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A Review of the Joint IDA-IFC Micro, Small and Medium Enterprise Pilot Program for Africa

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Executive Summary

1. ***Purpose of the paper.*** A joint IDA-IFC Micro, Small and Medium Enterprise (MSME) Pilot Program for Africa was launched in December 2003[1] to deliver an integrated package of products to MSMEs in Africa. During the IDA14 replenishment discussions, Deputies requested a review of the Program for the IDA14 Mid-Term Review.[2] This paper responds to that request.

2. ***Objectives of the Program.*** The Program aims to (a) increase access to finance for MSMEs through joint IDA-IFC solutions and instruments; (b) take measures to build capacity in MSMEs; and (c) promote business environment reforms. In support of these measures, the 2003 Board paper envisaged that around $225 million would be used over a 3-4 year period, including $130 million from IDA; $60 million from IFC; and $35 million from other partners. The Program was expected to cover seven new projects[3] in addition to the three existing MSME-focused projects[4] in Africa. It was agreed that this would be a *pilot* Program and there would be no major replication until the results of the pilot had been evaluated and discussed with the Board.

3. ***Program commitments to date.*** IDA committed nearly $260 million for the seven new projects in a 2-3 year period, nearly double of the original estimate of $130 million. Including commitments under the three existing projects, total IDA commitments are around $320 million. IFC has committed $20.4 million to date, around a third of the originally anticipated total of $60 million. IFC co-investor commitments are around $42 million, above the anticipated amount of $35 million.

4. ***Main conclusions.*** To date, progress on the Program suggests that coordination between IDA and IFC has the *potential* to add value on the ground by bundling financial products, providing technical assistance services and reforming the business environment. Moreover, the new joint IDA-IFC business models[5] developed under the Program can help mobilize local currency funding for MSMEs in countries where neither IFC nor IDA alone could have an impact. Thus far, several important lessons were learned during the preparation of the pilot Program. These relate to (i) lessons on overcoming initial government reluctance (paragraph 25); (ii) lessons in dealing with initial difficulties arising from team structure (paragraph 30); (iii) lessons in terms of delays experienced due to organizational issues of both IDA and IFC (paragraphs 34-37);

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1 IDA (December 2, 2003). *"Program Framework for a Joint IDA/IFC Micro, Small and Medium Enterprise Development Pilot Program for Africa,"* SecM2003-0614.

2 IDA (March 10, 2005). *"Report from the Executive Directors of IDA to the Board of Governors. Additions to IDA Resources: Fourteenth Replenishment."*

3 These seven projects are located in Ghana, Kenya, Madagascar, Mali, Nigeria, Tanzania and Uganda.

4 These three projects are located in Burkina-Faso, Mozambique and Rwanda.

5 These business models refer to (i) bundling of IDA-funded performance-based grants along with IFC financial instruments; and (ii) using IDA funds on a first loss basis under risk-sharing arrangements with IFC. See paragraph 18.

and (iv) the challenge of processing products in a timely manner (paragraph 18). However, the *actual* benefits of the Program have yet to be measured because the progress on implementation has been slower than originally anticipated.

5. ***Next steps.*** This paper concludes that in the near to medium term, the focus should be on implementation of existing operations and on collecting, analyzing and disseminating results data. No substantive replication of the Program should be considered until specific results are available and evaluated. Within the next 24 months, when some Program results become available, a more comprehensive assessment of the Program will be undertaken and presented to the Board.

A Review of the Joint IDA-IFC Micro, Small and Medium Enterprise Pilot Program for Africa

I. Introduction

1. ***Purpose of the paper***. The joint IDA-IFC Micro, Small and Medium Enterprise (MSME) Pilot Program for Africa was launched in December 2003.[6] This Program aims at delivering an integrated package of products to MSMEs in Africa and was motivated by a combination of developments: First, during the IDA13 replenishment discussions, the Deputies requested that IDA resources be devoted to innovative private sector development programs jointly with the IFC.[7] Second, a number of African stakeholders and Part One shareholders asked for increased World Bank Group efforts in developing MSMEs in Africa. Third, internal reviews of past MSME interventions by the World Bank Group showed that there was a need for adopting new approaches to developing MSMEs. During the IDA14 replenishment discussions, Deputies requested a review of the Program for the IDA14 Mid-Term Review.[8] This paper responds to that request.

2. ***Layout.*** This paper is structured as follows. Section II provides the background of the Program. Section III offers a snapshot of IDA-IFC MSME projects to date. Section IV reviews projects by examining whether they are aligned with the originally-stated objectives of the Program. Section V points out a few internal and external implementation challenges. Section VI concludes by laying out the next steps. Annex 1 provides a summary of the seven new MSME projects while Annex 2 describes the three MSME projects, which were approved before the pilot Program was established. Annex 3 assesses seven new MSME projects against the established benchmarks. Annex 4 discusses delays and time taken to prepare IDA projects.

II. Background

3. ***Broad program objectives.*** A proposal for a joint IDA-IFC pilot Program was discussed by the Board in December 2003. The broad objective of the Program is to develop MSMEs in sub-Saharan Africa to help generate employment and growth. While project activities under the Program could vary depending on country-specific factors, the Board paper[9] indicated that each project would include three sub-programs: (a) joint IDA-IFC solutions and instruments to increase access to finance for MSMEs; (b) MSME capacity-building measures; and (c) focused business environment reforms.

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6 IDA (December 2, 2003). *"Program Framework for a Joint IDA/IFC Micro, Small and Medium Enterprise Development Pilot Program for Africa,"* SecM2003-0614.

7 IDA (July 25, 2002). *"Report from the Executive Directors of IDA to the Board of Governors. Additions to IDA Resources: Thirteenth Replenishment*."

8 IDA (March 10, 2005). "*Report from the Executive Directors of IDA to the Board of Governors. Additions to IDA Resources: Fourteenth Replenishment*."

9 IDA (December 2, 2003). *"Program Framework for a Joint IDA/IFC Micro, Small and Medium Enterprise Development Pilot Program for Africa,"* SecM2003-0614.

4. ***Specific program objectives.*** For each of the three sub-programs mentioned above, the following specific Program objectives were identified. To ensure *access to finance* for MSMEs, the Program would aim: (a) to increase the number of financially sustainable microfinance institutions; and (b) to increase the size and profitability of MSME portfolios among selected financial institutions; and (c) to establish funds providing risk capital investments to MSMEs. For *capacity building measures* for MSMEs the Program aims: (a) to develop sustainable private Business Development Services markets that can provide technical assistance and capacity building services to MSMEs; and (b) to promote the development of entrepreneurship. Finally, to *improve the business environment* for MSMEs the Program aims to: (a) to reduce the cost to MSMEs of regulatory compliance, in particular the cost to register a business; and (b) to promote legal and regulatory reforms that will facilitate an increased and sustainable supply of capital to MSMEs.

