

IFC in Azerbaijan & Central Asia

October 2008 - April 2009

AZERBAIJAN

INVESTMENT PROJECTS



- ✓ **Azerdemiryolbank:** As part of IFC's Azerbaijan Housing Program, which was launched to facilitate the development of the country's mortgage sector and to increase access to funding, IFC has signed an agreement with Azerdemiryolbank to help expand the bank's mortgage operations in Azerbaijan. The \$5 million loan and \$5 million trade finance line were the initial transactions in IFC's total funding package of up to \$15 million to support MSMEs in Azerbaijan.
- ✓ **UniBank:** IFC extended a trade finance line of \$1.9 million
- ✓ **Credagro:** IFC signed an agreement to provide a \$6 million loan to Credagro. This IFC long term funding will contribute to the further expansion of Credagro lending to Micro, Small and Medium sized Enterprises (MSMEs) throughout the country including rural areas and will give impetus to the transformation process of Credagro into a microfinance bank in the midterm.
- ✓ **Respublika Bank:** IFC extended a \$5 million loan to Respublika Bank to support the banks' lending to SMEs. IFC has also extended a trade finance line of up to \$10 million to Respublika Bank.
- ✓ **AccessBank Loan:** IFC invested up to \$15 million in Azerbaijan's Access Bank that will help increase access to credit for micro and small enterprises in underserved regions of the country.

ADVISORY SERVICES

Business Enabling Environment Project: Total Funding: \$4.9M (SECO, CIDA, British Petroleum, IFC).

- ✓ MoU between Ministry of Economic Development (MED) and IFC, signed in August by Lars Thunell was ratified on November 11, 2008.
- ✓ Prepared Permit Reform Strategy outlining "Guillotine" and Smart Regulation approaches to reform in collaboration with the MED.
- ✓ Developed a consolidated inventory of permits in collaboration with MED which will serve as a basis for further reforms. Calculations were also prepared to evaluate the expected cost savings to the government in operating the reformed system.

Azerbaijan Corporate Governance: Total Funding: \$5M (SECO).

- ✓ Implementation work with the first 3 pilot companies was completed (including two IFC investment clients: Azel and AGBank).
- ✓ Model by-laws for Supervisory Boards and for Management Boards have been prepared and are now listed on the Project's website and available to companies on request.

Supplier Finance Facility/Access Bank: Total funding: \$1.12M (British Petroleum, IFC) -leverage BP/IFC investment in Azerbaijan and provide financial support to SMEs, improve their access to finance through a dedicated Supplier Finance Facility (SFF). The Project will also support the expansion of Access Bank to increase lending to SMEs in three rural areas of the country closest to the BTC pipeline.

- ✓ Around \$1.8M in SME financing facilitated by advisory services.



KAZAKHSTAN

- ✓ **INVESTMENT PROJECTS**
JSC Bank CenterCredit: IFC provided a \$45 million five-year senior loan to JSC Bank CenterCredit (BCC) that will enable the bank to extend loans to SMEs in Kazakhstan. IFC's investment will help address the limited access to finance for Kazakhstan's small businesses, which has been exacerbated by the global liquidity crisis. The available IFC trade finance line for BCC has recently been increased to \$40 million to facilitate BCC's support for continued foreign trade activities.
- ✓ **Jambyl Cement Company:** IFC provided \$65 million debt and equity financing and mobilized additional \$110 million funding to support the company's plans to build Kazakhstan's first environmentally-friendly, dry-process cement plant. The project will create 340 full-time jobs, while stimulating additional private sector growth and regional economic activity.
- ✓ **Macquarie Renaissance Infrastructure Fund:** \$100 million investment in a private equity fund which will invest in infrastructure projects in Russia and Kazakhstan.

