

# FINANCING THE PLANET'S PROJECTS

From real estate and healthcare, to energy and agribusiness, international financial institutions (IFIs) offer financial assistance to projects in developing and emerging countries. We talked to leaders from the World Bank, IFC, EBRD and IIC about financing different types of projects all over the world.

**B**y providing loans, advice and other resources to developing and transitional countries, international financial institutions (IFIs) and regional development banks are in many ways building the future. The impact of IFIs such as the World Bank, IFC, EBRD and IIC has been phenomenal, helping to shape the economic structure in countries around the globe. Whether it is funding a new airport in Costa Rica, developing a 'Silicon Valley' technology park in Russia or generating electricity from livestock in Turkey, projects are often financed by international financial institutions.

The best-known IFI, the World Bank, was formed in the aftermath of World War II at the United Nations Monetary and Financial Conference, more commonly called the Bretton Woods Conference, in July 1944. Despite its name, the World Bank – which is headquartered in Washington DC – is not a bank in the common sense of the term. It is made up of two unique development institutions owned by 187 member countries: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

Like all financial institutions in recent years, the World Bank had to respond fast to the global economic crisis. Mr. Wael Zakout, Sector Manager of ECA (Europe and Central Asia) at the World Bank, says, "ECA was hit hard by the global economic crisis. The World Bank has provided loans of around 20 billion dollars in the last two years to help ECA countries ride out the difficult time of the crisis. Things have



improved, with positive growth returning to several countries, but recovery is fragile and much needs to be done to sustain it."

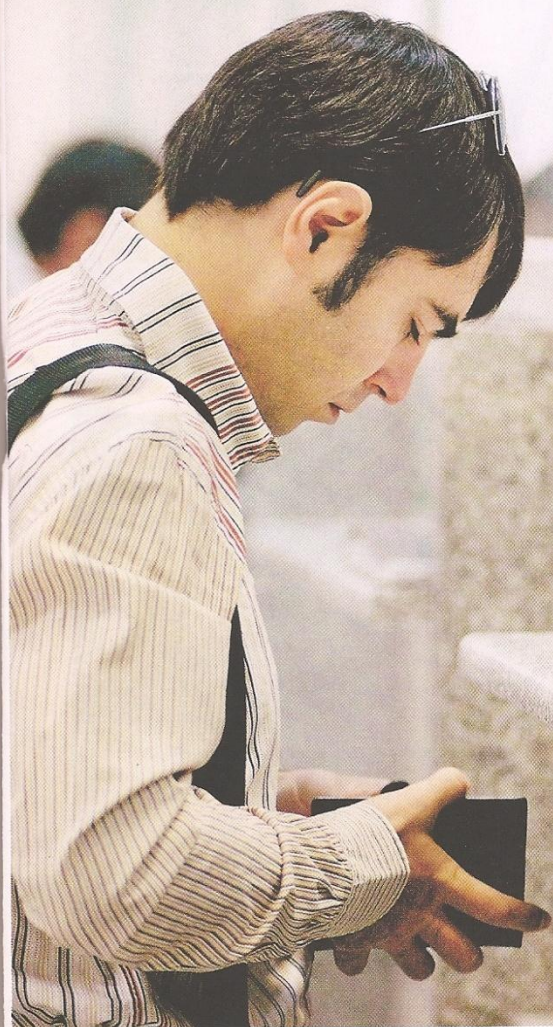
Mr. Zakout oversees environmentally and socially sustainable development in all the former Communist countries, including Russia, Serbia, Romania and Poland, but also Turkey. "We have a program of around four billion dollars in Turkey," says Mr. Zakout, speaking while on a visit to Istanbul. "This includes energy transmission and efficiency, water supply and sanitation, solid waste, disaster risk and water shed management."

The World Bank regards Turkey as a 'transitional economy,' a very broad term which also includes war-torn nations such as Iraq, which it calls the 'construction site of the century.' The term 'transitional' applies to institutional as well as economical changes, for example countries moving from highly centralized political systems to more decentralized democracies.

## Farm, factory and fork

The World Bank's original goal was to fight poverty, which it set out to do with structural adjustments,





THE IFC OFFERS A RANGE OF FINANCIAL PRODUCTS,  
INCLUDING LOANS FROM THEIR OWN ACCOUNT, SYNDICATED  
LOANS ARRANGED THROUGH COMMERCIAL BANKS,  
SUBORDINATED DEBT, EQUITY FUNDS AND OTHER PRODUCTS.

leveraged loans and capital investments. Today, the UN estimates that nearly one billion people are hungry. With the global population expected to increase by a third by 2050, is the World Bank achieving its goal?