5. ***What is new about the Program?*** The World Bank Group has supported MSMEs for over three decades. IDA and IFC have undertaken a large number of MSME projects separately in sub-Saharan Africa, with mixed results.[10] The joint IDA-IFC MSME Program considered the lessons learned and proposed new approaches to support MSMEs. The new elements of the Program are discussed below and are used as benchmarks for assessing projects in this paper (Section IV):

a) The Program aims to provide a comprehensive package of interventions in the areas of access to finance, capacity building through business development services, and reforms in the business environment;[11]
b) It responds to the Deputies' call for innovative approaches in support of private sector development;
c) It relies on private rather than public sector partners;
d) It commits to draw extensively on the tools and talents of staff from across IDA and IFC;
e) It aims to achieve economies of scale by implementing similar programs across multiple countries, thereby creating opportunities for learning, maximizing benefits, and reducing costs; and
f) It applies results measurements tools to the MSME program, given inadequate prior attention to the development and application of impact measurement in this field.

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[10] Paragraphs 28-29 of the Board paper summarize the broad lessons learned from the past IDA and IFC efforts to support the MSME sector. On IDA's side, early approaches identified pricing of credit as the key constraint to an uptake of financial services by MSMEs. This led to the use of price subsidies which turned out to be unsustainable. On IFC's side, the available financial products (lines of credit, equity investments and leasing operations) did not provide effective market incentives for banks to finance MSMEs. As a result, lines of credit were mostly unused or used for larger borrowers. Equity investments similarly failed to provide an incentive for fund managers to expand their MSME investment portfolios, while leasing operations were sometimes unsustainable in the long term.

[11] This three-pillar approach is based on experience showing that even when interventions in one area are well designed, they may fail overall because of constraints in other areas.

6. ***Program financing and number of projects.*** The December 2003 Board paper envisaged that around $225 million would be used over a 3-4 year period, including $130 million from IDA; $60 million from IFC; and $35 million from other partners. The Program was expected to cover seven countries in Africa.[12] In addition, the Board paper proposed that the framework be applied to the three existing MSME-focused projects which had been prepared earlier or were being restructured by joint teams.[13] It was agreed that this would be a *pilot* Program and there would be no major replication until the results of the pilot had been evaluated and discussed with the Board.

7. ***Anticipated risks and challenges.*** The Board paper identified several key risks and challenges to the Program. These include:

- Complying with World Bank Group "conflict of interest" policies and procedures;
- Forging and sustaining effective working relationships across World Bank Group units, both at Headquarters and in the field;
- Collaborating effectively with governments, external agencies and donors to develop complementary programs;
- Refocusing governments into a role of facilitators, rather than direct providers of services;
- Measuring program-specific impacts; and
- Preparing individual projects in a timely fashion, given the normally lengthy and complex processes, and the need for extensive consultation and collaboration.

8. ***How does the Program fit in with the Africa Action Plan?*** The Africa Action Plan was developed in 2005,[14] which mentions that the joint IDA-IFC MSME Program is one of its key initiatives. The Plan acknowledges that the Program is important for addressing special challenges faced by MSMEs such as lack of access to finance, restrictive business environments leading to high rates of informality, poor technical and management capabilities, and limited access to information.

III. A Snapshot of IDA-IFC MSME Projects

9. All seven new IDA country projects and the three prior projects to which the new framework was applied are now effective.[15] Table 1 summarizes these projects and provides a breakdown of funding by source.

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[12] The seven countries are: Ghana, Kenya, Madagascar, Mali, Nigeria, Tanzania and Uganda.

[13] These three projects are located in Burkina-Faso, Mozambique and Rwanda.

[14] World Bank (September 26, 2005). *"Meeting the Challenge of Africa's Development: A World Bank Group Action Plan."*

[15] Ghana: Report 31985-GH; December 5, 2005. Kenya: Report 29354-KE; June 15, 2004. Madagascar: Report 31760; June 14, 2005. Mali: Report 31388-ML; January 21, 2005. Nigeria: Report 27213-UNI; November 18, 2003. Tanzania: Report 34082-TZ; November 22, 2005. Uganda: Report 29639-UG; July 7, 2004.

Table 1: MSME Projects in Africa under the Pilot Program ($ millions)

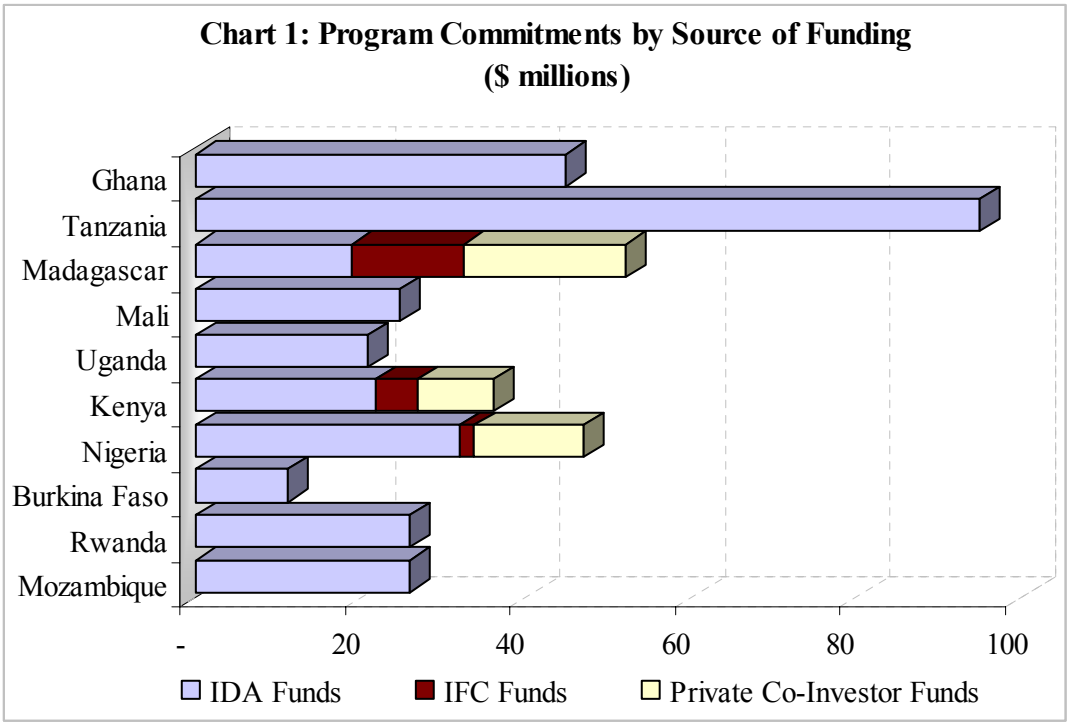
	Country	Board Date	Date of Effectiveness	IDA Funds		IFC Funds		Private Co-Invetor Funds		Total
				Approved	Disbursed	Approved	Disbursed	Approved	Disbursed	Approved
MSME projects approved before the pilot program										
1	Mozambique	Jan-00	Aug-00	26.0	23.6					26.0
2	Rwanda	Apr-01	Dec-01	26.0	21.7					26.0
3	Burkina Faso	Mar-03	Dec-03	11.2	2.5					11.2
	SUB-TOTAL			63.2	47.8	-	-	-	-	63.2
Projects proposed under the MSME pilot										
4	Nigeria	Dec-03	Dec-04	32.0	3.1	1.9	0.6	13.1	3.9	47.0
5	Kenya	Jul-04	Dec-04	22.0	2.6	5.0		9.1		36.1
6	Uganda	Sep-04	Jun-05	21.0	1.9					21.0
7	Mali	Feb-05	Sep-05	24.8	2.1					24.8
8	Madagascar	Jul-05	Sep-05	19.0	2.7	13.5	2.1*	19.7	3.7*	52.2
9	Tanzania	Dec-05	Jul-06	95.0	-					95.0
10	Ghana	Jan-06	May-06	45.0	2.0					45.0
	SUB-TOTAL			258.8	14.4	20.4	2.7	41.9	7.6	321.1
	TOTAL			**322.0**	**62.2**	**20.4**	**2.7**	**41.9**	**7.6**	**384.3**

* "Exposure" under the partial credit risk guarantee. It is a contingent obligation, reflecting loans provided to MSMEs by partner financial institutions. Disbursement to financial institutions will take place only if the guarantee is called.

