

IFC DONOR-SUPPORTED TECHNICAL ASSISTANCE PROGRAMS

2003 Report *to the* Donor Community



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This cover is the sixth in the series featuring flowers. We have used these images to symbolize our thanks to our development partners for their generous support. Previous years have featured cherry blossoms, dogwoods, tulips, edelweiss, and roses. This year's cover features the white lily.

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Message *from* IFC's Executive Vice President

I am very pleased to be able to present to you this comprehensive report on IFC's donor-supported technical assistance (TA) programs. As in previous years, support from you, our donor partners, was significant—you provided over \$65 million in new commitments—and I would like to thank all of you for your continuing confidence in our approach to private sector development and poverty reduction.

Our **strategy** remains strongly oriented toward frontier markets and frontier sectors. Now more than ever I am convinced that TA is absolutely critical in implementing this strategy. This conviction has grown from my visits to many of our client countries, from advice we have received from senior individuals with a lot of investment experience, and the success achieved by many of our TA programs. In many countries TA will be central to IFC's interventions; you will find evidence of this in the recent strategic initiative on Africa, where advisory services and capacity building activities are a large and integral part of the strategy.

In the last year our TA programs have focused on the frontiers. Some of the numbers from our technical assistance activities will illustrate this focus:

- Over 90 percent of the TA assignments funded by the Technical Assistance Trust Funds (TATF) program were in low- and lower-middle-income countries.

REPORT *from the* IFC

IFC regularly provides commercial financing globally and has extensive experience in evaluating and extending credit to financial institutions in emerging markets. The mission of IFC is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives. IFC finances private sector investments in the developing world, mobilizes capital in the international financial markets, helps clients improve social and environmental sustainability, and provides technical assistance and advice to governments and businesses. From its founding in 1956 through FY03, IFC has committed more than \$37 billion of its own funds and arranged \$22 billion in syndications for 2,990 companies in 140 developing countries. IFC's worldwide committed portfolio as of FY03 was \$16.8 billion for its own account and \$6.6 billion held for participants in loan syndications.

- Over 50 percent were in high-risk countries.
- Over 10 percent were in countries with a high incidence of poverty.

Our TA delivery mechanisms are also comprehensive. Facilities (both SME facilities and the Private Enterprise Partnership) now cover all the developing regions with strong field-based networks, and our HQ-based programs (such as TATF and the Social & Environmental Facilities) are able to provide complementary support. The critically important Financial Markets TA is now organized and managed with a central focus to enable maximum value.

IFC attacks poverty by supporting the private sector – which is a huge creator of jobs – and also uses our presence in the marketplace to leverage the opportunity to do more, and to persuade our partners to do more.

The withdrawal of the foreign private sector from emerging markets has increased the demand for our services. It has also meant that we have had to adapt our business and be more involved in earlier stages of project development, making much more use of TA. To enable us to do this more productively, over the last year we have undertaken two important initiatives, with the objective of improving the organization and delivery of these services. Firstly, we have “unbundled” our activities, recognizing those that are more closely linked with our traditional investment activities and those that are purely of an advisory or capacity building nature. Secondly, we are working to measure the impact of advisory activity. This review is in progress, and we will be reporting to our Board on a regular basis.

We have also started developing different models of PPPs – Public Private Partnerships – and an investment in power in Tajikistan is a good example. It used donor funding for early stage TA, has commercial financing for the project itself, while using donor and IDA money to enable a lifeline tariff support mechanism for those who cannot afford to purchase the power.

We are also focusing on another important area. The World Bank Group has been aware that in many of its client countries, much of the responsibility for providing infrastructure and other critical services in our client countries has been transferred to municipalities and other

subsovereign tiers of governments. To be able to respond to the requirements of these entities, there is a need for the World Bank Group to become involved in stand-alone financing of their investment needs. In this context the World Bank Group created a new unit, the Municipal Fund. With staff from both the Bank and IFC, its objective is to gain market knowledge in this sector by making a few investments in municipalities and entities controlled by municipalities, without sovereign guarantees. Armed with this knowledge and the experience gained through pilot transactions, the team will develop ideas for the World Bank Group to respond to market needs. This will be done in close consultation with other multilaterals, bilaterals, donors, international municipal/mayoral associations, private financial institutions, rating agencies, and civil society to ascertain the specific needs of the sector. The Fund is currently processing its first investment, the Tlalnepantla Municipal Water Conservation Project in Mexico.

IFC’s perceived mandate and focus have become much broader than the “transaction orientation” of the past. The use of TA at an earlier stage, with IFC in the role of project developer, is different from what we did even ten years ago. This is a challenge for IFC and its partners. For us to do what is demanded of us where we have a comparative advantage, we will need a much more planned and stable source of TA funding, not ad hoc pools of money. I foresee that more and more of what we will need to be doing in the pursuit of poverty reduction through the development of the private sector will require the coordinated support of all our development partners, including the generous donors who have supported us through the years. We have to be able to handle this in a streamlined and efficient manner, without creating administrative overheads for our partners, while simultaneously meeting mutual development objectives. We need donors to “buy in” to our strategic development objectives and partner with us over the longer term.

IFC is committed to follow through on this role and seeks to work in close collaboration with our donor partners in doing so. Our shareholders and our Board support these partnerships, as evidenced by the fact that in the budget for FY04, IFC has allocated \$33.4 million from net income as our contribution toward technical assistance and advisory work, a vote of confidence to match that given to us by you, our donor partners.



A handwritten signature in black ink, appearing to read 'Peter Woicke'.

Peter Woicke
IFC Executive Vice President
 September 2003

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Leveraging Development Impact Opportunities *Through Technical Assistance*



These [donor] resources enable **development activities** which would not happen if just left to **market players** pursuing exclusive **commercial returns**

Technical assistance (TA) activities are a significant portion of IFC's activities, helping to enhance IFC's development impact. Many of these activities are central to building the private sector in developing countries, beyond what IFC can do through its commercially oriented investing. They are delivered through a variety of programs/mechanisms across the Corporation (see Chapter 3 and Annex – IFC Donor-Supported Technical Assistance Programs).

Donors provided the majority of the funds needed, which are complemented by contributions from IFC's own budget resources and staff time and, in some programs, by contributions from other World Bank Group sources. These resources enable development activities which would not happen if just left to market players pursuing exclusively commercial return, yet at the same time benefiting from the private sector discipline and orientation that IFC brings to the table.

Focus on Frontier Markets Continues

In its investment operations, IFC maintains a clear focus on countries where there is little or no foreign capital flow or areas and sectors within a country where there is very limited capital availability. IFC also seeks to emphasize spill-over sectors that contribute relatively more to development, i.e., where spillover effects in addition to the economically productive use of capital are significant. These have included domestic financial markets, infrastructure, information and communications technology, and social sectors. In

addition, SME development and sustainability continue to have a high priority. IFC's TA activities continue to support and enhance the development impact of these priorities.

A large part of Technical Assistance Trust Funds (TATF) and Private Enterprise Partnership (the Partnership) projects are in **financial markets**, reflecting the fact that about 40 percent of IFC's investments in the last few years were in the financial sector. These TA projects include helping to create and to strengthen a range of financial institutions in member countries – from first private commercial banks in transition countries to microfinance institutions – and developing domestic intermediaries as conduits for IFC financing, enabling more firms to access the kind of long-term funding essential for capital investments. IFC has provided advice to policy-makers, regulators, and institutions in many member countries on market structure, institutional management, and corporate governance.

Going forward, IFC will pursue partnerships with donors interested in financial markets development under three global themes: institution building for banks; diversification into nonbank financial services; and increased financing for SMEs.





The SME Sector – a difficult development challenge – continues to be a high priority of many of IFC’s member governments, and a difficult development challenge. IFC finds that financing SMEs through intermediaries provides notably better asset quality than investing in SMEs directly. IFC’s SME strategy therefore focuses on (a) continued efforts to create specialized financial intermediaries or extend the services of existing domestic institutions to serve SMEs, and (b) significantly expanded non-investment support to build and effectively utilize domestic capacity and improve the investment climate for SMEs.

As a result there has been a major buildup in microlending and on several high-profile demonstration linkage projects, some of which have been supported by the Capacity Building Facility (CBF). The SME Facilities and PEP have significant field networks that enable the speedy delivery of TA, once programs are designed and funded. They have each developed multiple partnerships with donors and executing agencies in the last two years. The networks are being tapped in efforts such as building supply and distribution chains to link smaller companies to major investors and building business support services and improving the regulatory environment for SMEs.

Major challenges remain in terms of scaling up impact, upgrading assessment of results, finding effective business models for financing small (as distinct from micro) enterprises, and rationalizing the funding of these activities. A number of steps have been taken to make headway on these challenges, in particular the collaboration with International Development Association (IDA) for initiatives to scale up its activities and impact. It is expected that a number of countries will take part in the \$225 million pilot program over the next three to four years, drawing funding from IDA credits, IFC and other commercial investors, and other sources. Comprehensive country-specific initiatives will focus on access to financial services, capacity building and business development services, and investment climate and enabling environment (see box, page 12).

Sustainability has emerged in recent years as a new challenge for many businesses in developing countries. As public concerns grow over a broad range of environmental, social and governance issues, companies in these countries face new demands from consumers, investors, trading partners, regulators, and policy-makers. Related opportunities also arise, and the emergence of sustainability as a business issue has found IFC extremely well-positioned to add value to its clients in reducing risks and finding opportunities to reduce costs and gain competitive advantage. By finding new ways to increase convergence between the private interests of firms and the public goods deriving from good environmental, social, governance practices, IFC is able to both help clients and improve the quality of growth in our member countries.

International Banks Follow IFC Lead

In June 2003, ten leading banks from seven countries adopted the Equator Principles, a set of guidelines which were developed and based on the policies and guidelines of the World Bank and IFC for managing social and environmental issues related to the financing of development projects. The banks received extensive advice and guidance from IFC, including a screening process for projects that is based on IFC’s environmental and social screening process.

The IFC Web site established for the Equator Principles, equatorprinciples.ifc.org, receives on average about 80 visitors per day, for a total of 3,000-plus visitors through July.

The three Social and Environmental Facilities established one year ago are spearheading these efforts along with a Corporate-wide emphasis on mainstreaming environment and social sustainability in IFC's operations.

IFC, in line with the World Bank's own strategic emphasis, is also focusing on strengthening the **investment climates**. Over the longer term, focusing on this area is expected to lead to stronger growth in private sector development. IFC supports governments' efforts on privatization, on attracting foreign investment, and on improving the investment climate – especially for SMEs.



Improvement of Development Effectiveness of Advisory and Capacity-Building Activities

Each of IFC's donor funded operations is tailored to differing yet complementary specific objectives (see Chapter 3 for details) and includes self-assessment of development impact. These systems, with varying evaluation tools, are currently operating independently.

Given the increasing importance of advisory and capacity-building activities, in FY03 IFC initiated an "unbundling" exercise to better recognize the resource implications and to enable a more informed discussion about the mix between these activities and those closely related to IFC's more traditional investment activities. This exercise also includes an effort to create more robust indicators of the development impact of the TA activities, both ex-ante and ex-post, to ensure that the resources are appropriately directed.

Strengthened partnerships among donors, IFC, and local beneficiaries of TA are very important in order for the experience to be shared and the development impact of TA to be scaled up. IFC continues to hold discussions with the donors about their priorities in the regions and sectors of mutual interest so that the development objectives are achieved to the satisfaction of all the stakeholders.



Donor Breakfast *and* Roundtable Meetings

IFC ANNUAL DONOR BREAKFAST MEETING | *Washington, D.C., September 28, 2002*

IFC's Annual Donor Breakfast meeting, held in conjunction with the World Bank/IMF Annual Meetings in Washington, D.C., was chaired by Mr. Peter Woicke, Executive Vice President of IFC and Managing Director of the World Bank. The Donor Breakfast is the main forum for IFC to discuss its programs and activities with the donor representatives. It provides IFC and the donor community with an opportunity to lay out the broad directions of their strategic priorities for the coming year and to review the performance of past or current initiatives.

At the meeting, the donors acknowledged the enhanced role that IFC is playing, and has to continue playing, in the markets at a time when private flows are being retrenched from emerging economies. IFC's support in Argentina (IFC is the only lender that has injected new funds after the crisis) is well recognized by the financial community. Past experiences of countercyclical investments (such as in Korea during the Asian crisis) as well as IFC's approach to selectively assist sound clients in crisis countries illustrate



IFC's ability to achieve its development mandate while conducting prudent and profitable business. This contributes to the recognition of IFC as the leading financier for the private sector in emerging markets.

The breakfast meeting comprised two sessions. In the first session, in his opening remarks, Mr. Woicke indicated that IFC would continue to pursue its strategy of emphasizing work on helping to build robust and effective private financial markets, targeting infrastructure investments (including telecommunications, power, transportation, and utilities), and support for the SME economic sector. At the same time, he said, IFC would continue to work with donors, with other development entities, and with private groups to find new tools to promote private sector development. This was followed by an active discussion on various issues, including a possible mechanism for the provision of subsidies in infrastructure projects, and the need for patient capital.

In the second session, presentations were given by IFC staff managing substantial technical assistance programs. The presentations and discussions covered the progress to date and planned future activities of these programs. The participants were generally positive toward discussing further cooperative arrangements with IFC on sustainability, providing innovative public-private financing for selected projects, and helping IFC to extend its expertise to more clients, sectors, and regions.

IFC DONOR ROUNDTABLE MEETING | Paris, April 15-16, 2003

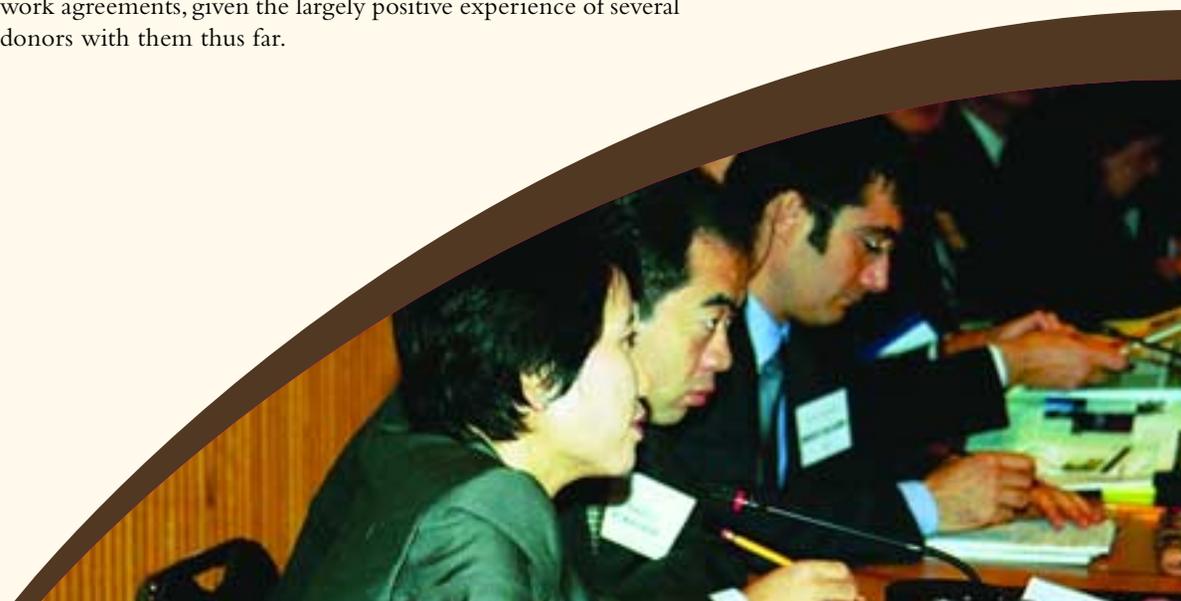
The theme for this year's IFC Donor Roundtable was: Beyond Financing: Enhancing Private Sector Capacity Through Partnerships. A broad cross-section of donor representatives attended the Roundtable, as did a delegation of IFC staff, led by Mrs. Farida Khambata, Vice President Portfolio and Risk Management, who chaired the Roundtable. Through a series of IFC presentations and open discussions the Roundtable demonstrated what specific activities IFC and its partners have carried out together to develop the private sector and enhance private sector capacity in emerging client countries. The Roundtable offered an opportunity for a constructive exchange of ideas on strengthening partnerships. The Roundtable also showed how, by strengthening and expanding partnerships, IFC and its donor partners can support new activities with a view to achieving their common poverty reduction objectives. The donors expressed general satisfaction with the Roundtable and welcomed the continuation of an annual IFC Roundtable, to be held at the same time and location, possibly back-to-back with the World Bank Donor Roundtable.

In view of IFC's increasing use of TA in recent years, several donors felt there should be clear guidelines on IFC's priorities and use of TA, and a more strategic and coordinated approach to IFC's donor fundraising efforts so as to avoid confusion and a perception of competing programs. Donors also called for a more direct link between IFC's TA and investment operations, and a clearer policy on the ratio of IFC grants to its investment operations. They cautioned that in providing subsidies to IFC's investments through donor-funded TA, IFC should be transparent in its selection of companies to receive these subsidies, to avoid giving an unfair advantage to certain companies. Many donors stressed the need for a clearer link between IFC's TA activities and poverty reduction through the Country Assisted Strategy (CAS) / Poverty Reduction Strategy Papers (PRSP) process. In particular, they envisioned a closer link to the Millennium Development Goals and a more explicit incorporation of such issues as HIV/AIDS and gender into IFC's operations. They pointed out that most of the world's poor work in the informal and agriculture sectors and IFC should make more of an effort to reach them. Donors also

suggested that particular attention be paid to local implementation capacity limitations in the client country, especially with respect to SMEs.

Donors saw an important role for IFC in the area of public-private partnerships, but stressed the need for tailor-made approaches adapted to country circumstances: adequate attention must be paid to regulatory framework and pricing policies; the public partner must be strengthened; a strong, independent regulatory mechanism must be in place; and stakeholders must be actively involved and fully informed. They also called for IFC to play more of a role in facilitating access to credit for municipalities. They welcomed IFC's work on environmental and social sustainability and cautioned that corporate social responsibility should not be limited to larger, export-oriented enterprises but should include smaller, domestic market enterprises.

Donors encouraged IFC to share its TA experience with its partners in a spirit of greater complementarities with the regional banks. They commended IFC's efforts to implement a monitoring and evaluation system that more clearly captures the impact of IFC's TA on poverty reduction. They also endorsed proposals to streamline donor trust funds approval processes and welcomed the trend in the direction of comprehensive framework agreements, given the largely positive experience of several donors with them thus far.



