounting for Transfers of Assets and Servicing of Financial Assets and Extinguishments of Liabilities," which requires new accounting and reporting standards for sales, securitizations, and servicing of receivables and other financial assets, and extinguishments of liabilities. The standard is effective beginning in 1997 and had no material impact on the Corporation's financial statements. The provisions relating to transfers involving repurchase/resale agreements and securities lending for transfers of financial assets will not be effective until the beginning of 1998. The adoption of these provisions of the standard is expected to have no material impact on the Corporation's financial statements.

Financial Statements Presentation—Certain amounts in the prior year have been reclassified to conform to the current year's presentation.

Use of Estimates—The preparation of the financial statements in conformity with U.S. GAAP and IAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from these estimates.

Translation of Currencies—Assets and liabilities not denominated in United States dollars (U.S. dollars or \$), other than disbursed equity investments, are expressed in United States dollars at the exchange rates prevailing at June 30, 1997, and June 30, 1996. Disbursed equity investments are expressed in U.S. dollars at the prevailing exchange rates at the time of disbursement. Income and expenses are translated at the rates of exchange prevailing at the time of the transaction. Translation gains and losses are credited or charged to income.

Equity and Loan Investments—Investments are recorded as assets when disbursed. Loan investments are carried at the principal amounts outstanding. It is the Corporation's practice to obtain collateral security such as, but not limited to, mortgages and third-party guarantees. Equity investments are carried at cost. On occasion the Corporation enters into put and call option agreements in connection with equity investments.

Reserve Against Losses—The Corporation considers a loan as impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the loan's contractual terms. The adoption of FASB SFAS No. 114, "Accounting by Creditors for Impairment of a Loan," as amended by FASB SFAS No. 118, "Accounting by Creditors for Impairment of a Loan—Income Recognition and Disclosure" during the year ended June 30, 1996 did not have a material effect on the Corporation's financial statements. The reserve against losses for impaired loans represents management's judgment of the present value of expected future cash flows discounted at the loan's effective interest rate and an estimate of potential losses not specifically identifiable. The reserve is established through annual charges to income in the form of a provision for losses on investments. Investments written off, as well as any subsequent recoveries, are recorded through the reserve.

Revenue Recognition—Dividends and profit participations are recorded as income when received in freely convertible currencies. Gains on the sale of equity investments are measured against the average cost of the investments sold and are recorded as income when received in freely convertible currencies.

Interest and commitment fees are recorded as income on an accrual basis. All other fees are recorded as income when received in freely convertible currencies. The Corporation does not recognize income on loans where collectibility is in doubt or payments of interest or principal are past due more than 60 days unless management anticipates that collection of interest will occur in the near future. Any interest accrued on a loan placed in nonaccrual status is reversed out of current income and is thereafter recognized as income only when the actual payment is received. Interest not previously recognized but capitalized as part of a debt restructuring is recorded as deferred income and credited to current income only when the related principal is received. Fees and costs associated with loan origination are recognized when incurred as the net of these amounts is not material.

Liquid Assets—As part of its overall portfolio management strategy, to diversify its credit exposure to commercial banks and to obtain higher returns, the Corporation invests in government obligations, time deposits and asset-backed securities according to the Corporation's credit risk and duration policies. Government obligations include highly rated fixed rate bonds, notes, bills and other obligations issued or unconditionally guaranteed by governments of countries or other official entities including government agencies and instrumentalities or by multilateral organizations. The Corporation converts these fixed rate government obligations into variable rate U.S. dollar instruments by entering into currency and interest rate swaps.

On December 31, 1995, the Corporation transferred all of the securities in the Held to Maturity Portfolio to the Available for Sale Portfolio. The one-time transfer was done pursuant to the adoption of the FASB Special Report, "A Guide to the Implementation of Statement 115 on Accounting for Certain Investments in Debt and Equity Securities."

On July 1, 1997, the Corporation transferred \$978 million of its deposits and securities classified as Trading Securities to the Available for Sale Portfolio.

Securities that the Corporation has both the positive intent and ability to hold to maturity are classified as Securities Held to Maturity and carried at historical cost, adjusted for amortization of premiums and accretion of discounts. Securities classified as Available for Sale, which are those securities that may be sold prior to maturity as part of asset/liability management or in response to other factors, are carried at fair value with any changes in fair value reported in a separate component of capital. Securities classified as Trading are carried at market value with any changes in fair value reported in Income from deposits and securities. Interest and dividends on securities and amortization of premiums and accretion of discounts are reported in Income from deposits and securities. Realized gains and losses on deposits and securities classified as Available for Sale or Trading, which are computed by the last-in first-out method, are included in Income from deposits and securities. The Corporation classifies due from banks, time deposits, and the deposits and securities portfolio (liquid assets) as an element of liquidity in the Statement of Cash Flows because of their nature and the Corporation's policies governing the level and use of such investments.

Repurchase and Resale Agreements—Repurchase agreements are contracts under which a party sells securities and simultaneously agrees to repurchase the same securities at a specified future date at a fixed price. The reverse of these transactions are called resale agreements. Securities purchased under resale agreements, and securities sold under agreements to repurchase and payable for cash collateral received are valued at market that approximates cost.

Borrowings—To diversify its access to funding and reduce its borrowing costs, the Corporation borrows in a variety of currencies. Generally, the Corporation simultaneously converts such borrowings into variable rate U.S. dollar borrowings through the use of currency and interest rate swap transactions. Under the borrowing agreements, the Corporation is not permitted to mortgage or allow a lien to be placed on its assets (other than purchase money security interests) without extending equivalent security to the holders of such borrowings.

Derivative Financial Instruments—In the normal course of business, the Corporation is a party to derivative financial instruments used to manage its exposure to market risks. These activities include currency and interest rate swaps, commodity-indexed swaps, commodity-indexed options and forward contracts on its own behalf and for clients, guarantees for third parties, futures contracts, short sales, and covered forwards. In addition, the Corporation issues warrants, and purchases matching over-the-counter options to hedge these transactions. Income or expense on currency and interest rate swaps, forward contracts and commodity-indexed contracts are recognized over the life of the associated instrument as an element of charges on borrowings, service fees or income from deposits and securities, depending on the purpose for which the instrument is used. Gains and losses on futures contracts and short sales are recognized as an element of income from deposits and securities. The cash settlement value of warrants and associated options are reported gross on the balance sheet and are included in other assets and other liabilities. Income and expense from warrants and associated options are recognized as an element of charges on borrowings. All derivative financial instruments are accounted for on the accrual basis except for futures contracts and currency and interest rate swaps in the Available for Sale Portfolio which are recorded in the balance sheet at fair value.

Where it acts as an intermediary on swap, option, or forward contracts, the Corporation minimizes its exposure to credit risk by performing credit reviews of the clients, and minimizes its exposure to currency and interest rate risks by entering into offsetting swap, option, or forward contract positions with highly rated market counterparties.

Note B—Deposits and Securities

Trading Portfolio and Associated Derivative Instruments

A summary of the Trading Portfolio as at and for the years ended June 30, 1997, and 1996 by instrument is as follows:

	June 30, 1997				
	US\$ millions				
	Fair Value		Net losses for the year	Average maturity (years)	Average yield (%)
	As at year- end	Average daily balance			
Government obligations	\$ 1,270	\$ 1,028	\$ (1)	4.1	6.0
Asset-backed securities	94	24	—		
Subtotal	1,364	1,052	(1)		
Associated derivative instruments:					
Net receivable from covered forwards	—	—	—	—	5.8
Total, net of derivative instruments	\$1,364	\$1,052	\$ (1)		

	June 30, 1996				
	US\$ millions				
	Fair Value		Net losses for the year	Average maturity (years)	Average yield (%)
	As at year- end	Average daily balance			
Government obligations	\$ 945	\$ 802	\$ (9)	3.1	5.8
Associated derivative instruments:					
Net receivable from covered forwards	1	—	—	—	4.2
Total, net of derivative instruments	\$ 946	\$ 802	\$ (9)		

Available for Sale Portfolio and Associated Derivative Instruments—The amortized cost, gross unrealized gains and losses, fair value and average yield of deposits and securities classified as Available for Sale are as follows:

	June 30, 1997				
	US\$ millions				Average yield(%)
	Amortized cost	Gross unrealized gains	(losses)	Fair value	
Government obligations	\$ 3,384	\$ 138	\$ (18)	\$ 3,504	4.8
Associated derivative instruments:					
Receivables from currency swaps	2,290	2	—	2,292	5.9
Payables for currency swaps	(2,468)	11	(134)	(2,591)	4.8
Interest rate swaps receivable	—	2	—	2	5.5
Interest rate swaps payable	—	9	(8)	1	5.9
Receivables from covered forwards	1,047	—	—	1,047	5.8
Payables for covered forwards	(1,075)	—	—	(1,075)	3.1
Total, net of derivative instruments	\$ 3,178	\$162	\$(160)	\$3,180	

	June 30, 1996				
	US\$ millions				Average yield(%)
	Amortized cost	Gross unrealized gains	(losses)	Fair value	
Government obligations	\$ 2,133	\$ 51	\$ (26)	\$ 2,158	6.1
Associated derivative instruments:					
Receivables from currency swaps	1,055	3	—	1,058	5.6
Payables for currency swaps	(1,059)	16	(40)	(1,083)	6.1
Interest rate swaps receivable	—	1	—	1	5.6
Interest rate swaps payable	—	14	(10)	4	6.1
Receivables from covered forwards	222	—	—	222	5.4
Payables for covered forwards	(219)	—	—	(219)	2.9
Total, net of derivative instruments	\$ 2,132	\$ 85	\$(76)	\$2,141	

The receivables from and payables for currency and interest rate swaps and receivables from and payables for covered forwards in the Available for Sale Portfolio are included in receivables from and payables for currency and interest rate swaps, and in receivables from and payables for covered forwards respectively, on the balance sheet.

Maturities—The expected maturities of deposits and securities in the Available for Sale Portfolio, net of associated derivative instruments, are summarized below (US\$ millions):

	June 30, 1997		June 30, 1996	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	\$ 814	\$ 810	\$ 603	\$ 606
Due after one year through two years	831	830	457	457
Due after two years through five years	1,203	1,210	750	756
Due after five years through ten years	330	330	322	322
Total	\$3,178	\$3,180	\$2,132	\$2,141

The deposits and securities portfolio is denominated primarily in U.S. dollars; instruments in non-dollar currencies, net of the effect of associated derivative instruments which convert local currency securities into U.S. dollar securities, represent 3.0% of the portfolio at June 30, 1997, (5.6%—June 30, 1996). The annualized rate of return on securities in the Trading portfolio during the year ended June 30, 1997, was 6.0% (5.4%—June 30, 1996). The annualized rate of return on securities in the Available for Sale Portfolio (which, prior to December 31, 1995, was classified as a Held to Maturity Portfolio) held during the year ended June 30, 1997, was 5.7% (5.8%—year ended June 30, 1996).

After the effect of interest rate and currency swaps, the deposits and securities portfolio generally reprices within one year.

Income from deposits and securities and time deposits for the years ended June 30, 1997, and 1996 is summarized below (US\$ thousands):

	June 30, 1997	June 30, 1996
Trading securities		
Interest income	\$ 128,272	\$ 105,034
Securities (losses) gains, net		
Realized	(791)	6,802
Unrealized	(298)	(16,264)
Held to maturity securities		
Interest income	—	121,011
Available for sale securities		
Interest income	296,038	125,593
(Expense) income from securities under resale and repurchase agreements, net	(12,212)	6,089
Total	<u>\$411,009</u>	<u>\$348,265</u>

Note C—Receivables and Other Assets

Receivables and other assets are summarized below (US\$ thousands):

	June 30, 1997	June 30, 1996
Receivable from sales of trading securities	\$ 429,410	\$ 25,715
Accrued income on deposits and securities	132,105	102,741
Accrued income on swaps	358,640	355,759
Accrued income on loan investments	124,952	110,476
Headquarters Building		
Land	89,208	89,208
Building, net	173,417	117,452
Deferred charges and other assets	171,988	139,493
Total receivables and other assets	<u>\$1,479,720</u>	<u>\$940,844</u>

Interest incurred during the construction of the Headquarters Building for the Corporation's own use has been capitalized as part of the project cost; at June 30, 1997, interest capitalized was \$24 million (\$16 million—June 30, 1996).

Note D—Loan and Equity Investments and Reserve Against Losses

Investments approved by the Board of Directors to be held by the Corporation but not yet signed as commitments, and commitments signed for which disbursements have not yet been made are summarized below (US\$ millions):

	June 30, 1997	June 30, 1996
Investments approved but not committed		
Loans	\$ 2,745	\$ 2,102
Equities	745	613
Total investments approved but not committed	<u>3,490</u>	<u>2,715</u>
Investments committed but not disbursed		
Loans	1,717	1,570
Equities	381	457
Total investments committed but not disbursed	<u>2,098</u>	<u>2,027</u>
Total investments approved but not disbursed	<u>\$ 5,588</u>	<u>\$ 4,742</u>

At June 30, 1997, 31% (33%—June 30, 1996) of the disbursed loan portfolio consisted of fixed-rate loans, while the remainder was at variable rates. The currency composition and average yield of loans disbursed and outstanding at June 30, 1997, is summarized below:

	Amount (US\$ millions)	Average yield (%)
U.S. dollars	\$ 5,909	8.6
Deutsche mark	370	8.0
Japanese yen	112	7.0
Swiss francs	76	6.8
French francs	67	10.0
European Currency Unit	16	7.4
Other currencies	<u>24</u>	11.6
Total loans disbursed and outstanding	<u>\$6,574</u>	8.6

Loans disbursed and outstanding in all currencies are repayable during the years ending June 30, 1998, through June 30, 2002, and thereafter as follows (US\$ millions):

	1998	1999	2000	2001	2002	Thereafter	Total
Fixed rate loans	\$ 384	\$ 259	\$ 233	\$ 268	\$ 187	\$ 719	\$ 2,050
Variable rate loans	<u>641</u>	<u>690</u>	<u>676</u>	<u>628</u>	<u>527</u>	<u>1,362</u>	<u>4,524</u>
Total	<u>\$1,025</u>	<u>\$949</u>	<u>\$909</u>	<u>\$896</u>	<u>\$714</u>	<u>\$2,081</u>	<u>\$6,574</u>

The Corporation's variable rate loans disbursed and outstanding generally reprice within one year.

Loans on which the accrual of interest has been discontinued amounted to \$322 million at June 30, 1997, (\$345 million—June 30, 1996). Interest income not recognized during the year ended June 30, 1997, on nonaccruing loans totaled \$24 million (\$26 million—year ended June 30, 1996). During the year ended June 30, 1997, \$7 million (\$11 million—year ended June 30, 1996) of interest on loans in nonaccrual status related to current and prior years was collected. The recorded investment in impaired loans at June 30, 1997, was \$886 million (\$546 million—June 30, 1996).

Changes in the reserve against losses for the years ended June 30, 1997, and 1996 are summarized below (US\$ thousands):

	June 30, 1997	June 30, 1996
Balance at beginning of year	\$ 876,206	\$ 776,635
Investments written off	(45,662)	(51,535)
Investments recovered	90	3,367
Translation adjustments	(20,878)	(3,741)
Provision for losses	<u>266,436</u>	<u>151,480</u>
Balance at end of year	<u>\$1,076,192</u>	<u>\$876,206</u>

The translation gain of \$20.9 million (\$3.7 million—year ended June 30, 1996) has been offset by an equivalent translation loss on currency hedges. Both amounts have been recorded in Translation Adjustments in the income statement.