10. ***Program commitments and disbursements to date.*** To date, the total volume of IDA Program commitments is double of what was originally anticipated in the Board paper. IDA committed nearly $260 million for the seven new projects, as compared with the original estimate of $130 million of IDA funding.[16] Including commitments under the three existing projects, total IDA commitments are around $320 million. IFC had committed $20.4 million to date, around a third of the originally anticipated total of $60 million. IFC co-investor commitments are around $42 million, above the originally anticipated amount of $35 million. Chart 1 shows Program commitments to date by source of funding. As Table 1 shows, actual disbursements to date have been slow[17], with IDA having disbursed the most at $62.2 million (nearly 20 percent of its commitments, including disbursements from the three pre-Program projects). Disbursements shown for IFC and the private co-investors include contingent obligations under the partial credit risk guarantee which will take place only if the guarantee is called.

[16] Some projects (such as Madagascar, Mali and Uganda) are large PSD operations that incorporate MSME components; the amounts indicated in Table 1 include only the MSME components of these larger projects.

[17] The reasons for slower than anticipated disbursements vary across the seven projects. For example, in the Nigeria project, there was a gap of one year from the time of Board approval to effectiveness because of the Government's delay in meeting effectiveness conditions. In the Kenya project, despite good progress during the initial stages of the project, there has been a delay of seven months in some components due to a change of leadership in the executing agency (Ministry of Trade and Industry) and the desire to make adjustments in the project. These examples are indicative of the country-specific nature of implementation delays.



11. ***Commitments by sub-programs.*** Table 2 summarizes commitments by the three sub-programs. Commitments to date for the "access to finance" sub-program are largest ($150 million), followed by the sub-programs "MSME capacity building" ($124 million) and "improving the business environment" ($82.5 million).

Table 2: Commitments by Sub-Programs ($ millions)

	Country	Improving Access to Finance*	MSME Capacity Building Programs	Improving Business Environment	Other	Total
MSME projects approved before the pilot program						
1	Mozambique	10.0	12.0	2.0	2.0	**26.0**
2	Rwanda	10.0	10.0	4.0	2.0	**26.0**
3	Burkina Faso	4.5	3.0	2.7	1.0	**11.2**
	SUB-TOTAL	24.5	25.0	8.7	5.0	**63.2**
Projects proposed under the MSME pilot program						
4	Nigeria	26.6	12.0	6.1	2.3	**47.0**
5	Kenya	24.6	6.5	2.0	3.0	**36.1**
6	Uganda	3.0	12.0	5.0	1.0	**21.0**
7	Mali	6.0	8.0	7.8	3.0	**24.8**
8	Madagascar	40.2	4.0	7.0	1.0	**52.2**
9	Tanzania	12.0	36.4	41.4	5.2	**95.0**
10	Ghana	13.4	20.1	4.5	7.0	**45.0**
	SUB-TOTAL	125.8	99.0	73.8	22.5	**321.1**
	TOTAL	**150.3**	**124.0**	**82.5**	**27.5**	**384.3**

*Inlcudes IFC and private co-investor funds

12. ***Sub-programs by sources of funding.*** Funding for the "access to finance" sub-program comes from IDA ($88 million), IFC and the private co-investors (around $62 million combined). In fact, all IFC and private co-investor commitments to date under

the MSME Program are in support of this sub-program.[18] To date, IDA has been the sole source of funding for the two other sub-programs – "MSME capacity building" and "improving the business environment"– given its comparative advantage in these areas.

IV. Review of the New Projects in the MSME Program

13. ***Young project portfolio.*** Each of the seven new IDA-IFC projects was tailored to the specific country circumstances and took into account objectives and concerns of the respective governments and the private sector clients. As a result, projects differ in nature, content and scope across countries. As seen in Table 1, most projects have been under implementation for only a short time, with the last project in Tanzania becoming effective only in July 2006. Therefore, the MSME projects portfolio is too young to draw definitive conclusions on the impact of the Program on the ground.

14. ***Benchmarks for review.*** Given that preliminary results from this program are not yet available, this paper focuses on reviewing the design of each individual project. In doing so, it examines whether projects are designed to be consistent with the stated objectives in the Board paper, as listed in paragraph 5. Annex 3 presents the summary of this review in a tabular form.

A. Comprehensive Package of Interventions

15. ***Comprehensive interventions.*** The Program aims at delivering a comprehensive package of assistance to MSMEs by focusing on three sub-programs – facilitating access to finance, building capacity and improving business environment. See Annex 1 for individual project details. IDA projects address all three sub-programs while IFC and private co-investors address only the sub-program that focuses on access to finance.[19]

16. ***Added benefits.*** In some projects there were added benefits from close interaction between the sub-programs, with one sub-program enhancing the impact of the other. Some examples of the early successes arising from interaction of the sub-programs are described below:

- ***A Platform for Microfinance Service Growth in Nigeria:*** Considering that technical assistance was available from another donor, IFC could have proceeded with their investment in Accion Nigeria Microfinance Bank on their own without IDA. However, cooperation with the Central Bank (and therefore its implications for the broader business environment) would have been missing. This was afforded by an IDA project, which involved dialogue with the Central Bank and this resulted in a new Microfinance Policy, Regulatory and Supervisory Framework. This Framework supports market-determined interest rates, encourages private sector investment and commercial practices. As a result, the

[18] In all cases of joint access to finance investments, IDA procurement rules, World Bank Group conflict of interest policies and OP8.30 are being followed.

[19] IFC staff from the SME Department, however, were involved as IDA team members for business environment and capacity building components.

project is currently assessing four additional microfinance institution candidates for performance grant awards. The interface of the project's access to finance sub-program with policy reforms sub-program has laid the foundation for a far more significant scale up of available commercial credit to MSMEs in an under-served market which would not have been realized if IFC or IDA came separately.