Technical Assistance *and* Advisory Services in the Regions



Private sector-led development must play a bigger role in meeting the **development challenge** and **poverty reduction**

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Sub-Saharan Africa

Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe

14

Asia & the Pacific

Bangladesh, Bhutan, Cambodia, China, Fiji, India, Indonesia, Kiribati, Republic of Korea, Lao People's Democratic Republic, Malaysia, Maldives, Marshall Islands, Federated States of Micronesia, Mongolia, Myanmar, Nepal, Palau, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Tonga, Vanuatu, Vietnam

20

Europe & Central Asia

Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, FYR Macedonia, Moldova, Poland, Romania, Russian Federation, Serbia and Montenegro, Slovak Republic, Slovenia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan

28

Latin America & the Caribbean

Antigua & Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, Trinidad and Tobago, Uruguay, República Bolivariana de Venezuela

32

Middle East & North Africa

Afghanistan, Algeria, Bahrain, Arab Republic of Egypt, Islamic Republic of Iran, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Pakistan, Saudi Arabia, Syrian Arab Republic, Tunisia, United Arab Emirates, West Bank and Gaza, Republic of Yemen

Sub-Saharan Africa

Promoting Sustainable Development through the Private Sector

Africa continues to be a key priority, and a unique challenge, for IFC and the international development community. Economic growth levels has modest, and in many countries in the region, globalization has not had the beneficial impact experienced in other developing countries. While the global economic slowdown has had a less pronounced impact on Africa than on other regions, it has, however, depressed commodity prices for Africa's principal exports. This has been compounded by a decline in the tourism industry in the wake of the September 11 attacks and the war in Iraq. Despite

these challenges African governments have maintained prudent macroeconomic policies. The New Partnership for African Development, an African initiative that promises to bring improved governance and economic development, progressed through the year and is expected to attract new investment in the region.

SMEs remained a key component of IFC's Africa strategy in FY03, and the World Bank Group's jointly managed SME Department continued to provide training, capacity building, management, and other services through the field-based Africa Project Development Facility (APDF) and the African Management Services Company (AMSCO). (See Chapter 3)

In the **financial** sector, TA initiatives focused on the development of financial markets and institutions, including training programs for banks on project finance and SME lending. In developing countries all over the world, but especially in Africa, many segments of the population suffer because of a lack of access to credit. Empirical research shows that credit bureaus are critical to the expansion of credit, since they increase the quality of credit decisions and mitigate risk by minimizing fraud. IFC is addressing the

IFC and IDA: Collaborating for Small Business

Seeking to leverage the private sector experience within IFC and the concessional funding of IDA, an effort has been launched to support sustainable development of smaller businesses in Sub-Saharan Africa. The initiative will, over a three- to four-year period, focus on providing access to capital, technical assistance, and capacity building, and improving the investment climate. The program's initial focus will be on Burkina Faso, Ghana, Mali, Mozambique, Nigeria, Rwanda, Tanzania, and Uganda, and will be implemented by the Africa Project Development Facility.

In Mali, for example, the program will complement the government's comprehensive economic growth agenda. IDA and other donors have already provided debt relief in support of structural reforms, including the expansion of a private sector largely composed of smaller businesses. The initiative will also help create a commercial microfinance institution in Mali, support APDF's training of the local bankers' association, and run a mentorship program for firms that receive financing. APDF will also work with the West African Enterprise Network to improve the capacity of local business consultants, and IFC's Nigeria-based microenterprise capacity-building program will expand into Mali. These efforts in Mali will build on a strong base established in FY03 with donor support, including the basing of a full-time IFC coordinator for SMEs in Bamako.

environment required for credit bureaus to flourish in a number of countries through the Global Credit Bureau Program. Supported in Africa by the *Nonwegian* Trust Fund for Private Sector (see box) and Infrastructure, the TA will foster the development of private credit bureaus in Africa. Separately, recognizing the need to strengthen the Kenyan insurance industry, IFC is helping Kenya through TA to assess the viability and the development of Kenya's insurance premium financing business (*Ireland*).

Linkage programs are an example of IFC's work in the sustainability area. With support from the *Netherlands and Luxembourg*, IFC is helping to develop Community Development Plans (CDPs) for communities associated with gold mines in Ghana and Mali. These CDPs will establish a prototype model for sustainable social and economic development for communities confronted with eventual mine closure and the loss of employment and infrastructure. Successful implementation of the CDPs can be replicated in other IFC projects and will help develop best practice in the mining industry on sustainable community development and mine closure.

The East African **textile** industry would like to take advantage of the African Growth Opportunity Act, which provides access to the US market. IFC is helping the governments and private sectors of Kenya, Tanzania, and Uganda map out potential solutions to issues that their garment industries might face (*Switzerland*). This assignment will identify constraints, high potential investment areas, and foreign partners for local firms in the industry, and could help attract export-oriented investment into the East African region. Recognizing that agriculture products offer good business opportunities, IFC is also helping Ghana to improve its capacity to produce and process tropical fruits and vegetables to international quality standards, and thus develop a commercially sustainable value chain in Ghana (*Netherlands*).

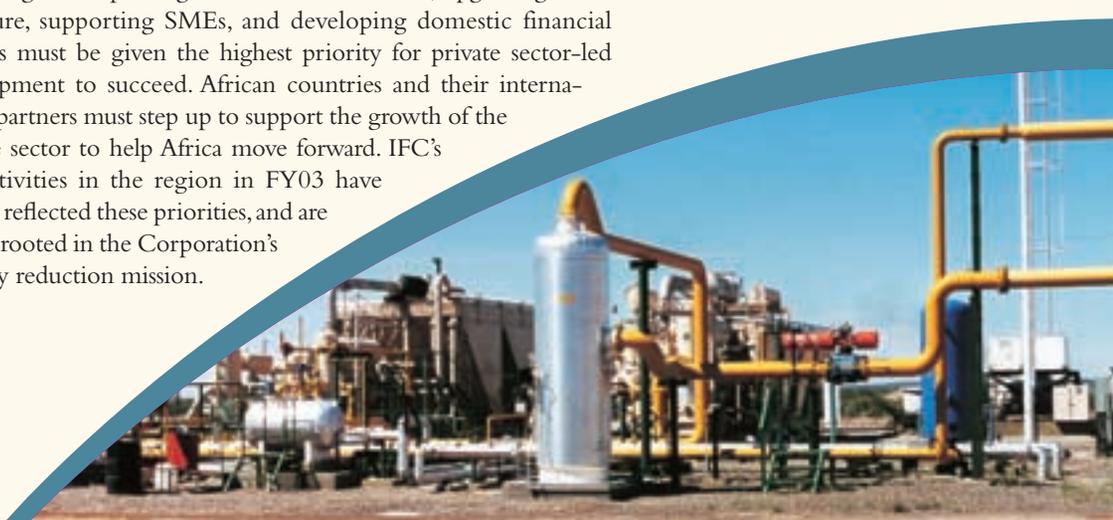
Tourism is another area of importance for many African countries. IFC, with *Dutch* support, helped set up the South East African Tourism Investment Program to ensure that the activities of the numerous bilateral donors and NGOs can be implemented, taking into account the potential contribution of both the private sector and affected local communities. Through this TA, IFC will assess both the program's effectiveness and the likely demand for its serv-

ices, which will depend partly on how quickly tourism development takes off in Mozambique. The TA is also helping Mozambique design a new tourism policy and strategy.

The Foreign Advisory Service (FIAS) has continued its active program of assisting Sub-Saharan African governments' efforts to liberalize their investment regimes and improve their attractiveness for FDI. Many countries have made basic investment law reforms, and FIAS advice has moved toward the next generation of products, such as incentive structures, simplifying maze-like administrative systems, and creating investment agencies that focus on promotion rather than regulation.

FIAS conducted 12 advisory projects in Sub-Saharan Africa during the past fiscal year, in a range of product areas including administrative barriers studies (Burkina Faso and Eritrea), administrative and regulatory cost surveys (Cape Verde, Ghana, Guinea-Bissau, Senegal, Uganda, and Zambia), reviews of investment-related laws (Sierra Leone), and taxation and incentives policy and implementation (Guinea-Bissau, Sao Tome and Principe (not yet an IFC Shareholder), Senegal, and the East Africa Community – Kenya, Tanzania, and Uganda). In addition, FIAS assisted Eritrea by conducting a survey of prospective international investors as inputs for investment promotion strategies.

The emerging consensus in Africa and in development circles around the world is that private sector-led development must play a bigger role in meeting Africa's development challenge and reduce poverty in the region. Improving the investment climate, upgrading infrastructure, supporting SMEs, and developing domestic financial systems must be given the highest priority for private sector-led development to succeed. African countries and their international partners must step up to support the growth of the private sector to help Africa move forward. IFC's TA activities in the region in FY03 have largely reflected these priorities, and are firmly rooted in the Corporation's poverty reduction mission.



Asia & the Pacific

EAST ASIA AND PACIFIC

Financial Sector Plays Key Role in Job Creation

In the East Asia and Pacific (EAP) Region the **financial** sector is the top priority, since there is a lack of institutional depth across the region that is restricting the growth of the private sector. In addition, priority is given to improvements in the investment climate, privatization of state-owned enterprises, general manufacturing, and support to SMEs through the four project development facilities: Mekong Private Sector Development Facility (MPDF); South Pacific Project Facility (SPPF); China Project Development Facility (CPDF), and the newly created Indonesia Enterprise Development Facility (IEDF). (See Chapter 3)

The bulk of the TA funded through the Technical Assistance Trust Funds (TATF) program within the region in 2003 focused on the development of traditional banks as well as on nonbanking financial services such as pensions. In Vietnam, we helped Asia Commercial Bank (ACB) and Sacombank develop their consumer and small business finance operations by improving their credit underwriting processes and risk management systems (Switzerland, Netherlands and IFC TA Fund). In China we are working with City Commercial Banks in both Nanjing and Chengdu helping them transform themselves into modern commercial banks (Italy and Norway).

Our TA work also addressed a wide range of nonbank financial issues. In the area of asset management we are working to advise the China Securities Regulatory Commission on best practice in corporate governance for the securities and asset management industries (France). We are advising the Chinese National Council for Social Security Funds on management of private retirement savings (Ireland and IFCTA Fund). Also in China, we are providing experts to help a leading securities firm introduce international best practices in corporate governance, risk management, and management information systems in preparation for potential equity investors when legislation is passed that allows for foreign investment (Switzerland). In the Philippines, we are working with the Asian Development Bank to establish a Rural and Small Business Wholesale Facility that will invest in substantial minority stakes in local and regional rural banks (Netherlands).

The **SME** facilities have been very active in the region. The Indonesian Enterprise Development Facility began operations during FY03 and has been working in various regions of Indonesia on local export and trade promotion in Denpasar by promoting export of locally produced goods, on SME financing in Surabaya, on SME oil/gas/mining linkages in Balikpapan by identifying the procurement needs of selected extractive industry partners, on agribusiness linkages in Makassar, and nationally on the overall business enabling environment. The China Project Development Facility has moved into its second year of operation and has developed good recognition with the local private sector services market, and there are now three main business lines: access to finance; capacity building; and business enabling environment. In addition, with support through the TATF program, CPDF is undertaking a comprehensive effort to raise the awareness of local SMEs on the value of good corporate governance (Canada and Italy). CPDF also received funding through the CBF for capacity building of local service providers and local managers. MPDF launched a second five-year phase with strong donor support and is focusing on extending its achievements of Phase 1 — such as bank training and management training and development of local



business development services, in particular business consultants and business associations — and on expanding its efforts in smaller countries such as Cambodia and Lao PDR. SPPF continues to assist SMEs in the Pacific Islands and is also conducting a survey of regional business development services (BDS) available to the private sector which is expected to lead to country-specific BDS development programs. (*Australia and IFCTA Fund*). SPPF has also worked on a small equity facility pilot based in Samoa and with financial institutions throughout the region, including the Bank of South Pacific in Papua New Guinea, to help them reach out into rural areas for micro and small enterprise lending.

Other notable TAs carried out in the region in support of IFC's **sustainability** goals include a large TA designed to promote consensus building among stakeholders to promote the sustainable development of Philippine mineral resources (*Japan*). In China we are working in tandem with CPDF in Sichuan to develop the capacity and skills of local consultants to undertake a social, environmental, health and safety review and mitigation work (*Denmark*). IFC also carried out project-specific TA in China, in preparation for a possible IFC investment where we are investigating the market for composted solid waste (*Israel*). The Sustainable Financial Markets Facility (SFMF)



VIETNAM: Private Sector Study

The business climate is critical to the growth of the private sector in any country, and in order to understand the dynamics of private enterprises in Vietnam, the Mekong Private Sector Development Facility and the World Bank's Private Sector Development Unit jointly produced a recently released study, "Informality and the Playing Field in Vietnam's Business Sector." The study explores the business environment in Vietnam from the perspective of supporting economic growth. It is based on findings from a survey of private and state-owned enterprises in 11 Vietnamese cities and provinces. The study reflects the views of Vietnamese entrepreneurs on the business environment, and incorporates feedback from discussions with policy-makers, financiers, and representatives of international organizations. It provides evidence of the significant improvements that have taken place in the Vietnamese business environment and identifies areas where policy actions can help to create a more transparent, predictable legal regulatory framework and even the playing field for the private domestic-owned companies, the state-owned enterprises, and the foreign-invested companies. The study provides new insights into the status of the Vietnamese economy and new ideas for ways to support and participate in its future growth.





sponsored the Association for Sustainable & Responsible Investment in Asia (ASrIA) for its annual conference as well as prepared country profiles on sustainable and responsible investment for seven countries. The Corporate Citizenship Facility (CCF) also provided funding to work with an IFC sponsor and other stakeholders to assess conservation priorities and the impacts of limestone mining in Vietnam, which is threatening the habitat of the Sarus crane. In addition to the SME work done through the project development facilities (PDFs), we carried out a study on the privatization of state-owned enterprises in China to learn lessons from the transformation of their SMEs (*Australia*). We are also focusing on the development of linkages between SMEs and larger firms, and in Indonesia we are investigating opportunities in the mining sector (*Ireland*).

FIAS was very active in EAP and worked in: Timor Leste (not yet an IFC Shareholder) to review its draft investment law; Indonesia to advise on the establishment of an investment promotion agency; Malaysia to advise on linkages to maximize the positive impact of foreign direct investment (FDI); Mongolia to assist the government with the staging of an Investors Forum, held as part of a “Year of Investment.” FIAS inputs included investor service training for the staff of FIFTA, the Mongolian national investment promotion agency, and assistance with the preparation of a new investment policy statement. Training of Investment Promotion Agency (IPA) staff was also provided in the Pacific region, where FIAS, in association with the Investors Forum Secretariat, ran a course on data collection and management for staff from IPAs in the region. FIAS also conducted training courses and made presentations on investor fraud and public private partnership.

SOUTH ASIA

Reaching Out to SMEs and Developing Domestic Financial Intermediaries

Our technical assistance work in South Asia plays a critical role in working toward the priority Millennium Development Goal of poverty reduction. South Asia has a large number of SMEs that are the major source of employment and income for the poor. The majority of our TA work in South Asia is focused on SMEs either through direct support or indirectly through the development of financial markets to improve their access to finance in order to reduce a major constraint to their growth.

Bangladesh, northeast India, Nepal and Bhutan include a population of over 200 million and make up one of the poorest regions in the world. This area is home to about 200,000 registered private companies that often have poor growth prospects due to a weak business environment and services sector, as well as limited access to long-term financing. These factors keep most local SMEs from reaching their business potential and thus limit their ability to create jobs and reduce poverty. The largest SME TA effort in fiscal 2003 was the launch of the multidonor South Asia Enterprise Development Facility (SEDF) in October 2002. SEDF is dedicated to reducing poverty through the growth of SMEs. The donors to SEDF (*Canada, European Union, Norway, United Kingdom, and IFC*) have committed approximately \$33 million over five years to support a program of activities that includes four strategic pillars: 1) Access to Finance; 2) Business Development Services; 3) Business

Enabling Environment; and 4) Special Projects – such as developing linkages between SMEs and large corporations.

SEDF has been working at the macro level and has shared IFC's global experience on SMEs with the government of Bangladesh to help it incorporate SMEs into its three-year development plan; helped SMEs provide input into the formulation and implementation of the March 2003 Poverty Reduction Strategy Paper; and helped to focus the results of the World Bank and the SME Department Investment Climate Survey on practical measures for

SMEs. SEDF has also actively cooperated with financial intermediaries and regulators on improving regulations in accounting practices, mortgaging pledged assets, implementing the use of movable assets as collateral, and conducting a comparative study on leasing conditions across their countries of operation. SEDF is also working to improve the regulatory framework in the agribusiness sector and is collaborating with a wide range of business associations and policy-makers to improve the business enabling environment for SMEs.

Strengthening SME Lending Practices in Private Financial Institutions

Under the umbrella of SouthAsia Enterprise Development Facility (SEDF), a newly launched and IFC-managed initiative, efforts are being targeted toward development of the small business sector. Increasing access to finance for small businesses is one of SEDF's major programs. In support of this program, TATF mobilized funding from *Norway* to assist private sector commercial banks in Bangladesh to strengthen their operations and increase their exposure to small and medium enterprises. The TA included small business finance diagnostics and skill gap analysis, and an international best practices banking symposium on small business lending.

Norwegian consultants evaluated the macroeconomic environment for SME finance, including the following areas deemed to be in need of development: legal and regulatory framework, financial sector measures, interorganizational changes within the banks, and development of new financial products.

Also with the support of the *Norwegian* TATF funding, SEDF then kicked off its operations with an international best practice SME lending conference, which brought to Dhaka small business finance experts and bank officers from highly successful small business lending institutions worldwide such as Business Partners of South Africa, Planters Bank of Philippines, and the National Development Bank of Sri Lanka.

Following the seminar, a group of private, commercial financial institutions expressed a strong interest in participating in the initial diagnostic study, which evaluated and benchmarked institutions for their ability to downscale to small business lending, including internal operational systems from marketing and sales to underwriting, operations, and portfolio management.

Since that time, local banks and leasing companies have responded positively to SEDF's Access to Finance program. Dhaka Bank Limited, Southeast Bank Limited, and Industrial Development Leasing Corporation have all signed a memorandum of understanding with SEDF to collaborate on technical and training assistance. The assistance comprises product development (building up factoring capacities); information technology (IT); marketing; human resource development; and credit management.



INDIA:

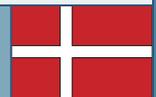
“Mahindra Farms” Helping Indian Farmers Use Safer Chemicals



Mahindra and Mahindra has a long relationship with the Indian farmer and has developed a model for commercially run farm service centers: one-stop shops for certified inputs. This model is being established on a franchise basis across India, with IFC as a 28 percent equity partner in the parent company, Mahindra Shubhlabh. The farm service centers will use the results of the TA to improve the health of farmers and to protect the environment from misuse of agricultural chemicals. This project and the work performed by the consultant have become a model for appraisal of IFC projects employing chemical pesticides for agricultural purposes.

The consultant audited the company's agrochemical operations and prepared a policy and manual on pesticide management. The farm service centers are able to recommend high-quality and appropriate chemical materials for specific pests, handling requirements, and associated information. All of these activities help the farmer in a form of integrated crop management that effectively combines a number of inputs for meaningful production rather than relying upon the expedient of chemical destruction of ill-defined pest species. The significant, immediate development impact of the TA is that farmers are able to access meaningful technical information, which can help them to increase their crop yields by as much as 40 percent.

The rural-based farm service centers provide a number of high-quality farm inputs, including mechanical equipment rentals, seeds, fertilizers, and chemical pesticides. Chemical pesticides are accompanied by training and technical information in safe and effective use of the materials. Reducing the reliance upon chemical controls and maximizing more technical approaches to crop management reduce the cost of crop production, help to increase yields and reduce the farmers' reliance on expensive and potentially dangerous materials. The project is also helping to eliminate reliance on WHO Class 1a (extremely hazardous) pesticides and utilize replacement chemicals that are equally effective and available at the same cost without the potentially harmful health and environmental consequences.