Note E—Participations

The Corporation mobilizes funds from commercial banks and other financial institutions through loan participations, which are sold by the Corporation, without recourse, but are administered and serviced on behalf of the participants. During the year ended June 30, 1997, the Corporation called and disbursed \$3,107 million (\$1,751 million—year ended June 30, 1996) of participants' funds. At June 30, 1997, the disbursed participants' funds outstanding were \$6,570 million (\$4,505 million—June 30, 1996) and the undisbursed participants' commitments were \$1,656 million (\$1,649 million—June 30, 1996). In addition, at June 30, 1997, the Corporation had arranged to place with participants \$4,061 million (\$4,020 million—June 30, 1996) of investments approved by the Board of Directors but not yet signed as commitments.

On July 6, 1995, the Corporation securitized and sold variable rate U.S. dollar loan participations to a trust (the Trust) at par. Concurrently, the Corporation provided a \$20 million liquidity facility to the Trust and acquired \$20 million of the Trust's Class C certificates. The outstanding balance of the Trust's Class C certificates was \$15 million at June 30, 1997 (\$19 million—June 30, 1996). The Class C certificates are included in equity investments and the liquidity facility is included in other assets. The Corporation has provided reserves for losses of \$15 million at June 30, 1997 (\$19 million—June 30, 1996) against these instruments. Certain of the securitized loan participations are secured by security interests in personal and real property. The principal balance outstanding of total loans securitized at June 30, 1997, was \$245 million (\$338 million—June 30, 1996).

Note F — Payables and Other Liabilities

Payables and other liabilities are summarized below (US\$ thousands):

	June 30, 1997	June 30, 1996
Accrued charges on borrowings	\$ 283,725	\$ 298,115
Accrued charges on swaps	261,465	203,361
Obligations for securities purchased	611,966	369,901
Accounts payable, accrued expenses and other	<u>117,306</u>	<u>105,646</u>
Total payables and other liabilities	<u>\$1,274,462</u>	<u>\$977,023</u>

Note G—Borrowings

The Corporation's borrowings outstanding from market sources and currency and interest rate swaps, net of unamortized issue premiums and discounts are summarized below:

June 30, 1997								
	Market borrowings		Currency swaps payable(receivable)		Interest rate swaps payable(receivable)		Net currency obligation	
	Amount (US\$ millions)	Weighted average cost (%)	Amount (US\$ millions)	Weighted average cost (%)	Notional amount (US\$ millions)	Weighted average cost (%)	Amount (US\$ millions)	Weighted average cost (%)
U.S. dollars	\$ 2,232	6.4	\$7,688	5.4	\$2,051 (2,051)	5.6 (6.3)	\$9,920	5.5
Japanese yen	1,477	4.8	(1,477)	(4.8)	—	—	—	—
Spanish pesetas	1,024	5.0	(1,024)	(5.0)	—	—	—	—
Australian dollars	751	6.9	(751)	(6.9)	—	—	—	—
Hong Kong dollars	736	7.1	(736)	(7.1)	—	—	—	—
Greek drachmas	648	12.5	(648)	(12.5)	—	—	—	—
Pound sterling	517	6.3	(517)	(6.3)	—	—	—	—
Italian lire	455	8.1	(455)	(8.1)	—	—	—	—
Luxembourg francs	337	6.3	(337)	(6.3)	—	—	—	—
Deutsche mark	306	5.7	(240)	(5.1)	—	—	66	2.6
South African rand	321	14.3	(321)	(14.3)	—	—	—	—
Canadian dollars	282	7.8	(282)	(7.8)	—	—	—	—
Czech koruna	157	11.0	(157)	(11.0)	—	—	—	—
Netherlands guilders	107	3.4	(107)	(3.4)	—	—	—	—
Swiss francs	104	4.8	(104)	(4.8)	—	—	—	—
Philippine peso	99	10.3	(99)	(10.3)	—	—	—	—
Polish new zloty	77	18.5	(77)	(18.5)	—	—	—	—
Slovak koruna	66	12.6	(66)	(12.6)	—	—	—	—
Swedish kronor	<u>52</u>	<u>10.6</u>	<u>(52)</u>	<u>(10.6)</u>	—	—	—	—
Principal at face value	\$ 9,748		\$ 238				\$9,986	
Less: net unamortized discounts	<u>223</u>							
Total market borrowings	<u>\$9,525</u>							

June 30, 1996

	Market borrowings		Currency swaps payable(receivable)		Interest rate swaps payable(receivable)		Net currency obligation	
	Amount (US\$ millions)	Weighted average cost (%)	Amount (US\$ millions)	Weighted average cost (%)	Notional amount (US\$ millions)	Weighted average cost (%)	Amount (US\$ millions)	Weighted average cost (%)
U.S. dollars	\$ 2,049	7.3	\$ 6,131	5.1	\$2,093 (2,093)	5.2 (6.7)	\$8,180	5.3
Japanese yen	2,038	4.9	(2,038)	(4.9)	—	—	—	—
Italian lire	713	9.8	(713)	(9.8)	—	—	—	—
Hong Kong dollars	633	7.2	(633)	(7.2)	—	—	—	—
Greek drachmas	619	13.5	(619)	(13.5)	—	—	—	—
Australian dollars	444	7.9	(444)	(7.9)	—	—	—	—
Canadian dollars	342	7.8	(342)	(7.8)	—	—	—	—
Deutsche mark	297	5.7	(222)	(5.2)	—	—	75	2.9
Spanish pesetas	253	9.5	(253)	(9.5)	—	—	—	—
Luxembourg francs	191	7.2	(191)	(7.2)	—	—	—	—
Swedish kronor	182	10.4	(182)	(10.4)	—	—	—	—
Netherlands guilders	139	3.8	(123)	(3.5)	—	—	16	6.0
Swiss francs	129	4.8	(129)	(4.8)	—	—	—	—
Czech koruna	109	10.2	(109)	(10.2)	—	—	—	—
Portuguese escudos	70	12.0	(70)	(12.0)	—	—	—	—
South African rand	57	13.0	(57)	(13.0)	—	—	—	—
Polish new zloty	37	18.5	(37)	(18.5)	—	—	—	—
Principal at face value	\$ 8,302		\$ (31)				\$8,271	
Less: net unamortized discounts	137							
Total market borrowings	\$8,165							

The weighted average cost of market borrowings after currency and interest rate swap transactions was 5.5% at June 30, 1997 (5.2%—June 30, 1996). The weighted average maturity of market borrowings was 6.6 years at June 30, 1997 (7.4 years—June 30, 1996).

The \$238 million net payable for currency swaps at June 30, 1997, (\$31 million net receivable—June 30, 1996), shown in the above table, consists of swap transactions in receivable positions of \$7,800 million (\$6,344 million—June 30, 1996) and swap transactions in payable positions of \$8,038 million (\$6,313 million—June 30, 1996) which are included in Receivables from and Payables for currency and interest rate swaps respectively, on the balance sheet.

Borrowings outstanding from IBRD are summarized below:

	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996
	Principal amount (US\$ millions)		Weighted average cost (%)	
Deutsche mark	\$ 189	\$ 280	6.8	6.9
U.S. dollars	182	188	6.8	6.9
Japanese yen	106	131	6.1	6.1
Swiss francs	57	90	5.8	5.8
French franc	51	85	8.5	8.7
Other currencies	13	17	8.0	8.1
Total IBRD borrowings	\$ 598	\$ 791		

The weighted average maturity of IBRD borrowings was 10.7 years at June 30, 1997 (10.1 years—June 30, 1996).

In addition, undrawn balances on committed borrowings from IBRD at June 30, 1997, were \$3 million (\$12 million—June 30, 1996). Charges on borrowings for the year ended June 30, 1997, includes \$48 million (\$61 million—year ended June 30, 1996) in respect of IBRD borrowings. A commitment fee is payable on the undrawn balances of borrowings at 3/4 of 1% per annum. For the year ended June 30, 1997, such commitment fees aggregated \$2 million (\$1 million—year ended June 30, 1996) and are included in charges on borrowings.

The principal amounts repayable on borrowings outstanding in all currencies, gross of any premiums or discounts, during the years ending June 30, 1998, through June 30, 2002, and thereafter are summarized below (US\$ millions):

	1998	1999	2000	2001	2002	Thereafter	Total
Borrowings from market sources	\$ 1,301	\$ 2,580	\$ 1,200	\$ 1,432	\$ 1,027	\$ 2,208	\$ 9,748
Borrowings from IBRD	<u>120</u>	<u>118</u>	<u>78</u>	<u>58</u>	<u>45</u>	<u>180</u>	<u>599</u>
Total borrowings, gross	<u>\$1,421</u>	<u>\$2,698</u>	<u>\$1,278</u>	<u>\$1,490</u>	<u>\$1,072</u>	<u>\$2,388</u>	<u>\$10,347</u>

After the effect of interest rate and currency swaps, the Corporation's borrowings generally reprice within one year.

Note H—Capital Stock

On May 4, 1992, the Board of Governors approved a resolution increasing the authorized capital of the Corporation from \$1,300 million to \$2,300 million. The resolution allocated \$964.9 million for subscriptions by member countries during the subscription period ending August 1, 1997. Members may elect to pay subscriptions in full or by installments, the last of which is payable on August 1, 1997.

On December 10, 1992, the Board of Governors of the Corporation approved a resolution selectively increasing IFC's authorized capital by \$150 million to \$2,450 million in order to provide sufficient shares for the full entitlement of the former Soviet Republics and to provide adequate shares for additional requests for existing members.

Note I—Interest and Financial Fees from Loan and Equity Investments

Interest and financial fees from loan and equity investments comprise the following (US\$ thousands):

	June 30, 1997	June 30, 1996
Interest income	\$ 538,421	\$ 486,924
Commitment fees	11,788	11,996
Other financial fees	<u>30,036</u>	<u>21,613</u>
Total interest and financial fees	<u>\$580,245</u>	<u>\$520,533</u>

Note J—Contributions to Special Programs

From time to time, the Board of Directors approves recommendations under which the Corporation contributes to special programs, which presently are the Africa Project Development Facility (APDF), the South Pacific Project Facility (SPPF), the Foreign Investment Advisory Service (FIAS), the Enterprise Support Service for Africa (ESSA), and the Mekong Project Development Facility (MPDF). During the year ended June 30, 1997, the Corporation contributed \$4.9 million to these facilities (\$4.3 million—year ended June 30, 1996).

Note K—Derivative Financial Instruments and Credit Risk

Derivative financial instruments involve elements of credit and market risk in excess of the amounts recorded on the balance sheet. Credit risk represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contract. Market risk represents the potential loss due to a decrease in the value of an off-balance sheet financial instrument caused primarily by changes in interest rates or currency exchange rates. The Corporation is highly selective in its choice of counterparties and does not consider nonperformance to represent a significant risk. For such financial instruments, the Corporation limits trading to a list of authorized dealers and counterparties. Credit limits have been established for each counterparty by type of instrument and maturity category and collateral agreements have been executed with counterparties in order to further minimize the Corporation's exposure to credit risk. Under these agreements, the Corporation may accept collateral in the form of cash or other approved liquid securities from individual counterparties in order to mitigate its credit exposure.

A summary of the aggregate contractual or notional amounts of derivative and other financial instruments is as follows (US\$ millions):

	June 30, 1997	June 30, 1996
Currency swaps		
Borrowing-related	\$ 7,800	\$ 6,168
Intermediary	244	382
Asset/liability management	269	204
Deposits and securities		
For other than trading purposes	<u>2,290</u>	<u>1,059</u>
Total currency swaps	<u>\$10,603</u>	<u>\$7,813</u>
Interest rate swaps		
Borrowing-related	\$ 2,051	\$ 2,093
Intermediary	890	741
Asset/liability management	184	148
Deposits and securities		
For trading purposes	—	28
For other than trading purposes	<u>886</u>	<u>951</u>
Total interest rate swaps	<u>\$ 4,011</u>	<u>\$3,961</u>
Guarantees to clients		
Signed	\$ 43	\$ 111
Issued and outstanding	17	64
Other contracts		
Deposits and securities		
For trading purposes		
Covered forwards	\$ 11	\$ 102
Futures and option contracts	21	1,018
For other than trading purposes		
Covered forwards	1,059	219
Commodity-indexed contracts	65	112
Interest rate caps	303	361
Guarantees on swaps	157	157
Other interest rate swaps	<u>291</u>	<u>372</u>
Total other contracts	<u>\$ 1,907</u>	<u>\$2,341</u>

There was no cash settlement value for the call options or put warrants purchased at June 30, 1997, and June 30, 1996. The off-balance sheet credit exposure, which represents the maximum estimated replacement cost, at market rates, of derivative financial instruments in a gain position is summarized as follows (US\$ millions):

	June 30, 1997	June 30, 1996
Currency swaps	\$ 364	\$ 413
Interest rate swaps	114	102
Other contracts		
Deposits and securities		
For trading purposes	—	1
For other than trading purposes	28	2
Other	<u>19</u>	<u>33</u>
Total credit exposure	<u>\$ 525</u>	<u>\$551</u>

The expected maturities of currency swaps, interest rate swaps, and other derivative financial instruments during the fiscal years ending June 30, 1998, through June 30, 2002, and thereafter are summarized below (US\$ millions):

	1998	1999	2000	2001	2002	Thereafter	Total
Currency swaps							
Borrowing-related							
Pay variable U.S. dollars	\$ 953	\$ 2,079	\$ 1,101	\$ 1,432	\$ 485	\$ 1,750	\$ 7,800
Intermediary	117	16	74	10	9	18	244
Asset/liability management	18	65	30	45	66	45	269
Deposits and securities							
Receive variable U.S. dollars	683	642	528	111	296	30	2,290
Total currency swaps	<u>1,771</u>	<u>2,802</u>	<u>1,733</u>	<u>1,598</u>	<u>856</u>	<u>1,843</u>	<u>10,603</u>
Interest rate swaps							
Borrowing-related							
Receive fixed U.S. dollars,							
pay variable U.S. dollars	347	500	100	—	542	562	2,051
Intermediary	20	33	151	167	125	394	890
Asset/liability management	30	29	77	5	5	38	184
Deposits and securities							
Receive variable U.S. dollars	164	95	164	318	130	15	886
Total interest rate swaps	<u>561</u>	<u>657</u>	<u>492</u>	<u>490</u>	<u>802</u>	<u>1,009</u>	<u>4,011</u>
Other contracts	<u>1,261</u>	<u>133</u>	<u>100</u>	<u>161</u>	<u>136</u>	<u>116</u>	<u>1,907</u>
Total derivative financial instruments	<u>\$3,593</u>	<u>\$3,592</u>	<u>\$2,325</u>	<u>\$2,249</u>	<u>\$1,794</u>	<u>\$2,968</u>	<u>\$16,521</u>

Note L—Estimated Fair Value of Financial Instruments

Many of the Corporation's financial instruments lack a trading market, characterized as exchanges between willing buyers and sellers, accordingly, subjective estimates and present value calculations of future cash flows were used to estimate the fair values. Determining future cash flows for fair value estimation is subjective and imprecise, and minor changes in assumptions or methodologies may materially affect the estimated values. The excess or deficit resulting from the difference between the carrying amounts and the fair values presented do not necessarily reflect the realizable values since, in most cases, the Corporation generally holds loans and other financial instruments to maturity with the aim of realizing their recorded values.

The estimated fair values reflect the interest rate environments as of June 30, 1997, and June 30, 1996, but not the effects of interest rate fluctuations for any period preceding or following those dates. In different interest rate environments, fair value results can differ significantly, especially for certain fixed-rate financial instruments. Reasonable comparability of fair values among financial institutions is not likely, because of the wide range of permitted valuation techniques and numerous estimates that must be made in the absence of secondary market prices. This lack of objective pricing standards introduces a greater degree of subjectivity and volatility to these derived or estimated fair values. Therefore, while disclosure of estimated fair values of financial instruments is required, readers are cautioned in using this data for purposes of evaluating the financial condition of the Corporation. The fair values of the individual instruments do not represent the fair value of the Corporation taken as a whole.