- ***A sustainable market for leasing in Madagascar.*** Another example of the benefit gained from designing a comprehensive package of interventions is in the development of a leasing market.[20] In Madagascar, IDA and IFC worked together to create a leasing market by providing unified advice to ensure that a sound policy and legal development was in place to create the opportunities and incentives for new investment to come into the market. This entailed the drafting of the necessary laws and regulations, the creation of leasing registries, and the provision of technical assistance funding to support the development of the leasing companies. A number of leasing companies are now at various stages of establishment including one in which IFC will invest. IDA, together with an IFC Technical Assistance unit (PEP Africa), is providing the necessary Business Development Services.

B. Innovation in Support of Private Sector Development

17. ***Addressing market failure.*** Historically, MSMEs have been unable to access financing through formal financial channels. Local banks and other financial intermediaries often prefer not to service the MSME sector which is perceived to be too risky and costly. MSMEs, therefore, operate in the informal sector. This market failure has been a challenge for the World Bank Group as traditional IDA and IFC products have not been well-suited to address the access to finance needs of many MSMEs in IDA countries. The Board paper called for innovative ways to address access to finance needs.[21]

18. ***New joint IDA-IFC business models.*** Two new joint IDA-IFC financing business models for MSMEs have been developed. The first model involved the use of IDA funds on a first loss basis under a risk sharing arrangement with IFC (paragraphs 19-21).[22] The second model involved the bundling of IDA funded performance-based grants with IFC financial instruments (paragraphs 22-23). The challenge for IFC and IDA has however been to deliver these needed investment products within a reasonable time frame and address the issue of client responsiveness of the Program (see Section V). The private sector clients, MSMEs and banks alike, often demand these products in a much shorter time horizon than what the Program has been able to deliver to date.

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[20] Commercial activity where the owner of an asset (lessor) grants the use of the asset to another party (lessee) for a specific period in return for regular rental payments.

[21] The need for innovative financing approaches was also emphasized in a recent World Economic Forum report. World Economic Forum, (April 2006). *"Building on the Monterrey Consensus: The Untapped Potential of Development Finance Institutions to Catalyze Private Investment."*

[22] An arrangement when the claim payments under the Partial Credit Guarantee would be made from the IDA-financed fund until the fund is exhausted, after which IFC would pay claims.

19. ***Partial credit (PCG) and partial bond (PBG) guarantees***.[23] These IFC instruments aim to mobilize liquidity in local currency by encouraging local financial intermediaries to direct this liquidity to MSMEs in a sustainable manner. IDA funds are used on a first loss basis to IFC allowing for greater flexibility in pricing of the guarantees. In addition, IDA funds are used for associated performance-based grants for technical assistance to financial intermediaries and MSMEs. While using IDA funds on first loss basis shifts some financial risks to IDA, it allows private financing to flow to MSMEs into IDA countries, which might otherwise not have benefited from them. Based on the limited experience, the use of IDA funds has the benefit of leveraging IFC and partner resources. In Madagascar, for instance, $1 of IDA funds leverages $6.6 of IFC and private co-investor funds.

20. PCG and PBG are particularly well suited to IDA countries because of the high liquidity level in local currency, risk aversion of the local banks, and their limited knowledge of the MSME market segment. Under the pilot Program, PCGs and PBGs are used in Madagascar, Ghana and Mali. They are denominated in local currency and bundled with IDA-funded technical assistance to banks and MSMEs.

21. For the two PCG and PBG projects in Madagascar, the retained banks have hired and trained the necessary staff for their respective MSME departments and these banks are rolling out proactive marketing campaigns to generate a pipeline of MSME projects. A total of 80 eligible MSME loan applications have been submitted to date, of which 73 have already been approved – for a total loan portfolio of $6 million. The impact of the PCG is already noticeable – prior to the introduction of the PCG, one of the banks had zero MSME loans in its portfolio. The IFC's processing of the joint investment projects in Mali and Ghana are at various stages, with IFC field appraisals scheduled to occur over the next several months.

22. ***Equity/quasi equity funds***. In Kenya and Madagascar, IFC has invested in a franchise of funds that uses a mix of debt, equity and quasi-equity instruments tailored for MSMEs. IDA funds are used to support the introduction of a risk capital MSME fund (see Box 1) in these countries through the establishment of an associated technical assistance facility for the MSME investors, subject to fulfillment of eligibility and performance requirements.

23. IFC's equity investment in these funds ($5 million in Kenya and €2.8 million in Madagascar) has leveraged other private investors to establish a total fund of $14 million in Kenya and €8.5 million in Madagascar. In both countries, the IDA projects are supporting these risk capital funds by providing $2.5 million (Kenya) and $2 million

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[23] Local currency PCGs provide local banks with credit risk coverage on a portfolio of new SME loans. Local currency PBGs provide credit risk coverage on a debt instrument issued by participating banks in a local or regional market. For PBGs, the participating banks use the proceeds of this issue to develop their SME lending activities or to on-lend to microfinance institutions that are targeting SME credit activities.

(Madagascar) for the complementary technical assistance facility for the MSME investees.

Box 1: MSME Risk Capital Funds

MSME risk capital funds are vehicles to overcome difficulties associated with funding the MSME sector investments in the ranges of $50,000 – $250,000. Whilst micro-lending has been successful for micro-enterprises, and private equity and bank credit lines have provided a suitable source of financing for medium to larger companies, the smaller to mid-sector range of MSMEs have difficulty in accessing finance because of the lack of suitable collateral for debt providers, limited upside potential for traditional equity investors, the need for investors to bring complementary skill sets, and the small size of investments. The MSME risk capital fund addresses these obstacles by offering blend of various products to MSMEs. For example, the risk capital funds provide regular amortizing loans without collateral, but as compensation for taking additional risk, they also receive an additional income either in a form of royalty payment (or percentage of MSME's revenue) or in the form of dividend (or a percentage of MSME's net income). This additional income helps to align interests of the fund manager and the MSME. It also ensures more hands on involvement of the fund manager to the underlying performance of the MSME. The risk capital fund also offers a range of equity products that are much like traditional equity instruments (equity investments and shareholder loans). This model also relies on highly focused technical assistance to the MSMEs.

C. Private Sector Implementation

24. ***Implementation by private firms.*** A key principle of the Program was to place the responsibility of service delivery in the hands of the private sector and to focus the role of the government on oversight, coordination, and fiduciary responsibilities. In many projects, management and service delivery is implemented by a private sector entity. Several models of such private sector delivery have been designed. For example in Nigeria, all components are managed by one private firm, whereas in Kenya, a few specialized private firms implement the various components. In Uganda, on the other hand, the umbrella private sector association (business association) serves as the project management unit. In contrast, in Madagascar, delivery is currently being successfully carried out by the Government, which has hired a number of well qualified staff.

25. ***Government reluctance in several instances.*** In many countries where the Program was piloted, governments were initially reluctant to adopt a more facilitative role with the private sector and give up their traditional, directive role. This led to extensive dialogue between the World Bank Group team and governments on policy, subsidy and implementation arrangements (and the role of private sector participating more directly), which was often time consuming.