The strengthening of domestic **financial markets** was the other major area of TA effort in South Asia. In the Maldives, we assisted the Maldives Government in setting up viable and transparent legislation for the development of the domestic insurance industry (*Ireland*). In Bangladesh, we completed a project started in 2002 that evaluated housing finance needs (*Sweden* and *IFC TA Fund*). In India, we are building upon earlier TA work in the education sector by trying to identify the appropriate financial, legal, organizational, and technical structure for a new financing mechanism that could make financing available to the SME Education Sector (*United Kingdom* and *IFC TA Fund*). Also in India we carried out a detailed market assessment for mortgage guarantees, which in the longer term will help in the development of the secondary mortgage market (*Canada*).

Other TAs supported IFC's environmental and social **sustainability** goals. In October 2002 a workshop on Environmental Management and Sustainable Tourism in the Maldives provided practical training in environmental impact assessment, hazardous operations risk management, and environmental management of tourism and trade operations in fragile marine environments (*Japan*). EOF supported an electric vehicle manufacturer in India – Mahindra Ecomobiles – which could provide important environmental benefits by reducing pollution. Also through the EOF we are helping a company that has developed a low-cost water filter with assistance in setting up manufacturing facilities and a sales distribution infrastructure. In addition FIAS, provided advice to a wide range of client countries: from some of the smallest and most remote, such as Maldives and Bhutan, to the more populous

Bangladesh. In Bhutan, FIAS undertook its fifth project in three years, each of which has assisted the government with successive steps in developing and implementing a foreign investment regime for the first time. In Bangladesh, rather than offer policy advice, FIAS assisted the Board of Investment with the development of a strategic plan covering its promotion and policy advocacy activities. The short-term action plan included a restructuring of the Board, which is now underway. Another activity in South Asia was a second High Level Roundtable on FDI, held this year in Male, Maldives. FIAS also assisted the Maldives with a review of their existing investment law and implementation guidelines and provided comments on their current institutional arrangements for investment promotion.



Europe & Central Asia

SOUTHERN EUROPE AND CENTRAL ASIA

Providing New Businesses with Access to Capital and Creating New Business Opportunities through Privatization

During FY03, IFC used TA programs to support the regional investment slate on two key fronts: by creating enabling regulatory environments for private sector growth, and by developing and strengthening domestic financial markets to channel capital to growing businesses and private borrowers. Also crucial to creating a healthy business environment in postconflict regions still plagued by political instability is the privatization of state-owned enterprises and municipal conglomerates; this is why the region oversaw a robust program of prefeasibility work in support of privatizations in Albania, Bosnia, and Serbia, in particular. Project-specific work to strengthen business operations and provide training in corporate governance and industry standards continued across all sectors in both regions. And new to the TA picture this year were two community development programs designed to help local populations adjust to adverse changes in their business environment.

The Secondary Market Legislative Project in Romania was designed to carry out an assessment of the current legislative framework and provide guidance on how to improve it in order to allow the appropriate development of the mortgage bonds and mortgage-backed securities markets (*Canada*). The “Securitization and Mortgage Bond Regulatory Package” will be submitted to Parliament in January of 2004. TA advisors will also design an appropriate legal structure for mortgage bonds and securitization under the current Romanian legal system that covers the various European mortgage bond

markets and securitization systems and the need to harmonize with other countries in the region, and in particular Bulgaria.

The Central Asia Leasing Program, launched in the region in FY01 and currently implemented by IFC’s Private Enterprise Partnership (the Partnership), produced exciting results in the Kyrgyz Republic, Tajikistan, and Uzbekistan. In June of 2002, the Kyrgyz government passed a law putting a clear set of leasing laws in place, and in August of that year, the Uzbek Parliament passed legislation that liberalized existing leasing laws and strengthened the Civil Code, customs tariffs, and the tax code in order to create a more inviting

TAJIKISTAN: Farmers Ownership Model

IFC oversaw the success of the Farmers Ownership Model (FOM), a pilot initiative that helped some 365 struggling cotton farmers in Tajikistan form a joint-stock company. The FOM program, managed by the Partnership, utilizes a private sector approach to help the farmers increase the money that they keep from the sale of their cotton. The Partnership advises the farm on company management and trains farmers in better cotton production practices and the growing and marketing of other crops. Within its first year the farm reached profitability. The joint-stock company now operates a profitable cotton collection and marketing business on behalf of the farmers, who are able to make debt repayments with the profits and enjoy direct access to financial markets. The farm lent \$76,000 to its shareholder farmers to purchase inputs and machinery, and build irrigation systems. All of the loans are being paid back on time. With the help of the TA, the cotton farmers are learning how to increase the productivity of their farms and play a greater role in their own livelihoods. If the pilot is successful, the program will be replicated throughout Central Asia.



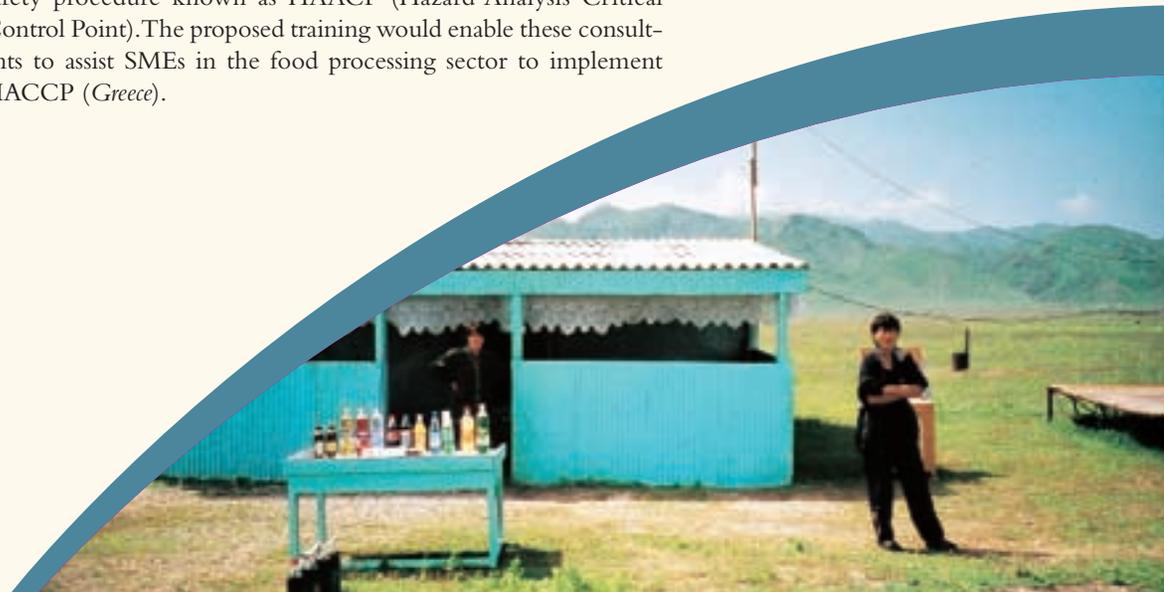


environment for small businesses. In April 2003, the President of Tajikistan signed the Law on Leasing to promote the development of this financing mechanism traditionally more accessible to small businesses than bank loans. Building on the success of the Central Asia program, the Partnership launched a similar initiative in Azerbaijan that includes intensive education and training components for private companies, government agencies, and financial institutions (*Switzerland*).

Because a stable banking system is a key element of the growth strategy in postconflict regions, IFC oversaw several programs to upgrade the operations of state-owned banks in preparation for possible sale to private investors. Consistent with its strategy of strengthening formerly state-owned banks so that they can provide needed capital to new businesses and individual borrowers, IFC implemented an advisory program to upgrade and eventually privatize Vojvodjanska Banka, a critical member of the state banking system in Serbia (*Sweden and IFC TA Fund*). The program will support the bank's expansion and modernization, with a focus on the strengthening of credit operations, the upgrading of management information systems, and establishment of state of the art portfolio management.

While privatizations in the banking sector provide capital to a developing private sector, privatizations in the real sector create new business opportunities and jobs. In Serbia, IFC detailed a privatization expert to the national Privatization Agency to help assess the portfolio of companies held by the agency's State Share Fund and to help prepare them for privatization. At the state level, IFC implemented a TA program for Nafta Industrija Srbije, the

state-owned oil and gas utilities conglomerate, in preparation for possible privatization (*Italy*). The program will assess the need for reorganization, rationalization, and modernization of the oil and gas industry as well as strengthen the reform agenda of the Serbian government in the energy sector. In Albania, the government has engaged the IFC Private Sector Advisory Services as Lead Transaction Advisor for the restructuring and eventual privatization of the state-owned Albanian Power Corporation; the program will help create new and independent companies in the generation, distribution, transmission, and dispatch of electricity (*Greece*). Also in Serbia, project-specific work on a smaller scale continued in a variety of sectors. FY03 saw the first projects in the health sector, with the market and viability study of a proposed polyclinic serving metropolitan Belgrade (*Sweden*), and in the hotel sector, with the market study and modernization strategy for the Hotel Metropol (*United Kingdom and IFC TA Fund*). Work in the IT sector began with a study to identify business and investment opportunities attractive to both IFC and strategic foreign investors (*Italy*). The project is also directed toward improving the possibilities for communication between the industrial and the business sector and creating new job opportunities. The results of the study will be presented to the government and relevant institutions and could be useful in supporting the process of private sector-led economic reform in Serbia. In FYR Macedonia, IFC implemented a training program for local agribusiness consultants, providing them with expertise in the installation and operation of the food safety procedure known as HACCP (Hazard Analysis Critical Control Point). The proposed training would enable these consultants to assist SMEs in the food processing sector to implement HACCP (*Greece*).



ROMANIA:

Health Care Public-Private Partnership Advisory

IFC's objective is to use public-private partnerships (PPP) to expand the availability and quality of care for the public, especially the poor. IFC's approach includes: (i) ensuring that the provider complies with international standards of care and service provision through contractual and regulatory safeguards; (ii) transferring demand and capital risk to the private sector, thereby reducing or eliminating the need for government guarantees or funding; (iii) facilitating employee support and a smooth transition; and (iv) ensuring that PPPs support broader sector reform.

For the past two years, IFC has advised Romania's Ministry of Health on PPPs in public hospitals, with the objective of improving the care for public patients and reducing the government's financial burden. The IFC team is supported by specialized health consultants (Advised).

IFC's advisory assignment covers three phases: a national PPP strategy (completed and publicly announced); development of a PPP Plan for Bucharest hospitals to identify potential transactions with the greatest public benefits (completed and publicly announced); and implementation of pilot PPP transactions for possible later national replication. IFC has completed two pilots and prepared tender documents for three additional pilots, which are expected to be completed shortly.



The initial transactions focused on modernizing the radiology and laboratory services in a major public hospital, which had been experiencing chronic equipment shortages, with negative impact on patient care. Under the new contracts, private providers retained existing staff and upgraded equipment, and supplied services to the hospital under well-defined performance standards. Since contract award, the providers are furnishing quality service at a lower cost than before; in radiology, for example, costs are 35 percent lower. IFC has prepared model tender documents so that hospitals throughout Romania can implement similar PPP transactions. IFC is now preparing pilot tenders for other hospital and outpatient services.

Other transactions completed to international clinical standards and norms include: (1) concession of a private wing in Bucharest's main maternity hospital; (2) outpatient dialysis services in two pilot locations; and (3) ancillary services for three adjacent hospitals. Future transactions will cover day surgery, home health care, and other outpatient services.

A broader 10-point hospital reform program suggested by IFC has been largely implemented. It includes reforms in the legal/regulatory framework, provider payment arrangements, hospital management, and provider regulation and accreditation.



In Serbia, IFC, through the Southeast Europe Enterprise Development (SEED), also launched a TA program for Tigar, a rubber tire, footwear, and consumer goods producer in which IFC has a substantial investment (*Greece*). The program will restructure the rubber footwear and consumer goods production unit into a standalone business.

The process is expected to result in employee layoffs, so IFC and SEED are exploring a dairy development initiative to absorb displaced workers in the Pirot region of Serbia. A similar program is underway in Teteks, FYR Macedonia, where textile manufacturer Teteks A.D. will have to reduce its workforce in an effort to modernize and compete in the international market. The Teteks Corporate Citizenship Initiative will provide funding and training for displaced workers to start and operate small businesses (*Norway*). IFC's SEED office in the Balkans and the CCF are working together to better understand issues relating to sustainable harvesting of herbal products and social equity in supply chains, the aim being to support the emergence of markets that reward socially and environmentally sustainable practices (through price premium goods).

In Azerbaijan, the small businesses that supply the busy oil and gas sector play a vital role in the local economy. But in order to grow, they need access to capital and financial services not currently provided by commercial banks, which often lack experience in making loans to SMEs. To help address this need, IFC stepped in with credit lines to two banks, Azerigazbank and Rabitabank, that will enable them to increase their lending activity to the SME sector. At the same time, a TA capacity building program will help the banks minimize risks associated with lending to smaller businesses by: 1) implementing credit review systems so that loan applications can be properly assessed; 2) creating small business development centers to ensure the ongoing generation of new lending opportunities; 3) implementing portfolio management and compliance tracking functions to monitor and control portfolio risk; and 4) launching a training program for branch managers, loan officers, and credit analysts.



BOSNIA: PBS Banks

In Bosnia, IFC developed a vehicle to purchase and rehabilitate the debt-burdened Privredna Banka Sarajevo and its associated banks (the PBS banks). The PBS banks were not able to attract foreign investors because of unresolved prewar guarantees. Because their liquidation would have dealt a serious blow to the fragile economy of Bosnia and Herzegovina (the banks accounted for up to 30 percent of total assets and capital in the prewar banking system), IFC created the Sarajevo Privatization Venture (SPV), a financing vehicle to prevent this and to help pave the way toward successful privatization. The SPV settled the liabilities of the banks and at the same time acquired the state shares in three of them, effectively privatizing them. With a TA grant from *Sweden International Development Agency (Sida)*, IFC and the SPV implemented technical assistance inputs necessary to rehabilitate the banks and prepare them for sale. In September of 2002, two were successfully merged and were sold in the spring of 2003.



CENTRAL AND EASTERN EUROPE

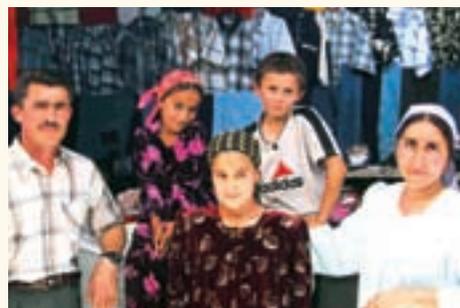
Deepening Financial Markets and Extending Linkages to SMEs

In line with corporate strategy, TA and advisory services in Central and Eastern Europe focused on complementing IFC investment activities. The region includes countries that belong to two very distinct groups: (i) Russia and Eastern Europe's frontier countries (Armenia, Belarus, Georgia, Ukraine), where IFC's strategy is to play a significant role; and (ii) the maturing transition countries of Central Europe, where IFC has planned a more limited but continuing role in furthering the move toward EU accession.

In Eastern Europe, IFC's efforts continued to center on Russia, which is one of the few countries to have shown relatively stable growth and an improving business climate. About half of the TA projects or advisory services implemented in the country are in the **financial sector**, where the main emphasis is on deepening financial markets to increase the availability of basic services – encouraging the growth of domestic banks which offer basic lending and savings products, legislation covering security, etc. – and preparing the ground for introducing more complex instruments, such as securitization at a later stage. An illustration of this approach was a project to help set up and advise a working group of senior public and private sector officials in Russia to identify and address obstacles to securitization transactions in the country, and advise relevant government entities on making the legal, regulatory, and policy changes necessary for securitization to grow and develop in Russia (*United Kingdom and IFC TA Fund*).

IFC's Private Enterprise Partnership (the Partnership) was active in increasing linkages between large companies and SMEs. In Magadan in eastern Russia the Partnership worked with the Bema Gold Corporation to create a network of local suppliers of goods and services to the mining sector (*Canada*). In the automotive sector (see box) it is working with Russian automotive component manufacturers to help them improve quality and management standards to qualify as suppliers to Ford's assembly plant outside of St. Petersburg (*USTDA*). In the forestry sector it is helping to introduce sustainable forestry management practices, improve harvesting and transporting capabilities, and facilitate business partnerships (*Finland*). In the information, communication and technology sector it is fostering the development of the software export sector in Russia and link Russian and Western companies (*Finland*).

In Ukraine, which shows strong business potential but is not as stable, IFC used its long-standing and extensive technical assistance programs to continue laying the groundwork for future investment by IFC and others. An example of this work is an SME survey to identify barriers and obstacles to SME development, analyze the competitiveness of selected industries, and develop recommendations for the government (*Norway and IFC TA Fund*). The results were useful in influencing the government's policies on SMEs, and the Partnership has extended the survey to Uzbekistan and Tajikistan (*Switzerland*) and Georgia (*Canada*). Another example is research conducted on a law on mortgage securities that could provide the framework for the development of the mortgage and capital markets in the country (*United Kingdom and IFC TA Fund*).



LATVIA: Inspectorate Reform



THE PROBLEM: In 1998, a FIAS Report on Administrative Barriers to Investment identified significant systemic problems with the 22 different inspectorates in Latvia. The entire inspections system was a major factor inhibiting the development of a welcoming business environment in Latvia. The report identified a series of problems, including:

- Harassment of businesses in order to solicit bribes.
- Absence of transparent appeals mechanisms.
- Lack of coordination among the inspectorates in arranging site visits.
- Lack of requirements for written documentation. Documentation was not always given to the inspectee after an inspection (and virtually never when no violations were found).
- Lack of publicly available information on the mandate of the inspectorates and the rights and obligations of the inspectors and their targets.

THE SOLUTION: The following solutions were recommended by FIAS and adopted by the government:

- The Latvian government committed to an Action Plan to Improve the Business Environment and to prepare legislation regulating the activity of the inspectorates.
- The Action Plan acknowledged that improving the inspectorates required a multifaceted approach, including legislative change, training in procedures and client orientation, pilot projects, and wider cooperation.

COOPERATION: An Inspectorate Coordination Council was established to maintain a link among the inspectorates to review implementation and discuss the pilot project results. The Council was an important mechanism for helping the inspectorates to take ownership of the reform process. Collaboration also extended to the financing of the reforms, which involved the World Bank Group, the European Commission Phare Program in Latvia, the School of Public Administration, and the government budget.

IMPACT: Feedback mechanisms helped assess the impact of the reform on businesses and the business environment over the long term; a FIAS follow-up business survey reported in 2002 that government inspections were cited by only 16 percent of firms, and only as a “moderate” obstacle. The Inspectorate Reform Program was an important contributing factor to Latvia’s becoming an EU accession candidate, and the EU cited the removal of administrative barriers in Latvia as an example of “Candidate Country-BEST”¹ that should be emulated by other EU accession countries.