The methodologies used and key assumptions made to estimate fair values as of June 30, 1997, and June 30, 1996, are summarized below:

Liquid Assets—The estimated fair value of the Trading and Available for Sale deposits and securities are based on quoted market prices and the present value of estimated future cash flows using appropriate discount rates.

Derivative Financial Instruments—Fair values for interest rate and currency swaps were derived by determining the present value of estimated future cash flows using appropriate discount rates. Fair values for covered forward agreements were derived by using quoted market forward exchange rates. Fair values for commodity-indexed contracts were based on pricing models. Fair values for call options were based on pricing models and fair values for put warrants were based on quoted market prices.

Loan Investments and Commitments—The Corporation, which extends loans to entities operating in the private sector in its developing member countries, generally has not sold its loans from the portfolio and there is no comparable secondary market. Fair values for fixed-rate loans and loan commitments were determined using a discounted cash flow model based on a discount rate comprising the fixed-rate loan spread plus the period-end estimated cost of funds. Since rates on variable rate loans and loan commitments are reset on a quarterly or six month basis, the carrying value adjusted for credit risk was determined to be the best estimate of fair value. The Corporation also holds options to convert loans into equity of certain of its investee companies. Fair values of these conversion options are based on quoted market prices or other calculated values of the underlying equity.

Equity Investments—Fair values were determined using market prices where available, put option prices, book values, or cost, certain of which were discounted based upon management's estimate of net realizable value. Where market prices were not available or alternate valuation techniques were not practical, cost was determined to be the best estimate of fair value. Management's estimate of fair value takes into consideration the relative illiquidity and volatility, as well as the overall business constraints, in the emerging markets in which the Corporation invests.

Borrowings and Commitments—Fair values were estimated using a discounted cash-flow model based on rates representing the Corporation's estimated cost to raise funds with similar terms and remaining maturities.

Estimated fair values are summarized below (US\$ millions):

	June 30, 1997		June 30, 1996	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Due from banks	\$ 70	\$ 70	\$ 39	\$ 39
Time deposits	3,793	3,793	3,439	3,439
Deposits and securities				
Trading Portfolio				
Deposits and securities	1,364	1,364	945	945
Derivative assets	11	11	103	103
Derivative liabilities	(11)	(11)	(102)	(102)
Available for Sale Portfolio				
Deposits and securities	3,504	3,504	2,158	2,158
Derivative assets	3,341	3,341	1,281	1,281
Derivative liabilities	(3,665)	(3,665)	(1,297)	(1,297)
Loan investments	6,574	6,714	6,139	6,266
Equity investments	1,849	2,541	1,678	2,209
Reserve against losses	(1,076)	(1,076)	(876)	(876)
Net investments	<u>7,347</u>	<u>8,179</u>	<u>6,941</u>	<u>7,599</u>
Intermediary currency and commodity-indexed swaps receivable	244	131	382	408
Asset/liability management currency and interest rate swaps receivable	269	321	204	234
Liabilities				
IBRD and market borrowings	\$10,124	\$10,835	\$8,956	\$9,385
Receivables from currency and interest rate swaps	(7,534)	(8,968)	(6,168)	(6,977)
Payables for currency and interest rate swaps	8,033	8,447	6,306	6,776
Net borrowings	<u>10,623</u>	<u>10,314</u>	<u>9,094</u>	<u>9,184</u>
Intermediary currency and commodity-indexed swaps payable	244	137	382	406
Asset/liability management currency and interest rate swaps payables	247	289	204	225

	June 30, 1997		June 30, 1996	
	Contract/ notional value	Fair value	Contract/ notional value	Fair value
Other Financial Instruments				
Loan commitments	\$1,717	\$1,741	\$1,569	\$1,601
Borrowing commitments	3	3	12	13
Intermediary interest rate swaps, client	445	1	370	(2)
Intermediary interest rate swaps, counterparty	445	2	370	3
Commodity-indexed contracts, client	32	(5)	112	(14)
Commodity-indexed contracts, counterparty	32	5	112	14
Other interest rate swaps	291	—	372	74
Interest rate caps	303	—	361	60
Guarantees on swaps	157	11	157	2

Note M—Currency Position

The Corporation conducts its operations for its loans, deposits and securities and borrowings in multiple currencies. The Corporation's policy is to minimize the level of currency risk by closely matching the currency of its assets (other than equity investments and quasi-equity investments) and liabilities by using hedging instruments. The Corporation's equity investments in enterprises located in its developing member countries are typically made in the local currency of the country. As a matter of policy, the Corporation carries the currency risk of equity investments and quasi-equity investments and funds these investments from its capital and retained earnings.

The following table summarizes the Corporation's exposure in major currencies at June 30, 1997 and June 30, 1996 (US\$ millions):

	June 30, 1997				
	U.S. dollars	Deutsche mark	Japanese yen	Other currencies	Total
Assets					
Liquid assets	\$ 4,849	\$ 316	\$ 1,485	\$ 2,082	\$ 8,732
Securities purchased under resale agreements	16	—	—	—	16
Loan investments disbursed and outstanding	5,909	369	112	184	6,574
Equity investments disbursed and outstanding	—	—	—	1,849	1,849
Total investments	5,909	369	112	2,033	8,423
Less: Reserve against losses	(316)	(126)	(12)	(622)	(1,076)
	5,593	243	100	1,411	7,347
Receivables from currency and interest rate swaps	2,805	422	1,472	5,643	10,342
Receivables from covered forwards	1,058	—	—	—	1,058
Receivables and other assets	1,000	(12)	43	449	1,480
Total assets	\$ 15,321	\$ 969	\$ 3,100	\$ 9,585	\$ 28,975
Liabilities					
Borrowings	\$ 2,418	\$ 497	\$ 1,585	\$ 5,623	\$ 10,123
Payables for currency and interest rate swaps	8,171	415	480	2,029	11,095
Payables for covered forwards	(16)	(25)	970	157	1,086
Other liabilities	1,268	70	68	(73)	1,333
Securities sold under agreements to repurchase and payable for cash collateral received	601	—	—	—	601
Total liabilities	\$ 12,442	\$ 957	\$ 3,103	\$ 7,736	\$ 24,238

	June 30, 1996				
	U.S. dollars	Deutsche mark	Japanese yen	Other currencies	Total
Assets					
Liquid assets	\$ 4,818	\$ 351	\$ 364	\$ 1,048	\$ 6,581
Securities purchased under resale agreements	39	—	—	—	39
Loan investments disbursed and outstanding	5,368	397	123	251	6,139
Equity investments disbursed and outstanding	—	—	—	1,678	1,678
Total investments	5,368	397	123	1,929	7,817
Less: Reserve against losses	(683)	(135)	(9)	(49)	(876)
	4,685	262	114	1,880	6,941
Receivables from currency and interest rate swaps	1,522	459	2,080	3,752	7,813
Receivables from covered forwards	412	4	1	(92)	325
Receivables and other assets	616	47	46	232	941
Total assets	\$12,092	\$1,123	\$2,605	\$6,820	\$22,640
Liabilities					
Borrowings	\$ 2,235	\$ 580	\$ 2,175	\$ 3,966	\$ 8,956
Payables for currency and interest rate swaps	6,406	393	319	844	7,962
Payables for covered forwards	173	88	65	(5)	321
Other liabilities	598	62	46	327	1,033
Securities sold under agreements to repurchase and payable for cash collateral received	210	—	—	—	210
Total liabilities	\$ 9,622	\$1,123	\$2,605	\$5,132	\$18,482

Note N—Staff Retirement Plan

The World Bank Group has a defined benefit retirement plan (the Plan) covering substantially all of the Corporation's staff. The Plan also covers substantially all the staff of IBRD and MIGA. Under the Plan, benefits are based on the years of contributory service and the highest three-year average of pensionable remuneration as defined in the Plan, with the staff contributing a fixed percentage of pensionable remuneration and the World Bank Group contributing the remainder of the actuarially determined cost of future Plan benefits. The actuarial present values of Plan obligations throughout the fiscal year are determined at the beginning of the fiscal year by the Plan's actuary. The Corporation's total contribution to the Plan is based upon the aggregate funding method. All contributions to the Plan and all other assets and income held for purposes of the Plan are held separately from the other assets and income of the World Bank Group and can be used only for the benefit of the participants in the Plan and their beneficiaries, until all liabilities to them have been paid or provided for. Plan assets consist primarily of equity and fixed income securities, with small holdings of cash, real estate and other investments.

Net periodic pension cost allocated to the Corporation for the years ended June 30, 1997, and June 30, 1996, comprised the following components (US\$ millions):

	1997	1996
Service cost-benefits earned during the fiscal year	\$ 28	\$ 36
Interest cost on projected benefit obligation	51	60
Actual return on plan assets	(221)	(153)
Net amortization and deferral	<u>127</u>	<u>73</u>
Net periodic pension (income) expense	<u>\$ (15)</u>	<u>\$ 16</u>

During the year ended June 30, 1997, the World Bank Group reevaluated its pension expense estimate. Pursuant to this reevaluation, the Corporation recorded its allocation of pension income, \$15 million for the year ended June 30, 1997 (\$16 million pension expense—year ended June 30, 1996) in Administrative Expenses.

The following table sets forth the Plan's funded status at June 30, 1997, and June 30, 1996 (US\$ millions):

	1997	1996
Actuarial present value of benefit obligations		
Accumulated benefit obligation		
Vested	\$(3,760)	\$(3,543)
Nonvested	(49)	(36)
Subtotal	<u>(3,809)</u>	<u>(3,579)</u>
Effect of projected compensation levels	<u>(1,783)</u>	<u>(1,718)</u>
Projected benefit obligation	<u>(5,592)</u>	<u>(5,297)</u>
Plan assets at fair value	<u>8,698</u>	<u>7,033</u>
Plan assets in excess of projected benefit obligation	<u>3,106</u>	<u>1,736</u>
Remaining unrecognized net transition asset	(78)	(91)
Unrecognized prior service cost	66	74
Unrecognized net gain from past experience different from that assumed and from changes in assumptions	<u>(2,881)</u>	<u>(1,719)</u>
Prepaid pension cost	<u>\$ 213</u>	<u>\$ —</u>

Of the \$213 million prepaid pension cost at June 30, 1997 (\$nil—June 30, 1996), \$27 million is attributable to the Corporation (\$nil—June 30, 1996) and is included in Receivables and Other Assets.

For the year ended June 30, 1997, the World Bank Group's cash contribution for all participants in the Plan was \$94 million, of which \$12 million is attributable to the Corporation and is included in the prepaid pension cost of \$27 million at June 30, 1997.

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5 percent at June 30, 1997 (7.5 percent—June 30, 1996). The effect of projected compensation levels was calculated based on a scale that provides for a decreasing rate of salary increase depending on age, beginning with 11.0 percent at age 20 and decreasing to 5.5 percent at age 64. The expected long-term rate of return on assets was 9 percent at June 30, 1997 (9 percent—June 30, 1996).

Management fees paid by the Corporation to IBRD in respect of the Plan for the year ended June 30, 1997 were \$3 million (\$3 million—June 30, 1996).

Note O—Retired Staff Benefits Plan

The World Bank Group has a Retired Staff Benefits Plan (RSBP) that provides certain health care and life insurance benefits to retirees. All staff of the Corporation who are enrolled in the insurance programs while in active service and who meet certain requirements are eligible for benefits when they reach early or normal retirement age while working for the Corporation. The RSBP also covers the staff of IBRD and MIGA.

Retirees contribute a level amount toward life insurance based on the amount of coverage. Retiree contributions toward health care are based on length of service and age at retirement. The Corporation annually contributes the remainder of the actuarially determined cost for future benefits. The actuarial present values of RSBP obligations throughout the fiscal year are determined at the beginning of the fiscal year by the RSBP's actuary. All contributions to the RSBP and all other assets and income held for purposes of the RSBP are held separately from the other assets and income of the World Bank Group and can be used only for the benefit of the participants in the RSBP and their beneficiaries until all liabilities to them have been paid or provided for. RSBP assets consist primarily of fixed income and equity securities.

The portion of net periodic postretirement benefits cost allocated to the Corporation and included in Administrative Expenses for the year ended June 30, 1997, is \$3 million (\$3 million—June 30, 1996).

Note P—Other Matters

Service and Support Payments—The Corporation obtains certain administrative and overhead services from IBRD in those areas where common services can be efficiently provided by IBRD. This includes shared costs of the Boards of Governors and Directors, and other services such as communications, internal auditing, administrative support, office occupancy, supplies, and insurance. Payments for these services are made by the Corporation to IBRD based on negotiated fees, chargebacks, and allocated charges where chargeback is not feasible. Expenses allocated to the Corporation for the year ended June 30, 1997, were \$20.6 million (\$21.8 million—year ended June 30, 1996).

Trust Funds—The Corporation uses the services of IBRD to administer funds on behalf of donors which are restricted for specific uses which include technical assistance, feasibility studies and project preparation, global and regional programs and research and training programs. These funds are placed in trust and are not included in the Corporation's assets. The responsibilities of the Corporation are to arrange for services generally not otherwise provided by it including full project implementation and procurement of goods and services. During the year ended June 30, 1997, the Corporation recognized \$2.7 million (\$0.5 million—June 30, 1996) as fees for Trust Fund services which is included in Other Income in the income statement. The distribution of Trust Fund assets by executing agent is as follows (US\$ millions):

	June 30, 1997		June 30, 1996	
	Total fiduciary assets	Number of active funds	Total fiduciary assets	Number of active funds
Executed by the Corporation	\$ 77	400	\$ 65	377
Executed by the recipient	9	5	7	4
Total	\$ 86	405	\$ 72	381

INVESTMENT PORTFOLIO SUMMARY

(US\$ MILLIONS)

	June 30, 1997			June 30, 1996		
	Loans	Equity (at cost)	Total loans and equity	Loans	Equity (at cost)	Total loans and equity
IFC Portfolio						
Total	\$ 8,291	\$2,230	\$10,521	\$ 7,709	\$2,135	\$ 9,844
Undisbursed balances	1,717	381	2,098	1,570	457	2,027
Disbursed balances	6,574	1,849	8,423	6,139	1,678	7,817
Loans and equity held by IFC for participants^a						
Total	\$ 8,471	—	\$ 8,471	\$ 6,492	—	\$ 6,492
Undisbursed balances	1,656	—	1,656	1,649	—	1,649
Disbursed balances	6,815	—	6,815	4,843	—	4,843
IFC portfolio and loans and equity held for participants						
Total	\$16,762	\$2,230	\$18,992	\$14,201	\$2,135	\$16,336
Undisbursed balances	3,373	381	3,754	3,219	457	3,676
Disbursed balances	13,389	1,849	15,238	10,982	1,678	12,660

a. Total and disbursed balances at June 30, 1997 and 1996 include securitized loans—see Note E to the financial statements.