D. Integrated World Bank Group Face

26. ***Working together better.*** The Board paper flagged that "forging and sustaining effective team working relationships across numerous World Bank Group units" could be a potential challenge because of the different ways of doing business. This concern has

largely been addressed on a project-by-project basis. Clients in each Program country are seeing a more integrated World Bank Group face and approach, whereas traditionally the two institutions have been largely seen as separate interlocutors. Staff from both institutions now have a far better mutual understanding of the two institutions' core objectives, ways of doing business, procedures, etc. In general, team work has been effective on a project-by-project basis. Nevertheless, it should be noted that IFC and IDA have differing clients and business models, which creates some challenges for both institutions to work together to process projects in a fully integrated manner.

27. The design of the business environment sub-program in various projects has proven to be a good example of World Bank Group collaboration and application of the Group's increasing array of diagnostic products – Doing Business, Investment Climate Assessments (ICA) and Surveys, and Foreign Investment Advisory Services (FIAS) diagnostics. While FIAS, ICA and the Doing Business teams focus on the diagnostic and solution design, the downstream technical assistance and policy dialogue is managed by Africa PSD department as well as in some cases IFC's technical assistance arm in Africa (PEP). This collaboration has captured some important comparative advantages.

28. ***Spill-over effects.*** The Program has led to collaboration between IDA and other IFC initiatives not originally envisaged in the Program. For example, the IDA projects are working with other IFC supported initiatives such as the Global Business School Network (Kenya and Tanzania), the Grassroots Business Initiative (Mali), the MSME Toolkit (Madagascar and Mali), the Gender and Entrepreneurship program (Kenya, Tanzania, and Ghana), the Credit Bureau Initiative (Kenya, Tanzania, Uganda, and Nigeria), and World Hotels Link (Madagascar). The IFC Small Business Solution Centers in Kenya and Madagascar are both engaged in aspects of project implementation.

29. ***Conflict of interest issues.*** The Program Board paper highlighted conflict of interest issues as a challenge to IDA and IFC staff working together. This concern has been addressed successfully in most cases. Each IDA project has been staffed with IDA and IFC experts, and IFC staff working on IDA teams cannot also work on related IFC investment transactions. However, this compliance with conflict of interest policies has represented a high cost for IFC, both in terms of resources expended on each country project and in terms of opportunity costs. This, in part, accounts for the high turn over for IFC investment staff working on the Program.

E. Economies of Scale

30. ***Initial difficulties.*** Experience to date has shown that the economies of scale through a multi-country program approach such as this one could have been achieved more quickly if the structures of teams had been organized differently. For example, despite the umbrella nature of the Program, each of the seven new IDA projects was prepared separately by different IDA teams (procurement, financial management, legal) and IFC staff. Therefore, each project team faced somewhat similar learning curves for the staff involved, particularly with regard to the appraisal and clearance of new business models. On the IFC side, there was a steep learning curve for each new project team to

understand IDA procedures and practices including legal and procurement considerations. The challenge for IDA was to adapt to the different processes and considerations of the IFC investment teams.

31. ***A better method of communication.*** During the early stage, the sharing of lessons learned between the IDA teams under the overall Program was done informally. To establish a more formal and open method of communication between country teams, an internal database with relevant IDA project preparation documents (analytical studies, terms of references, Project Appraisal Documents, etc) for each country project was established so that teams can easily share approaches. Such knowledge sharing tools have helped reduce the front-end work for the second set of IDA projects being prepared.

F. Monitoring and Evaluation

32. ***Too early to report results.*** Each of the pilot projects incorporates a robust monitoring and evaluation component similar to those of all IDA projects. Over and above this, the MSME Program has committed to measuring several Program-wide impact indicators, which are currently being designed. These Program-wide indicators could not be identified until all projects were developed. Specifically, the Program will: (i) measure the impact for selected project activities (where project impact can be measured) on beneficiaries; and (ii) measure common indicators of outcomes and impacts to be monitored and reported for the overall Program. It is too early to report on any specific outputs or outcomes at this stage; these will be reported at the mid-term of each project cycle.

V. Internal and External Challenges

33. ***Slow start for projects.*** The Board paper flagged that timely processing of MSME projects could be problematic. This turned out to be the case. While MSME projects were brought to the Board over a timeframe that was better than the Regional norm, this did not quite meet the timing expectations set for the Program in the Board paper. There was an under-estimation of the start-up time required to mobilize an innovative *pilot* program involving IDA and IFC (see Annex 4).

34. ***Delays on IDA's side.*** Initial delays on the IDA side occurred because of several reasons: (i) MSME projects were not always included in the governing Country Assistance Strategies of the respective countries and it took time to build them into the project pipelines; (ii) IDA teams in the Africa region are established along country lines and therefore different teams worked on the MSME projects in different countries. Each team had to face the same learning curve, thus slowing down replication of experience; and (iii) approximately half of the MSME IDA projects are incorporated within larger private sector development projects. Because all of the project components have to be in place prior to Board approval, this caused some delays (for instance the Madagascar project had to address significant safeguard issues related to its infrastructure component). However, once all these hurdles were cleared, IDA committed twice the amount than what was originally envisaged in the Board paper.

35. ***Delays on IFC's side.*** Delays on the IFC side were mainly due to (i) most IFC investments requiring to be processed sequentially rather than in parallel with IDA;[24] (ii) mixed incentives for IFC staff to work on IDA projects – especially during the supervision phase;[25] and (iii) differences between IBRD/IDA and IFC processing systems, which required IFC staff working on IDA teams to become familiar with IDA processing systems and arrangements.

36. The sequential nature of first processing an IDA operation, followed by the IFC investments, extends the time required from project inception to final Board approvals. The combined processing time for securing financing from both institutions has exceeded two years in some cases. If the Program is to be replicated in future, faster processing of projects in a client-responsive manner is required, which includes parallel processing of projects by IDA and IFC.

37. ***Delays due to World Bank Group processes***. From the World Bank Group perspective, some causes for delays include: (i) the involvement of many departments in the development and approval of joint World Bank Group financial products. Over 10 different internal groups (3 in IFC and 8 in IDA)[26] were involved in the process; (ii) for each IDA country project, conflict of interest policies require IFC to mobilize two separate teams – one working on the IDA project, the other working on related IFC investment transactions. This stretched IFC staff resources dedicated to the Program; and (iii) the Board paper envisaged a matrix-style governance structure for this joint IDA-IFC pilot Program.[27] While the primary reporting line for Task Team Leaders would be the Program Manager, they were also expected to have multiple reporting relationships to Country Directors and Sector Managers. This involved a tradeoff - while reporting to a single Program Manager may have expedited the Program, reporting to Country Directors and Sector Managers was crucial for ensuring that the Program projects were well integrated with the country program as a whole. Also, as noted above (paragraph 34), several of the projects were incorporated within larger multi-component privates sector development projects, which also resulted in more complex reporting relationships.

38. ***External challenges.*** The Board paper suggested that it would be a challenge to focus governments on facilitation and monitoring in a genuine public-private partnership mode, as opposed to direct project implementation. In several instances, this has proven

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[24] When IDA funds are used under a risk sharing arrangement with IFC (as it is the case with partial credit risk guarantee operations), IFC is unable to commence investment due diligence and appraisal of its projects until the related IDA funding commitments and government procurement and processes are firmly agreed upon. Other IFC investments (such as for the equity/quasi equity funds) can be (and have been) processed in parallel.