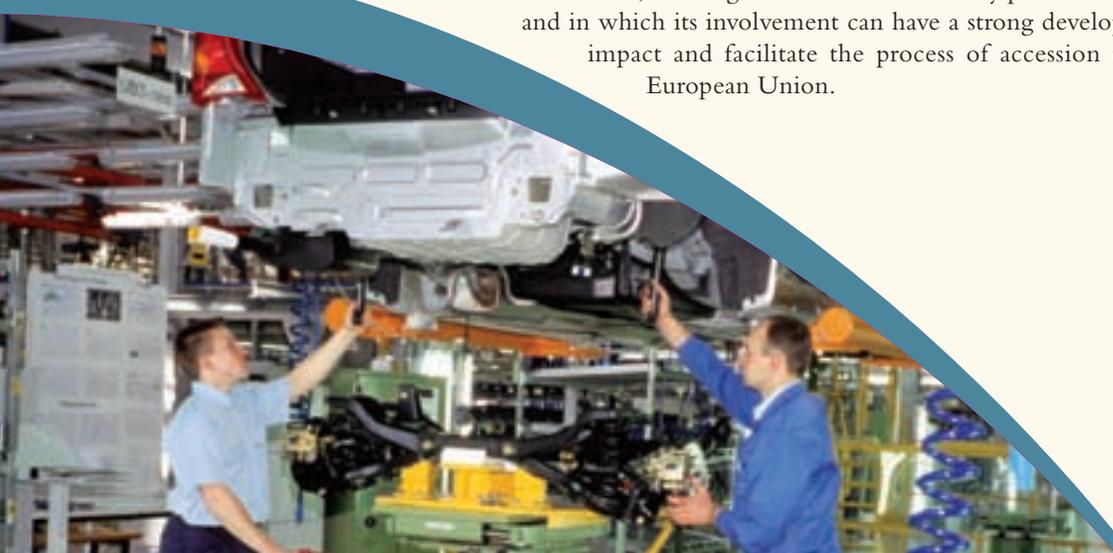
¹ European Commission 2001: Candidate Country – Business Environment Simplification Task Force.

In Ukraine, the Partnership works with farmers to find new markets by increasing access to market information and linking them to processors, wholesalers, and supermarket chains. The Partnership also advises farmers on marketing strategies to increase profits at the farm level and gain stronger market positions (*Canada and Sweden*).

In Russia and Ukraine, IFC (through the Partnership) is promoting improved corporate governance by working with local companies, big and small, on international standards and advising governments on legislation (*Canada, Netherlands, and Switzerland*).

Armenia, Belarus, and Georgia continued to be challenging. In Armenia, earlier TA work on legislation led IFC to invest in the country's first private leasing company. In FY03, FIAS provided a review of the existing and proposed investment law, based on best practices and advice it had provided earlier. In Belarus, which is still hostile to private business, IFC attempted to strengthen the capacity of local business associations by providing advice and consultation to their member businesses and improving their advocacy skills to promote reform of national policies and legislation affecting SME development (*Sweden*). In Georgia, where the business environment was poor and exacerbated by domestic and regional political instability, the Partnership started providing corporate governance expertise and training to leasing companies (*Canada*).

In Central Europe, IFC's strategy is to have a solid though selective role, focusing on areas underserved by private investors and in which its involvement can have a strong development impact and facilitate the process of accession to the European Union.



RUSSIA:

The Ford Focus: Made in Russia

In July 2002, Ford opened a new plant in Vsevolozhsk, near St. Petersburg, where it produces the popular Ford Focus for the Russian market. Although these cars are assembled in Russia, there are actually very few components that are made locally – the majority are produced or partly assembled in other parts of Europe.

Ford's strategy is to increase the content of locally manufactured parts to 50 percent in the next five years. However, with Soviet-era production practices, outdated equipment, and a lack of awareness of quality issues, Russian automotive component suppliers are poorly positioned to take advantage of this new business opportunity.

This is where IFC's Private Enterprise Partnership hopes to make a difference. With funding from the *United States Trade and Development Agency (USTDA)* and *IFC TA Fund*, IFC launched the Automotive Supplier Development Project in August 2002.

A pilot, the project is providing technical assistance to several Russian automotive component firms, all of which are working to qualify as suppliers to Ford's Vsevolozhsk factory. In addition to teaching international quality standards based on ISO-9000, the IFC team is training Russian companies in new techniques to improve quality such as lean manufacturing, quick die change, and giving employees the power to identify and solve production and quality problems.



An innovative and high-impact project funded last year by several donors (*Spain, Finland, and USTDA*) in the Baltics and Central Europe was the TA component of an IFC initiative in energy efficiency financing, the Commercializing Energy Efficiency Finance (CEEFF) project. The initiative seeks to reduce the financing barriers for energy efficiency investments by building the lending and marketing capacity of selected commercial financial institutions and supporting energy services companies to identify, structure, and implement a pipeline of transactions that can utilize IFC financing.

IFC continued to play its catalytic role for reforms in EU accession countries. FIAS was particularly involved in Latvia last year, with three advisory projects. The impact of one of its earlier initiatives in the accession reform process in Latvia was significant and commended by the European Commission (see box).

FIAS continues to be very active in Europe and Central Asia, carrying out reviews of investment legislation, investment incentives, and removal of administrative barriers to investment. FIAS has been particularly active in Southeastern Europe, Russia, the Baltics, and the Caucasus region. Having carried out 14 studies of administrative barriers to investment in Europe and Central Asia, FIAS has prepared self-assessment tools for monitoring and evaluating the resulting reforms, as well as setting up the initial stages of new administrative barriers studies. These self-assessment tools were piloted in Bosnia, Croatia, Latvia, FYR Macedonia, and Romania. FIAS also hosted a seminar on the removal of administrative barriers to investment in Sarajevo in February at which our Southeast European clients were able to share their experiences.

Client governments that are engaged in administrative and regulatory reform can now compare their progress over time and between countries using standard surveys of the business community. The surveys cover the costs and time requirements that businesses experience during standard investment procedures as well as the costs and time spent on such matters as company registration, business licensing, access to land, construction permits, tax payment, customs procedures, product certification, and various government inspections. FIAS continues to work closely with client governments to develop a constructive dialogue between the government and investors, prioritizing the reform agenda; to develop workable reform strategies; to assess the impact of reforms on the business environment; to determine which reforms are working well and which are not; and to make the necessary adjustments to ensure that each country's overall reform program is having the desired effect both on investment levels and on positive FDI spillover benefits throughout the economy.



Latin America & the Caribbean

Helping Governments to Generate Business Growth and Initiate Structural Reforms

In FY03 the TA portfolio for the Latin America and the Caribbean (LAC) region complemented the overall investment strategy, with projects divided evenly between the financial markets and general manufacturing sectors. The global, in particular the US, economic downturn led to growth in the export and tourism sectors, and microfinance. Coupled with international political or economic issues, and the region's vulnerability to the retreat of private capital, the region experienced a challenging year. Many of the TA projects launched during FY03, most notably the new SME Development Facility, were designed to spur job creation and instill public confidence in local business environments.

On the regional level, IFC began to prepare local businesses to use the funding made available through the facility this year. Financial service providers were trained through workshops customized for the hotel and tourism sector using the SME "toolkit" approach (*Canada and IFC TA Fund*). The workshops covered critical areas such as business planning, operational management, accounting, marketing and sales, and capital location and procurement. Local financial institutions, chambers of commerce, consulting firms, and other organizations were recruited to help maintain an active long-term presence in each country and to provide ongoing services to local SMEs.

MEXICO:

Municipal Infrastructure – A First for IFC

In Mexico, a TA assignment supported an infrastructure project, which became IFC's first project involving into the municipal finance market.

In Mexico City, groundwater resources are limited and overexploited, and the lack of a modern wastewater treatment facility has created polluted and unhealthy drainage canals above ground. The municipality of Tlalnepantla de Baz needed to construct a new water treatment and recycling plant. The wastewater treatment plant, the first in Mexico's most industrialized municipality, will treat a combination of industrial wastewater and domestic sewage, recycling it for industry use and freeing up the potable water they use now. The plant is a critical component of a sustainable water management plan for the region.

A TA assignment (*IFC TA Fund*) helped create a program to strengthen the capacity of the municipality in the stages of plant design and project implementation. This will enable the municipality to undertake further projects on its own. IFC has partnered with a local bank to support the municipality's bond issue.



Funding Long-Term SME Growth: New \$30 Million Regional Business Development Facility

An exciting TA development occurred in the final days of FY03 with the initiation of a dedicated SME facility funded by IFC and other donors (\$30 million over five years), to cover Bolivia, Honduras, Nicaragua, and Peru. These countries share common characteristics that are conducive to a vital SME sector: relatively stable macro-economic environments, many informal microenterprises and a few large enterprises but almost no medium-size sector, and governments that are committed to reforms necessary to spur SME growth. In those countries micro and small businesses that wish to grow face obstacles: burdensome registration procedures, changing regulations and policies, an inefficient legal system, limited access to capital from commercial banks, and barriers to the international market.

To help break down these obstacles, the facility will focus on linking small-scale producers to both domestic and export markets. Core activities will include: promoting the development of industry clusters; building capacity for local SMEs to enable them to sell goods and services to larger enterprises – ideally using linkages with IFC investment projects; training bankers in order to familiarize them with lending best practices in the micro and SME sectors; introducing credit scoring methodologies to lower the transaction costs of loaning to untested businesses; providing financial services to micro and small businesses through technology (e.g., use of smart cards and teller machines in rural areas with local dialects); providing business financing from nontraditional sources such as NGOs, microfinance institutions and equity funds; and providing alternate solutions to high collateral requirements such as guarantee funds and credit registries.

While SME training at the regional level complemented the launch of the new facility, work in the financial markets sector addressed the needs of small businesses on a project level. In Colombia, microentrepreneurs rely on the informal microfinance services of the Mario Santo Domingo Foundation. IFC completed a study and business plan to commercialize these services into a viable lending facility (*Canada*).

In Nicaragua, *Canada and IFCTA Fund* financed an in-depth study of the current housing finance system. The government and IFC need a long-term plan to help with the development of the residential housing finance market in order to make housing more affordable to middle and lower income buyers. IFC will use the study to create a long-term business strategy for the sector that will include suggestions to liberalize regulations and possibly to create a secondary mortgage finance institution.

In Bolivia, Colombia, and Mexico growing evidence indicates that during economic downturns, there is a drop in private and public university enrollment. To correct this trend, and to learn more about how to develop successful student financing programs, IFC commissioned four case studies of student financing institutions in those three countries (*Switzerland*).

Because administrative obstacles to business development continue to pose a serious challenge in LAC, FIAS oversaw six projects in the region that focused on the business environment and administrative barriers, including a strategy for promoting FDI in Peru, and a program to help the government of Suriname (not yet an IFC Shareholder) refine its FDI strategy, create an investment promotion agency, and draft new laws regulating foreign investment.



ECUADOR:

Labor Practices in the Banana Industry

IFC's Corporate Citizenship Facility is working with our long-standing client, Favorita, and other major producers and buyers, to improve labor practices in their supply chains so that they can meet international buyer and consumer expectations. This work will ensure that thousands of rural poor can continue to sell produce in international markets.

Because investors and consumers are concerned about social and environmental conditions on the farms that supply Ecuador's Favorita Fruit Company, IFC created a TA program to train its suppliers in environmental and labor issues. While Favorita has attained Rainforest Alliance accreditation and its facilities are certified to international environmental standards, many of the small farms from which it obtains its bananas are unable to afford the training to achieve these standards. CCF will provide courses in labor and environmental issues at no cost to nearly 400 of Favorita's suppliers in four geographical regions throughout Ecuador. The project has the potential to affect practices on over 18,000 hectares of plantations and to improve labor conditions for thousands of workers in the field, helping to ensure that the banana industry in Ecuador is both socially and commercially sustainable and that it remains a viable player in the global marketplace.



BRAZIL:

Privatization of COELCE (Ceará power utility), and the Establishment of a State Multisector Regulatory Agency (ARCE) – a Status Report

In 1997, the government of the state of Ceará in Brazil requested IFC's assistance in privatizing the Ceará state electric distribution utility (COELCE) and establishing a state multisector regulatory agency for a number of infrastructure sectors (ARCE). This assistance was to support the Ceará government, reform of the state infrastructure sector and to attract private sector investment for its modernization.

The assistance was successful. A concession was awarded to a consortium of investors led by ENDESA, a Spanish power concern, and legislation creating ARCE was approved by Ceará's Legislative Assembly in December 1997.

ARCE has been fully operational and staffed since 1998. ARCE is highly regarded as having a catalytic effect on the development of Ceará's private infrastructure by helping mobilize \$880 million in private investments for the purchase of COELCE during the period immediately following the Asian financial crisis of 1998, when foreign direct investment flows to emerging markets collapsed. Later, COELCE, under strict monitoring of ARCE, was forced to invest heavily in order to satisfy the service and quality targets imposed by the concession. COELCE invested about \$120 million in some years, a spectacular increase over the levels of investment realized in the past.



In the real sector, IFC continued to make progress in linkage-related manufacturing projects. In Colombia, IFC worked with Bavaria, the fourth largest beverage company in Latin America, to train its small and micro distributors in operations and basic financial and accounting skills (*IFCTA Fund*).

In Ecuador, IFC helped Reybanpac, an established producer of bananas that is diversifying into milk production and other dairy enterprises, by offering advice on new product development, marketing, and distribution (*Denmark*).

In Honduras, the flower/ornamental plants sector has been identified as a potentially key driver in Honduras' development. To help the government tap its potential, IFC created a program to upgrade management/technical/marketing skills, match local and international companies, support the preparation of business strategies and investment plans, and help create new business associations (*Netherlands*).

Continuing the theme of environmental sustainability in LAC, the Social and Environmental Facilities oversaw five technical assistance programs in FY03. When companies in the general manufacturing sector wanted more information on sustainability practices and how to implement them, the Corporate Citizen Facility (CCF) organized a regional workshop for those companies that included information sharing and longer-term partnering with clients that have already adopted these practices in their daily operations. When conch producers in the Caribbean wanted to expand production and capture greater market share, the Environmental Opportunities Facility (EOF) sponsored a regional initiative to train them in sustainable resource use while expanding sales and upgrading distribution channels.



Middle East & North Africa

Providing Capital and Business Services to a Developing SME and Microfinance Sector

Programs in the financial markets sector dominated the portfolio in the Middle East and North Africa (MENA) region in an effort to provide capital and financial services to growing SMEs. At the regional level, a key development was the launch of a program to document current housing finance systems and existing legal frameworks (*Switzerland*). Another regional initiative took a comprehensive reading of the state of the SME sector – documenting all existing SME programs, evaluating barriers, and spotlighting opportunities to work with European firms in support of SMEs (*Italy*).

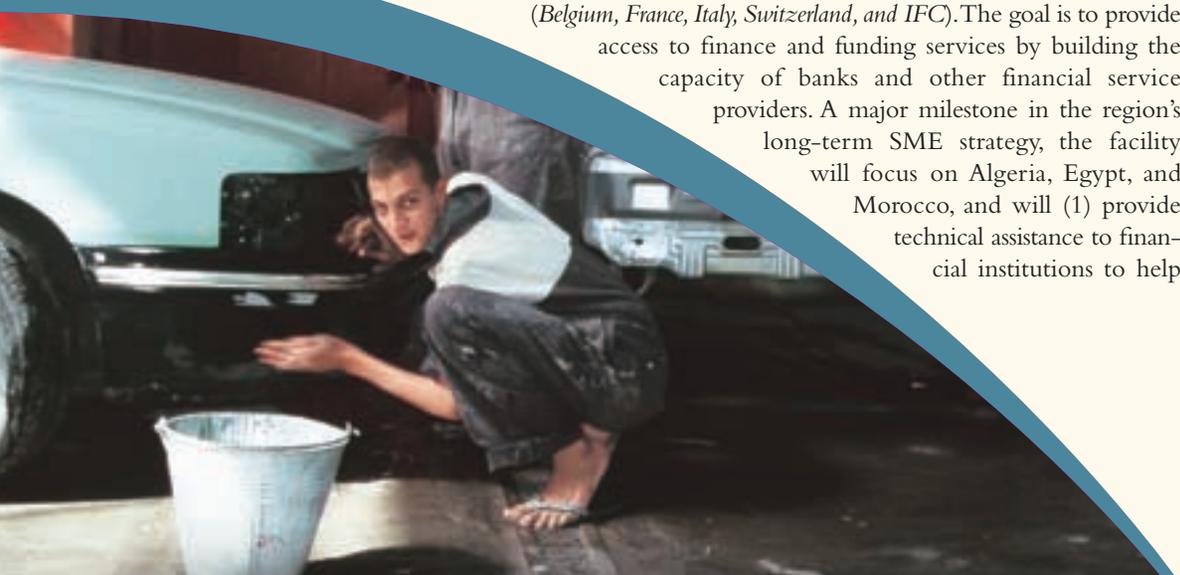
Findings of the study will influence the work of the North African Enterprise Development (NAED) facility, which was officially launched in April 2003 utilizing \$20 million in funding over five years (*Belgium, France, Italy, Switzerland, and IFC*). The goal is to provide access to finance and funding services by building the capacity of banks and other financial service providers. A major milestone in the region's long-term SME strategy, the facility will focus on Algeria, Egypt, and Morocco, and will (1) provide technical assistance to financial institutions to help

them build and develop their SME finance operations and training in areas such as credit evaluation, finance and delivery, basic banking skills; (2) provide training in supply chain / linkage project management; (3) contribute to the capacity building of business associations to better serve SMEs; and (4) contribute to the development of regulatory environments necessary for the growth of a healthy financial sector.

In the region's frontier economies such as Algeria and Syria, IFC continued to focus on strengthening the financial markets sector with an initial assessment of the state of microfinance in Algeria (*Italy*). Data gathered during the study will be used by NAED to design a longer-term microbanking strategy for the country.

In Syria, the financial services and instruments offered by most banks are extremely narrow, prompting most Syrians to hold high levels of liquidity outside the banking sector, or even outside the country. IFC sees the insurance sector providing needed diversification, so IFC oversaw the drafting of a modern insurance law to govern the activities of private sector insurance companies; the law will entail the creation of a supervisory authority for the proper management and functioning of the sector. Other work in the sector included a survey of the potential market for life and non-life insurance in Syria, and an assessment of the existing insurance market with a particular emphasis on relevant legal, regulatory, tax, and institutional factors (*Sweden*).

In more developed economies, work in financial markets strengthening remained a top priority. In Lebanon, the Insurance Control Commission needed assistance in building organizational capacity and in training staff members to carry out supervision in accordance with international standards. IFC designed a program to define, develop, and implement specific supervisory procedures to ensure that international standards are met in the creation of an insurance sector – a crucial first step in the drive to create public confidence in this untested area (*Canada*).





Because credit information is necessary for the application of modern financial technologies to the small business and consumer finance sector, credit bureaus are a key part of IFC's financial markets strategy. As part of the global thrust in this area (see box), a TA study in Pakistan investigated the possibility of converting an existing SME start-up entity, Datacheck, into a credit bureau (*New Zealand*). Datacheck will need additional capital in order to broaden its service offerings and expand into a full-service credit bureau. The potential development of a credit bureau in Pakistan will in turn provide the necessary framework for the creation of future successful retail and small business finance operations in the country.

Also in Pakistan, the government needed a practical plan to improve the affordability and availability of funds to finance homes for middle and lower income households. To address this need, IFC has begun to undertake a feasibility study on the establishment of a secondary mortgage market institution (*USTDA and IFC TA Fund*).