STATEMENT OF CUMULATIVE GROSS COMMITMENTS

AS OF JUNE 30, 1997

Country, region or other area	Number of enterprises	Cumulative commitments ¹ (US\$ thousands)			Country, region or other area	Number of enterprises	Cumulative commitments ¹ (US\$ thousands)		
		IFC	Syndication	Total			IFC	Syndication	Total
Afghanistan	1	\$ 322	\$ —	\$ 322	Ghana	29	\$ 207,956	\$212,000	\$ 419,956
Algeria	1	10,000	—	10,000	Greece	7	26,006	41,107	67,113
Angola	1	1,500	—	1,500	Grenada	1	6,000	—	6,000
Argentina	138	1,911,869	1,962,086	3,873,955	Guatemala	8	104,029	69,000	173,029
Australia	2	975	—	975	Guinea	6	29,916	—	29,916
Bangladesh	6	15,329	6,155	21,484	Guinea-Bissau	3	6,888	—	6,888
Barbados	3	8,625	—	8,625	Guyana	1	2,000	—	2,000
Belize	2	16,000	11,000	27,000	Haiti	1	1,500	—	1,500
Benin	5	1,924	—	1,924	Honduras	6	37,332	72,401	109,733
Bolivia	14	149,282	36,000	185,282	Hungary	23	308,617	71,420	380,037
Bosnia and Herzegovina	4	33,000	7,366	40,367	India	112	1,581,689	458,241	2,039,931
Botswana	3	1,876	—	1,876	Indonesia	62	875,396	998,623	1,874,018
Brazil	105	2,132,564	1,583,232	3,715,796	Iran, Islamic				
Bulgaria	1	5,000	—	5,000	Republic of	7	34,343	8,193	42,536
Burkina Faso	1	542	—	542	Israel	1	10,500	—	10,500
Burundi	1	5,878	—	5,878	Italy	1	960	—	960
Cameroon	17	117,179	184,000	301,179	Jamaica	13	67,907	926	68,833
Cape Verde	2	1,960	—	1,960	Jordan	11	134,014	70,250	204,264
Chile	31	699,140	387,733	1,086,872	Kazakhstan	3	19,520	30,000	49,520
China	17	337,043	342,157	679,200	Kenya	41	176,076	35,667	211,742
Colombia	48	433,102	294,574	727,677	Korea, Republic of	32	240,749	36,938	277,687
Congo, Democratic					Kyrgyz Republic	2	40,300	—	40,300
Republic of	8	49,249	—	49,249	Latvia	3	24,807	—	24,807
Congo, Republic of	6	104,764	25,000	129,764	Lebanon	15	142,754	148,100	290,854
Costa Rica	10	38,381	14,709	53,090	Lesotho	2	454	—	454
Côte d'Ivoire	32	146,078	40,000	186,078	Liberia	2	9,203	—	9,203
Croatia	2	59,849	48,796	108,645	Lithuania	1	10,721	—	10,721
Cyprus	5	14,307	597	14,904	Macedonia, FYR of	1	10,631	—	10,631
Czech Republic	13	240,113	238,143	478,256	Madagascar	9	45,238	—	45,238
Dominica	1	701	—	701	Malawi	11	34,641	—	34,641
Dominican Republic	10	83,999	52,400	136,399	Malaysia	11	54,912	5,389	60,301
Ecuador	11	67,860	6,236	74,096	Maldives	1	6,000	—	6,000
Egypt, Arab					Mali	7	72,655	25,000	97,655
Republic of	33	377,215	122,265	499,480	Mauritania	4	15,364	9,558	24,922
El Salvador	4	32,975	38,500	71,475	Mauritius	11	38,505	98	38,603
Estonia	6	28,311	—	28,311	Mexico	78	1,655,452	1,454,212	3,109,663
Ethiopia	4	21,849	1,719	23,568	Moldova, Republic of	1	9,051	—	9,051
Fiji	6	22,809	2,500	25,309	Mongolia	1	1,750	—	1,750
Finland	4	1,233	1,915	3,148	Morocco	24	304,210	206,232	510,442
Gabon	4	105,249	110,000	215,249	Mozambique	6	17,498	—	17,498
Gambia, The	6	6,174	—	6,174	Namibia	1	11,500	—	11,500
Georgia	1	2,800	—	2,800					

Country, region or other area	Number of enterprises	Cumulative commitments ¹ (US\$ thousands)			Country, region or other area	Number of enterprises	Cumulative commitments ¹ (US\$ thousands)		
		IFC	Syndication	Total			IFC	Syndication	Total
Nepal	3	\$ 39,995	\$ —	\$ 39,995	Vietnam	11	\$ 116,937	\$ 128,875	\$ 245,812
Nicaragua	3	8,543	929	9,472	Western Samoa	2	485	—	485
Niger	1	2,267	—	2,267	Yemen, Republic of	5	22,552	1,099	23,651
Nigeria	30	192,484	99,017	291,501	Zambia	15	93,165	24,045	117,210
Oman	3	26,550	57,000	83,550	Zimbabwe	44	235,521	99,000	334,521
Pakistan	73	965,655	555,413	1,521,068	Regional Investments				
Panama	5	85,100	35,000	120,100	Africa	5	19,023	1,940	20,963
Papua New Guinea	2	13,300	—	13,300	Asia	10	149,627	—	149,627
Paraguay	4	15,008	—	15,008	Europe	16	122,264	25,000	147,264
Peru	22	170,734	47,621	218,355	Latin America	7	100,341	—	100,341
Philippines	53	620,065	442,879	1,062,944	Worldwide Investments	16	301,322	184,204	485,526
Poland	37	332,927	119,088	452,016	Other ²	22	226,919	95,883	322,802
Portugal	8	51,887	11,000	62,887					
Romania	3	13,990	—	13,990					
Russian Federation	19	234,980	45,000	279,980					
Rwanda	2	2,029	—	2,029					
St. Lucia	2	9,940	—	9,940					
Senegal	13	58,801	755	59,556					
Seychelles	5	19,507	2,500	22,007					
Sierra Leone	3	25,050	—	25,050					
Slovenia	11	226,653	54,027	280,680					
Somalia	2	1,351	—	1,351					
South Africa	9	41,121	—	41,121					
Spain	5	19,048	1,685	20,733					
Sri Lanka	13	51,747	23,672	75,419					
Sudan	6	26,511	6,489	33,000					
Swaziland	8	38,883	—	38,883					
Tajikistan	1	7,500	—	7,500					
Tanzania	26	64,233	13,386	77,619					
Thailand	53	920,965	1,701,374	2,622,339					
Togo	5	12,427	—	12,427					
Trinidad and Tobago	6	70,759	205,000	275,759					
Tunisia	18	74,293	2,324	76,617					
Turkey	81	1,150,956	760,682	1,911,638					
Uganda	22	41,961	1,588	43,549					
Ukraine	1	3,500	—	3,500					
Uruguay	9	69,916	20,000	89,916					
Uzbekistan	2	2,530	—	2,530					
Vanuatu	1	5,478	—	5,478					
Venezuela	28	443,506	441,411	884,916					
					Total	1,879	\$21,214,370	\$14,678,322	\$35,892,692

¹ Cumulative commitments are composed of disbursed and undisbursed balances. The undisbursed portion is revalued at current exchange rates while the disbursed portion represents the cost of commitment at the time of disbursement.

² Of this amount, \$9.8 million represents investments made at a time when the authorities on Taiwan represented China in the International Finance Corporation. The balance represents investments in the Federal Republic of Yugoslavia (Serbia and Montenegro), which has not yet completed requirements for membership in IFC, and in West Bank and Gaza.

APPENDICES

A GOVERNORS AND
ALTERNATES

B DIRECTORS AND
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VOTING POWER

C BANKING ADVISORY
PANEL

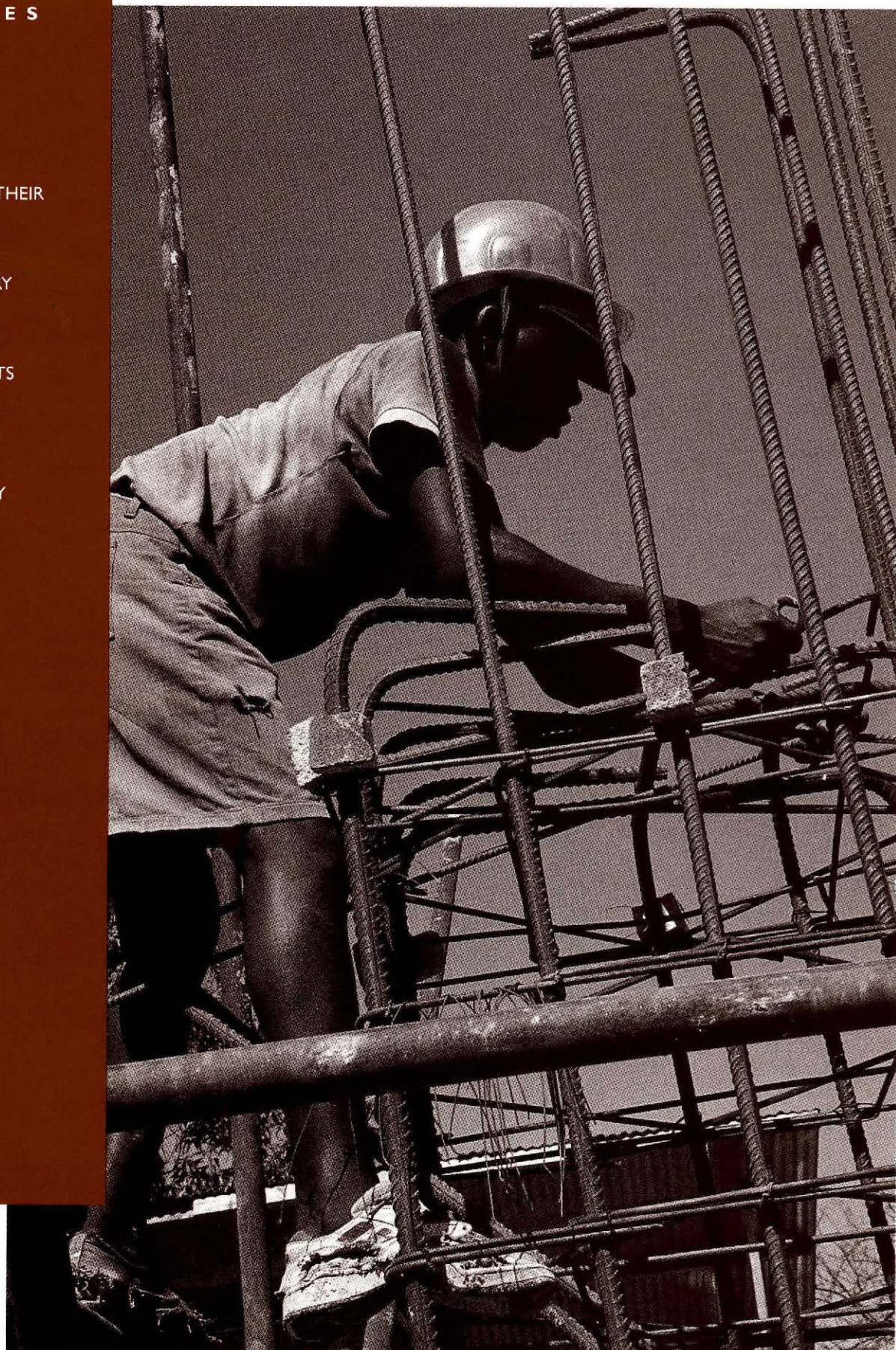
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E BUSINESS ADVISORY
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APPENDIX

A GOVERNORS AND ALTERNATES ON JUNE 30, 1997

Member	Governor	Alternate
Afghanistan	Abdul Hadi Arghadiwal	Mohammad Ehsan
Albania	Arben Malaj	Edmond Leka
Algeria	Abdelkrim Harchaoui	Ali Hamdi
Angola	Emmanuel Moreira Carneiro	Sebastiao Bastos Lavrador
Antigua and Barbuda	John E. St. Luce	Ludolph Brown
Argentina	Roque Benjamin Fernandez	Pedro Pou
Armenia	Vahram Avanesian	Bagrat Asatryan
Australia	Peter Costello	Andrew Thomson
Austria	Rudolf Edlinger	Hans Dietmar Schweisgut
Azerbaijan	Elman Siradjogly Rustamov	Fuad Akhundov
Bahamas, The	Hubert A. Ingraham	Ruth Millar
Bahrain	Ibrahim Abdul Karim	Zakaria Ahmed Hejres
Bangladesh	Shah A.M.S. Kibria	Masihur Rahman
Barbados	Owen S. Arthur	Erskine R. Griffith
Belarus	Pyotr P. Prokopovich	Vladimir N. Shimov
Belgium	Philippe Maystadt	Alfons Verplaetse
Belize	Manuel Esquivel	Yvonne S. Hyde
Benin	Albert Tevoedjre	Felix Adimi
Bolivia	Juan Fernando Candia Castillo	Gonzalo Afcha
Bosnia and Herzegovina	Hasan Muratovic	Drago Bilandzija
Botswana	Festus G. Mogae	O.K. Matambo
Brazil	Pedro Sampaio Malan	Gustavo J. Laboissiere Loyola
Bulgaria	Muravei Radev	Plamen S. Ilchev
Burkina Faso	Tertius Zongo	Patrice Nikiema
Burundi	Niyibigira Gerard	Minani Evariste
Cambodia	Keat Chhon	Sun Chan Thol
Cameroon	Edouard Akame Mfoumou	Isaac Njiemoun
Canada	Paul Martin	Huguette Labelle
Cape Verde	Antonio Gualberto do Rosario	Jose Ulisses Silva
Central African Republic	Christophe Bremaidou	Anicet-Georges Dologuele
Chile	Eduardo Aninat	Joaquin Vial
China	Liu Zhongli	Liu Jibin
Colombia	Jose Antonio Ocampo	Cecilia Lopez
Comoros	Mohamed Ali Soilihi	Ali Boina Mze
Congo, Democratic Republic of	(vacant)	(vacant)
Congo, Republic of	Nguila MOUNGOUNGA-NKOMBO	George Tsiba
Costa Rica	Francisco de Paula Gutierrez	Rodrigo Bolanos Zamora
Côte d'Ivoire	Daniel Kablan Duncan	N'Goran Niamien
Croatia	Bozo Prka	Josip Kulisic
Cyprus	Christodoulos Christodoulou	Antonis Malaos
Czech Republic	Ivan Kocarnik	Jan Vit

Member	Governor	Alternate
Denmark	Poul Nielson	Ellen Margrethe Loj
Djibouti	Mohamed Ali Mohamed	Hawa Ahmed Youssouf
Dominica	Julius C. Timothy	Gilbert Williams
Dominican Republic	Hector Manuel Valdez Albizu	Luis Manuel Piantini M.
Ecuador	Carlos Davalos-Rodas	Ernesto Perez-Cajiao
Egypt, Arab Rep. of	Atef Mohamed Mohamed Ebeid	Yousef Boutros Ghali
El Salvador	Manuel Enrique Hinds	Jose Roberto Orellana Milla
Equatorial Guinea	Baltasar Engonga Edjo	Antonio Nve Ngu
Eritrea	Haile Woldense	Gebreselassie Yosief
Estonia	Mart Opmann	Agu Lellep
Ethiopia	Sufian Ahmed	Girma Birru
Fiji	Berenado Vunibobo	Tevita K. Banuve
Finland	Sauli Niinisto	Pekka Haavisto
France	Jean Arthuis	Jean Lemierre
Gabon	Jean Ping	Richard Onouviet
Gambia, The	Dominic Mendy	Yusupha A. Kah
Georgia	David Iakobidze	Vladimer Papava
Germany	Carl-Dieter Spranger	Juergen Stark
Ghana	Richard Kwame Peprah	Kwesi Amissah-Arthur
Greece	Yannos Papantoniou	Christos Pachtas
Grenada	Keith Mitchell	Linus Spencer Thomas
Guatemala	Jose Alejandro Arevalo Alburez	Willy W. Zapata Sagastume
Guinea	Ousmane Kaba	Cellou Dalein Diallo
Guinea-Bissau	Issufo Sanha	Paulo Gomes
Guyana	Bharrat Jagdeo	Michael Sheer Chan
Haiti	Fred Joseph	Jean Erick Deryce
Honduras	Guillermo Bueso	Juan Ferrera
Hungary	Peter Medgyessy	Almos Kovacs
Iceland	Halldor Asgrimsson	Fridrik Sophusson
India	P. Chidambaram	Montek Singh Ahluwalia
Indonesia	Mar'ie Muhammad	Boediono
Iran, Islamic Rep. of	Morteza Mohammad-Khan	Aliakbar Arabmazar
Iraq	Issam Rashid Hwaish	Hashim Ali Obaid
Ireland	Charlie McCreevy	Paddy Mullarkey
Israel	Jacob A. Frenkel	Shmuel Slavin
Italy	Antonio Fazio	Mario Draghi
Jamaica	Omar Lloyd Davies	Wesley Hughes
Japan	Hiroshi Mitsuzuka	Yasuo Matsushita
Jordan	Rima Khalaf Hunaidi	Nabil Ammari
Kazakhstan	Alexander S. Pavlov	Umizrak E. Shukeev
Kenya	W. Musalia Mudavadi	Simeon S. Lesrima
Kiribati	Beniamina Tinga	Kaburoro Ruaia
Korea, Republic of	Kyong Shik Kang	Kyung Shik Lee
Kuwait	Nasser Abdullah Al-Roudhan	Bader Meshari Al-Humaidhi
Kyrgyz Republic	Talaybek J. Koichumanov	Askar I. Sarygulov
Lao People's Dem. Rep.	Xaysomphone Phomvihane	Phiane Philakone
Latvia	Roberts Zile	Guntars Krasts
Lebanon	Fuad A.B. Siniora	Nabil Al-Jisr

