



IFC and Mozambique

Overview - IFC

The International Finance Corporation is the private sector arm of the World Bank Group. IFC's mission is to promote private sector investment in developing countries, which will reduce poverty and improve people's lives. IFC finances investments with its own resources and by mobilizing capital in the international financial markets. IFC also provides technical assistance and advice to governments and businesses.

- IFC is the world's largest multilateral source of equity and loan financing for private enterprises in developing economies. Its financing is long-term and market-priced.
- IFC's share capital is provided by its 175 member countries, which collectively determine policies and approve investments.
- IFC committed 204 projects in FY02, providing \$3.1 billion of its own financing, and \$519 million from private firms through its loan syndication program in FY02.
- IFC shares project risk with sponsors and financial partners but does not participate in project management.
- IFC finances only a portion of the cost of any project. For every US\$1 of IFC financing, other investors and lenders provide US\$5.
- IFC's charter requires it to be profitable. The Corporation has made a profit every year since its inception.
- IFC does not accept government guarantees.
- IFC has approximately 2000 staff working in Washington D.C. and in more than 70 field offices.

IFC's participation in projects helps reassure and balance the needs of each party in a transaction: foreign investors, local partners, other creditors and government authorities.

IFC in Mozambique

Since its first investment in 1986, and as of June 30, 2002, IFC has committed financing to projects in Mozambique amounting to US\$186 million.

IFC's strategic priorities in Mozambique include a focus on:

- Financing natural resource-based and energy projects.
- Supporting private infrastructure, focusing on privatization and liberalization.
- Encouraging the development of small and medium enterprises, especially in the tourism and agribusiness sectors.
- Developing financial markets and pursuing opportunities in leasing, insurance and microfinance.

In addition, IFC works throughout Africa via specialized facilities:

The Africa Project Development Facility

(APDF) was established in 1986 as a joint initiative of the African Development Bank, the United Nations Development Program and IFC. APDF identifies African entrepreneurs and helps them organize, diversify and expand their businesses by assisting them throughout the project preparation cycle.

The African Management Service Company

(AMSCO) helps strengthen African enterprises by providing experienced managers and by training local management teams.

IFC project highlights in Mozambique

Primary Metals

The US\$133 million loan to the Mozal project in Maputo represents one of the largest investments ever approved by IFC for a single country. The first phase of this FY1997 venture consisted of the construction and development of a 245,000 ton-a-year-aluminium smelter. The smelter created 5000 jobs during the construction phase and 900 full-time jobs once the company went into operation. The project tripled the country's total exports, helped develop Mozambique's infrastructure, contributed to the country's industrialization, and boosted regional trade. Through the Mozal Community Development Trust, the firm has undertaken an anti-malaria campaign, an AIDS awareness program, local education initiatives, and agricultural training for farmers affected by the project. IFC is now financing the second phase of this venture, which will double production.

Financial Markets

IFC holds a 13% equity stake in Banco de Microfinanças de Moçambique (BMF), the first for-profit bank in Mozambique exclusively dedicated to microfinance. The bank will initially be capitalized at US\$2 million. Its objective is to provide financial services tailored to the demands of small and micro enterprises that lack access to commercial banks. Through this FY2000 investment, IFC increases its involvement in the development of the country's financial sector and reassures other potential investors.

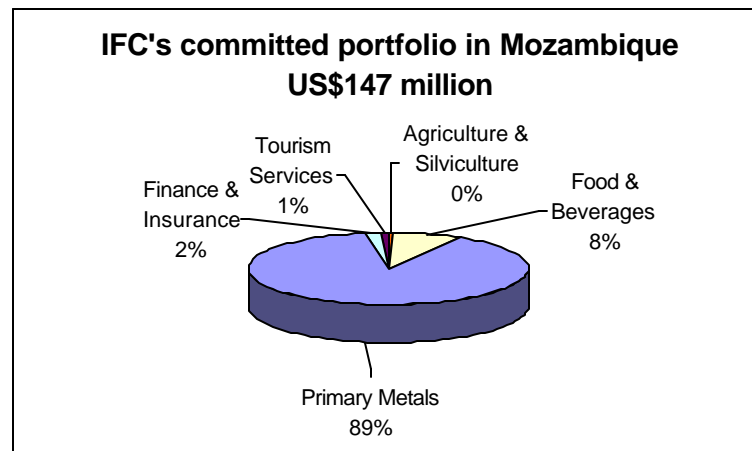
Food and Agribusiness

IFC provided a US\$1.3 million guarantee facility to a Mozambican commercial bank to finance the construction of a wheat mill by Merez Industries Lda. Merez will expand its factory by adding storage silos and a mill to process imported grain. Approved in FY2000, the investment will create 55 jobs. It will also increase the number of millers, and enhance the quality of bread available to poor communities in Mozambique through its use of modern technology.

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