Spurring SME growth at the macro level, FIAS implemented several investment climate studies in the region, with a total of eight projects in Algeria, Jordan, Kuwait, Pakistan, Saudi Arabia, and Tunisia. In Saudi Arabia, FDI was examined as a possible tool to address the cyclical nature of an oil-dependent economy and the country's increasing unemployment problem. In Pakistan, FIAS conducted an administrative barriers study that mapped the general steps necessary to create a legally established business and to start operations (*USTDA*).

EGYPT:

“A Chance to Work” - Training and Employment for the Disadvantaged

Originally started in Washington, D.C., by IFC's Legal Department in 1997, this project worked primarily with the homeless and was based on the premise that one of the best ways to break the cycle of homelessness is to provide a person with a chance to work. Since then, more than 100 people have participated in the project. Hoping to replicate this success, IFC launched a similar initiative in Egypt. Leveraging its private sector connections, IFC established a partnership with the Mansour Group, a leading Egyptian company, and a local NGO to provide training for individuals from poor areas in Cairo in skill sets for which there is a demonstrated market demand. In this case, the project team identified a strong need for certified plumbers and auto mechanics. The individuals received on-the-job training in the Mansour Group facilities. Graduates received certificates and IFC assisted in securing proper employment opportunities for program graduates. All graduates are now successfully employed. The success of this pilot has led to interest by several local private sector groups in creating similar partnerships.



Global

Cross-Border Technical Assistance

While most of our individual TA activities are carried out in specific countries or regions, we do have a number of activities that are global or regional in nature. The central coordination by the SME Department enables lessons learned in one of the regional SME facilities (see Chapter 3) to be applied globally. The three facilities in the social and environmental areas – EOF, SFMF and CCF – are global in their activities. FIAS is also very active in applying the lessons they have learned in one country to other countries. In addition, some TA assignments are global in approach and their results are often applied at the country or investment project level.

One example is IFC's work on business associations. A cross-regional TA builds on an earlier business association needs assessment (*Denmark*) and (i) delivers training and TA to business associations in Cambodia, Nigeria, and Vietnam (as well as South Africa – funded through the CBF) to improve their sustainability; (ii) develops tools and best practices to improve the effectiveness of Business Membership Organization projects aimed at developing the capacity of business associations; and (iii) provides training to staff of the SME facilities on how to assist business associations (*Denmark*). In support of our efforts to reach SMEs through financial intermediaries, we have embarked on a global effort to foster the development of private credit bureaus around the world supported by multiple donors (see box).

Another example is the development of the SME Toolkit (see box), which uses technology to help SMEs.

Development of Guidelines on Environmental and Social Performance

Governments, lending agencies, and investors traditionally seek the advice of the World Bank Group to establish reasonable project and development standards. The guidelines are also useful for investors and local authorities to identify and address environmental and social issues in a structured way and to monitor performance against targets for improvement.

IFC applies guidelines to interpret local needs, possible impacts, and reasonable environmental and social performance requirements for investors and entire sectors. The IFC guidelines are also used by other international financial institutions that do not have their own guidelines and by national authorities when no relevant local relevant standards exist. The IFC guidelines are thus considered to be a significant tool for supporting global sustainable development.

To remain relevant, the guidelines need to be periodically modified and readily available to stakeholders and the public. IFC has, therefore, initiated a program for continuous development of new guidelines and revision of existing ones when needed.

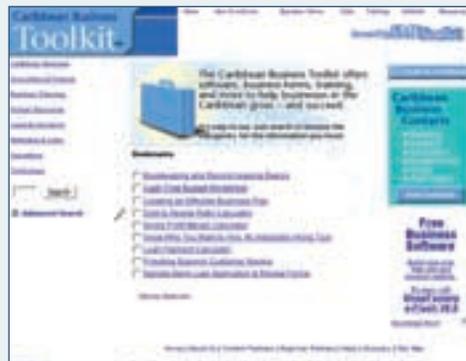
A *Danish* TATF project launched in early 2002 has resulted in a revised strategy for content and layout of the IFC guidelines. The project has prepared the new IFC Guidelines on Occupational Health and Safety and has provided input for the new Guidelines on Health Care. Three more guidelines are currently in preparation: Small Combustion Facilities, Precious Metal Mining, and Aquaculture.



Using the Internet to Help Small Businesses

www.smetoolkit.org

Early in the new millennium, IFC began to develop an electronic toolkit; the objective was to use technology to bring SMEs information on products and services needed throughout their business development cycle, increase their productivity, efficiency and capacity, and improve their access to capital and new markets. In October 2002 IFC launched the English-language version of the SME Toolkit. Funded by the government of *Japan*, the Toolkit provides small businesses in targeted developing countries with access to Web- and CD-ROM-based interactive tools, training, how-to articles, downloadable forms, and software that will help them to improve operational and management practices necessary to grow their businesses. By July 2003, smetoolkit.org was receiving an average of over 200,000 hits and about 2,700 visitors per month from more than 30 countries. The project has received resoundingly positive feedback from both SME end users and small business service providers, with dozens of requests for localization from all over the world.



The SME Toolkit offers a range of rich interactive content to help educate small business owners and managers in seven core business areas: Accounting and Finance, Business Planning, Human Resources, Legal and Insurance, Marketing and Sales, Operations, and Information Technology. The content caters to both novice and mid-level users and has been extremely well-received in target markets. IFC has developed both a Web and CD-ROM-based portal to deliver the SME Toolkit content to small businesses as well as a robust administrative tool that will allow regional partners to translate and manage all of the content and the portal framework in multiple languages simultaneously. In addition to translating the core content into languages, regional partners will supplement the content with locally specific material, including local business directories, information about local sources of financing, and relevant product and market data.

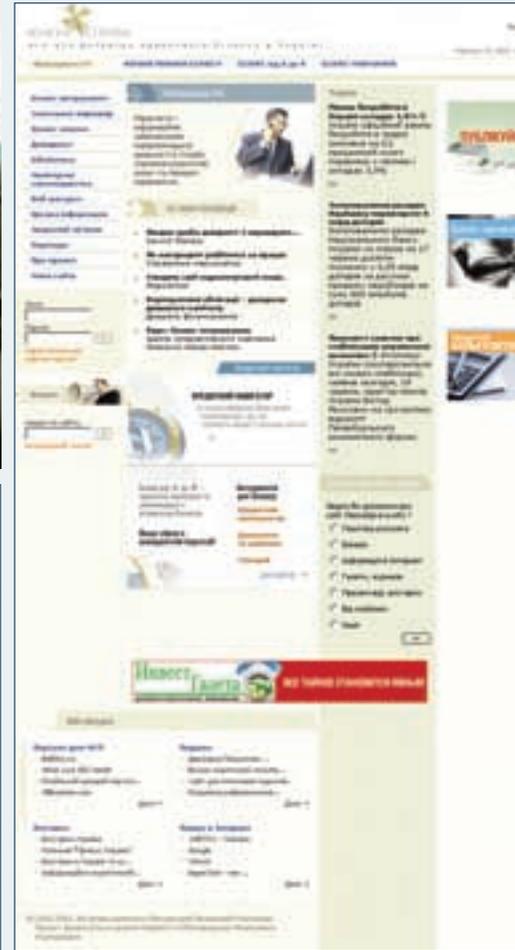
The first localized version of the Toolkit was launched in December 2002 — in Vietnamese (www.businessedge.com.vn) produced in collaboration with MPDF. Since then four additional localized and co-branded sites have been launched, and two more — Mongolian, and Nepalese — are in progress. The sites are:

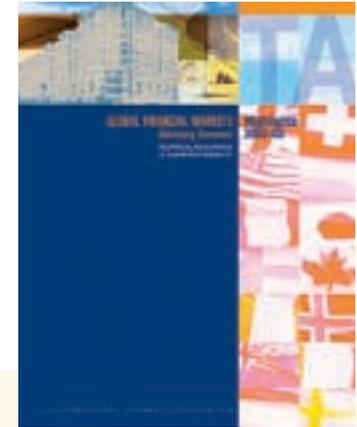
- The Ukrainian and Russian version of the SME Toolkit on www.vlasnasprava.info in cooperation with the Partnership and funded by the government of *Norway* and *IFC TA Fund*.
- A co-branded GP Toolkit site (www.gptoolkit.org) customized for private equity fund managers providing financing to SMEs.
- A Caribbean Business Toolkit site (www.caribbeantoolkit.org) and CD-ROM offered together with a SME workshop program sponsored by *Canada* and *IFC TA Fund*.
- A Spanish version of the SME Toolkit on www.mipyme.com in cooperation with FUNDES in Chile and Colombia.

Continued on page 36



“Vlasna Sprava” means “Own Business” or “Private Business” in Ukrainian. The new Web site offers tools for enterprises to assess their financing needs and recommends customized financing options. The Web site links users to all of Ukraine’s lending institutions and offers an option to apply for financing on line. But first, businesses can determine whether or not they qualify for credit by using on-line instruments to evaluate their financial position. If enterprises do not qualify for credit, the Web site contains financial management training materials and links to consulting companies where enterprises can get professional business advice. A database of banks and financial service providers has been developed that includes information on regional branches of Ukrainian banks to ensure greater reach throughout Ukraine. Databases of business training providers and consulting companies are also included. Launched in February 2003, with support from *Norway*, in its first six months the site has attracted over 1,000 registered users, over 13,000 separate visitors, and over 250,000 hits. In July 2003, the site was ranked 32nd among the most popular business and financial sites in Ukraine.





During 2003, IFC's environmental and social safeguards and the IFC/World Bank Group environmental and social guidelines were adopted by a number of the world's leading commercial banks and made mandatory for their project financing. This initiative, called the "Equator Principles," is a major milestone for IFC in achieving positive development outcomes beyond our investments. This means that an increasing number of institutions will be applying strict standards to investment in emergency markets. It also underscores the value that IFC's environmental and social expertise contributes to the sustainability of private sector investment (see box, page 6).

Keeping up to date and expanding our guidelines for specific sectors is an ongoing effort, and in 2003 we continued to benefit from donor support in the update and expansion of our guidelines (*Denmark*) (see box). CCF is also working on the expansion of our "good practice" series to include biodiversity concerns in

collaboration with IFC clients and an NGO consortium (IUCN and FFI) that will enable businesses in emerging markets to understand and incorporate biodiversity in their operations.

During FY03 the newly created Global Financial Markets Department expanded financial markets advisory services and focused IFC's efforts in the sector. (For further details, see separate report, Highlights 2002-03: Global Financial Markets Advisory Services.)

In 2003, we also carried out a major study to develop IFC's global strategy in the electronics manufacturing and related services subsectors of the high-tech sector. This is expected to facilitate the development of IFC investments in several subsectors where there is a role for IFC investments with global, regional, or local clients (*Switzerland and IFC TA Fund*).

Credit Bureaus Help Underserved People and Small Businesses Get Access to Credit

Through the financial technologies global initiative, IFC has been working to enable financial institutions to target consumer and small business lending profitably. One of the constraints faced by lenders in reaching this segment is the lack of ready access to credit information.

The basic principle of credit reporting – sharing information about borrowers in order to avoid bad credit – has been around for some time. It is widely recognized that credit reporting helps lenders make good credit decisions, thus reducing risk and allowing greater extension of credit to previously underserved segments of the population, in particular small businesses.

In close collaboration with the World Bank's financial sector restructuring efforts, IFC has embarked on a global program of TA to lay the groundwork for the development of private credit bureau systems. The scope of the TA varies depending on the region/country and may include: 1) feasibility studies for the introduction of consumer and small business credit reporting services; 2) support for the introduction of new small business credit reporting services; 3) preparation of business plans for creation or expansion of credit bureaus; and 4) guidance to governments and financial sector participants on the necessary legal and regulatory environments for credit reporting.

Our credit bureau TA was supported by a several donors: *Italy* for Eastern Europe; *Norway* for Africa; *New Zealand* for Indonesia and Pakistan. Moreover, the *IFC TA Fund* is providing financing to integrate these donor-funded efforts on a global basis. Additional funding is being sought for other countries and regions.



3 Donor-Funded Operations – *Overview*



Technical Assistance Trust Funds Program

OUTLINE

Created in 1988 to provide technical assistance (TA) funded by bilateral and multilateral donors, the TATF program now has a total of 46 active funding agreements from 23 individual donor countries/agencies. Besides providing funding for many one-shot TA projects, TATF provides IFC with the ability to test ideas; successful ones are often spun off into stand-alone programs.

NEW TRUST FUNDS

Three new trust fund agreements were signed this fiscal year: with the Finnish Ministry of Trade and Industry (initial contribution of \$1.1 million to promote the development of the private sector, particularly in Russia and China); the German Federal Ministry of Economy (\$1.4 million to hire consultants from its eastern states) and the Republic of South Africa — the first with a country from the African continent (initial contribution of \$200,000).

COUNTRY COVERAGE

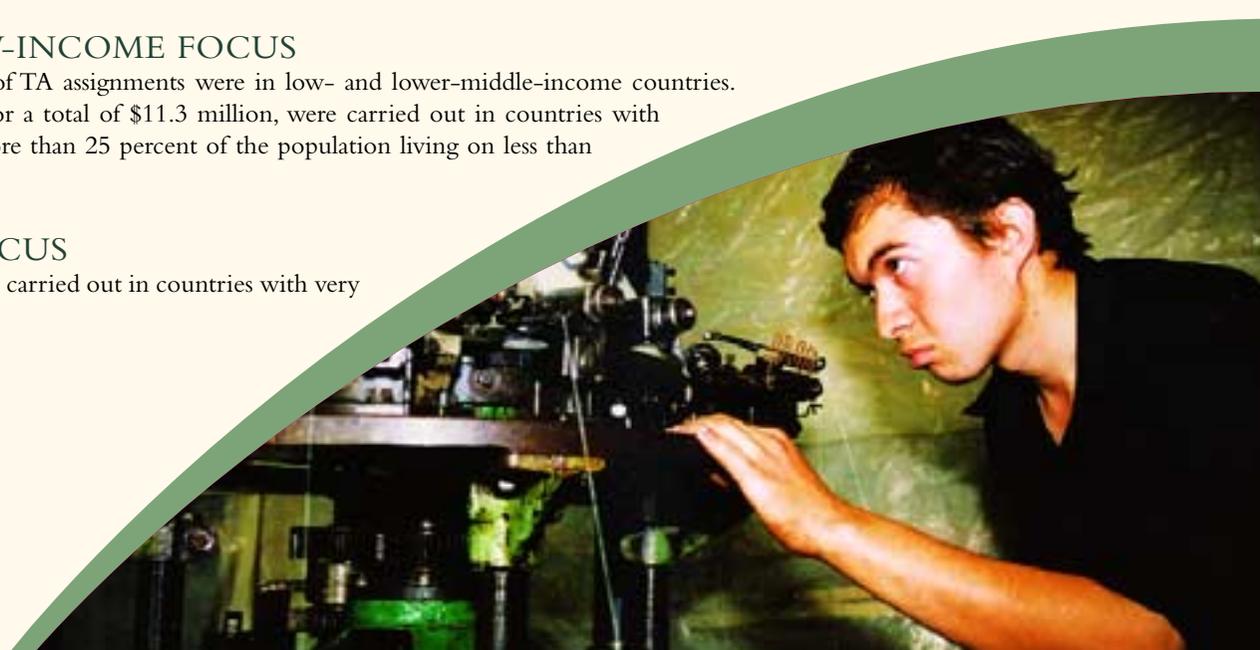
TA was carried out in more than 79 countries.

POVERTY AND LOW-INCOME FOCUS

Overall, more than 90 percent of TA assignments were in low- and lower-middle-income countries. Ninety-seven TA assignments, for a total of \$11.3 million, were carried out in countries with a high incidence of poverty (more than 25 percent of the population living on less than \$1 a day).

COUNTRY RISK FOCUS

Eighty-two TA assignments were carried out in countries with very high country risk ratings.



TA in Poorer and Riskier Countries

Number (%) of Approvals in FY03

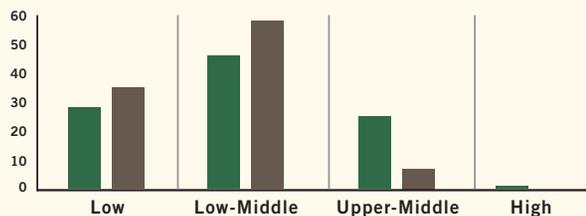
Appropriately, TA activity is skewed more toward the low income countries, and those with higher country-risk ratings, particularly compared to IFC's investment activities.

COUNTRY INCOME	IFC INVESTMENT ACTIVITY ¹	IFC TA ACTIVITY ¹
Low	44 (28%)	37 (35%)
Lower-middle	73 (46%)	60 (58%)
Upper-middle	39 (25%)	7 (7%)
High	1 (1%)	-

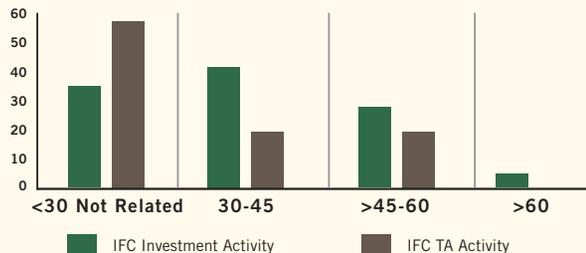
COUNTRY RISK RATING	IFC INVESTMENT ACTIVITY ¹	IFC TA ACTIVITY ¹
<30- Not Rated	36 (23%)	60 (58%)
30-45	68 (43%)	22 (21%)
>45-60	45 (29%)	22 (21%)
>60	8 (5%)	0 (0%)

¹ Excluding TAs and Investments carried out in Global/Multi Regions

COUNTRY INCOME



COUNTRY RISK RATING



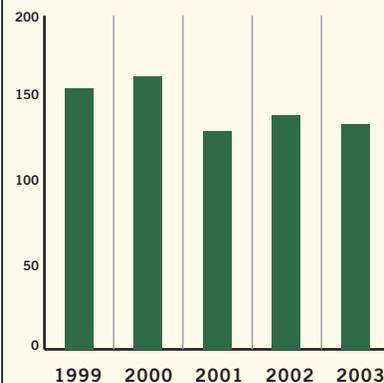
Trends

The pace of usage has been fairly steady year-to-year, since 2000. The opening of a number of regional facilities, which carried out a lot of the TA done through TATF program, caused the drop after 2000.