[25] IFC staff incentives are geared toward IFC investment processing (volume and timing targets) as opposed to working on IDA projects.

[26] IFC departments are: (i) Financial Markets; (ii) Structured Finance; and (iii) Africa Regional. IDA departments are: (i) Africa Private Sector; (ii) Africa Financial Sector (including Financial Sector Board); (iii) Africa Quality; (iv) Procurement; (v) Legal; (vi) Financial Management; (vii) Infrastructure Economics and Finance (previously named Project Finance and Guarantees); and (viii) IBRD trust funds (Madagascar risk sharing facility).

[27] See Annex 6 of the Board paper (IDASecM2003-0614).

to be true. The fact that the Program allocates the bulk of IDA funding to private agencies or firms for implementation has not gone down well with some governments who want to remain involved directly in the implementation stage. This has often led to protracted, lengthy discussions and negotiations. The MSME program would have benefited from greater clarity as to the leverage that the governments could expect to achieve in terms of additional IFC investments that would have been made available as a result of deployment of IDA funds to the "access to finance" sub-components of this Program. A related aspect is that private sector clients are sometimes reluctant to work on projects with significant government involvement. Finally, as pointed out in footnote 18, some delays also occurred due to delays on part of the government in fulfilling effectiveness conditions and changes in leadership in the executing agency.

VI. Going Forward

39. ***A learning opportunity***. As outlined in paragraph 7 above, the December 2003 Board paper indicated several risks and challenges. Some of these have been satisfactorily addressed, while others have yet to be overcome. Meanwhile, other challenges have emerged that were not identified in the formulation of the Program at inception. Overall, the pilot nature of this Program needs to be kept in mind when assessing its success to date. It was generally seen as an institutional learning opportunity.

40. ***Implementation is the primary focus going forward***. For the ongoing Program, the priority at this stage is to focus on implementation and delivery of results. Over the forthcoming 12 months, monitoring and evaluation work will be accelerated to provide measurement of the intermediate and project development outcomes of the existing approved IDA country projects and linked IFC pipeline investment projects.

41. ***Review of financial instruments and programs***. The experience under the Program to date suggests that there may be new ways and means by which the World Bank Group could address MSME development needs in Africa. In the case of IDA, an example would be an IDA Partial Credit Guarantee (PCG) mechanism similar to the existing IDA Partial Risk Guarantee (PRG) instrument in operational flexibility – including the ability to undertake relatively small (e.g., $10 million of IDA funds) and focused, free-standing interventions in collaboration with IFC.[28] Further, significant efficiencies could probably be achieved from implementing regional MSME projects, rather than single country IDA operations. Other new instruments might also be considered, including on the IFC side. Drawing on the project monitoring and evaluation data and on the basis of a careful assessment of the advantages and challenges of different financing, institutional and product options, a more in-depth report of the next

[28] At present, the World Bank Group offers two types of guarantees: Partial Risk Guarantees (PRGs) and Partial Credit Guarantees (PCGs). PRGs are provided by MIGA, IBRD and IDA. PCGs are available from IFC and IBRD. In addition, as described in paragraphs 19-21, a new joint IDA-IFC financing model has been developed to allow for greater flexibility in pricing of IFC PCGs in IDA countries. The proposed review of financial instruments will examine whether there is a need for an additional WBG financial instrument, such as an IDA PCG.

steps in World Bank Group activities in support of the MSME agenda will be prepared and presented to the Board.

42. ***Taking stock of the Program***. Within the next 24 months, a more comprehensive assessment of the Program will be undertaken to reflect intermediate results from the projects, applying the Program-wide monitoring and evaluation framework as noted in paragraph 32. This assessment will be presented to the Board. There will be a number of aspects to this assessment. The first level of analysis will focus on the extent to which MSMEs benefited from specific projects under the Program. Did the Program realize the development objectives it set for itself? The second level of analysis will pertain to institutional arrangements, for example analyzing to what extent and in what ways government involvement is required to ensure the targeted outcomes from the three components of the MSME Program. To what extent was private sector implementation accomplished and what was the scorecard in terms of this feature of the Program? What is the feedback from country officials, private sector companies and beneficiary firms? Finally there is the area of effective IDA-IFC collaboration. To what extent did the institutional implementation arrangements established under this Program prove effective? Does the Program put to best use the comparative advantages of IDA and IFC resources, institutional and policy and transactional capacities?

43. ***Conclusion***. IDA-IFC Program collaboration has the potential to unlock value on the ground, with its innovative approach of bundling technical assistance, a business environment reform agenda and access to financial products. Such an approach would not have been possible without the cooperation between IDA and IFC. At this early stage, however, the Program should not be scaled up or replicated until concrete results from existing projects are forthcoming and can be assessed.

Annex 1: Summary Descriptions of the Projects Proposed under the MSME Pilot

1. This Annex provides a short description of the seven projects approved under the pilot MSME program.

2. ***Nigeria: Micro, Small and Medium Enterprise Project***. The project was approved by the Board in December 2003 and became effective in December 2004. It aims to increase the performance of MSMEs in three targeted states of the country: Lagos, Abia and Kaduna. The project has the following three sub-programs:

- The *access to finance* sub-program seeks to deepen and broaden the financial services available to MSMEs through the provision of performance based grants to qualifying institutions and companies providing commercially suitable financial services to MSMEs;
- The *MSME capacity building* sub-program aims to strengthen targeted industry value chains[29] with high growth potential by supporting development of product, market and technology information services; and
- The *business environment* sub-program aims to (a) streamline the company registration process; (b) develop alternative commercial dispute resolution mechanisms; (c) assist with financial sector reforms facilitating development of the leasing industry; and (d) introduce a secured transaction regime and credit bureau within the country.

3. ***Kenya: Micro, Small and Medium Enterprise Project***. The project was approved by the Board in July 2004 and became effective in December 2004. It aims to increase productivity of participating MSMEs by reducing financial and non-financial constraints they are facing. The project has the following three sub-programs:

- The *access to finance* sub-program focuses on development of new risk capital instruments (see Box 1) as well as capacity building for financial institutions;
- The *MSME capacity building* sub-program focuses on: (a) technical assistance to a range of financial institutions providing financial services to various segments of the MSME sector; (b) enhancing quality of technical training and skills development for firm, including MSMEs, through redesign of the industrial training levy scheme.[30] Under the provisions of the Industrial Training Act, all employers (with five or more employees) are required to pay a levy every six months. Employers are then allowed to submit claims from the levy for reimbursement for training programs. Such as scheme mandates that firms pay a certain portion of their sales to employee training; and (c) strengthening the institutional capacity of business schools in Kenya; and
- The *business environment* sub-program focuses on assisting the Government in designing and implementing a simplified taxation regime for MSMEs and in

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[29] The generic value-adding activities of an organization. These activities include: operations (production), sales and marketing, service (maintenance), human resources management, research and development, and procurement. The costs and value drivers are identified for each value activity.

[30] Kenya is one of the few countries in Africa to pioneer the industrial training levy system.

reducing the cost of starting up MSME business through a one-stop shop approach.

