

IFC and Nigeria

The International Finance Corporation, the private sector arm of the World Bank Group, promotes sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives. IFC finances investments with its own resources and mobilizes capital. IFC provides advisory solutions to governments and businesses.

- IFC is the largest multilateral source of financing for private enterprises in emerging markets. Financing is long-term and market-priced.
- IFC's share capital is provided by its 176 member countries, which determine policies and approve investments.
- IFC committed \$6.7 billion from its own account to projects in FY06 and mobilized \$1.6 billion through syndications and \$1.3 billion through structured finance. IFC supported 284 projects in 66 countries and approved over 400 new advisory programs.
- IFC shares project risk with sponsors and financial partners but does not participate in project management.
- For every \$1 dollar of IFC financing, other investors and lenders provide \$5.
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Fast Growing Market

One of IFC's fastest-growing client countries, Nigeria is the Corporation's ninth largest portfolio and its largest exposure in Africa. In FY06, IFC committed \$266 million in 10 projects in Nigeria, bringing the committed portfolio for its own account to \$544 million, a jump of almost 30 percent from \$419 million from a year earlier.

Since its first investment in Nigeria in 1964 and as of 30 June 2006, IFC has committed financing to 62 projects amounting to \$985 million. Investments include \$872 million for IFC's own account and \$113 million for the account of banks participating in loan syndications.

The Corporation's strategic priorities for Nigeria include the following:

- Assisting in the development of infrastructure, through both investments and advisory support in privatizations
- Supporting the financial and industrial sectors
- Empowering microenterprises and small and medium businesses, principally by improving the business climate and increasing access to finance through local institutions
- Assisting Nigeria to diversify its economy from the oil sector and remove bottlenecks faced by the non-oil private sector.

Private Enterprise Partnership for Africa

The Private Enterprise Partnership for Africa (PEP Africa) is IFC's technical assistance program in Sub-Saharan Africa. PEP Africa establishes partnerships with donors, governments, and the private sector to design and deliver technical assistance programs and advisory services that improve the investment climate, mobilize private sector investment and enhance the competitiveness of private enterprises in Africa.

In Nigeria, PEP Africa is supporting a number of sector and company-level technical assistance projects in sectors such as oil and gas, infrastructure, health, and financial services. Examples include a pilot study on carbon finance trading opportunities targeting small enterprises, a capacity building program to support women entrepreneurs in conjunction with Access Bank Nigeria as well as an advisory mandate with the Government of Nigeria for enabling private sector participation in the country's airport system.

African Management Service Company

AMSCO strengthens African enterprises by providing experienced managers and technical personnel to small and medium private companies in Africa. Customized training services to local managers and staff are offered to upgrade their skills and improve performance and productivity of their company.

In addition, training and consulting services are provided to the general public with a view to widening the scope of the company's reach beyond the current projects.

IFC Nigerian Projects

Manufacturing

In one of the largest private sector investments in Nigeria outside the oil sector, IFC in June 2005 provided \$75 million of loans to support the construction of a greenfield cement plant by Obajana Cement Plc in Nigeria's Kogi state. The plant will have the capacity to produce 4.4 million tons of cement per year and will include a 135 megawatt gas-fired power plant and a natural gas pipeline.

In addition to improving the local availability of cement, the project will help promote investment in infrastructure, industry, and the housing sector, thereby helping Nigeria diversify from oil and fostering development in these key sectors.

Obajana Cement is a subsidiary of Dangote Industries Limited, a leading Nigerian producer of sugar, salt, and wheat flour, and an importer and market leader in cement. The project is strategic for the company as it will help Dangote Industries replace imports with lower cost local production.

IFC coupled its investment with a community development program, helping Dangote implement skills training, water supply improvements, and an HIV/AIDS program.

Telecommunications

In November 2003 IFC invested \$100 million in MTN Nigeria, the country's leading cellular operator. IFC's investment was part of a \$395 million financing package comprised of a local currency syndicate that included Nigerian banks and senior loans from IFC, Standard Chartered Merchant Bank, DEG and FMO. The transaction has been credited as bringing other international investors to Nigeria and deepening the country's capital markets.

MTN Nigeria Communications Limited in 2001 was awarded one of three new 15-year cellular licenses in Nigeria, which were licensed as part of ongoing liberalization of the sector led by the World Bank. MTN, one of Africa's leading cellular companies, owns some 75 percent of MTN Nigeria, with the remainder held by Nigerian investors and IFC. MTN Nigeria began operations in August 2001, and by March 2004 it has connected more people to telephone service than Nigeria's fixed line monopoly had in 50 years.