"The world has made remarkable progress in reducing global poverty," answers Mr. Zakout. "This is due to many factors, including the progress of countries like China, India, Brazil and others. While many countries are making good progress in reducing the number of poor, poverty is still a serious challenge, especially in Africa."

"In terms of food, we made agribusiness a strategic priority about five years ago before the current food crisis," elaborates Alzbeta Klein, Global Head of Manufacturing, Chemicals and Fertilizers at the IFC (International Finance Corporation), part of the World Bank Group. "Strategically, we're looking at Africa as the next place where food will be grown. Food waste is a big problem and we are investing in cold storage to alleviate that issue."

Agribusiness includes the production of primary commodities such as wheat, soy and maize, as well as the processing of fruit and vegetables. According

to Ms. Klein, agribusiness has "three main facets – farm, factory and fork – the latter is what gets to the consumer." Critics accuse agribusiness of funding large-scale corporate farming by companies such as Monsanto, but, Klein says, "Most of our clients are local. Even our global clients are localized. For example, we have a program with ECOM in Nicaragua for the production of coffee. It's as local as it gets, even though it's a global client."

"Every project we finance has to meet IFC environmental standards," adds Klein. "Agribusiness is one of the biggest industries that has an impact on sustainability and we're always looking for new technologies, whether it's solar, wind, bio-gas or bio-fuels."

"Israeli companies are at the forefront of technology in agriculture and irrigation and I believe that they have what it takes to take sustainability to the next level," states Klein, speaking from a Tel Aviv hotel after attending a conference with Israeli corporations. The IFC's mandate is to strengthen the private sector in developing countries, particularly SMEs (small and medium enterprises). Investing in SMEs can be hugely profitable but also highly risky; therefore the



## International Institutions

Wind farm in Turkey financed by EBRD



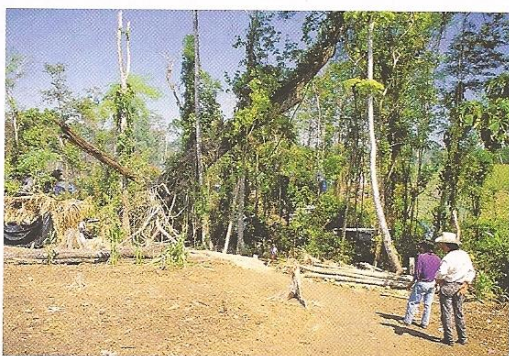
**Wael Zakout, World Bank:**

"I observe the participation of many Israeli companies in World Bank financed projects in the ECA region. This ranges from water infrastructure to transport, energy and IT systems. Israeli companies have the technical skills, strong human resources and financial backing to compete and win contracts."



**Paula Alayo, IFC:**

"Israeli companies invest primarily in Latin America, Eastern Europe and a little bit in Africa. We worked with the five big Israeli banks – Mizrahi Tefahot, Hapoalim, Leumi, Discount and FIBI (First International Bank of Israel) – to assist emerging markets with the Global Trade Finance Program. In this program, we stepped in and basically covered the risk of Israeli banks so they could establish contact with lesser-known clients in the emerging market."



A World Bank project in Guatemala



Infrastructure development in Russia financed by the World Bank

## THE INTER-AMERICAN INVESTMENT CORPORATION (IIC) PROVIDES FINANCING FOR HUNDREDS OF ENERGY PROJECTS IN LATIN AMERICA AND THE CARIBBEAN, INCLUDING CLEAN TECHNOLOGIES IN GUATEMALA AND WIND POWER IN BRAZIL

IFC looks carefully at each project. "If a project fails, we take a commercial risk," says Klein, "we either get a rebate or we don't. So we're just like any other commercial bank in that sense."

The IFC offers a range of financial products, including loans from their own account, syndicated loans arranged through commercial banks, subordinated debt, equity funds plus other products such as straight financing. At present, the IFC's biggest area of investment is East Africa, where it has invested \$2.4 billion this past year (an increase from \$1.6 billion). In the early 2000s, Russia – now the 12th largest economy in the world – was a major recipient of IFC investment.

### Post-Communist commitment

Russia is still the most important country for the EBRD (European Bank for Reconstruction and Development). Established in 1990 in order to promote democratic values in ex-Communist countries, the EBRD is owned by 61 countries and two intergovernmental organizations. Today the EBRD finances over 320 projects from Central Europe to Central Asia.

"The EBRD is the largest investor in each of

the countries of operation," says Dr. Golan Benita, Alternate Board Director at EBRD. "This gives political leverage from all the governments in the region. In such projects, the political risk is always the biggest. This could come from nationalization, corruption or difficulty providing a license connected to an activity."