4. ***Uganda: Private Sector Competitiveness Project***. The project was approved in September 2004 and became effective in June 2005. It aims to increase growth of MSMEs. The project has three mutually reinforcing sub-programs:

- The *access to finance* sub-program encompasses a matching grant scheme for capacity building of financial institutions. The following, among others, are areas of capacity building are eligible for access to the matching grant: grants for transformation of microfinance institutions to licensed deposit taking institutions and grants for the cost of developing new products and services designed to expand their MSME portfolio.
- The *MSME capacity building* sub-program has a matching grant scheme for firms to help improve their product quality, skills, financial management, and standards; and
- The *business environment* sub-program provides support to: (i) the land registry; (ii) the business registry (to reduce the time and cost to register a business); (iii) the Uganda Bureau of Standards; and (iv) the commercial legal reform process.

5. ***Mali: Growth Support Project***. The project was approved by the Board in February 2005 and became effective in September 2005. It aims to generate employment and growth in Mali by enhancing the socio-economic impact of the mining sector, increasing access to and efficiency of telecommunications and postal services, and increasing economic opportunities in tourism and handicrafts. These objectives are achieved through the three mutually reinforcing sub-programs:

- The *access to finance* sub-program encompasses: (a) performance-based grants for technical assistance to banks that have a potential to lend/increase lending to MSMEs and training of bank staff on topics related to MSME's finance and risk management; and (b) a joint IDA-IFC partial credit risk guarantee (see paragraphs 19-21);
- The *MSME capacity building* sub-program focuses on creation of electronic information system (MSME Toolkit) that will provide information on Business Development Services, access to finance, the investment climate, fiscal issues pertaining to MSMEs and tools on best practices in business; and
- The *business environment* sub-program focuses on (a) streamlining the registration process of MSMEs reducing costs and time required to start up business operations; (b) streamlining the corporate taxation process; and (c) improving commercial dispute resolution and arbitration mechanisms.

6. ***Madagascar: Integrated Growth Poles Project (IG2P)***. The project was approved by the Board in July 2005 and became effective in September 2005. It focuses on facilitating growth in three geographical areas of Madagascar: Antananarivo/ Antsirabe, Nosy Be and Fort Dauphin. Specifically, it targets development of: (a) transportation, roads and ports; (b) export processing zones; (c) tourism and parks; and (d) telecommunications. The specific activities in the MSME component are:

- The *access to finance* sub-program encompasses: (a) creation of a leasing market (see paragraph 16), (b) strengthening the MSME banking activities of existing financial institutions; and (c) a joint IDA-IFC partial and partial bond guarantees (see paragraphs 19-21) to promote lending/investments to MSMEs and Microfinance Institutions in Nosy Be and Fort Dauphin;
- The *MSME capacity building* sub-program focuses on: (a) firm level consultancies in key sectors; (b) strengthening value chains to encourage business linkages; and (c) in some cases establishing service companies by providing matching grants to develop new business courses or increase market for existing courses; and
- The *business environment* sub-program focuses on: (a) improving access to and computerizing the pledge registry and moveable collateral systems;[31] (b) analyzing specialized repossession regulations;[32] and (c) establishing a repossession agency for leasing.

7. ***Tanzania Private Sector/MSME Competitiveness Project***: The project was approved by the Board in December 2005 and became effective in July 2006. It aims to create sustainable conditions for MSMEs creation and growth. The project has three mutually reinforcing sub-programs:

- The *access to finance* sub-program focuses on providing co-funding to the financial sector deepening trust (currently funded by DFID). This trust provides technical assistance to a range of financial institutions offering financial services to various segments of the MSME sector;
- The *MSME capacity building* sub-program aims to strengthen Tanzanian management and finance schools. It also focuses on providing matching grants for technical assistance to MSMEs and for business plan competition.
- The *business environment* sub-program co-funds the BEST[33] program currently funded by four bilateral donors: DANIDA, DFID, RNE and Sida. The specific activities include: (a) reducing the burden on MSMEs by eradicating as many procedural and administrative barriers by facilitating reform of business and land registration processes; and (b) improving quality of services provided by the Government to the private sector, for instance improving the Tanzania Investment Center.[34]

8. ***Ghana Micro, Small and Medium Enterprise Project***: The project was approved in January 2006 and became effective in May 2006. The specific activities under the three sub-programs include:

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31 Pledge registry and moveable collateral systems provide a registration system for assets and pledges. This information allows banks and leasing companies to use these assets as collateral.

32 Repossession regulations allow a financier to repossess the asset it has financed in the event of a non payment.

33 Business Environment Strengthening in Tanzania.

34 The primary agency of Government to coordinate, encourage, promote and facilitate investment in Tanzania and to advise the Government on investment related matters.

- The *access to finance* sub-program encompasses: (a) a joint IDA-IFC partial credit risk guarantee (see paragraphs 19 -21); and (b) an IDA funded performance based grant program for banks participating in the Line of Credit facility to be financed by IFC;
- The *MSME capacity building* sub-program encompasses: (a) matching grants and technical assistance to existing and potential recipients of partial credit guarantees and the Line of Credit; (b) matching grants and technical assistance to financial institutions for development of additional financial instruments for MSMEs; and (c) support for business linkages fund facilitating sub-contracting between larger and smaller firms; and
- The *business environment* sub-program focuses on legal and regulatory reforms (such as business registration reform) and improving the national system of standardization, certification and accreditation.

Annex 2: Summary Descriptions of the Projects Approved before the Pilot Program

1. This Annex provides a short description of the three projects approved before the pilot MSME program.

2. ***Mozambique: Enterprise Development Project***. The project was approved by the Board in January 2000 and became effective in August 2000. The project recently closed (in June 2006) after six years of implementation. It disbursed approximately $24 million or 91 percent of committed IDA funds. The specific activities under the project's three sub-programs include:

- The *access to finance* sub-program encompasses: (a) a special facility designed to provide loans amounting to a maximum of $40,000 for very small, first-time borrowers, (b) a traditional facility to finance loans up to $300,000 for small- and medium-scale borrowers, and (c) a line of credit to participating financial institutions in both local and foreign currencies.

  A total of $5 million were made available for lending to MSMEs through the special and traditional facilities described above. A total of $4.7 million were approved under the line of credit component, resulting in 50 loans to 50 different MSMEs. The largest loan of $0.3 million was approved for agricultural sector, while the smallest loan of $0.04 million was approved for a bakery. The average loan size was $0.09 million. Given that the vast majority of the loans were made during 2004 and 2006, it is too soon to assess the overall repayment patterns;

- The *MSME capacity building* sub-program focuses on: (a) improving technical and managerial capacities of Mozambican MSMEs by providing matching grant subsidies with 50 percent of cost absorbed by beneficiary (total of $3.2 million grants were provided), (b) training and capacity building services by paying 50 percent of the cost for each trainee,[35] and (c) establishing backward and forward linkages between local MSMEs and foreign buyers.[36]

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[35] From January 2001 to March 2006, a total of over 32,000 trainees were supported across a wide range of business-related areas, such as hospitality, computer skills, starting a business, production management, production skills, quality control, tendering and negotiation skills, construction sector training, strategy development, human resource management, tax regime, arbitration, financial management, etc. The courses were often delivered with HIV/AIDS awareness and prevention messages in the work place. Overall, over 7,000 firms had their staff trained. This figure represents 25 percent of the firms registered in Mozambique. In addition, 51 percent of the trainees were located in provinces outside Maputo.