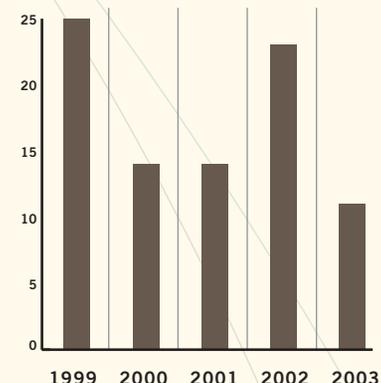
FISCAL YEAR	1999	2000	2001	2002	2003
TA projects approved	153	160	128	137	132
Value of approvals (US\$ m)	\$19.8	\$20.2	\$15.6	\$14.9	\$17.6
Average TA project value (US\$ m)	\$0.129	\$0.126	\$0.122	\$0.109	\$0.133
Number of large approvals *	29	26	23	17	26
Annual contributions (US\$ m)	\$25	\$14	\$14	\$22.9	\$11.3
Annual disbursements (US\$ m)	\$13.2	\$13.00	\$11.8	\$12.2	\$11.9
Number of main trust funds	34	35	37	40	46

* Large approvals are defined as those in excess of US\$200,000

TA ASSIGNMENTS APPROVED FY99-FY03



ANNUAL CONTRIBUTIONS FY99-FY03 (US\$ MILLIONS)

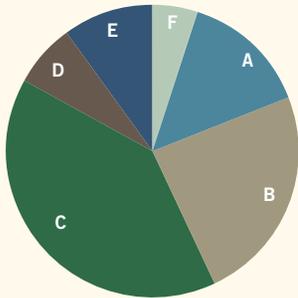


Largest Recipient Countries of TAs in FY03

Of the top eleven country recipients of TATF-funded projects, Serbia and Montenegro (previously Former Republic of Yugoslavia), China, and the Russian Federation continued to be the top three recipients. They accounted for 32 percent of the value and 31 percent of the number of approvals. Except for Ukraine, the other countries in the top eleven list are different from last year, illustrating the ability of the TATF Program to provide flexible funding wherever it is needed.

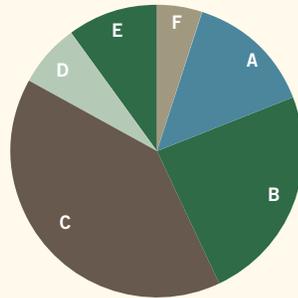
RECIPIENT COUNTRY	AMOUNT (US\$ MILLIONS)	NUMBER OF TA APPROVALS
Serbia and Montenegro	2.25	18
China	2.21	13
Russian Federation	1.23	10
Mauritius	0.74	3
Vietnam	0.58	4
Pakistan	0.43	4
Ukraine	0.41	5
Afghanistan	0.39	2
Ecuador	0.36	3
Ghana	0.35	2
Albania	0.35	1

APPROVALS BY VALUE, FY03
(percent)



A = Sub-Saharan Africa	14%
B = Asia & the Pacific	23%
C = Europe & Central Asia	39%
D = Latin America & the Caribbean	8%
E = Middle East & North Africa	10%
F = Global	6%

APPROVALS BY NUMBER, FY03
(percent)



A = Sub-Saharan Africa	14%
B = Asia & the Pacific	24%
C = Europe & Central Asia	38%
D = Latin America & the Caribbean	11%
E = Middle East & North Africa	9%
F = Global	4%





TA Activity by Region

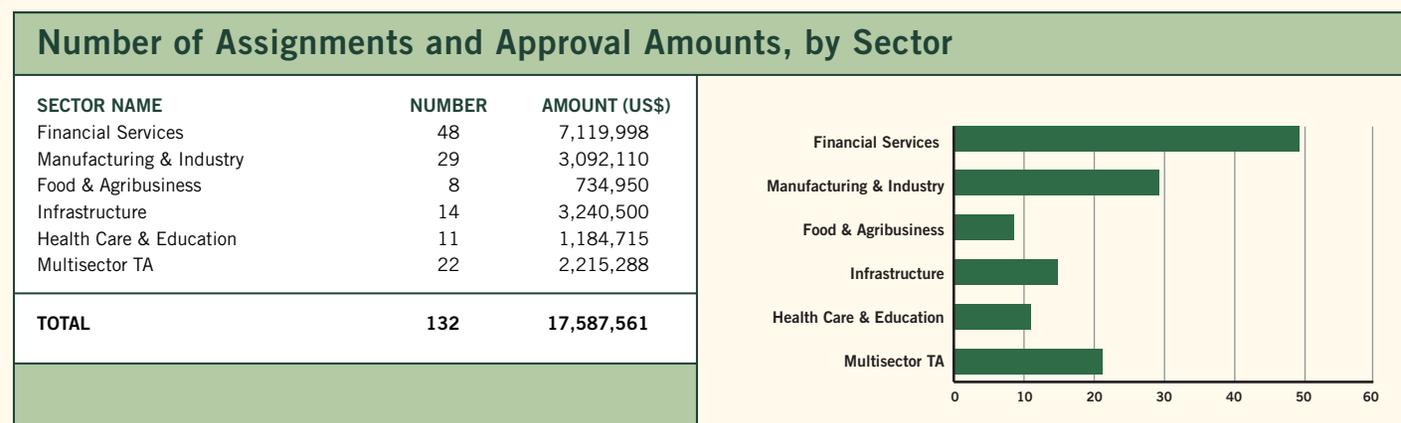
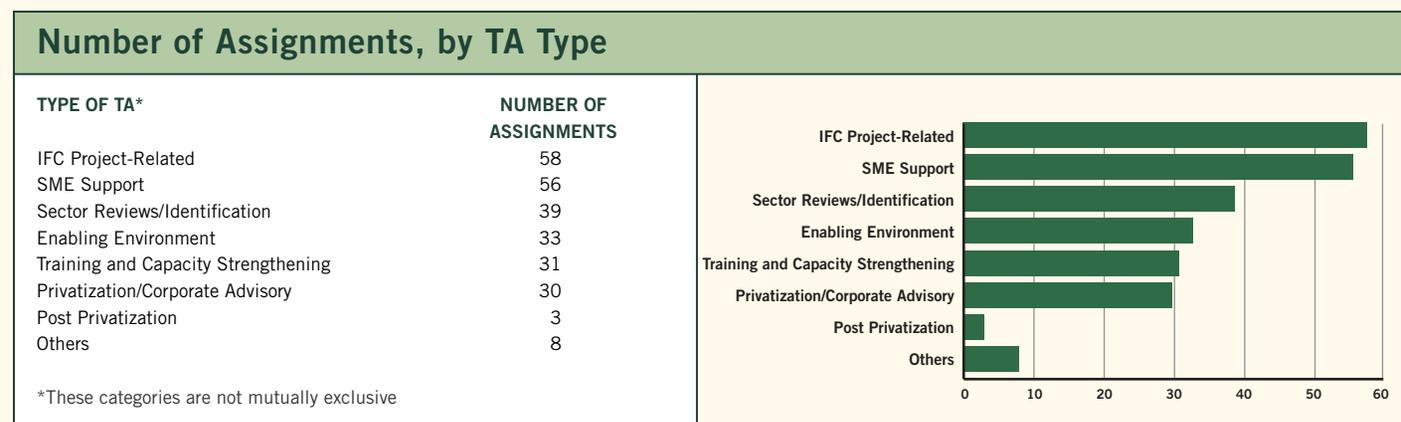
The Sub-Saharan Africa and Middle East & North Africa regions both showed substantial increases in TA, between them accounting for the majority of the total increase in volume. While the absolute levels of TA in Asia and Europe and Central Asia did not decrease in volume terms, their shares did drop in percentage terms, from 74 percent to 62 percent, because of the overall increase.

TA Activity by Donor Country and Region (\$'000s)

DONOR COUNTRY	SUB-SAHARAN AFRICA	ASIA & PACIFIC	EUROPE & CENTRAL ASIA	LATIN AMERICA & THE CARIBBEAN	MIDDLE EAST & NORTH AFRICA	GLOBAL	TOTAL
Australia	-	295	-	-	-	-	295
Austria	-	-	213	-	-	-	213
Canada	350	120	250	354	154	-	1,228
Denmark	200	427	-	40	-	365	1,032
Finland	-	-	338	-	-	-	338
France	-	257	-	-	-	-	257
Germany	-	-	176	-	-	-	176
Greece	-	-	417	-	-	-	417
IFC TA Fund	230	561	722	572	118	300	2,503
Ireland	30	355	14	-	-	-	399
Israel	-	46	100	-	-	-	146
Italy	390	355	1,550	-	354	-	2,649
Japan	-	265	-	-	-	45	310
Luxembourg	130	-	-	-	-	-	130
Netherlands	597	160	449	35	90	-	1,331
New Zealand	-	224	-	-	50	-	274
Norway	350	229	170	165	300	-	1,214
Spain	-	-	600	-	-	-	600
Sweden	-	278	1,178	-	140	-	1,596
Switzerland	232	465	214	143	360	250	1,664
United Kingdom	-	21	135	-	-	-	156
United States	-	-	400	-	260	-	660
TOTAL							
(\$ thousands)	2,509	4,058	6,926	1,309	1,826	960	17,588
Percent	14%	23%	39%	8%	10%	6%	100%
Number of Approvals	18	32	50	14	12	6	132
Percent	14%	24%	38%	11%	9%	4%	100%

Types and Sectors of TA Assignments

Consistent with IFC strategy, the TATF Program supported TA assignments with broad-based development impact. In the following tables one can clearly see the alignment between the sectors in which TA was carried out and those central to the IFC strategy—financial markets, SME development, infrastructure and the social sectors.



SME Facilities

Improving Lives by Creating Opportunities in Small Business

One of IFC's key tools in small business development is the family of SME Facilities¹ that it manages on behalf of a broad range of donors. These facilities—plus IFC's Private Enterprise Partnership (the Partnership) in the former Soviet Union, which also serves larger companies—offer a variety of important services to the small business community in countries that typically receive little in the way of private capital.

There are eight SME Facilities² now active. The eight facilities, plus AMSCO and the Partnership together have annual budgets of approximately \$60 million, 40 field offices, and a total combined staff of approximately 600.

All facilities are engaged in some way or the other in activity areas of: (1) access to finance, (2) capacity building, (3) business enabling environment, (4) company advisory assistance, (5) business support services development, and (6) investment services. This year saw the opening of new facilities in Indonesia, South Asia, and North Africa, as well as early work on another soon to open facility in Latin America.

Africa Project Development Facility

Operational since 1986, the Africa Project Development Facility (APDF) has five regional offices throughout Sub-Saharan Africa. Since 2000, often working alongside its sister organization, the African Management Services Company, APDF has been working under a five-year strategic plan, set by IFC and approved by the donors. APDF's objectives include:

- Building successful SME models by increasing access to capital, expanding procurement opportunities, and enhancing entrepreneurial development assistance
- Strengthening the role of SMEs in advocacy
- Developing local capacity to allow for the exit of APDF

During the year, considerable effort has gone into improving the quality of APDF's services. Management information systems, tools, and delivery processes were updated. Staff were trained to work more effectively in newly identified business areas and to help transform APDF into a customer-driven organization while increasing cost recovery.

ACCOMPLISHMENTS IN FY03

Despite the weakening of the US dollar against most African currencies, which depleted actual funds available, APDF achieved better results than in any previous year. Currently, APDF is focusing its efforts on countries in the process of reform. It is also responding to the demand for services in postconflict countries, such as Angola and Rwanda.

¹ For comprehensive information on all of the World Bank Group's SME-related work, visit the department's Web site at www.ifc.org/sme or see separate Report on WBG Review of Small Business Activities 2003.

² APDF, CPDF, IEDF, MPDF, NAED, SEDE, SEED, and SPPF

Business Advisory and Enterprise Support Services: APDF completed 41 business advisory services projects and 150 enterprise support services modules in FY03. Training of SME personnel, consultants, and the staff of financial institutions has also become an increasingly important activity. In Ghana, for example, APDF helped banks acquire the practical skills to effectively serve SME clients—such as understanding the mindset of the entrepreneur, credit risk assessment, and financial analysis. APDF is also partnering with other organizations, for example, helping Lusaka-based NORSAD (a Nordic/Southern African Development Community funding vehicle) finance sound, well-planned projects as a way to enhance its own impact. Overall, approximately 2,500 staff from SMEs attended APDF courses and workshops this year; 600 financial institution personnel were trained, along with 540 consultants.

Support for Women and Youth Organizations: This year, 20 women’s organizations received assistance. APDF has increased its support for such projects, recognizing their potential to represent the needs of women entrepreneurs, who face a wide array of obstacles. It is assisting in the start-up and sustainability of SAWEN, the South African Women Entrepreneurs Network, and also working closely with the Nigerian Business Women’s Forum.

Linkage Programs: APDF is currently working on six supply chain linkage projects, with two more in the planning stages. Among the current projects: Konkola Copper Mines in South Africa engaged APDF to help local SMEs become suppliers to the mine, while facilitating diversification strategies so that they do not become captive suppliers. With the support of the Capacity Building Fund (CBF), this new business area is already showing promising results. The facility is now working to integrate linkage as a mainstream business activity.

China Project Development Facility

The China Project Development Facility (CPDF) commenced operations in 2002 in China’s interior, with an initial focus on Sichuan province. Planned and implemented in close collaboration with the Chinese government and its Western Development Program, the facility builds upon the strong World Bank presence in Sichuan with a comprehensive approach to three important economic challenges: lagging development in Western China, a relative lack of strong new commercially oriented financial institutions, and a struggling SME sector.

CPDF has three business lines:

- 1) Access to Finance:** CPDF supports partner financial institutions through a combination of TA and direct assistance to SMEs to strengthen their operations and raise finance.
- 2) Capacity Building and Sustainable Development Initiatives:** CPDF strengthens local nonfinancial intermediaries through innovative “franchising” and TA projects, designing and developing short, adapted management education and training initiatives, as well as supporting supply chain linkages, corporate governance, and environmental management programs.
- 3) Business Enabling Environment:** CPDF participates in a program with the World Bank, the donor community, and government agencies; supports the government’s efforts to develop a credit reporting system; provides assistance to address key constraints, primarily in access to finance; conducts administrative cost surveys and SME mapping; and supports business and industry associations.

ACCOMPLISHMENTS IN FY03

In CPDF’s first full operational year it has gained recognition in the local private sector services market and successfully completed initial projects for Sichuan SMEs and intermediaries. CPDF has accomplished its goals, and will continue in the coming year to deepen its assistance. FY03 highlights include:

- 11 SMEs received financial advice and/or technical assistance; thus far, two SMEs obtained finance and two additional SMEs completed investment plans.



- Eight financial institutions, including three in Mianyang and Leshan, partnered with CPDF. Activities included implementation of an ongoing TA program for Chengdu City Commercial Bank (focusing on strengthening management and internal controls and introducing international accounting standards); and assistance to the credit guarantee firm supported by the *United Kingdom* to raise \$3 million in new equity.
- 19 training events on credit analysis, consulting, management training, and environmental audits were held for 400 participants from financial institutions, consulting firms, government agencies, and others.
- 30 consultants from five partner firms successfully implemented a consulting methodology to build capacity in delivering consulting services, generating contracts totaling \$572,000 with 16 SMEs.
- A large firm partnered with CPDF in Sichuan to launch an SME supplier chain linkage program to help generate new markets for Sichuan SMEs.
- CPDF conducted market assessments and baseline studies in corporate governance and management training and initiated reviews of the IT, venture capital, pharmaceutical, and automotive parts sectors in Sichuan.
- 24 promotional seminars attracted a total of 1,885 people to raise awareness on SME development issues.
- SME mapping work is ongoing in Sichuan and Zhejiang provinces. This work highlights the key constraints facing Chinese SMEs and is expected to provide a basis for follow-up actions on the World Bank Investment Climate Assessment.



Mekong Private Sector Development Facility

The Mekong Private Sector Development Facility (MPDF), formerly the Mekong Project Development Facility, was launched in 1997 to support the establishment and growth of SMEs in Vietnam, Cambodia, and Laos. SME development is a crucial part of ongoing efforts in all three countries to overcome widespread poverty and continue the transition from centrally planned to market-based economies.

In its first five years, MPDF provided direct assistance to SME companies to improve their access to capital as well as to high-quality business services. Starting this year, MPDF Phase II will focus on extending previous achievements, particularly in bank and management training. The strategy is to develop the capacity of business development services, build a more conducive business environment in general, and carry out more activities in the poorer and smaller countries of the region.

MPDF II has three basic programs:

- 1) **Company Advisory Assistance:** Working mainly through local consultants, MPDF helps SMEs to improve operations, develop new markets, strengthen management, and develop sound business plans. This program offers four forms of assistance:
 - **Operations Reviews** look at all aspects of a company's management and operations to identify problem areas and potential solutions.
 - **Links with Consultants** bring together companies with problems and consultants with solutions, and monitor consultant assistance to ensure successful implementation.
 - **Business Consultants' Development** helps expand the supply and quality of local SME business development services by helping them improve their consulting skills, knowledge of business management, and expertise in relevant areas.
 - **Finance Raising** helps companies develop viable investment proposals and introduces them to potential lenders or investors.



2) **Business Development Programs:** MPDF supports four key initiatives to strengthen the capacity of local institutions that provide essential business services to SMEs.

- **SME Management Training and Flexible Learning** builds on MPDF's previous work by developing new training curricula and products, flexible methods of delivery, and partnerships with key training providers.
- **Bank Training Center** builds on the capacity already developed in the banking sector through MPDF's programs, and recruits and trains local instructors to take over the provision of the quality training that is increasingly in demand.
- **Business Associations Support Initiative** helps improve the capacity of business associations by providing management training, assisting with strategic and action plans, and promoting linkages with other countries.
- **Export Development** addresses the growing need of SMEs for export marketing assistance by focusing on training and publications, raising awareness among potential exporters about international standards, and promoting e-commerce.

3) **Business Enabling Environment:** The Business Enabling Environment program researches and analyzes the critical problems faced by businesses and government agencies in areas relevant to SME growth. Results are widely shared, to encourage better understanding of the issues and collaboration among stakeholders in developing and implementing business-friendly policies and practices.

North Africa Enterprise Development

North Africa Enterprise Development (NAED), IFC's newest operational multidonor SME facility, was formally launched in April 2003. With an initial five-year budget of up to \$20 million, the facility brings expertise and assistance to the SME sector in Algeria, Egypt, and Morocco. NAED's core mandate is to improve the lives of people in the North Africa region by strengthening the local SME sector to create jobs and opportunities. It coordinates closely with other government, donor, private sector, and NGO initiatives, seeking lasting results that do not rely on continued external subsidies. NAED's commercially oriented structure is similar to that of its sister facilities—tailoring services to local demand and charging appropriate fees to recover costs.

Off to a rapid start, the facility already has fully functioning offices in Algiers, Cairo, and Rabat, and with office staff receiving training and ongoing support from other SME facilities and from IFC headquarters. Activities target three key areas, seen as central to breaking down SME constraints:

- Access to capital
- Business development services
- Business enabling environment

ACCOMPLISHMENTS IN FY03

NAED staff completed an in-depth assessment of retail/SME operations of four banks in Morocco and Egypt and signed advisory mandates with two Egyptian and one Moroccan commercial bank to assist them in developing retail and SME operations. The facility initiated a partnership with Al Amana, a leading Moroccan microfinance institution, to develop individual loan packages for small business owners. In Algeria and Morocco, NAED worked with several business associations, and the Cairo office completed training of 30 management consultants who can assist small business owners in Egypt.

Other business development activities in FY03 included surveys of 23 business associations in Algeria, 40 training institutes in Egypt, and 15 service providers in the Tangiers region.

SouthAsia Enterprise Development Facility

The SouthAsia Enterprise Development Facility (SEDF) was launched in October 2002. Headquartered in Dhaka, Bangladesh, it also serves Nepal, Bhutan, and Northeast India.

SEDF has four major strategic priorities:

1) Access to Finance: SEDF provides support to partner financial institutions through a combination of technical assistance and policy-related work. This year it carried out institutional strengthening programs with 250 participants from 30 Bangladeshi and Northeast Indian banks, and signed memoranda of understanding with a bank training institute and development finance institution in Northeast India. Training in SME credit analysis was offered in collaboration with the Bhutan National Bank, the Bank of Bhutan, and the Bhutan Chamber of Commerce and Industries.