IFC invested in this project to promote competition, which will lower tariffs, improve quality of service responsiveness to customers, and expand access to telecommunications. The investment also supports sector liberalization and increases private sector involvement through a fair and transparent process. Part of IFC's investment will back up MTN Nigeria's financing in local currency

Small and Medium Enterprises

Poor access to finance impedes development of the micro and small enterprise sector in Nigeria. Eighty-five percent of the country's firms have access only to short-term credit. IFC is helping Nigeria's government address the problem through its work with the Accion Micro Finance Company, in which the Corporation is a founding shareholder.

The country's commercial banks are now required to set aside 10 percent of pretax profits for investments in the equity of smaller businesses. Accion Micro Finance helps them reach this target by providing credit and other services to micro and small enterprises. IFC purchased \$1.89 million of common shares in Accion for an equity stake of up to 12.6 percent in January 2005.

The project highlights IFC's strategic support for sustainable financial institutions that serve micro and small enterprises in Africa, which typically have a strong developmental impact. Accion's commercial microfinance techniques will provide better access to finance for Nigerian microenterprises, accelerate their business growth, boost overall confidence in the financial sector, and create new jobs.

IFC's coinvestors include Nigeria International Bank, Ecobank Nigeria, Zenith Bank, Leadbank, SME Partnership and SME II Partnership, and Accion Investments in Microfinance. Technical assistance is being provided by Accion International, which also received grants from IFC's for this transaction.

Supporting Infrastructure in Nigeria

Private investment in infrastructure projects in Nigeria can support broader economic development objectives. Nigeria is Africa's most populous country and faces enormous hurdles to meet growing demand for services. An estimated 2 of every 5 people are under age 15. This has significant implications for the provision of infrastructure services, as well as future growth and poverty reduction in Nigeria.

Significant investment in infrastructure is required. The needs cut across all sub-sectors, from communications to power to ports and transport.

Investment requirements in the power sector are especially high. Per capita power consumption in Nigeria is a mere 2 percent of that in South Africa, and between 5-7 percent of countries like Brazil or China. Nigeria's total investment needs to 2020 are estimated at US\$16 billion if it is to meet its power reform goals.

IFC: A Unique Partner

Private participation in infrastructure can help people in developing countries by more rapidly extending their access to basic infrastructure, and by improving the quality and reliability of infrastructure services.

Investment in infrastructure projects thus forms a key part of the International Finance Corporation's strategy to support development in emerging markets. IFC has been active in the sector from the early 1990's, and has since arranged private

infrastructure transactions worth nearly \$4.8 billion in some 50 developing countries.

IFC seeks to encourage private investment in infrastructure through advisory mandates that create commercially viable structures. Increasingly, IFC's advisory work and its investment programs in infrastructure are linked. Advisory assignments create investment opportunities for IFC in the infrastructure sector, with an emphasis on Public-Private Partnerships.

IFC's advisory work across Africa is already developing PPPs in most infrastructure subsectors (rail, airlines, airports, ports, water, and power). In cases where public and private funding of services is required, IFC works closely with the World Bank to reinforce policy initiatives that encourage private investment in infrastructure.

When infrastructure concessions are awarded to private investors, these mandates present opportunities for the IFC to support the sustainability of the effort through an investment intervention. IFC also strives to make more early stage equity investments in parallel with advisory solutions.

The IFC is therefore uniquely positioned to help Nigeria develop models that can support private investment in infrastructure, thus freeing government spending for areas where it can be more effective than the private sector.

IFC in Nigeria: Abjua Airport

In 2006, IFC successfully concluded an advisory mandate that mobilizes private management expertise and capital for improved operation of Abuja's Nnamdi Azikiwe International Airport. IFC advised the Nigerian government on the selection of a concessionaire to operate and manage the airport for the next 25 years.

The winning bidder was the Abuja Gateway Consortium, a special purpose vehicle that was established between domestic and international investors and operators. The Abuja airport concession is expected to create a long-awaited model for public private partnerships and private participation in the Nigerian transport sector, and through this to contribute to

making air transport in Nigeria safer and more efficient, a key aspect of improving Nigeria's international competitiveness and economic diversification.

IFC further expects the transaction to attract sustainable investment to Nigeria, contribute to capacity building and technology transfer to the country, and make significant contributions toward economic development in the region. In concluding the transaction, IFC benefited from the donor support of DevCo, a multidonor program affiliated with the Private Infrastructure Development Group and supported by the U.K.'s Department for International Development, the Dutch Ministry of Foreign Affairs, the Swedish International Development Agency, and the Austrian Development Agency.

About IFC

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- IFC finances only a portion of the cost of any project. For every \$1 dollar of IFC financing, other investors and lenders provide \$5.
- IFC's charter requires it to operate on commercial terms, targeting profitability. The Corporation has made a profit every year since its inception.
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