Dr. Benita, now based in London, has taught finance at New York University, Bar-Ilan University and the Hebrew University. He explains that "the most important countries for EBRD operations are Russia, which represents about 35 percent of the bank's activities, followed by Turkey and Ukraine, which each take about 25 percent. In many countries, the bank is the only financier that can provide long-term loans in local currency. In Russia we are the only bank that can provide seven-year loans, and in Ukraine we are the only bank that can provide equity."

During the global economic crisis the EBRD almost doubled its business from 5 billion Euro in 2008 to over 9 billion Euro. "While other banks were pulling out of ECA countries, we were increasing our activities and providing loans," says Benita. "Our biggest project in 2010 was providing equity and loans to Greek banks that operate in our ECA countries. The Greek banks were suffering from the crisis and therefore the EBRD



## International Institutions

IIC-financed  
agribusiness  
project in  
Mexico



**Carlos Roa, IIC:**  
"Israeli companies have provided around \$13.5 million to IIC projects in Latin America since 1989. The procurement from Israel consists primarily of the purchase of equipment for the aquaculture sector but also for a wastewater treatment plant."



**Dr. Golan Benita, EBRD:** "The EBRD is encouraging Israeli and American companies to invest in financial services in countries like Russia, Poland, Hungary and the Czech Republic. Russia could be very attractive for Israeli hi-tech companies because they are now developing a technology park to create a comfortable business environment as part of the 10 billion Euro Rusnano Fund."

For more information on international financial institutions which finance international projects, visit the following websites: [www.worldbank.org](http://www.worldbank.org), [www.ifc.org](http://www.ifc.org), [www.ebrd.com](http://www.ebrd.com) and [www.iic.int](http://www.iic.int).



TO OBTAIN FINANCING FROM IIC, A COMPANY MUST  
BE A PROFITABLE VENTURE WITH GROWTH POTENTIAL  
AND COMMIT TO HIGH STANDARDS OF TRANSPARENCY,  
ENVIRONMENTAL AND LABOR PRACTICES

provided a package of 1 billion Euro."

Interestingly, Benita says, "Poland was hardly hit by the crisis because it had a very stable economy, disciplined monetary policy and developed local capital market."

The only exception to the EBRD's mandate to help exclusively ex-Communist countries is Turkey, which Benita says was due to political reasons. "By 2015 we are expecting to invest about one billion Euro in Turkey," he says. "We decided to operate in Turkey because the remote areas suffer from underdeveloped infrastructure and face difficulties in financing businesses." Benita says countries such as Turkey, as well as Kazakhstan and Ukraine, have "huge potential for developing a massive grain industry."

### Clean and green energy

Another priority for EBRD, as indeed for all regional development banks, is energy efficiency. IIC (Inter-American Investment Corporation) provides financing for hundreds of energy projects in Latin America and the Caribbean, including clean technologies in Guatemala and wind power in Brazil. "One major IIC project approved this year has been a loan to WPE (Wind Power Energia S.A.), a Brazilian company which designs, produces and markets high capacity wind power equipment," says Carlos Roa, Senior Advisor of IIC's Deputy General Manager.

Founded 25 years ago, IIC's target market consists of companies with sales ranging from 5 million to 35 million dollars. To obtain financing from IIC, a company must be a profitable venture with growth poten-

tial and commit to high standards of transparency, environmental and labor practices. In October 2010, IIC held its first Sustainability Week in Costa Rica with BAC San José, where workshops covered topics such as 'Climate Change: Risks and Opportunities for the Financial Sector.' In addition, IIC's GREENPYME program aims to help mitigate climate change by promoting energy efficiency and the implementation of eco-friendly practices.

Brazil is one of the major beneficiaries of IIC financing even though it is considered as one of the newly-advanced 'BRIC' economies (Brazil, Russia, India and China). "Brazil is one of our leading countries, but has different levels of development and prosperity within the country," says Roa. "IIC is concentrating its efforts in channeling resources to the Northeast region of Brazil, which is the least developed and poorest area."

IIC is also currently processing a major fund for Haiti as it recovers from the devastating earthquake in early 2010. "IIC plans to support Haiti primarily through the proposed Haiti Social Investment Fund," Mr. Roa explains. "The fund's estimated size is 51 million Euro with reimbursable and non-reimbursable contributions from the Government of Spain (50 million Euro), and from IIC (1 million Euro)."

Other IIC projects include Coriport – a new airport passenger terminal in Costa Rica – and Hospital Alcalde, providing quality medical care at accessible prices in Mexico. "We try to focus on good projects, regardless of where they are," says Roa. "We want to provide more than financial resources; we want to be a provider of knowledge and technology." ☺