2) Business Development and Capacity Building Services: Efforts focus on priority subsectors such as ready-made garments, light engineering, agribusiness, and information technology, basing its responses on both demand and supply analysis. SEDF has built partnerships with local and international firms and training institutions to deliver high-quality training to SMEs. In the garment sector, SEDF is helping several medium-size Bangladeshi firms benchmark themselves against potential competitors from other developing countries, then build their productivity. In agribusiness, a sectoral “map” has been prepared and shared with other stakeholders as a way of identifying SEDF’s most useful programs of assistance. The study revealed, for example, that Bangladesh has untapped spice production potential and that with training and technical assistance, the quantity and quality of output could be considerably increased.

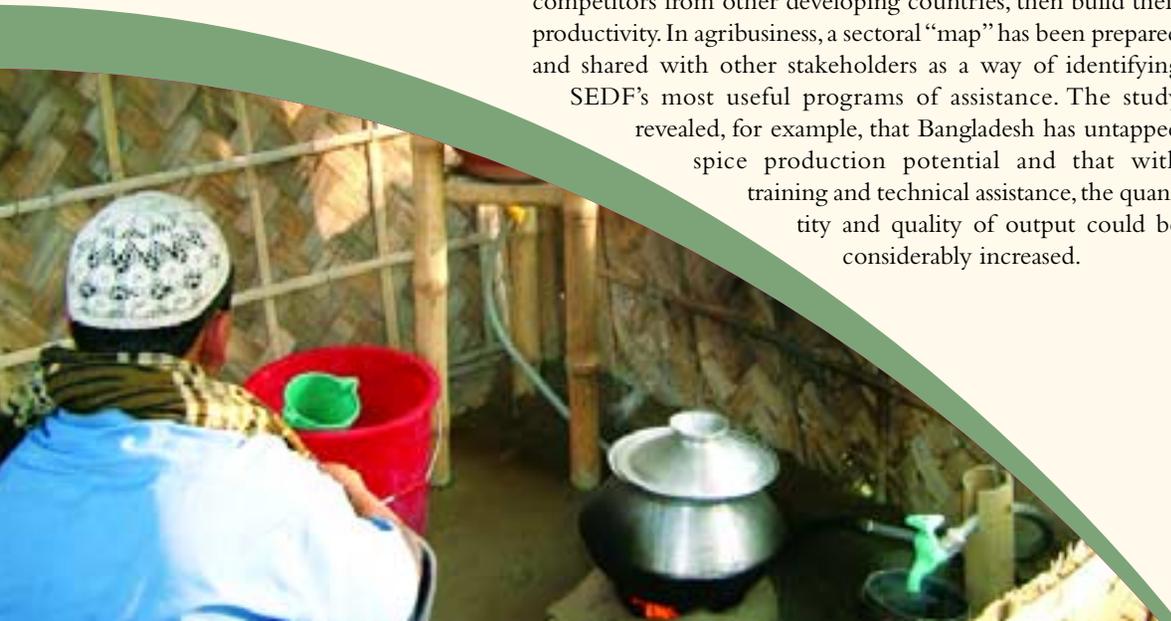
3) Business Enabling Environment Reform: SEDF promotes greater inter-regional and international trade and removes key policy obstacles standing in the way of SME growth. A business-to-business program linking 18 companies in Bangladesh and Canada resulted in \$17 million worth of investment and exports between the two countries.

4) Special Projects: These include linkages, environment and social projects, among others. Up to 40 million people in Bangladesh are at risk of arsenic poisoning from drinking water sources, creating a demand for a low-cost, effective household solution for decontamination of groundwater. SEDF has responded by preparing a business plan for a local SME that maybe considered for financing by the Environment Opportunities Facility.

Southeast Europe Enterprise Development

The Southeast Europe Enterprise Development (SEED) facility is a five-year, \$25 million multidonor initiative to strengthen SMEs in Albania, Bosnia and Herzegovina, FYR Macedonia, and Serbia and Montenegro. The facility focuses on improving the quality of consulting and training available to and for the SME sector, and helping meet the demand for such services.

To better meet these overarching objectives, SEED has introduced the “Platform Approach” as a new way of doing business. This integrated approach to client services includes requirements to clearly define scope, integration (in-house and/or external), impact, mobilization, and replicability prior to project approval and implementation. Five operational objectives have been set: linkage work, access to finance, business membership organizations, institutional building, and capacity building.



ACCOMPLISHMENTS IN FY03

During FY03, SEED delivered 65 internal enhancement plans; 67 post-internal enhancement plans including 55 investment plans/investment overviews; 5 marketing plans; and 2 technical plans. Nine projects were financed for a total of \$5.6 million. SEED also completed 31 capacity building projects, training more than 300 local service providers, nearly 700 employees/managers from SMEs, 270 employees of financial institutions, and more than 800 youths. SEED undertook 16 business enabling environment initiatives, including surveys and studies, publications, and input into donor/government strategies on SME development and poverty reduction.

A key recent project involves Serbia's Tigar Rubber Products Co., a 4,000-employee privatized automobile tire and tube maker, which undertook a large investment program (a €45 million transaction) financed by IFC alongside Michelin of France. That transaction was the single largest investment in a private Serbian company in more than a decade. Thus far, SEED has provided Tigar with strategic advice on new supply and distribution chain linkages with local SMEs. Part of the work focuses on structuring the upcoming sale of Tigar's noncore assets in a way that will create several viable new SMEs in the town of Pirot, whose economy depends heavily on Tigar and might otherwise be hit hard by layoffs stemming from the restructuring (*Sweden*).

SEED is also working with IFC's Corporate Citizenship Facility on a new Balkans Herbal Development Initiative to promote a more effective, profitable, and sustainable herbal sector through analysis of key issues and support to local herbal businesses.



South Pacific Project Facility

The South Pacific Project Facility (SPPF) aims to reduce poverty by assisting with the development of a viable small to medium-size private sector in the Pacific. This year, the facility set challenging targets and has come close to fulfilling or has exceeded most of them, all while spending nearly 25 percent less than planned. In addition, SPPF completed a major strategic project that will provide a framework for its efforts and for many others working in the Pacific region for years to come.

Key themes this year were:

- SME finance
- A strategic review of private sector needs in 12 countries
- The transition and scaling back of the facility's direct-to-SMEs finance raising product

ACCOMPLISHMENTS IN FY03

- **Yaukuve Island Resort in Fiji:** SPPF developed the concept for this proposed resort and helped raise the necessary finance. Not only will Yaukuve be a unique and exclusive tourist destination bringing in revenue for Fiji, but it has a strong indigenous Fijian component.
- **TA in Timor-Leste:** There is an urgent need for appropriate structures at the governmental level to facilitate the flow of private sector investment in tourism. At the request of the government, and funded by the *World Bank*, SPPF recommended initiatives to support the promotion of investment in the tourism industry and presented results at a workshop in Dili.
- **TA to National Bank of Samoa:** SPPF provided an extensive technical assistance program designed to improve the National Bank of Samoa's performance. The assistance covered credit risk, management, information technology, and strategic planning. To further improve the bank's management and corporate governance, SPPF assisted with the appointment of a recognized banking and finance specialist as an independent, nonexecutive director on the institution's board (*New Zealand*).

Private Enterprise Partnership

Building Partnerships for Sustainable Economic Growth

IFC's Private Enterprise Partnership (the Partnership) is IFC's technical assistance program in the former Soviet Union. IFC established the Partnership in 2000 with a three-year administrative budget of \$12.6 million as a continuation of the technical assistance programs IFC has been carrying out in the region since 1992. The Partnership has consolidated IFC's technical assistance programs across the former Soviet Union under a single management structure, expanded these activities, and integrated them more closely with IFC's investment work. Designed as a partnership among donors, private sector investors, local companies and governments, and IFC, the Partnership creates greater synergy in development efforts and enables IFC to react quickly to emerging development challenges.

The Partnership at a Glance

- 28 projects in nine countries – Armenia, Azerbaijan, Belarus, Georgia, Kyrgyz Republic, Russia, Tajikistan, Ukraine, and Uzbekistan.
- Nine capital city offices and 15 regional offices.
- Over 250 staff, 90 percent of whom are local professionals.
- Funded jointly by IFC and donor governments of *Canada, Finland, Germany (Bavaria), the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and the United States.*



RUSSIA:

Impact On the Ground: Healthier Forests for a Healthier Economy



Russia's forests are one of the country's most valuable resources. To help Russia gain a great advantage from the proper management of this resource, IFC works with Russian forestry companies on sustainable forestry and environmentally sound business practices and facilitates links with investors.

In 1995, OOO Progress was a medium-size company. Now it is the largest wood harvesting company in Northwest Russia's Leningrad region. With 1,000 employees and more than \$11 million in annual revenues in 2002, Progress is the largest employer and one of the top taxpayers in Podporozhie, a city of 21,000 people. By the end of 2003, the company plans to increase its harvesting volume by more than 20 percent. The Partnership's Northwest Russia Forest Investment Project, funded by the government of *Finland*, has played an important role in this growth.

IFC has been working with Progress since 1999. The Partnership's Northwest Russia Forest Investment Project advised and trained the company's management in corporate governance, modern business practices, product marketing, financial management, and modern production technologies. The project also advised the company on its long-term business development strategy and helped it find a foreign partner – Thomesto (Metsaliitto Group) – that acquired a significant stake in Progress in 2002.

Progress' growth and outside financing allowed it to invest in new modern equipment for selective cutting to improve its harvesting operations. To secure the company's further long-term growth, the Partnership is now working with Progress to improve its sustainable forestry management and enhance environmentally sound wood-harvesting practices.

Progress' success and reputation have enabled it to develop valuable contacts with several European sawmills and pulp companies. The company's operations have become more integrated into those of Metsaliitto Group, one of the world's leading forestry companies. In cooperation with the Group, Progress developed a joint project to build a new sawmill. The new joint company, Svir-Timber, is already registered and is expected to produce about 120,000 cubic meters of sawn timber per year.

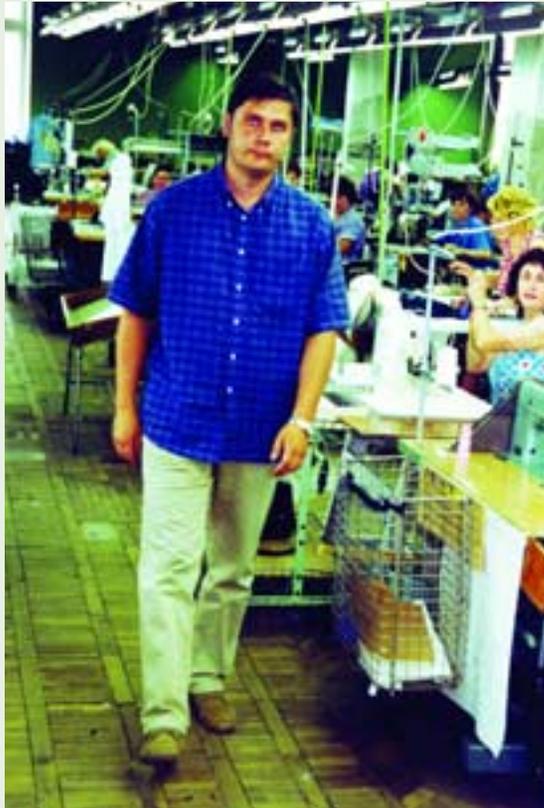
Progress is one of a dozen forestry companies in which the Partnership has helped to improve management and production practices and match with European partners.



UKRAINE:

Minority Shareholder Rights Protected: *IFC's Partnership's corporate governance advice helps a Ukrainian manufacturer survive and save hundreds of jobs*

Established in 1947, the Ukrainian company Kashtan (Ukrainian for chestnut tree, a symbol of the national capital, Kyiv) is one of the country's oldest garment producers. Privatized in 1993, the company is a leader in clothing production. It manufactures for the local market, as well as exports under such globally known brands as Burberry and Marks & Spencer. It employs nearly 500 workers, paying some of the highest salaries in the industry.



A year ago, Kashtan faced a hostile takeover. An auto company, interested in Kashtan's location, offered to buy its shares. It offered very low value, and if successful, would have halted production and laid off all the workers. When the offer was rejected by company management, the auto company began aggressively buying shares from the employees who owned 80 percent of Kashtan. With an illiquid market, no information on valuation, and no legislation regulating takeovers, many employees were easily manipulated into selling their shares at low prices.

After first trying to buy shares in an effort to outbid the auto company, Kashtan's management turned to the Partnership's Ukraine Corporate Development Project for help. The project advised Kashtan to be transparent with the minority shareholders-employees, and inform them about the takeover attempt, the true value of the company, and their right to make their own decision. It also advised Kashtan on a media campaign to inform the public about the company's activities, future plans, and the attempted takeover.

As a result a majority of the workers supported the continued existence of the company and decided to either keep their shares or sell them to management. Today, management owns a 64 percent stake, the workers own 11 percent, and the auto company has 25 percent. Kashtan has begun discussions to buy back the auto company's stake. Prompt action and management's commitment to transparent practices helped save Ukraine's leading garment producer and preserved hundreds of jobs.

Overall the Partnership's Ukraine Corporate Development Project has conducted over 30 seminars on corporate development for 1,500 participants and provided over 600 consultations to more than 270 companies across Ukraine. To ensure good corporate governance among future managers, the project works with educational institutions on their corporate governance curricula. The project also works with the government of Ukraine to improve legislation regulating the country's corporations. The project has advised the Ukrainian government on 11 pieces of legislation, three of which have been adopted.



RUSSIA: Leasing Development Project

This year the Partnership concluded its Russia Leasing Development Project, funded by *Canada* and *the United Kingdom*. This project played a key role in developing a competitive \$2.3 billion leasing market in Russia. The project's major contributions include drafting and advocating amendments to Russia's Tax Code and the Law on Leasing to strengthen leasing legislation, training thousands of people across 35 of the 89 regions of Russia, and providing more than 1,400 consultations to Russian and foreign companies on the legal, accounting, and taxation aspects of leasing operations to build leasing expertise. IFC also invested \$19 million of its own resources and mobilized an additional \$45 million in four Russian leasing companies. With funding from *Finland*, the Partnership continues to promote increased investment in the sector by matching Russian leasing companies in the northwest with European investors.

The expertise gained by the Russia Leasing Development Project gave a quick start to the IFC's Central Asia Leasing Project (*Switzerland*). The project has already contributed to leasing and tax legislation passed in the Kyrgyz Republic, Tajikistan, and Uzbekistan. The project also supported IFC's offices in Armenia and Georgia in drafting leasing legislation, the passage of which led to IFC's investment in Armenia's first private leasing company. This year the Partnership launched leasing development projects in Azerbaijan (*Switzerland*) and Georgia (*Canada*).

The Partnership works with its partners to achieve the following objectives:

- Attract private direct investment.
- Stimulate the growth of small and medium enterprises.
- Improve the business-enabling environment.

To achieve these objectives, the Partnership implements programs in four distinct, complementary areas:

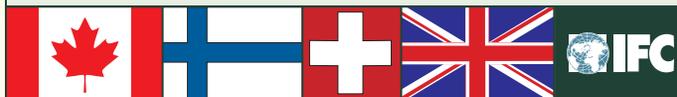
- Building supply and distribution chains to link smaller companies to major investors.
- Developing financial markets.
- Improving corporate governance practices and regulations.
- Building business support services and improving the regulatory environment for SMEs.

The Year in Review

This year the Partnership expanded its programs to Azerbaijan and Georgia and is currently implementing 28 projects in nine countries. Eleven of these projects were launched in FY03. In addition, the Partnership completed six projects during the fiscal year.

Thus far, the Partnership's technical assistance work has facilitated \$799 million in investment, including \$68 million from IFC.

The Partnership's projects are made possible with support from the governments of *Canada*, *Finland*, *Germany (Bavaria)*, *the Netherlands*, *Norway*, *Sweden*, *Switzerland*, *the United Kingdom*, and *the United States*, which have together contributed over \$41 million over the last three years, including \$8.4 million in FY03. Based on the Partnership's strong performance, IFC extended its funding of \$4.6 million per year through the end of FY06. IFC's contribution covers the Partnership's management costs, including project development, financial management, human resources management, and project impact assessment. This allows for the vast majority of the donor funding (95 percent) to go directly to projects. IFC's renewed funding of the Partnership testifies to IFC's continued commitment to technical assistance programs in the former Soviet countries and its commitment to maximize the value of donor contributions.



Foreign Investment Advisory Service

Introduction

The Foreign Investment Advisory Service (FIAS) program helps the governments of developing countries design initiatives to attract foreign direct investment (FDI). FIAS advises on laws, policies, regulatory procedures, incentives, institutions, and strategies. The objective of advisory projects supported by the FIAS program is to strengthen a country's investment environment by improving existing policies, regulations, and institutional arrangements so as to enhance their capabilities to attract foreign and domestic private investment in support of the country's overall development process.

Since its founding in 1985, FIAS has assisted more than 125 countries—many of them on a continuing basis over the years. Its broad experience has helped it identify the essential attributes of a sound investment environment. Its staff tailors this knowledge to the circumstances of client countries to help them reach their potential for attracting foreign direct investment.



FIAS works only at the request of governments, on topics identified by governments and agreed to by both parties. This ensures the relevance of the assistance and lays the foundation for active partnership. The Service offers much more than one-way advice and written reports: through interactive workshops and roundtable meetings that often include business executives and other stakeholders, it helps governments chart paths to change, which are both technically and politically practical.

FIAS has the unique strength of being a joint service of two of the world's largest multilateral development institutions: IFC and the World Bank. FIAS staff can—and do—call on the expertise of the entire Bank Group in designing coordinated assistance packages for client countries.

FIAS completed 49 advisory projects in FY 2003: 12 projects in Sub-Saharan Africa, with Eritrea as a first-time client; 11 projects in Europe and Central Asia; 11 projects in Asia and the Pacific, of which 3 were in the Pacific; 9 projects in the Middle East and North Africa; and 6 projects in Latin America and the Caribbean.

Advisory Services

FIAS offers a comprehensive range of services tailored to governments' needs to help them attract FDI. Some common topics for assistance include:

DIAGNOSTIC STUDIES

FIAS undertakes diagnostic studies to identify a country's main policy impediments to productive foreign direct investment. The issues typically identified include: prohibitions on foreign investment in many sectors or locations; restrictions on the share of foreign ownership in the equity of domestic companies; difficult administrative approval processes; restrictions on repatriating dividends and capital; taxes; the character and functioning of legal systems; and problems foreign firms have in gaining access to land and bringing in technical and managerial staff.

POLICY, LEGAL, AND REGULATORY ENVIRONMENT

In any country, the rules of the game are critical to attracting worthwhile investments. FIAS can review a country's policy, legal, and regulatory environment and recommend measures in such areas as screening of projects, capital restrictions and repatriation, access to land, competition policy, corporate responsibility, and investment protection under national laws and international conventions.

ADMINISTRATIVE BARRIERS

One important tool FIAS has developed is its analysis of bureaucratic barriers that snarl and slow both the establishment and subsequent operation of businesses. Detailed flowcharts that pinpoint problems have helped governments identify and eliminate counterproductive procedures and streamline the necessary ones.