[36] Under this component, the project provides "brokerage and marketing services" to both suppliers and buyers of goods and services in Mozambique. The project uses its data base of existing MSMEs to inform buyers (such as the sugar industry, the Ministry of Education, the Ministry of Health, etc.) regarding the firms that could provide a given good or service. If and where there is a need for a good or services to be sold to be improved before being purchased by the buyer, the project provides the necessary technical assistance to the supplying MSME through the firm competitiveness office. This is meant to ensure that the quality and cost standards as set by the purchaser/client are met, and that the products are delivered in a timely manner.

- The *business environment* sub-program focuses on building the capacity of public institutions, namely the Investment Promotion Center and Ministry of Trade, so that they can better provide services to the private sector.

3. ***Rwanda: Competitiveness and Enterprise Development Project***. The project was approved by the Board in April 2001 and became effective in December 2001. To-date it disbursed $34.1 million representing more than 73 percent of total committed IDA funds. The project's development objective is to establish enabling environment for private sector-led economic growth and poverty reduction in Rwanda. The specific activities under the project's three sub-programs include:

- The *access to finance* sub-program encompasses the establishment of a risk capital fund equity financing of SMEs.
- The *MSME capacity building* sub-program has launched two annual Business Plan Competitions for financing of business plans for start ups and existing businesses. For the second business plan, the number of winners will be increased from 10 to 20 and the number of finalists will be 30.
- The *business environment* sub-program focuses on improving the business climate through support to the Rwanda Investment and Export Promotion Agency (RIEPA). Under this project, RIEPA has (1) established three nodal offices in Canada, India and Shenzhen, China; (2) increased operational efficiency of the One-Stop-Centre. Both Rwanda Revenue Authority (RRA), Immigration officer, Ministry of Labor staff are now stationed at the One-Stop-Center including a MINIJUST trained REIPA's officer to function as a notary; (3) drafted the Investment Code; and (4) embarked on a Country Branding program with Africa Channel who will prepare a 30-minute documentary on Rwanda and its investment opportunities and several short sports for television of 3 – 5 minutes long.

4. ***Burkina Faso: Competitiveness and Enterprise Development Project***. The project was approved by the Board in March 2003 and became effective in December 2003. To-date it disbursed $2.5 million representing more than 22 percent of total committed IDA funds. The project aims to improve the competitiveness of Burkina Faso's economy through privatization and utility reform, investment climate improvement and private sector institutional development, and mitigation of constraints for MSME development. These objectives are achieved through the three mutually reinforcing sub-programs:

- The *access to finance* sub-program focuses on (i) strengthening the supervisory agency within the Ministry of Finance for microfinance institutions as well as (ii) providing technical assistance to the microfinance association. With the support of the project, the number of microfinance inspections has increased from 5 to about 10.
- The *MSME capacity building* sub-program focuses on a matching grant scheme for firm level capacity building, as well as for capacity building of business development service providers. In addition, the project is providing support to an entrepreneurship center.

- The *business environment* sub-program focuses on improving the time and cost to register a new business. This reform has allowed a reduction of the number of procedures for starting a business from 12 to 8, the number of days from 45 to 35 and the cost from 150 percent to 121 percent of per capita GDP.

Annex 3: Assessing Projects against Benchmarks

1. This Annex presents the summary assessment of the seven projects approved under the pilot MSME program against the established benchmarks.

		Nigeria	Kenya	Uganda	Ghana	Madagascar	Mali	Tanzania
A.	Comprehensive Package of Interventions	Yes	Yes	Yes	Yes	Yes	Yes	Yes
B.	Innovation in Support of Private Sector Development	Yes	Yes	No	Yes	Yes	Yes	No
C.	Private Sector Implementation	Yes	Yes	Yes	Mix *	No	Mix	Mix
D.	Integrated World Bank Group Face	Yes	Yes	Yes	Yes	Yes	Yes	Yes
E.	Economies of Scale	See paragraphs 30-31						
F.	Monitoring and Evaluation	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* Government execution with some private sector contracting

Annex 4: Projects Proposed under the MSME Pilot Program – Timeline

1. This Annex presents a timeline for IDA projects under the MSME Pilot Program to capture project-specific delays. This Annex also shows the time it took to prepare each individual Program IDA project and compares it to the regional average for IDA projects.

A. Delays in project approvals?

2. Table A4.1 compares actual Board approval dates with those anticipated in the original Board paper.[37] Compared to the dates anticipated in the original Board document, three out of seven projects were delayed (project in Kenya was delayed only by a couple of weeks), although it is not possible to say by how many months since no specific dates were indicated in the Board paper. In addition, as pointed out in paragraph 33, the expected Board dates were optimistic to begin with given that this was a pilot program involving IDA and IFC.

Table A4.1: Projects Proposed under the MSME Pilot Program – Timeline

Country	Expected Approval Date as in the Board Paper	Actual Board Date	Delay
Nigeria	FY04	FY04	
Kenya	FY04	FY05	Yes*
Uganda	FY04	FY05	Yes
Mali	FY04	FY05	Yes
Madagascar	FY05	FY05	
Tanzania	FY05	FY05	
Ghana	FY04	FY06	Yes

* Board package was ready for FY04 delivery, but was shifted into FY05 by a couple of weeks for operational reasons.

B. Lengthy project preparation time?

3. Table A4.2 shows projects preparation time which is defined as the time taken between the preparation of the project concept note and the Board approval date. Only one project in Ghana exceeded the FY05 regional average of 18 months for preparing investment projects in Africa.[38]

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[37] IDA (December 2, 2003). *"Program Framework for a Joint IDA/IFC Micro, Small and Medium Enterprise Development Pilot Program for Africa,"* SecM2003-0614.

[38] FY05 average is used for comparison because most projects were approved in that fiscal year.

Table A4.2: Project Preparation Time

Country	Concept Review Date	Board Approval Date	Project Preparation Time (months)*	Reasons for Extended Project Preparation Time
Nigeria	Jul-03	Dec-03	5	
Kenya	Jan-04	Jul-04	6	
Uganda	Dec-03	Sep-04	9	
Mali	Nov-03	Feb-05	15	
Madagascar	Feb-04	Jul-05	17	(i) category A project,** (ii) did not fit into its IDA13 PBA country allocation.
Tanzania	Nov-04	Dec-05	13	
Ghana	Mar-04	Jan-06	22	(i) protracted negotiations with the Government on design of the project which led to about 14 months delay; (ii) did not fit into its IDA13 PBA country allocation.

** Time period between the concept review date and the Board approval date
** Likely to have significant adverse environmental impacts; the borrower is responsible for preparing environmental impact report which needs to be disclosed 180 days prior to Board date.