Early Warning System

IFC-37908

Shangri-La UB 2

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Quick Facts

Countries	Mongolia
Financial Institutions	International Finance Corporation (IFC)
Status	Proposed
Bank Risk Rating	B
Voting Date	2016-10-28
Borrower	SHANGRI-LA ULAANBAATAR HOTEL LLC
Sectors	Construction
Investment Type(s)	Loan
Investment Amount (USD)	$ 75.00 million
Project Cost (USD)	$ 359.00 million

Project Description

Shangri-La Asia Limited ("Shangri-La", "SL", the "company", or the "sponsor") is a leading global owner and operator of high-end hotels and resorts (http://www.shangri-la.com/corporate/about-us/). Starting in 2011, the company developed Phase 1 (a five star hotel) of its mixed development project in Ulaanbaatar, Mongolia, for which IFC provided loan financing, with the hotel Shangri La Ulaanbaatar ("SLUB") starting its operation in June 2015. The ESRS for this previous investment has been disclosed in May 2011

Following from Phase 1, the sponsor is developing Phase 2 of the project i.e. an international-standard Grade-A mixed-use development comprising of a 25-story office tower, a residential tower with 185 serviced apartment units, a 5-level retail shopping podium including a restaurant section and cinemas, and a sheltered parking lot, together totaling a gross floor area of about 108,000 square meters, located in downtown Ulaanbaatar (goo.gl/maps/TUTYDYZEqKJ2), in the same premises as Phase 1.Phase 2 is nearing completion of construction. The proposed IFC financing ("SLUB Phase 2" or "the project") will consist of an A loan of up to US$75 million at the corporate level to finance overall development of Phase 2.

The Company is 51% owned by Shangri-La and 49% owned by MCS. Shangri-La, headquartered in Hong Kong, is a leading owner and operator of deluxe hotels and resorts primarily in Asia. Shangri-La is listed on the Hong Kong Stock Exchange. MCS is one of the leading private enterprises in Mongolia with subsidiaries operating in various business sectors, including: (i) energy and infrastructure; (ii) general manufacturing and services; (iii) information and communications; (iv) property development; and (v) food and beverages.

OVERVIEW OF IFC'S SCOPE OF REVIEW

The scope of IFC's review included assessing the capacity and systems of the company to oversee and monitor compliance of the project with IFC's Performance Standards as well as national environmental, social and occupational health and safety regulatory requirements in Mongolia. The review relied on the interviews conducted by IFC with company representatives including the Phase 2 construction project managers, the chief architect, the chief engineer, and Phase 1 operational team for SLUB including the life and fire safety engineer and project manager, and other staff with environmental, health and safety (EHS) responsibilities. IFC visited SLUB (the existing Phase 1 hotel) back of the house areas, and the construction site of Phase 2 office tower, retail podium, and serviced apartment tower, which was undergoing final fitting out.

Expected Development Impacts
i. Construction of quality business-enabling infrastructure: The Project will add to the supply of quality business and hospitality infrastructure, which is critical to the development of the non-mining economy of the country.

ii. Employment creation and knowledge transfer: The Project will create a significant number of direct and indirect employment opportunities for the local communities. It will also promote knowledge transfer to local staff through training.

iii. Benefits to the local economy and supply linkages: The Project will help create demand for locally-sourced materials, services, and labor, the suppliers of which are mostly domestic small and medium enterprises.

iv. Increase in domestic revenues and foreign exchange: The Project is expected to contribute to the domestic economy through increased tax revenues and foreign exchange inflow.

Investment Description

- International Finance Corporation (IFC)

Contact Information

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ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/