Big Business and SMEs:
Mobilizing financial resources
in troubled times

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IFC: Private Sector Arm of World Bank Group

- Owned by 182 countries
- World’s largest multilateral private sector investor in emerging markets
- Portfolio about $24 billion (hotels 2-3%)
- AAA rating
- 2,600+ people in 80 offices worldwide
- In-house syndications department working with over 200 banks
- Advice on environmental and social issues, corporate governance, other AS
- Political risk mitigation
- Preferred creditor status.
Why We Like Tourism?

• Employment
• Tax generation
• Foreign exchange
• Linkages
• One of few development options
• City hotels as key business infrastructure
• Emerging markets gaining market share
IFC’s Hotel Investment Experience

Over $2.5 billion since 1956 - 235 projects in 83 countries

Current Portfolio: $574 million, 58 projects, 36 countries

Hotel Companies:
Accor, Aman, Fairmont, Hilton, Hyatt, Inter-Continental, Marriott, Occidental, Orient Express, Shangri-La, Taj, TPS/Serena, Protea, Grupo Posadas, Universal
Financing Big Business
IFC’s Hotel Experience

- 85% loan, 15% equity
  - 50% in frontier markets
  - 54% City, 46% Resort
- Primarily single asset investments in past
  - Corporate or multi-asset investments more recently
  - Some mixed-use projects
- Primarily 4, 5 star properties
- Projects vary from tented camps to large city hotels
## IFC’s Current Hotel Portfolio

<table>
<thead>
<tr>
<th>Region</th>
<th>Exposure (US$ millions)</th>
<th># of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>189.0</td>
<td>18</td>
</tr>
<tr>
<td>Southern Europe, Central Asia</td>
<td>43.1</td>
<td>2</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>18.3</td>
<td>4</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>4.5</td>
<td>2</td>
</tr>
<tr>
<td>South Asia</td>
<td>146.7</td>
<td>7</td>
</tr>
<tr>
<td>Sub Saharan Africa</td>
<td>89.8</td>
<td>18</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>82.0</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>574</strong></td>
<td><strong>58</strong></td>
</tr>
</tbody>
</table>
IFC Investment Parameters

- Developing countries only (no EU members)
- Must be private sector
- 25-35% max for new investments or total company capitalization
- Minimum investment - US$8-10 million
- Foreign or domestic investors
- Sufficient/real cash equity
- Development impact, IFC role
Key Considerations for IFC Hotel Investment

The Project

- Solid project fundamentals/commercial viability
- Location, Location, Location
- Experienced operator; owner/operator in certain circumstances
- Fair management agreements
- Reasonable project costs relative to the market; verified
- Land cost; infrastructure requirements
- Experienced project development team
- Operating environment: staff availability/cost, utility costs
- Conservative/realistic operating projections
- Environmental, health and safety, social issues taken into account
- Green building components
Key Considerations for IFC Investment

The Sponsors

- Solid sponsors with a track record
- Good reputation
- Real equity contributions
- Long term commitment
- Willingness to provide project support
Key Considerations for IFC Investment

The Transaction

- Solid equity contribution
- Manageable debt levels (D:E of 50:50)
- Long grace period/repayment schedule
- Clear title to land/mortgage registration
- Appropriate permits/licenses in place
- DSCR 1.3 on conservative/realistic assumptions
What We Try to Avoid

• Straight equity - except in exceptional circumstances
• Over supplied markets/low barriers to entry
• Weak sponsors, lack of commitment
• Overreliance on RE sales
• Integrated resort developments: long gestation period
• High development costs
• Optimistic operating projections
Supporting SMEs

• Which SMEs?:
  - Small size tourism project (less than $5 million)
  - All services in supply chain: agriculture, retail, catering, craftsmen, travel agencies, car rentals, restaurants

• Indirect financing (financial intermediation)
  - Banks (equity, credit lines)
  - Investment funds (equity)
  - Micro-finance (equity, credit lines)

• Advisory Services
  - Simplification of business regulations (investment climate)
  - Training/education of SMEs: management skills (marketing, languages, accounting)
  - Training of banks to deal with SMEs
Indirect Support to Tourism

- Investments in Infrastructure: airports, power plants, waste-water treatment
- Advise to Government on restructuring of bad debt
- Advise to Government tourism policy/regulations: (open sky)
Thank you!