Member	Governor	Alternate
Lesotho	Leketekete Victor Ketso	Esselen Motiatsi Matekane
Liberia	Francis M. Carbah	Lasanah V. Kromah
Libya	Mohamed A. Bait Elmal	Bashir Ali Khallat
Lithuania	Algirdas G. Semeta	Jonas Niaura
Luxembourg	Marc Fischbach	Yves Mersch
Macedonia, former Yugoslav Republic of	Taki Fiti	Zlatka Popovska
Madagascar	Pierrot J. Rajaonarivelo	Constant Horace
Malawi	Aleke K. Banda	Kalonga Stambuli
Malaysia	Anwar bin Ibrahim	Clifford Francis Herbert
Maldives	Fathulla Jameel	Adam Maniku
Mali	Soumaila Cisse	Ibrahima Konate
Marshall Islands	Ruben R. Zackhras	Michael Konelios
Mauritania	Mohamed Ould Amar	Mohamed Lemine Ould Deidah
Mauritius	Rajkeswur Purryag	Dharam Dev Manraj
Mexico	Guillermo Ortiz	Martin M. Werner
Micronesia, Federated States of	John Ehsa	Sebastian L. Anefal
Moldova	Valeriu Sergiu Kitsan	Dumitru Ursu
Mongolia	Puntsagiin Tsagaan	Jigjid Udenbat
Morocco	Mohamed Kabbaj	Abdelfettah Benmansour
Mozambique	Adriano Afonso Maleiane	Luisa Dias Diogo
Myanmar	Win Tin	Soe Lin
Namibia	Saara Kuugongelwa	Usutuaije Maamberua
Nepal	Rabindra Nath Sharma	Ram Binod Bhattarai
Netherlands	Gerrit Zalm	Johannes Pieter Pronk
New Zealand	Winston Peters	Murray J. Horn
Nicaragua	Esteban Duque Estrada	Mario De Franco
Niger	Amadou Boubacar Cisse	Ahmadou Mayaki
Nigeria	Anthony A. Ani	Umaru A. Alkaleri
Norway	Jens Stoltenberg	Kari Nordheim-Larsen
Oman	Ahmed Bin Abdulnabi Macki	Mohammed Bin Musa Al Yousef
Pakistan	Sartaj Aziz	Javed Burki
Panama	Guillermo O. Chapman, Jr.	Miguel Heras
Papua New Guinea	Christopher Haiveta	Isaac Lupari
Paraguay	Miguel Angel Maidana Zayas	Jose Ernesto Buttner Limprich
Peru	Jorge Camet	Alfredo Jalilie Awapara
Philippines	Roberto F. de Ocampo	Gabriel C. Singson
Poland	Hanna Gronkiewicz-Waltz	Witold Kozinski
Portugal	Antonio de Sousa Franco	Fernando Teixeira dos Santos
Romania	Mircea Ciumara	Vladimir Soare
Russian Federation	Anatoly Chubais	Yevgeni Yasin
Rwanda	Jean Berchmans Birara	Jean Marie Karekezi
St. Kitts and Nevis	Denzil Douglas	Timothy Harris
St. Lucia	Kenny D. Anthony	Cletus Springer
Saudi Arabia	Ibrahim A. Al-Assaf	Jobarah Al-Suraisry
Senegal	Papa Ousmane Sakho	Papa Salla Mboup
Seychelles	(vacant)	Emmanuel Faure
Sierra Leone	Thaimu Bangura	Samura Kamara
Singapore	Richard Hu Tsu Tau	Ngiam Tong Dow
Slovak Republic	Sergej Kozlik	Vladimir Masar

Member	Governor	Alternate
Slovenia	Mitja Gaspari	Stanislava Zadavec Capriolo
Solomon Islands	Edmund Andresen	Snyder Rini
Somalia	(vacant)	(vacant)
South Africa	Trevor Andrew Manuel	Gill Marcus
Spain	Rodrigo de Rato Figaredo	Jose Manuel Fernandez Norniella
Sri Lanka	Chandrika Bandaranaike Kumaratunga	B.C. Perera
Sudan	Abdel Wahab Osman	Izzedin Ibrahim Hassan
Swaziland	Albert Shabangu	Musa D. Fakudze
Sweden	Erik Asbrink	Pierre Schori
Switzerland	Jean-Pascal Delamuraz	Flavio Cotti
Syrian Arab Republic	Mohammed Khaled Al-Mahayni	Adnan Al-Satti
Tajikistan	Yakyo N. Azimov	Murotali M. Alimardanov
Tanzania	Nassoro Malocho	Raphael O. Mollel
Thailand	Thanong Bidaya	M.R. Chatu Mongol Sonakul
Togo	Kwassi Klutse	Kossi Assimaidou
Tonga	Kinikinilau Tutoatasi Fakafanua	'Aisake V. Eke
Trinidad and Tobago	Brian Kuei Tung	T. Ainsworth Harewood
Tunisia	Mohamed Ghannouchi	Taoufik Baccar
Turkey	Mehmet Kaymaz	Cuneyt Sel
Turkmenistan	Hudaiberdy A. Orazov	Ovez Agaev
Uganda	Jehoash S. Mayanja-Nkangi	Richard H. Kaijuka
Ukraine	Roman Shpek	Vasiliy Gureyev
United Arab Emirates	Hamdan bin Rashid Al-Maktoum	Mohamed Khalfan bin Kharbash
United Kingdom	Clare Short	Gordon Brown
United States	Robert E. Rubin	Joan E. Spero
Uruguay	Luis Mosca	Ariel Davrieux
Uzbekistan	Bakhtiyar S. Hamidov	Akram Mukhidov
Vanuatu	Willie Jimmy	Malachai Russel
Venezuela	Luis Raul Matos Azocar	Teodoro Petkoff
Vietnam	Cao Sy Kiem	Le Duc Thuy
Western Samoa	Tuilaepa S. Malielegaoi	Epa Tuioti
Yemen, Republic of	Abdul Kader Bajamal	Mutahar A. Al-Saedi
Zambia	Ronald Damson Siame Penza	Benjamin Mweene
Zimbabwe	Herbert M. Murerwa	Leonard Ladislas Tumba

APPENDIX

B DIRECTORS AND ALTERNATES AND THEIR VOTING POWER ON JUNE 30, 1997

Director	Alternate	Casting votes of	Total votes	Percent of total
Appointed				
Jan Piercy	Michael Marek	United States	533,521	23.49
Atsuo Nishihara	Rintaro Tamaki ^a	Japan	141,424	6.23
Gus O'Donnell	David Stanton	United Kingdom	121,265	5.34
Helmut Schaffer	Erika Wagenhöfer	Germany	117,951	5.19
Marc-Antoine Autheman	Olivier Bourges	France	110,742	4.88
Elected				
Luc Hubloue (Belgium)	Namik Dagalp (Turkey)	Austria, Belarus, Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey	119,179	5.25
Franco Passacantando (Italy)	Helena Cordeiro (Portugal)	Albania, Greece, Italy, Portugal	98,752	4.35
Enzo Del Bufalo (Venezuela)	Roberto Jimenez-Ortiz ^b (El Salvador)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Spain, Venezuela	96,296	4.24
Leonard Good (Canada)	Winston Cox (Barbados)	Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia	92,933	4.09
Surendra Singh (India)	Syed Ahmed (Bangladesh)	Bangladesh, India, Sri Lanka	89,783	3.95
Ruth Jacoby ^c (Sweden)	Jorgen Varder (Denmark)	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden	82,496	3.63
Andrei Bugrov (Russian Federation)	Eugene Miagkov (Russian Federation)	Russian Federation	81,592	3.59
Pieter Stek (Netherlands)	Mioara Ionescu (Romania)	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Netherlands, Romania, Ukraine	78,081	3.43
Juanita D. Amatong (Philippines)	Murilo Portugal (Brazil)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Philippines, Trinidad and Tobago	69,215	3.05
Jean-Daniel Gerber (Switzerland)	Jan Sulmicki (Poland)	Azerbaijan, Kyrgyz Republic, Poland, Switzerland, Tajikistan, Turkmenistan, Uzbekistan	60,548	2.67
Juan Cariaga (Bolivia)	Julio Nogues (Argentina)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay	60,497	2.66

Director	Alternate	Casting votes of	Total votes	Percent of total
Jannes Hutagalung (Indonesia)	Sun Vithespongse (Thailand)	Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, Vietnam	59,912	2.64
Joaquim R. Carvalho (Mozambique)	Godfrey Gaoseb (Namibia)	Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	58,118	2.56
Young-Hoi Lee (Republic of Korea)	Christopher Y. Legg (Australia)	Australia, Cambodia, Kiribati, Korea (Republic of), Marshall Islands, Micronesia (Federated States of), Mongolia, New Zealand, Papua New Guinea, Solomon Islands, Vanuatu, Western Samoa	55,542	2.45
Kacim Brachemi (Algeria)	Abdul Karim Lodhi (Pakistan)	Afghanistan, Algeria, Ghana, Iran (Islamic Republic of), Iraq, Morocco, Pakistan, Tunisia	43,792	1.93
Khalid M. Al-Saad (Kuwait)	Mohamed W. Hosny (Arab Republic of Egypt)	Bahrain, Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)	33,877	1.49
Li Yong (China)	Zhao Xiaoyu (China)	China	24,750	1.09
Khalid H. Alyahya (Saudi Arabia)	Ibrahim M. Al-Mofleh (Saudi Arabia)	Saudi Arabia	20,943	.92
Ali Bourhane (Comoros)	Luc-Abdi Aden (Djibouti)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Comoros, Congo (Democratic Republic of), Congo (Republic of), Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Senegal, Togo	20,372	.90

In addition to the directors and alternates shown in the foregoing list, the following also served after October 31, 1996:

Director	End of period of service	Alternate director	End of period of service
Huw Evans (United Kingdom)	March 14, 1997	Sergiy Kulyk (Ukraine)	May 31, 1997
Peter W.E. Nicholl (New Zealand)	May 31, 1997	Mustafiqur Rahman (Bangladesh)	December 17, 1996
		Zhu Guangyao (China)	December 31, 1996

Note: Somalia (333 votes) did not participate in the 1996 Regular Election of Directors.

a. To be succeeded by Akira Kamitomi (Japan) effective July 14, 1997.

b. To be succeeded by Inigo Fernandez de Mesa (Spain) effective July 1, 1997.

c. To be succeeded by Ilkka Niemi (Finland) effective August 5, 1997.

C BANKING ADVISORY PANEL 1997

IFC's Banking Advisory Panel, which is composed of executives from leading international financial institutions, meets regularly with IFC management to discuss IFC activities and policies.

Mr. Abdlatif Y. Al-Hamad

*Director General/Chairman of the Board
Arab Fund for Economic and Social
Development
Safat, Kuwait*

Mr. John Bond

*Group Chief Executive
HSBC Holdings plc
London, United Kingdom*

Mr. Georges Blum

*Chairman of the Board
Swiss Bank Corporation
Basel, Switzerland*

Mr. Jan Ekman

*Vice Chairman
Svenska Handelsbanken
Stockholm, Sweden*

Mr. Richard Fisher

*Chairman
Morgan Stanley and Company, Inc.
New York, New York, United States*

Mr. Toyoo Gyohten

*President
Institute for International Monetary Affairs
Tokyo, Japan*

Mr. Jürgen Sarrazin

*Chairman
Dresdner Bank AG
Frankfurt/Main, Germany*

Mr. Walter V. Shipley

*Chairman and Chief Executive Officer
The Chase Manhattan Corporation
New York, New York, United States*

Mr. Gerrit Tammes

*Chairman
Pactual Capital International
London, United Kingdom*

Mr. Marc Viénot

*Chairman and Chief Executive
Société Générale
Paris, France*

APPENDIX

D E M E R G I N G M A R K E T S D A T A B A S E I N D E X A D V I S O R Y P A N E L

In 1993, the Emerging Markets Data Base (EMDB) set up an external panel to advise EMDB on issues of index construction, professional standards, industry practice, and market needs. Eight of the ten panel members come from the external finance community. The two IFC members are the Director of the Central Capital Markets Department and the Manager of EMDB.

Allan Conway

*Head, Global Emerging Markets
LGT Asset Management
London, United Kingdom*

Janice Harding

*Director, Russell Data Services
Frank Russell Company
Seattle, Washington, United States*

Ross Hikida

*Principal, Emerging Markets Strategies
BZW Barclays Global Investors
San Francisco, California, United States*

Peter Leahy

*Managing Director, International Structured
Products
State Street Global Advisers
Boston, Massachusetts, United States*

Mark Mobius

*Managing Director
Templeton Investment Management
Singapore*

Robert Saffer

*Head, Equity Derivative Sales
BZW Securities
London, United Kingdom*

Stephen B. Satchell

*Professor, Department of Applied Economics
Cambridge University
Cambridge, United Kingdom*

Hideo Tanaka

*Chief General Manager
Daiwa International Capital Management
Tokyo, Japan*

APPENDIX

E BUSINESS ADVISORY COUNCIL

IFC's Business Advisory Council is composed of eminent industrialists, bankers, and statesmen from around the world. At the council's annual meeting in May 1997, council members shared with IFC management their expertise and views on business issues relevant to IFC's activities.

Mr. S. Babar Ali

Adviser

Packages Limited

Lahore, Pakistan

Mr. Yavuz Canevi

Chairman

Turk Ekonomi Bankasi (TEB)

Istanbul, Turkey

Mr. Rashed Al-Rashed

Managing Director

Al-Rashed Al-Humaid Group

Riyadh, Saudi Arabia

Mr. Louis Casely-Hayford

Chairman

Louis Casely-Hayford and Associates

Accra, Ghana

Mr. John E. Avery

Former Chairman

Americas Society & Council of the Americas

New Jersey, United States

Mr. Oliver Clarke

Chairman

Jamaica National Building Society NCB

(Investments) Limited

Kingston, Jamaica

Mr. Mahmoud Abdel Aziz

Chairman

National Bank of Egypt

Cairo, Egypt

Mr. Jose Antonio Fernandez

Chief Executive Officer

Fomento Economico Mexicano, S.A. de C.V.