ADVISORY SERVICES

With a total funding of \$2.3M (IFC), **Central Asia Corporate Governance Project** aims to improve the corporate governance practices of local joint stock companies and banks with a view to increasing their ability to attract investment. IFC,

- ✓ Organized the 4th annual Corporate Governance Conference in Almaty, which focused on corporate governance during the financial crisis.
- ✓ Completed a corporate governance practices assessment for its first pilot company, Almaty Investment Management (AIM).
- ✓ Selected the second and third pilot companies: NSK Insurance and KazMicroFinance.

KYRGYZ REPUBLIC

INVESTMENT PROJECTS

- ✓ **Kyrgyz Investment and Credit Bank:** IFC has signed a loan agreement with the Kyrgyz Investment and Credit Bank to expand its MSMEs lending operations in less developed areas of the Kyrgyz Republic. IFC's \$5 million loan will create financing options for underserved markets in the Kyrgyz economy, especially in remote cities and towns.
- ✓ **Bai Tushum:** IFC invested \$4 million to help the microcredit company create additional financial opportunities for about 10,000 microenterprises, private entrepreneurs, and farmers in remote areas of the Kyrgyz Republic.

ADVISORY SERVICES

Business Enabling Environment Project:

Total funding: \$3.6M (SECO/IFC).

- ✓ Completed hiring of core staff.
- ✓ Launched the BEE project officially in an event attended by senior Kyrgyz Government officials and the local business community.
- ✓ Launched Business Environment Survey with interviewers trained and questionnaire developed.
- ✓ Coordinated with donor community on development of tax administration reform action plan that will introduce risk based audit principles. Conducted trainings for project counterpart agencies on risk based inspection principles.

Corporate Governance Project:

Total funding for Kyrgyzstan & Tajikistan: \$0.7M (IFC).

Tajikistan:

- ✓ Conducted baseline survey on corporate governance practices at local joint stock companies.
- ✓ Collaborated with the Investment Council, a group organized under the direction of the President of Tajikistan, in developing legislative amendments to improve the country's Doing Business ranking.

Kyrgyzstan:

- ✓ Started baseline survey on corporate governance practices.

INVESTMENT PROJECTS

- ✓ **First Microfinance Bank of Tajikistan (FMBT):** IFC extended a \$3 million loan to the First Microfinance Bank of Tajikistan, an existing IFC client. The loan is expected to facilitate expansion of FMBT's microfinance activities throughout Tajikistan. FMBT's average loan size is about \$1,100. IFC is playing an important developmental role by providing FMBT with additional longer term resources for on-lending to Micro and Small Enterprises (MSEs), which have limited access to funding. Since 2005, FMBT has participated in the IFC Central Asia Leasing Advisory Program funded by the Swiss State Secretariat for Economic Affairs
- ✓ **Tourism Promotion Services Tajikistan (TPST):** IFC provided \$7 million to TPST to help finance the construction of the Dushanbe Serena Hotel, which will create 135 local jobs and generate \$1 million in annual taxes for the government.



ADVISORY SERVICES

Agriculture Supply Chain Development: Total Funding: \$3.2M (SIDA).

- ✓ Provided consultations and training to two financial institutions, MFIs Haqiq and HUMO on extending credits to household farms individually or in groups, resulting in 6 loans and leases (one a group loan involving 7 household farmers), totaling about \$200,000.

Cotton Lending Program: Total Funding: \$0.94M (CIDA)

- ✓ Cumulative loans were approved for nearly \$2,776,000, thereby financing 146 farms and 4,779 hectares of cotton production.

Business Enabling Environment Project: Total Funding: \$4.5M (SECO and DFID).

- ✓ Completed the Inspection Law trainings for all inspectors in the Fire Agency and Sanitary Inspectorate (SES).
- ✓ The permits regulatory guillotine strategy was endorsed by the Investment Council and signed by the President on March 7, 2009.
- ✓ At least 1 manual and checklist was registered for all 22 ministries and 33 inspection bodies, meeting the requirements of Tajik law and the World Bank's Third Programmatic Development Policy (PDPG3) Organized a study tour together with the European Commission and USAID BEI project to Azerbaijan on the implementation of a "one-stop-shop" (OSS). Representatives of the Office of the President, Tax Committee, business associations and international organizations attended the study tour.

