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IFC to Issue Up to $730M in Russian Bonds

By The Moscow Times

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The International Finance Corporation said it gained approval from the Russian government to issue its first ruble-denominated bonds in an amount up to $730 million to bolster the country's domestic capital markets.

The IFC, the World Bank's private-sector lending arm, said that in the near term it plans to sell up to 13 billion rubles ($412 million) in five-year bullet bonds, though the exact timing and amount would depend on market conditions.

Kevin Kime, an IFC principal financial officer in Washington, said the IFC had been looking to sell bonds in the Eastern and Central European region for a while, and the current climate was favorable.

"We felt the opportunity relative to our general business strategy in Russia and also with respect to the economic conditions related to a bond placement there ... proved to be attractive in recent months," he said.

The IFC regularly auctions off bonds — which are rated triple-A by Moody's and Standard & Poor's — to raise funds that it then invests in businesses that contribute to development.

A local issuance can help strengthen a country's capital markets by creating more liquidity and signaling a healthy investment climate.

Robust domestic capital markets also allow businesses to borrow in their local currencies, protecting them from foreign-exchange risk.

The IFC, often willing to go into countries that other investors shun, said it is often the first international issuer in local markets. It has sold bonds in eight local currencies since its program began in 2002.

"With a major triple-A rating, we're a marquee issuer globally," Kime said. "We think our presence in the local markets provides somewhat of a signal to others. ... It can help create a credit benchmark."

Russian sovereign bonds are rated BBB — two notches above noninvestment grade or junk-bond status — by both Standard & Poor's and Fitch.

The IFC has made a recent push to enter domestic capital markets, in May announcing a planned investment of $2.6 billion in six markets in Africa.

It aims to help countries develop their private sectors and create markets more resilient to capital flow shocks.

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