FEMSA

Monterrey, Mexico

Mr. Frank Balanc

Vice President, Finance

SAVA Rubber & Chemical Ind., d. d.

Kranj, Slovenia

Mr. Oscar Garcia Mendoza

President

Banco Venezolano de Credito, SACA

Caracas, Venezuela

Mr. Y. Alain Bambara

President

Cosmivoire

Abidjan, Côte d'Ivoire

Mr. Jaime Garcia-Parra

President

J. Garcia y Cia

Santa Fe de Bogota, Colombia

Mr. Ferenc Bartha

Chief Executive Officer

TriGranit Development Corporation

Budapest, Hungary

Mr. Kazuo Haruna
Chairman of the Board
Marubeni Corporation
Tokyo, Japan

Dr. Utomo Josodirdjo
Director
P.T. Bahana Pembinaan Usaha
Jakarta, Indonesia

Mr. Il Kyu Kang
Chairman
Korea Credit Finance Corporation
Seoul, Korea

Mr. Roberto Mathies
President
Cemento de El Salvador, S.A.
San Salvador, El Salvador

Mr. Jerome Monod
Chairman & Chief Executive Officer
Lyonnaise des Eaux
Nanterre, France

Mr. James Mulwana
Chairman
Uganda Manufacturers Association
Kampala, Uganda

Prof. Wiseman L. Nkuhlu
Chairman
Development Bank of Southern Africa
Midrand, South Africa

Mr. Andrzej Olechowski
Chairman of the Supervisory Board
Central Europe Trust
Warsaw, Poland

Mr. Jorma Ollila
President
Nokia
Helsinki, Finland

Dr. Rosolino Orlando
Vice President
SMI-Societa Metallurgica Italiana S.p.a.
Milan, Italy

Mr. Sergey K. Ovsiannikov
Chairman & Chief Executive Officer
Mezhcombank
Moscow, Russia

Mr. Deepak S. Parekh
Chairman
Housing Development Finance Corporation
Limited, India (HDFC)
Mumbai, India

Mr. Enrique Ruete
Chief Executive Officer
Roberts S.A. de Inversiones, Roberts Group
Buenos Aires, Argentina

Mr. Thomas Schmidheiny
Chairman
Holderbank
Glaris, Switzerland

Khun Chartsiri Sophonpanich
President
Bangkok Bank Public Company Limited
Bangkok, Thailand

Mr. O. Francois Tankpinou
President
Société Fruitex Industrie
Cotonou, Benin

Mr. Gary Wendt
President
GE Capital Services
Connecticut, United States

Mr. Gordon Y. S. Wu
Chairman and Managing Director
Hopewell Holdings Limited
Wanchai, Hong Kong

Mr. Wang Xuebing
Chairman and President
Bank of China
Beijing, China

Mr. Tomas Zinner
President and Member of the Board
Unibanco
São Paulo, Brazil

APPENDIX

F MANAGEMENT

President^a
 Executive Vice President
 Vice President, Finance and Planning
 Vice President, Investment Operations
 Vice President, Portfolio Management and Advisory Operations
 Vice President and General Counsel
 Vice President, Personnel, Administration and Corporate Business Development
 Vice President and Secretary^a

James D. Wolfensohn
 Jannik Lindbaek
 Birgitta Kantola
 Jemal-ud-din Kassum
 Assaad J. Jabre
 Carol Lee
 Christopher Bam
 Shengman Zhang

REGIONAL DEPARTMENTS

Director, Asia I

Country Manager, Division 1 China, Republic of Korea, Mongolia,
 Pacific Islands

Javed Hamid

Ravinder Bugga

Country Manager, Division 2 Cambodia, Lao People's Democratic
 Republic, Marshall Islands,
 Philippines, Thailand,
 Vietnam

Khanh Nguyen

Manager, Capital Markets Division

Kumiko Yoshinari

Director, Asia II^b

Manager Bangladesh, Bhutan, India, Indonesia,
 Malaysia, Maldives, Myanmar,
 Nepal, Sri Lanka

Rashad-Rudolf Kaldany

Sami Haddad

Manager, Capital Markets Division

Hany Assaad

Director, Central Asia, the Middle East, and North Africa Department

Country Manager, Division 1 Afghanistan, Bahrain, Islamic Republic
 of Iran, Iraq, Kazakhstan, Kuwait, Kyrgyz
 Republic, Oman, Pakistan, Saudi Arabia,
 Tajikistan, Turkmenistan, United Arab
 Emirates, Uzbekistan, Republic of Yemen

André G. Hovaguimian

(vacant)

Country Manager, Division 2 Algeria, Arab Republic of Egypt, Jordan,
 Lebanon, Libya, Morocco, Syrian Arab
 Republic, Tunisia, West Bank and Gaza

(vacant)

Manager, Capital Markets Division

Iyad Malas

Director, Europe Department I

Country Manager, Division 1

Albania, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Former Yugoslav Republic of Macedonia, Moldova, Portugal, Romania, Slovenia, Turkey

Country Manager, Division 2

Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic

Manager, Capital Markets Division

Director, Europe II^c

Manager

Armenia, Belarus, Georgia, Russian Federation, Ukraine

Manager, Capital Markets Division

Director, Latin America and the Caribbean Department

Senior Manager

Argentina, Brazil, Bolivia, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela

Strategy and Coordination Division

Country Manager Division

Central America and the Caribbean

Manager, Capital Markets Division

Director, Sub-Saharan Africa Department

Associate Director

Country Manager, Division 1

Botswana, Djibouti, Eritrea, Ethiopia, Kenya, Lesotho, Malawi, Namibia, Somalia, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe

Country Manager, Division 2

Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Comoros, Republic of Congo, Côte d'Ivoire, Democratic Republic of Congo, Equatorial Guinea, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Madagascar, Mali, Mauritania, Mauritius, Mozambique, Niger, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, Togo

Manager, Capital Markets Division

Harold Rosen

Khosrow K. Zamani

Kenneth Assal^d

Monish Dutt

Edward Nassim

Richard Ranken

Mary Ellen Iskenderian

Karl VoltaireBernard Pasquier^d

Bernard Sheahan

Hugh Henry-May

Haydee Celaya

Cesare Calari

André Cracco

Udayan Wagle

Guy C. Antoine

Bahadurali Jetha

SPECIALIST DEPARTMENTS

Director, Agribusiness Department

Manager

Director, Central Capital Markets Department

Manager, Global and New Product Development Division

Manager, Emerging Markets Data Base Unit

Chief, Relations, Advisory, Technical Assistance, and Specialists Unit

Director, Chemicals, Petrochemicals, and Fertilizers Department

Associate Director

Manager

Director, Corporate Finance Services Department

Manager

Director, Operations Policy and Financial Sector Issues

Director, Power Department

Associate Director

Director, Oil, Gas, and Mining Department

Manager, Division 1 Oil and Gas

Manager, Division 2 Mining

Special Adviser to the Director

Director, Telecommunications, Transportation and Utilities Department

Manager, Division 1 Transportation and Utilities

Manager, Division 2 Telecommunications

SUPPORT DEPARTMENTS

Director, Controller's and Budgeting Department

Manager, Accounting Division

Manager, Budgeting Division

Director, Corporate Planning and Financial Policy Department

Manager

Manager, Financial Planning and Policy Division

Manager, Technical Assistance and Trust Funds Program

Chief Information Officer

Manager

Senior Manager, Resource Mobilization

Director, Economics Department, and Chief Economic Adviser

Director, Operations Evaluation Group

Tei Mante

Sulyporn Kulsrethsiri

Julio F. Lastres

Syed Aftab Ahmed

Robert Shakotko

Rudolf van der Bijl

Jean-Philippe Halphen

Richard Parry

Jerome Sooklal

Paul Hinchey

Bruce MacLeod

Irving Kuczynski

Vivek Talvadkar

Jean-Paul Pinard

Philippe Liétard

(vacant)

Sakdiyam Kupasrimonkol

Claus A. Westmeier

Declan J. Duff

Francisco Toureilles

Kent E. Lupberger

(vacant)

(vacant)

(vacant)

Nissim Ezekiel

Dileep Wagle

Teng-Hong Cheah

Gary E. Bond

Guy-Pierre De Poerck

Tom Schipani

Suellen Lazarus

Guy Pierre Pfeffermann

William E. Stevenson

Deputy General Counsel, Legal Department

Chief Counsel
 Chief Counsel
 Chief Counsel
 Chief Counsel
 Chief Counsel
 Chief Counsel

Vice President and Director, Personnel, Administration and Corporate Business Development

Manager, Administration
 Manager, Corporate Relations Unit
 Manager, Personnel
 Manager, Recruitment Services
 Manager, Building Project Team

Director, Technical and Environment Department

Manager, Environment Unit
 Manager, Technical Services
 Manager, Technical Services
 Manager, Textile Unit

Director, Treasury Department**OTHER**

Manager, Foreign Investment Advisory Service
 Manager, Europe, Middle East, North Africa, Latin America, and the Caribbean
 Manager, Africa, Asia, and the Pacific
 Regional Program Manager (Sydney, Australia)
 Manager, Special Operations Unit
 Principal Financial Adviser
 Manager, Portfolio Support and Analysis and Data Management Unit

PROJECT DEVELOPMENT FACILITIES**Coordinator, Africa Project Development Facility**

Regional Manager, East Africa (Nairobi, Kenya)
 Regional Manager, Southern Africa (Harare, Zimbabwe)
 Regional Manager, West Africa (Abidjan, Côte d'Ivoire)
 Manager, South Africa (Johannesburg, South Africa)

Regional Manager South Pacific Project Facility (Sydney, Australia)**Representatives and Regional Missions**

Special Representative in Tokyo
 Special Representative in Europe (Frankfurt, Germany)
 Special Representative in Europe (London, United Kingdom)
 Special Representative in Europe (Paris, France)
 Resident Director, Europe II (Moscow, Russian Federation)
 Resident Director, Asia II (New Delhi, India)
 Regional Representative in Bangkok, Thailand
 Regional Representative in East Africa (Nairobi, Kenya)
 Regional Representative in Islamabad, Pakistan

Jennifer Sullivan

Fernando Cabezas
 David d'Adhemar
 Carlos Fernandez-Duque
 E. Andres Hermadorena
 Marwan Nsouli
 Hugo J. Waszink

Christopher Bam

Gordon A. MacDonald
 Mark A. Constantine
 Ann Rennie
 Cornelis de Kievit
 Richard Moss

Andreas M. Raczynski

Martyn J. Riddle
 Juan C. Callieri
 Gopi Nath Puri
 Hassan Oteifa

Farida Khambata

Dale R. Weigel
 Joel Bergsman
 Boris Velic
 Andrew Proctor
 Woonki Sung
 Vasant H. Karmarkar
 Khalid A. Mirza

Macodou N'Daw

Mischek Ngatunga
 Kalada Harry
 Macodou N'Daw
 John James

Richard R. Pearson

Morinobu Iritani
 Ernst Hofmann
 Douglas Gustafson
 Vikas Thapar
 Edward Nassim
 Rashad-Rudolf Kaldany
 (vacant)
 Michael Hooper
 Michael Essex

Representatives and Regional Missions (continued)

Regional Representative in Jakarta, Indonesia	Antonio H. David
Regional Representative in Manila, Philippines	Vipul Prakash
Regional Representative in the Middle East (Cairo, Egypt)	Manuel Nuñez
Resident Representative in Central Africa (Douala, Cameroon)	Mouhamadou Diop
Regional Representative in North Africa (Casablanca, Morocco)	Mansour Kelada-Antoun
Regional Representative in Southern Africa (Harare, Zimbabwe)	Mwaghazi Mwachofi
Regional Representative in West and Central Africa (Abidjan, Côte d'Ivoire)	Luciano Borin
Resident Representative in Argentina (Buenos Aires)	(vacant)
Resident Representative in Brazil (São Paulo)	Bruce R. Leighton
Resident Representative in China (Beijing)	Davin Mackenzie
Resident Representative in Mexico (Mexico City)	Pedro Batalla
Resident Representative in Nigeria (Lagos)	Mohan R. Wikramanayake
Resident Representative in Turkey (Istanbul)	S. Balasubramanian
Resident Representative in South Africa (Johannesburg)	Vincent Rague
IFC Adviser, Australasia (Sydney, Australia)	Neil J. Paterson
IFC Adviser, Scandinavia (Oslo, Norway)	Torstein Stephansen

a. These officers hold the same position in IBRD.

b. Based in New Delhi.

c. Based in Moscow.

d. Effective date to be announced.

APPENDIX

G I F C ADDRESSES

Headquarters

Washington, D.C.
2121 Pennsylvania Ave., N.W.
Washington, DC 20433
Telephone: (1-202) 473-1234
Facsimile: (1-202) 974-4384

Abidjan

Corner of Booker Washington & Jacques Aka
Cocody Streets
01 B.P. 1850
Abidjan, Côte d'Ivoire
Telephone: (225) 44-3244/6550
Facsimile: (225) 44-4483

Accra

150A Roman Road
Roman Ridge
Accra, Ghana
P.O. Box 02638, Cantonments
Accra, Ghana
Telephone: (233-27) 77-8109/9804
Facsimile: (233-27) 77-6245
Mobitel: (233-27) 55-4552

Addis Ababa

Africa Avenue
Bole Road
Addis Ababa, Ethiopia
Telephone: (251-51) 514-200
Facsimile: (251-51) 511-411

Almaty

c/o World Bank
Samal-1, Bldg. No. 36, 3rd Floor
Almaty, Kazakhstan 480099
Telephone: (7-3272) 543-516/543-696
Facsimile: (7-327) 581-1581

Bangkok

Harindhorn Bldg. Unit 7E, 7th Floor
54 North Sathorn Road
Bangkok 10500, Thailand
Telephone: (66-2) 266-3230/5
Facsimile: (66-2) 266-3229

Beijing

Unit 3711, 37/E, Jing Guang Ctr.
Hu Jia Lou, Chaoyang district
Beijing 100 020, PR China
Telephone: (86-10) 6501-5171
Facsimile: (86-10) 6501-5176

Budapest

Bank Center, Granite Tower
6th Floor
Budapest V. Kerület
Szabadsag ter - 5-7
H-1944 Budapest, Hungary
Telephone: (36-1) 302-9593
Facsimile: (36-1) 302-9597

Buenos Aires

Edificio Pirelli
Maipu 1300, Piso 12
1006 Buenos Aires, Argentina
Telephone: (54-1) 315-1666/1707
Facsimile: (54-1) 312-9435

Cairo

World Trade Center
1191 Corniche El Nil, 12th Floor
Boulac, Cairo, Egypt
Telephone: (20-2) 579-5353
579-9900/6565
Facsimile: (20-2) 579-2211

Casablanca

8, Rue Kamal Mohamed
Casablanca 2000, Morocco
Telephone: (212-2) 48-46-86/87
Facsimile: (212-2) 48-46-90
Email: sfi@winner.net.ma

Dakar

c/o World Bank
Immeuble S.D.I.H.
3 Place de l'Indépendance
B.P. 3296
Dakar, Senegal
Telephone: (22-1) 229-561
Facsimile: (22-1) 237-993

Dhaka

c/o World Bank
3A Paribagh (GPO 97)
Dhaka, Bangladesh
Telephone: (880-2) 861-056/069
Facsimile: (880-2) 867-521

Douala

96 Rue Flatters, Suites 304 & 305
Immeuble Flatters
Bonanjo, B.P. 4616
Douala, Cameroon
Telephone: (237) 42-8033/9451
Facsimile: (237) 42-8014