First Microfinance Bank of Tajikistan: Total Funding: \$2.17M (CIDA)

- ✓ FMBT will undergo an external independent evaluation of the potential job creation benefits of entering into equipment financing for micro and SMEs.
- ✓ FMBT is planning to undertake an independent external review of its gender activities.
- ✓ IFC conducted a short review of the existing mortgage lending procedures, and made recommendations for improvement.

Bolshoi Konimansur Mine: Total funding: \$1M (IFC-DevCo- several donor governments)

- ✓ Assist the Government of Tajikistan ("GoT") in tendering the right to the private sector for the development of the Bolshoi Konimansur silver deposit. The Project represents an opportunity for IFC to contribute to Tajikistan's development by promoting its exports and strengthening its fiscal resources through a transparent and competitive bidding process. It is a part of IFC's regional strategy to increase its presence in Central Asia, and to look for new opportunities in the region's IDA countries. Mandate with the GoT was signed in December 2008. Full-fledged advisory project is being developed.

UZBEKISTAN

INVESTMENT PROJECTS

- ✓ **Uzbek Leasing International A.O.:** IFC invested in Uzbek Leasing International A.O., Uzbekistan's first leasing company and an existing IFC client. The \$3 million loan will help the company expand financing options for MSEs. Since 2002, Uzbek Leasing International has participated in IFC's leasing advisory program in Central Asia and has strengthened its operations. IFC is working to increase access to finance for micro and small enterprises by strengthening local financial institutions and providing credit lines for financing and leasing. IFC has played a key role in developing Uzbekistan's leasing sector, helping amend 11 pieces of legislation to facilitate leasing. As a result of these regulatory improvements, direct support for companies, and increased awareness, the local leasing market has grown by \$220 million from 2001 to 2007.

ADVISORY SERVICES

Business Enabling Environment Project: Total Funding: \$0.6M (IFC).

- ✓ Signed Memorandum on Cooperation between the GoU and IFC (by Lars Thunell) on establishing cooperative framework to introduce the Screening Mechanism for Policy Proposals in Uzbekistan.
- ✓ Drafted and lobbied the Cabinet of Ministers Resolution on actions required to fulfill the Memorandum.
- ✓ Started to work on tax administration.
- ✓ Organized jointly with the UNDP two one-week trainings for tax inspectors.
- ✓ 6 recommendations of the BEE Project Team were adopted in the December 2008 amendments to the Tax Code
- ✓ Released a regular BEE report based on the findings of the SME survey conducted in May 2008.
- ✓ Released Policy Paper on Liquidation Procedures.
- ✓ Supported Doing Business team in conducting survey in Uzbekistan.

REGIONAL

ADVISORY SERVICES

Azerbaijan-Central Asia Leasing: Total Funding: \$2.38M (SECO and IFC).

- ✓ Micro-leasing training delivered in Uzbekistan, Tajikistan, Kyrgyzstan and Azerbaijan.
- ✓ Developing proposal for Azerbaijan-Central Asia Financial Markets Infrastructure (ACAFMI) project.

Azerbaijan-Central Asia Mortgage: Total Funding: \$3.0M (SECO, IFC, Netherlands).

- ✓ Organized train-the-trainer program to focus on risk management issues.
- ✓ Organized seminar for real estate appraisers.
- ✓ Developing diagnostic tool to help client institution to manage non-performing loans on mortgage portfolio.

SME Banking Advisory: Total Funding: \$0.92M (IFC, Netherlands).

- ✓ Hamkorbank: credit training delivered to staff in HQ and major branches; Consultant completed assignment and finalizing recommendation report.
- ✓ AGBank: ALM Consultant provided training sessions for the treasury staff and has given a lecture on the Euro bond market.
- ✓ Portfolio management and bank NPL recovery seminars for representatives of the banking community in Kyrgyzstan, Tajikistan, and Azerbaijan.