Frankfurt

Messeturm, Box 23
60308 Frankfurt am main, Germany
Telephone: (49-69) 9754-4613
Facsimile: (49-69) 9543-4923

Hanoi

Suite 706
Metropole Center
56 Ly Thai To
Hanoi, Vietnam
Telephone: (84-4) 824-7892
Facsimile: (84-4) 824-7898

Harare

101 Union Avenue, 7th Floor
Union Ave., P.O. Box 2960
Harare, Zimbabwe
Telephone: (263-4) 79-4860/68/69
Facsimile: (263-4) 79-3805

Islamabad

20 A, Shahrah e Jamhuriat
Ramna 5 (G 5/1), P.O. Box 3033
Islamabad, Pakistan
Telephone: (92-51) 279-631/819-781
Facsimile: (92-51) 824-335

Istanbul

Mete Caddesi No. 24/3
Taksim, Istanbul, Turkey
Telephone: (90-212) 243-2126/2593
Facsimile: (90-212) 249-2476

Jakarta

Lippo Life Bldg., 8th Floor, Ste. 805
Jl. H.R. Rasuna Said Kav. B-10, Kuningan
Jakarta 12940, Indonesia
P.O. Box 1324/JKT
Jakarta 10001, Indonesia
Telephone: (62-21) 252-6089/6152/3289
Facsimile: (62-21) 252-2438

Johannesburg

Ground Floor, Victoria Gate West
Hyde Park Lane, Hyde Park 2196
P.O. Box 41283, Craighall 2024
Johannesburg, South Africa
Telephone: (27-11) 325-0720/8
Facsimile: (27-11) 325-0582

Kampala

1 Lumumba Avenue & 4 Nakasero Road
P.O. Box 4463
Kampala, Uganda
Telephone: (256-41) 242-139/230-094
Facsimile: (256-41) 230-092

Lagos

No. 1 Mekunwen Road
Off Oyikan Abayomi Drive
Ikoyi, Lagos, Nigeria
Telephone: (234-1) 269-0434/3175
Facsimile: (234-1) 269-4700

London

4 Millbank
London SW1P 3JA, U.K.
Telephone: (44-171) 222-7711
Facsimile: (44-171) 976-8323

Manila

3rd Floor, Corinthian Plaza
121 Paseo de Roxas
Makati, Metro Manila, Philippines
Telephone: (63-2) 811-3226/3231
Facsimile: (63-2) 811-3293

Maputo

c/o World Bank
Ave. Kenneth Kaunda, 1224
Maputo, Mozambique
Caixa Postal 4053
Maputo, Mozambique
Telephone: (258-1) 492-841
Facsimile: (258-1) 492-893/494-649

Mexico City

Montes Urales 760-202
Col. Lomas de Chapultepec
Mexico D.F., 11000, Mexico
Telephone: (52-5) 520-6191
Facsimile: (52-5) 520-5659

Moscow

Schepkin Theater School Bldg.
2 Pushechnaya Street
103012 Moscow, Russia
Telephone:
(Int'l) (7-501) 883-7054
(7-501) 755-8818
(Local) (7-095) 913-7054
Facsimile:
(Int'l) (7-501) 883-7053
(Local) (7-095) 923-2742
(7-095) 913-7053

Mumbai

No. 25 Maker Chambers VI
Nariman Point
Mumbai, 400 021, India
Telephone: (91-22) 204-6869/285-5262
Facsimile: (91-22) 285-5272

Nairobi

Hill Park Building, Upper Hill Road
Nairobi, Kenya
Telephone: (254-2) 260-300/400
Facsimile: (254-2) 260-383

New Delhi

No. 1 Panchseel Marg
Chankyapuri
New Delhi 110 021, India
Telephone: (91-11) 611-1306
Facsimile: (91-11) 611-1278/1281

Paris

66, avenue d'Iéna
75116 Paris, France
Telephone: (33-1) 6049-3060
Facsimile: (33-1) 4720-7771

Prague

Husova 5
110 00 Praha 1, Czech Republic
Telephone: (420-2) 2440-1402
Facsimile: (420-2) 2440-1410

São Paulo

Rua Guararapes, 2064 - Conj. 104
04561-004 São Paulo - SP, Brazil
Telephone: (55-11) 5505-1629
Facsimile: (55-11) 5505-3073

Sydney (FIAS)

Level 15, CML Building
14 Martin Place
Sydney, NSW 2000, Australia
Telephone: (61-2) 9223-7155
Facsimile: (61-2) 9223-7152

Tashkent

c/o World Bank
43 Academician Suleimanova Street
Tashkent, Uzbekistan 700 017
Telephone: (7-3712) 336-205/394-988
Facsimile: (7-3712) 406-215/330-551

Tokyo

Fukoku Seimei Building, 10th Floor
2-2-2, Uchisaiwai-cho, Chiyoda-ku
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GLOSSARY, NOTES, AND DEFINITIONS

ADB	Asian Development Bank
AEF	Africa Enterprise Fund
AfDB	African Development Bank
AMSCO	African Management Services Company
APDF	Africa Project Development Facility
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CAMENA	Central Asia, the Middle East, and North Africa
CFA	African Financial Community
CLF	Caribbean Loan Facility
CIDA	Canadian International Development Agency
EBRD	European Bank for Reconstruction and Development
EDI	Economic Development Institute
EMDB	Emerging Markets Data Base
ESSA	Enterprise Support Service for Africa
FDI	foreign direct investment
FIAS	Foreign Investment Advisory Service
GDP	gross domestic product
GEF	Global Environment Facility
GNP	gross national product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IEE	initial environmental examination
IMF	International Monetary Fund
LAC	Latin American and the Caribbean
LIBOR	London interbank offered rate
MFMP	Multilateral Fund of the Montreal Protocol
MIGA	Multilateral Investment Guarantee Agency
MPDF	Mekong Project Development Facility
OECD	Organization for Economic Cooperation and Development
OEG	Operations Evaluation Group
PBAS	Polish Business Advisory Service
PIIF	Pacific Island Investment Facility
SEF	Small Enterprise Fund
SMEs	small and medium enterprises
SPPF	South Pacific Project Facility
TATF	Technical Assistance Trust Funds
UEMOA	West African Economic and Monetary Union
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Notes and Definitions

1. IFC's fiscal year runs from July 1 to June 30. Thus, FY97 began on July 1, 1996, and ended on June 30, 1997.
2. The World Bank includes both IBRD and IDA. The World Bank Group includes IBRD, IDA, IFC, and MIGA.
3. Investment amounts are given in U.S. dollars, regardless of the currencies of the investment. Investment amounts in non-U.S. dollar currencies are revalued on the ending day of the month in which they are approved.
4. Figures cited in connection with project financing may refer to the following:

Approvals—Loans, syndicated loans, guarantees, equity and quasi-equity investments, and underwriting approved by the Board of Directors during FY97.

Commitments—Loans and investments for which agreements were signed by IFC during FY97.

Disbursements—Loans and investments actually disbursed during FY97.
5. In some tables, totals may differ from the sum of individual figures because of rounding.
6. In the technical assistance tables, the present tense is used in project descriptions to outline contract coverage and does not necessarily signify that the project continues beyond June 30. Many projects were completed in FY97, including all FIAS work.
7. A single loan agreement between IFC and the borrower normally stipulates the full amount of finance to be provided by IFC and the participating institutions. The IFC loan is typically in two portions:
The A-loan is IFC's own portion, funded with IFC's own resources and subject to its agreed loan terms.
The B-loan is funded by participants on terms that may differ from those of IFC.

IFC and participants fully share the commercial credit risks of projects, but, because IFC is the Lender of Record, participants receive the same tax and country risk benefits that IFC derives from its special status as a multilateral development agency.

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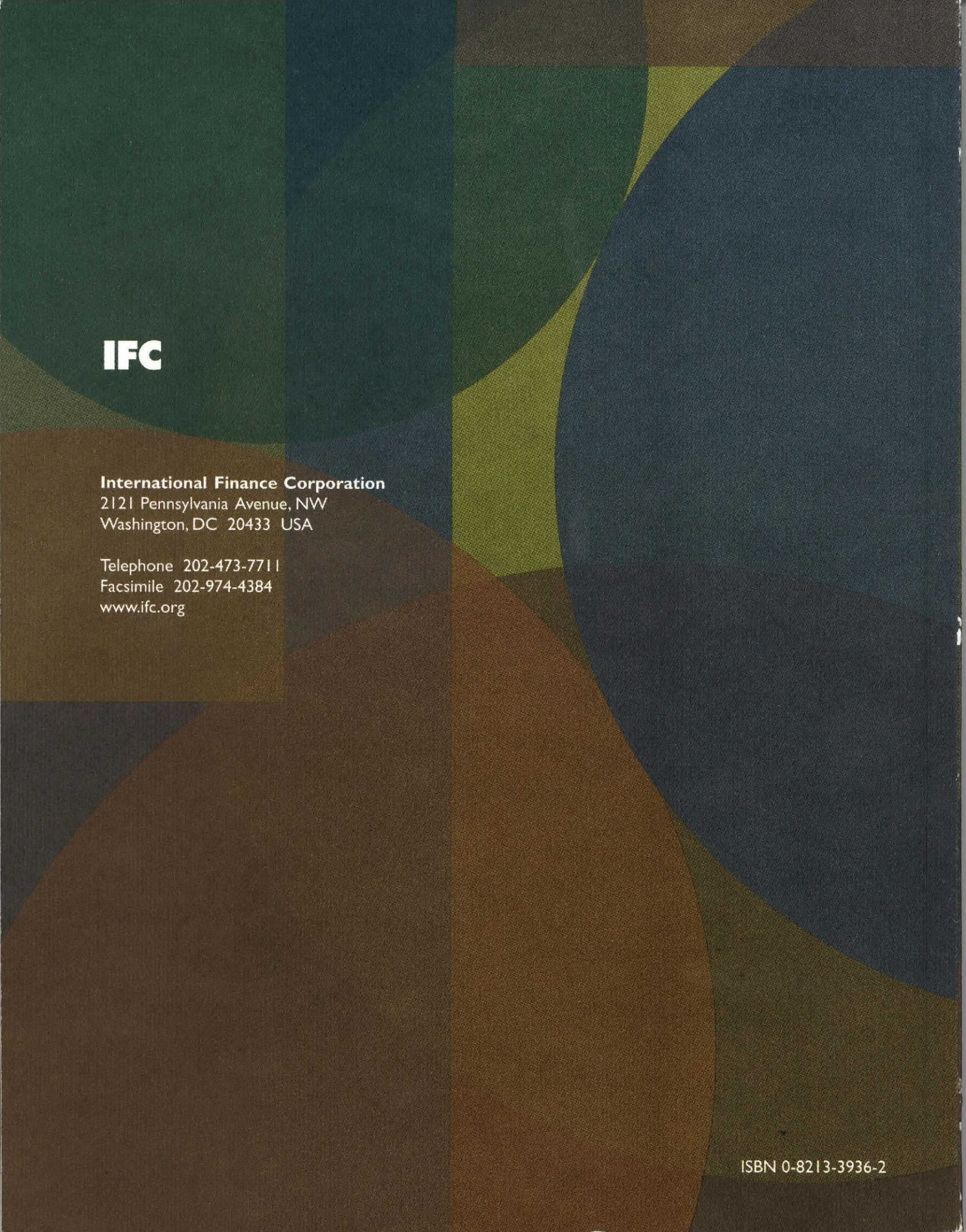
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INTERNATIONAL FINANCE CORPORATION

1996 IFC LUNCHEON
ADDRESS

by Mr. Jannik Lindbaek

*Executive Vice-President
International Finance Corporation*



A Member of the World Bank Group

1996 IFC LUNCHEON ADDRESS

by Mr. Jannik Lindbaek

*Executive Vice-President
International Finance Corporation*

World Bank Group/International Monetary Fund
1996 Annual Meeting

Washington, DC
September 30, 1996

IFC'S 40TH ANNIVERSARY: VISION FOR THE FUTURE

INTRODUCTION

It is my pleasure to welcome you to the annual IFC luncheon. Jim Wolfensohn has asked me to extend his greetings. He would have liked to be here today, but is unable to join us due to his obligations with the Development Committee. I would like to thank him for a year of vision and energy. His courage in launching many bold new initiatives bodes well for the prospect of change in the World Bank Group—change that is necessary for the Group to continue to fulfill its leadership role in development.

This year's lunch is a special occasion, for 1996 is IFC's 40th anniversary year. And in that regard, I would like to acknowledge the excellence and dedication of IFC's staff. The Corporation's achievements are a reflection of the commitment of staff to IFC's mandate and the enthusiasm and intellectual rigor they bring to their work. I am very proud to be associated with this outstanding group of people.

I would also like to pay special recognition to the strong leadership of those who came before me at IFC. I am particularly pleased to welcome three of my distinguished predecessors: Moeen Qureshi, Hans Wuttke, and Bill Ryrie. Your support and advice have been extremely valuable to me. It is also an honor to welcome once again Tom Clausen, a former World Bank president and another true friend of IFC.

I am pleased to see that many distinguished members of IFC's Board of Directors have joined us this afternoon. Their support and

encouragement for IFC's work have been a source of inspiration to me and my colleagues.

As I look around the room, I notice that many of us here have already had a 40th birthday. In my case, it happened so long ago that I hardly remember it! Such a milestone provides a good opportunity to reflect on what we have achieved, and the chance to look forward. I would like to raise the question, "how can we build on our achievements in the coming years?"

This afternoon I would like to discuss with you my vision for IFC's future. But first, a quick snapshot of what has occurred in the last 40 years.

Since IFC was founded in 1956, the world has changed in ways that would have been hard to imagine. We have seen an unprecedented level of private capital flows to developing countries. Attitudes towards foreign direct investment have changed dramatically throughout the world. The private sector is increasingly recognized as the engine for economic growth. What this adds up to is a remarkable climate for our mission of promoting private sector development.

From modest beginnings 40 years ago, IFC is now a global player in the business of financing development.

IFC has supported more than 1,200 projects in 125 developing countries around the world. Their total cost has been more than \$156 billion. And the scope of our work has grown from an initial focus on basic

manufacturing to today's involvement in a vast range of enterprises in all corners of the world. Here are a few comparisons between then and now.

- Our membership has grown from just 31 countries in 1956 to 170 today. And this year I was pleased to welcome our five newest members: Azerbaijan, Bosnia and Herzegovina, Bahrain, Eritrea, and St. Kitts and Nevis.
- In IFC's first year of operations, \$5.3 million was invested for three projects in Chile, Mexico and Brazil. In FY96, investments for our own account totaled \$3.2 billion in 264 projects in 68 countries. This year marked the fifth consecutive year of double-digit growth for IFC. We have effectively doubled the volume of our approvals since 1991.
- IFC began its loan participation program in 1960, when \$6 million in IFC loans for projects in Brazil and Peru were sold to commercial banks. This year, IFC syndicated loans of \$4.8 billion, which is almost double the level over last year.
- Our net income in fiscal 1957 was \$1.7 million. Last year, net income was \$346 million—an all time high. After a period of cost containment, net income is now fully supported by strong performance across all major product lines. Our profitability is essential to IFC's ability to fund our future growth.

MY VISION FOR IFC

Based on these results, I am confident that we are in a strong position to go forward and serve the needs of our clients. How can we make best use of our resources to build for the future?

New investments and strong profitability form the foundation of our work, but our contribution to development is the real goal and is what distinguishes us from other financial institutions. We shall always have limited resources. Our challenge is to use these resources effectively to promote economic development and growth that is essential for the reduction of poverty.

My highest priority for the years ahead is to broaden and deepen the development impact of our operations.

But we cannot do this alone. Success requires working in partnership with industry, financial institutions, multilateral and bilateral agencies, governments and civil society. Strengthening these partnerships and enhancing client responsiveness will be important priorities in the coming years. I would like to discuss each of these today.

DEVELOPMENT IMPACT

First, development impact. There are many aspects to IFC's development impact and this year we have taken important steps to better understand and articulate them. We have made considerable progress in better defining and measuring IFC's contribution to development. Let me assure you that we do not have a romantic view of development. Neither do we believe in such oversimplifications as "small is beautiful." Developing viable companies is a tough business and continues to be at the core of IFC's impact on development.

Since we met last year, I have seen many examples of the range of IFC's impact. Let me just mention a few.

- In Ukraine, I saw an IFC-sponsored auction of small businesses. For the first time, Ukrainian citizens have the

opportunity to purchase their own companies.

- In the Sichuan province of China, one of the poorer regions of the country, I met with farmers who are supplementing their incomes by growing trees. The trees will be sold to an IFC project that will produce particle board for the domestic building materials industry.
- In Mozambique, I visited a cement factory that is being rebuilt with IFC financing. This will be the country's only cement factory and will provide the basic raw material to help in the reconstruction of the country after 20 years of civil war.
- In Mexico, I met with the owner of a major automobile parts manufacturer with thousands of employees. He told me how his company would not have survived if it had not been for the restructuring program and financial support provided by IFC.

These are just a few examples of exciting and important projects, large and small. One by one they help provide a picture of what we are doing, and guideposts for our future work.

ADAPTING TO CHANGING NEEDS

We have learned that development impact means adapting to the needs of a country with an ever-changing array of products and services.

It means doing big projects and microenterprise investments. It means providing advice on promoting foreign direct investment and on structuring power purchase agreements. It means providing management assistance to African enterprises and investing in an elevated railway system in Bangkok to help ease

pollution and traffic congestion. In many different ways, IFC seeks to achieve sustainable development in the private sector—development that is environmentally and socially responsible and helps the country reduce poverty through economic growth.

COUNTRY STRATEGY WORK

While the development needs of our member countries are great, IFC's resources are limited. We, therefore, need to do better in targeting our efforts in a country for maximum development impact.

IFC's resources should be devoted to those areas where we can provide true additionality and leave to the private sector what it can do without us.

It is for these reasons that country strategy work is increasingly becoming an integral part of our activities. IFC will always be a transaction-based institution. But we can respond more effectively to a country's needs by adopting a strategic focus in our operational activities. I am pleased to report that we have made important strides in country strategy work in the past year. This is an area where cooperation with the World Bank is helping us to further strengthen our development impact.

PIONEERING ROLE

I believe it is IFC's role to extend our work to as many member countries as possible.

We now have active projects in 98 countries. IFC has recently approved its first investments in 10 new countries: Albania, Angola, Bosnia and Herzegovina, Croatia, Maldives, Marshall Islands, Slovak Republic, Uzbekistan, Vanuatu and Western Samoa.

EXTENDING IFC'S REACH

And as part of our effort to expand the geographic scope of our activities, I am especially proud of a new initiative just approved by IFC's Board of Directors: Extending IFC's Reach.

Over the years, we have been struggling with the challenge of how to do more in some of the poorer and smaller member countries, those with the most difficult economic conditions, or countries still in the early days of transition to market-based economies. This three year pilot program will help us learn how to make a difference in a selected group of countries where IFC's activities have so far been constrained. Sixteen countries have been selected ranging from Mongolia and Bosnia to Senegal, Guyana, Uzbekistan.

Central to this initiative is placing staff in the field in each country to understand local needs and work closely with clients to develop bankable projects. This program will have the added benefit of giving more junior staff a chance to take on substantial responsibility in some of the most challenging environments. In many of these countries, private sector activity is small-scale and so, to complement this pilot initiative, we have established a \$40 million Small Enterprise Fund.

This initiative is expensive, but I see it as making an investment in the future. We are learning new approaches to doing business in a wider range of countries. I am thrilled with the enthusiasm with which our investment departments have embraced the initiative: most of the staff for the program have already been selected—and some of them are already in the field.

MICROENTERPRISE

Another new area where we are doing some exciting work is microenterprise.

In some countries such as Peru and Bolivia, it is estimated that more than half of GNP is generated by microentrepreneurs. In the past year, we have made ground-breaking investments in Profund, the first private investment fund targeting microfinance institutions in Latin America and the Caribbean, and in K-REP, a rural enterprise program in Kenya. Our role is to provide leadership in selectively supporting microfinance as a viable business, operating on commercial terms.

HUMAN INFRASTRUCTURE

We are also making pioneering investments in human infrastructure, another new area of activity for IFC.

In the past year, we have approved investments in a private school system in Pakistan, private hospitals in Indonesia and Thailand, housing credit lines in Lebanon, and the first secondary mortgage bank in the Eastern Caribbean.

PRIVATIZATION AND INFRASTRUCTURE

At the same time, we must continue to be pioneers in areas where we have more experience, such as privatization and infrastructure.

Here, too, by being the first to do an innovative project in a country or region, we can lead the way for others to follow. This year, for example, we advised the Kenyan government on the first privatization of an African airline, Kenya Airways. This privatization created a model for transforming a

loss-making public sector company into a sound commercial enterprise under private ownership. The team members responsible for this extraordinary effort were the recipients of the World Bank Group's first Awards for Excellence, recently introduced by Mr. Wolfensohn.

In infrastructure, the market is quickly evolving. Our pathbreaking work in the power sector has been followed by a similar effort in telecommunications. We are continuing with these efforts in the more difficult markets. The goal is to assist in the development of proper regulatory frameworks to encourage investors to invest. In Indonesia this year, we closed a major telecommunications project which should serve as a model transaction for the country.

We are also paving the way for private sector investment in new areas of infrastructure, particularly water and transport.

Following on our work in Buenos Aires, we just invested in the first privatization of water and sewerage services in Brazil.

CAPITAL MARKETS

The dramatic increase of private international flows to developing countries has enabled the growth of private financing of infrastructure we are seeing today. The development of local long-term financing mechanisms will be critical to fund these enormous needs.

IFC will need to place higher priority on developing long-term domestic capital markets.

We have begun to make some important contributions in this area through development of local leasing industries, as in Vietnam; creation of local commercial banks, as in

Croatia, the Kyrgyz Republic, Latvia and Mauritania; investment in local life insurance companies, as in South Africa; or domestic rating agencies, as in Turkey. All of these investments were approved this year. But much more needs to be done to promote local savings and investment.

SMALL - AND MEDIUM - SCALE ENTERPRISES

Small- and medium-scale enterprise must become an increasing priority for IFC.

These enterprises play a vital role in promoting job creation and distributing the benefits of economic development more fully. We are working to assist SMEs, as we call them, through financial intermediaries, through our project development facilities, and, in some cases, through direct lending. The Mekong Project Development Facility, approved this year with contributions from donors as well as IFC, will support entrepreneurs in Cambodia, Lao and Vietnam in turning ideas into bankable investments. We are establishing a financing line to support these projects once they have been properly structured. We need to continue to find innovative ways of supporting SMEs throughout the world.

ENVIRONMENT

To assure that growth is sustainable, IFC in the future must be a leader in the effort to improve the environmental performance of the private sector in our developing member countries.

This is a vital aspect of our development impact. But it is not always easy. We often require our clients to implement environmental standards that go well beyond those of the host government.

We are also expanding our efforts to promote private investment in the environmental sector. To ensure a more proactive approach, we are working with the Global Environment Facility, the Multilateral Fund of the Montreal Protocol and non-governmental organizations.

CLIENT RESPONSIVENESS

Let me now turn to the issue of client responsiveness and why improving our efficiency and effectiveness in this area must be a priority.

To put it simply, building our foundation for the future requires strengthening partnerships with you, our clients.

The challenge we face is continually to do more to meet the needs of development, and we must work together to accomplish this ambitious objective. This is an area where I am convinced we can do better.

CLIENT SURVEY

As a starting point, we are launching our first client survey to better understand what our clients really think of how we are doing our job. Many of you will be receiving requests to participate in this process, and your assistance will be greatly appreciated. Once this initial work is completed, it is my intention to get client feedback on a continuous basis to facilitate the highest standards in our work. We are also developing a system of relationship management to make IFC more accessible to our clients. At the same time, we are streamlining our business processes to improve the speed of our response to our clients.

COLLABORATION GUIDELINES

As part of our effort to strengthen partnerships, this year we consulted extensively with private financial institutions to develop new ways to work together. The result was a set of guidelines issued in November 1995, which are designed to ensure that we do not displace private capital and that we maximize our catalytic role. They have already served to clarify the respective roles of IFC and the private financial institutions.

NEW PARTNERS

Through loan syndications, securitization and other resource mobilization activities, we are also working to develop new partnerships with a broader range of financial institutions.

In our loan syndications program, 30 new financial institutions signed their first participations in IFC loans this year, including 8 insurance companies. One hundred thirty seven financial institutions currently are participating in IFC loans. The geographic scope of the syndications program was significantly broadened with new partners from Japan, Korea and North America. This year we were pleased to mobilize the first loan participations for projects in several new countries, including the Kyrgyz Republic, Nepal, the Slovak Republic, South Africa and Uzbekistan.

We are also using new techniques such as securitization to attract pension funds and insurance companies to invest along with IFC. These institutional investors represent a potentially vast pool of long-term finance for

development. In addition, we are working actively to strengthen our cooperation with other multilateral and bilateral institutions, who, I am happy to see, are represented in this room today.

C O N C L U S I O N

Today, I am pleased to report that IFC is well-positioned for the future: loan profitability has been improved, administrative costs are down, the portfolio is sound, and net income is strong.

From this position of strength, our challenge *now* is to look to the future. Our responsibility *now* is to do more to enhance our development impact. Through the Extending IFC's Reach initiative, we have just begun this process in some of the most difficult markets where our activities have been limited. Micro-enterprise lending and support of small- and medium-scale enterprises are important elements in this process. But there is much more to do.

In our existing markets and products, continuing innovation will be vital to meet changing needs. Infrastructure will remain a cornerstone of our business, but in more difficult markets and new industries. Not only will water and transport become central, but areas of human infrastructure such as education and health care will gain in importance. To support the tremendous financing requirements, we will need to increase our efforts in developing long-term domestic capital markets. The needs are great and IFC will continue to grow to meet these challenges.

Therefore, the IFC of the future will be a much larger institution than the IFC of today.

In each country, we will be working within a strategic framework to address specific private sector needs. This will mean using an array of products and services in a broad range of sectors. It will require greater speed, efficiency, and overall effectiveness. We will accomplish this in close collaboration and partnership with you, our private sector clients and financial institutions, with the World Bank and with other multilateral and bilateral institutions.

The strong position we are in today would not have been possible without the support of all of you.

Let us go forward together to make the world a better place to live.

Thank you.

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The Houghton House*

Bicycles Guests will find bicycles in the storage area next to The Houghton House East Wing. They do not need to be checked out and are available on a first-come, first-served basis.

Croquet A professional quality grass croquet court is available during daylight hours. Please see Wye Center staff for equipment and assistance.

Game Room A pool table, television, video movies and board games are available on the basement level.

Jogging Wye Center staff will be happy to answer questions about your route.

Swimming The pool is open 24 hours a day from mid-May through mid-October (weather permitting). No life guards are provided, and we recommend you swim with a partner. A changing area is available at the pool.

Tennis An outdoor asphalt court is open year-round during daylight hours. Racquets and balls are available in The Houghton House office.

*For guests at The Houghton House only.

The Aspen Institute
WYE RIVER
CONFERENCE CENTERS

Recreational Facilities



River House



The Houghton House



Wye Woods

River House*

Basketball A basketball court is located adjacent to the tennis court.

Bicycles Guests will find bicycles in the storage area between the River House and the Inn. They do not need to be checked out and are available on a first-come, first-served basis.

Fitness Room The following equipment is located on the ground level: Programmable Precor exercise bike, Liferower rowing machines, HydroGym Fitness machine, Airdyne exercise cycles, wall bars. Directions for use of equipment and exercise charts are posted.

Game Room A pool table, television, stereo system, compact disc collection, board games and video movies are available on the ground-floor level.

Jogging Wye Center staff will be happy to answer questions about your route.

Ping-Pong A table is located in the Fitness Room.

Swimming The pool is open 24 hours a day from mid-May through mid-October (weather permitting). No life guards are provided, and we recommend you swim with a partner. A changing area is located near the game room.

Sauna Located on the ground level near the Fitness Room. Please see Wye Center staff if you need assistance.

Tennis Two asphalt courts are open year-round during daylight hours. Racquets and balls are available in the River House office.

*For guests at River House only.

Wye Woods*

Athletic Equipment Please contact Wye Center staff for equipment to play volleyball, basketball, softball, horseshoes, soccer, baseball, and badminton.

Bicycles Guests will find bicycles in the storage area outside the Main conference room. They do not need to be checked out and are available on a first-come, first-served basis.

Commons Room Television, video movies, playing cards and board games are available.

Fitness Center The following equipment is available: Panelite mat for stretching and warm-up, hand weighted jump ropes, programmable Universal Aerobicycle, Universal Power Pac 400 multi-station workout system, stationary exercycle. The facility is unsupervised, but directions for use of equipment are posted. Showers and changing room are located here.

Jogging Wye Center staff will be happy to answer any questions about your route.

Fitness Trail The fitness trail consists of 12 marked stations enabling individuals to receive a physical workout in a natural environment through stretching, toning and cardiovascular exercises. Please see Wye Center staff for more details.

Swimming The pool is open 24 hours a day from mid-May through mid-October (weather permitting). No life guards are provided, and we recommend you swim with a partner. A changing area and showers are located in the Fitness Center.

Tennis Two outdoor asphalt courts are open year-round during daylight hours. Racquets and balls are available in the Wye Woods office.

*For guests at Wye Woods only.

ROBERT J. BIES

Robert J. Bies is Associate Professor of Management in the School of Business, Georgetown University, Washington, D.C. Professor Bies received his Ph.D. in Business Administration (Organizational Behavior) in 1982 from Stanford University. He was on the faculty of Northwestern's Kellogg Graduate School of Management from 1982-1990, before coming to Georgetown University. Professor Bies is a member of the Academy of Management and the American Psychological Association.

Professor Bies's research interests include leadership and the delivery of bad news, revenge in the workplace, the "litigation mentality," and organizational justice. He has published articles on these topics in Academy of Management Journal, Academy of Management Review, Journal of Behavioral Decision Making, Journal of Business Ethics, Journal of Management, Research in Organizational Behavior, Research on Negotiation in Organizations, Organization Science, and Organizational Behavior and Human Decision Processes. In addition, Professor Bies has co-edited a book of analytical essays, entitled The Legalistic Organization (Sage Publications, 1993). He is also co-editor of Research on Negotiation in Organizations, a biannual series of analytical essays and critical reviews published by JAI Press.

Professor Bies sits on the editorial boards of Journal of Applied Psychology, Journal of Management, and The International Journal of Conflict Management.

Professor Bies has received numerous awards for excellence in teaching at the undergraduate and graduate levels. He has received the Best Teacher award at Northwestern University's Kellogg Graduate School of Management, the Joseph Le Moine Award for Undergraduate and Graduate Teaching Excellence at the Georgetown University School of Business, and the Outstanding Professor of the International Executive MBA Program (IEMBA-II). Professor Bies was also selected as a Richard D. Irwin Faculty Fellow in national recognition for excellence in teaching, awarded by Beta Gamma Sigma, the business school honorary society.

Professor Bies works with executives on issues of leadership and power, creativity and change, and high performance teams.

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November 1997



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Subject / Title Agenda, meeting materials for IFC Senior Management Retreat				
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