INVESTMENT INCENTIVES

In a competitive world, countries often grant benefits to entice investors. FIAS can analyze incentives to ensure they are competitive and cost-effective.

INVESTMENT PROMOTION

Effective investment promotion can influence investor decisions and affect the amount and kind of investments a country receives. Efficient agencies are needed to attract FDI and help manage investment policy. FIAS helps these agencies formulate promotion strategies that identify competitive advantages and target specific opportunities. Strategies can be conceived on national, regional, or sectoral levels. FIAS also helps countries design promotion institutions, often by adapting models that have proven successful elsewhere in implementing investment promotion strategies.

BUILDING LINKAGES

The benefits of FDI are often enhanced by increasing business links with the domestic economy. FIAS can help governments design policies and programs that foster spillovers, such as supply and other linkages, between foreign-owned and domestic companies.

FOREIGN DIRECT INVESTMENT DATA SYSTEMS

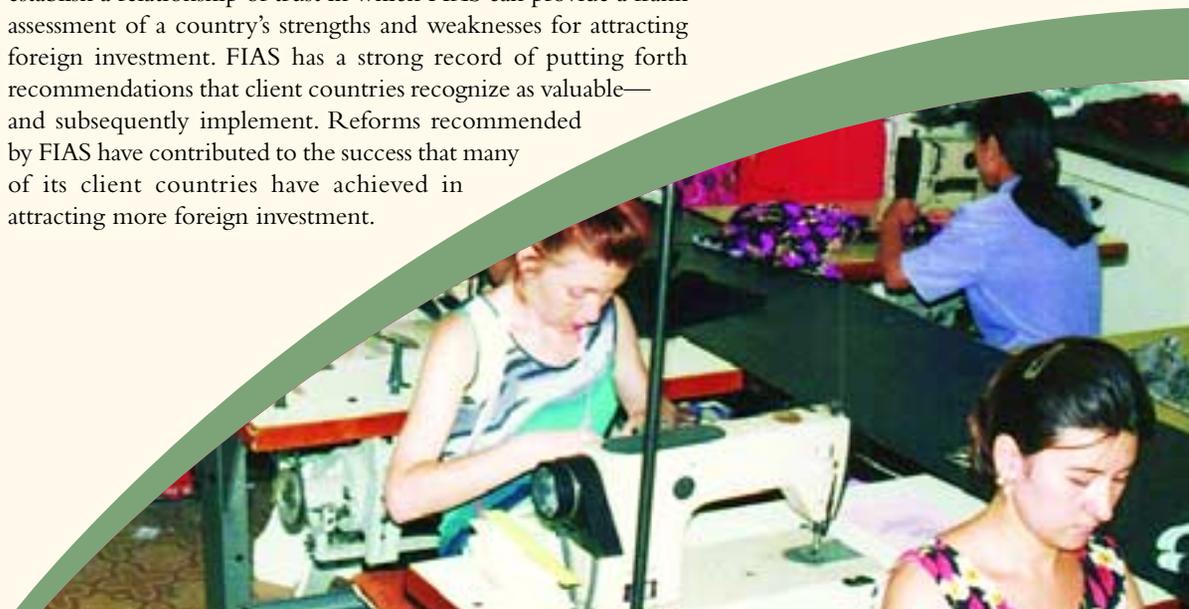
Governments require accurate data about investment flows—for their own use, and to provide information to the marketplace. FIAS can help governments design nonintrusive systems for collecting data on direct investment, including measuring the impact of investments on such key variables as job creation and export growth.

Working with FIAS

An advisory project begins with a high-level request from a government, FIAS management's agreement to do the work, and mutual agreement on the terms of reference, including clients' contributions to the cost of the project. Assignments typically take three to six months to complete. FIAS may communicate its recommendations in a written report or by other means, such as a workshop. Whatever the vehicle, FIAS does its best to deliver assistance in a timely, practical, and nonbureaucratic style.

The IFC and the World Bank contribute roughly 30 to 40 percent of the funding needed to cover FIAS' annual costs. The remainder comes from about a dozen bilateral and multilateral sources, and fees paid by the governments with which FIAS has worked.

The advice that FIAS gives is confidential to its government clients, who are under no obligation to accept that advice. This helps establish a relationship of trust in which FIAS can provide a frank assessment of a country's strengths and weaknesses for attracting foreign investment. FIAS has a strong record of putting forth recommendations that client countries recognize as valuable—and subsequently implement. Reforms recommended by FIAS have contributed to the success that many of its client countries have achieved in attracting more foreign investment.



Social and Environmental Facilities

Promoting Environmental and Social Sustainability in Partnership with Donors

IFC launched its Sustainability Initiative to help the private sector in developing countries improve practice and performance on environmental, social, and corporate governance issues. This effort builds on IFC's experience in ensuring the long-term financial and economic viability of its investments and requiring compliance with baseline environmental and social standards. Donor support has been crucial in helping IFC promote its Sustainability Initiative.

Social and Environmental Facilities

Since their establishment on July 1, 2002, IFC's three social and environmental facilities have expanded IFC's support for environmental and social sustainability in the private sector in emerging economies. The facilities address three key areas of IFC's work:

- Mainstream, project-related work – *the Corporate Citizenship Facility*
- Capacity building in financial markets – *the Sustainable Financial Markets Facility*
- Environmental projects and project components – *the Environmental Opportunities Facility*

The facilities enable IFC to respond to a growing demand from its clients and the private sector to provide environmental and social services in a more cohesive and coordinated way. They work in close collaboration with other parts of the World Bank Group, such as the SME Department, and with external partners to learn



from past experience and to disseminate best practice. In addition to an IFC commitment of US\$10 million over the initial five-year duration of the facilities, IFC has received funding from the governments of the *Netherlands, Switzerland, and Norway*, and is actively seeking support from other donors.

CORPORATE CITIZENSHIP FACILITY (CCF)

The CCF works with IFC clients who see business opportunities through enhanced environmental and social performance (e.g., value-added markets for sustainably harvested products, and improved access to international supply chains). Essentially, the CCF is a source of technical assistance that aims to clarify the business case for corporate social responsibility (CSR) in emerging markets. It is clear that CSR drivers are rapidly affecting many sectors and operations, and are increasingly affecting international competitiveness, market access, and reputational risk for many IFC clients.

Demand for CCF assistance is rising rapidly and covers three core areas of the “corporate social responsibility” agenda: **environmental stewardship, stakeholder engagement, and employment practices**. In delivering the CCF program, IFC client companies work proactively with CCF staff and cover part of the program costs. CCF support helps pay some of the costs of testing markets, defining approaches, and promoting corporate citizenship initiatives. The conclusions of all CCF projects are collated and disclosed to maximize the “lesson learning” capacity of the facility.

Examples of recently funded CCF projects include:

- *Biodiversity Good Practice Guide*: a biodiversity manual will be developed jointly with the International Union for Conservation of Nature and Natural Resources and others to help businesses understand biodiversity and manage it in their business activities.
- *Fair Trade Certification for Honey Production in Kenya*: IFC is working with a Kenyan cooperative to develop fair trade markets for honey. Access to price premium fair trade markets in Europe will help to reinforce the business benefits of sustainable production and improve the livelihood of rural honey collectors.

SUSTAINABLE FINANCIAL MARKETS FACILITY (SFMF)

The SFMF works with IFC's financial intermediaries and the broader financial sector in developing countries and transitional countries to maximize the sustainable development impact of IFC's financial markets investments; help create sound, efficient, and responsive financial institutions and services; and promote increased private sector investment in the emerging countries.

SFMF is organized around three distinct programs: The **Responsible Institutions Program** addresses the needs of the banking, leasing, insurance and microfinance sectors. The **Sustainable Inward Investment Program** focuses on private equity and venture capital funds. The **Strategic Market Development Program** undertakes strategic initiatives aimed at creating incentives and know-how within the broader financial sector. This includes work with rating agencies, central banks, stock exchanges, business schools, local consulting and professional service firms, and industry initiatives and voluntary codes of practice. SFMF's products and services under these programs include: training courses and workshops; business advisory and support services; technical assistance for project development and implementation; market intelligence and information resources; strategic partnerships and business networks; and support and input to voluntary industry initiatives and codes of practice.

SFMF's FY03 approvals include:

- *Competitive Environmental Advantage Workshops*: SFMF is delivering a series of three-day training courses to financial institutions in emerging markets around the world, and completed two such courses in June 2003 in South Africa and Nigeria, in association with local financial institutions, the Lagos Business School and the African Association for Corporate Citizenship (AICC).
- *Sustainable Banking in Africa*: In association with AICC and the UNEP Finance Initiative, IFC is supporting research to assess current sustainability drivers and practices in the African banking sector and identify priorities for further cooperation.
- *Russia Leasing Training*: This one-day course on environmental risk management, tailored to leasing companies and delivered in Moscow in Russian, was attended by 20 Russian leasing companies, including three IFC clients. SFMF also held a one-day "train-the-trainers" course for staff of IFC's Private Enterprise Partnership (the Partnership) to enable local replication of the course.
- *ASrIA SRI Country Profiles*: This project, prepared by the Association for Sustainable & Responsible Investment in Asia (ASrIA) will provide comprehensive analysis on SRI and related activity in selected Asian emerging markets. Market reports will be prepared on seven Asian emerging market countries (China, India, Indonesia, Malaysia, Philippines, South Korea, and Thailand) and a regional overview report.



Global Environment Facility

IFC undertakes a number of private-sector projects with assistance from the Global Environment Facility (GEF). At present, IFC has an active portfolio of 12 projects with \$136.2 million in GEF funding. IFC employs GEF funding to explore new business models that IFC could not support independently due to high risk factors and/or marginal rates of return, such as financing for energy efficiency improvements or using solar photovoltaic energy to provide off-grid power. In this way, GEF resources enable IFC to expand its activities supporting sustainable development.

IFC designs and implements its GEF projects carefully in order to accelerate market acceptance of sustainable businesses without providing excess subsidies. In particular, although GEF typically provides grants for public-sector projects, IFC adjusts the concessional element in its private-sector GEF projects in order to use the most market-appropriate type of financing, ranging from grants to partial guarantees to high-risk equity. This approach is consistent with the GEF requirement to fund only the “incremental” costs associated with achieving its global environmental objectives. By working through IFC, GEF obtains direct access to the capital, technology, and management skills available in the private sector. Also, by working directly with the private sector, IFC’s GEF projects typically provide high leverage for GEF funding and a strong potential for replication.

IFC’s GEF activities aim to catalyze, appraise, and implement innovative private sector projects that fall primarily in three of the GEF’s six major thematic areas: (i) climate change mitigation; (ii) biodiversity conservation; and (iii) international waters protection. IFC is also involved, along with IBRD, in advising the GEF Secretariat on formulation of policies for engaging the private sector and mobilizing private sector capital to achieve GEF objectives.

IFC approved four new GEF projects in FY03:

- **Mongolia, Eg-Uur Watershed Conservation Initiative:** \$1 million in funds to catalyze a partnership among local communities, government agencies and tourism companies to support sustainable management of the Eg-Uur watershed in northwest Mongolia, an area rich in biodiversity.
- **Philippines, CEPALCO Distributed Generation PV Power Plant:** \$4 million to support installation of a grid-connected 1 MW solar PV power plant that will operate in conjunction with an existing 7 MW hydroelectric power plant. The PV plant will use the available surplus water storage of the hydro project to optimize conjunctive PV-hydro peak load power supplies, while reducing distribution losses due to proximity to load.
- **Latin America, Eco-Enterprises Fund:** \$1 million to support an innovative \$10 million fund and technical assistance facility focused on small and medium businesses that work with NGOs and/or the local community in environmentally and socially beneficial partnerships. The GEF funding will be used to maximize the biodiversity conservation benefits of the fund’s activities.
- **Central and Eastern Europe, Commercializing Energy Efficiency Finance (CEEF):** Building on the model demonstrated in the Hungary Energy Efficiency Co-Financing Program, CEEF is using \$18 million in GEF funds, plus \$1.3 million in bilateral support from *US*, *Finnish*, and *Spanish* Trust Funds, to provide partial risk guarantees and targeted technical assistance grants to support the financing of energy efficiency projects by local commercial financial institutions, as well as by private project sponsors. The donor funds have leveraged additional IFC’s commitments up to \$75 millions for guarantees. CEEF became fully operational in the Czech and Slovak Republics, Estonia, Latvia, and Lithuania in March 2003.

ENVIRONMENTAL OPPORTUNITIES FACILITY (EOF)

The EOF supports private-sector ventures that have a strong potential to increase environmental sustainability but must overcome the uncertainty associated with new markets, new technologies, and new ways of doing business. The EOF focuses on innovative solutions to environmental issues, such as ensuring clean water supply or minimizing air pollution, which are local and, therefore, do not benefit from funding from the Global Environment Facility. The EOF works closely with selected partner organizations to identify and implement projects.

The EOF provides project preparation funding and flexible investment financing support to environmental projects. Priority is given to projects that need extra assistance in the development phase, after which they are likely to be financed on commercial terms by IFC or other market-rate investors. The EOF seeks to leverage its investment funding with co-financing from project sponsors and other sources.

Two main types of projects are eligible for EOF support:

- (1) Projects that **produce goods or services with specific environmental benefits**. Priority sectors include environmental services (such as clean drinking water, wastewater treatment, and the recycling or disposal of solid waste) and pollution reduction or abatement (including industrial air or water emissions and indoor air pollution). If other funding cannot be found, the EOF will consider funding projects in sustainable resource use (such as organic farming or certified sustainable forestry) and sustainable energy (including renewable energy and energy efficiency), and
- (2) Projects that **promote eco-efficiency through cleaner production and pollution abatement**.

In FY03, the EOF approved project preparation funding for three ventures:

- *Water Health International* – Development, manufacturing, and marketing of proprietary, scalable water purification and disinfection devices that deliver more affordable potable water, especially to underserved populations in Asia and Africa.
- *TWI Conch* – Reduction of pressure on wild stocks of conch, a high-protein mollusk widely consumed in the Caribbean, through development of alternative, sustainable harvesting methods.
- *Calidra Eco-Efficiency* – Co-financing for the installation of an innovative water recovery facility for one of Mexico's largest producers of lime (Calidra is an existing IFC client).

In addition to these projects, which may result in further EOF and/or IFC financing, the EOF is actively considering investments in several other ventures, including: a pioneering technology that treats pollution from pulp mills using straw and other non-wood raw material (such plants are a major source of water pollution in China); a new type of electric vehicle manufactured in India that will help reduce pollution in congested cities; and a household-size filter to remove arsenic from drinking water, a major health risk in Bangladesh.



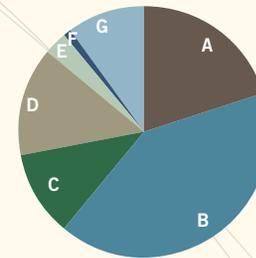
Capacity Building Facility

Three Years of Innovation and Results

Established in July 2000, the Capacity Building Facility (CBF) was set up to provide a flexible funding complement for the SME Department's work. It is funded by annual contributions from IFC's net income, has enhanced IFC's understanding of how best to help SMEs, and has provided a flexible vehicle for the expansion of IFC's support to SMEs. In its first three years many of CBF's pilots and partnerships have demonstrated impressive results, expanding IFC's outreach to many more SMEs than could have been reached through investments alone. CBF has enabled IFC to develop strong and lasting relationships with important best practice partners such as Accion, ShoreBank, and FUNDES. It has also enabled IFC to take the lead on improving the development impact of its investments in projects such as Mozal, ACG-BTC, and the Chad-Cameroon pipeline. Moreover, it has enabled IFC to develop innovative solutions to SME challenges, through pilots with cutting edge organizations such as SEWA in India, Hagar in Cambodia, and FATE in Nigeria. CBF's projects are sustainable,

scalable, and strategic for IFC and will continue to reap benefits for the SMEs that we serve as we look to replicate, scale up, and learn lessons from our existing projects, and continue to search for new partners going forward.

By July, the end of its first three years of operation in 2003, CBF had approved \$21.3 million in grant funding for about 100 projects. Africa, where IFC continues to face challenges in meeting the needs of SMEs, receives the most CBF funding of all IFC regions. A number of projects are global in nature, allowing IFC and its partners to roll out successful projects across multiple regions.



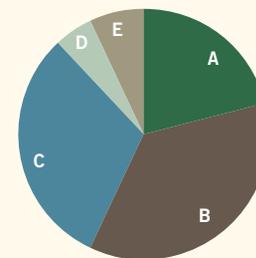
REGIONAL DISTRIBUTION

A = Global	20%
B = Sub-Saharan Africa	41%
C = East Asia & the Pacific	11%
D = Latin America & the Caribbean	14%
E = South Asia	3%
F = Central & Eastern Europe	1%
G = Southern Europe & Central Asia	10%

CBF projects have focused on finding solutions in five areas:

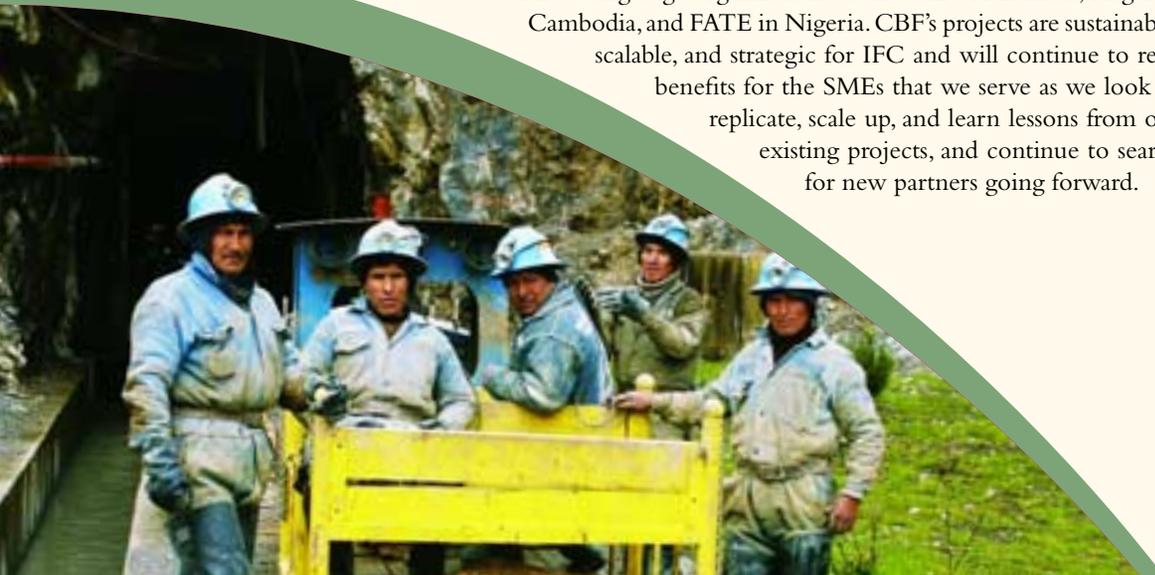
- Micro and small business finance
- Capacity building for SMEs
- Linking large and small companies
- Improving the business environment
- Information technology for SME

In FY03 in particular, linkages have become an important area of growth and innovation.



LINE OF BUSINESSES

A = SME Linkages	21%
B = Access to Capital	36%
C = Capacity Building	31%
D = IT	5%
E = Business Environment	7%

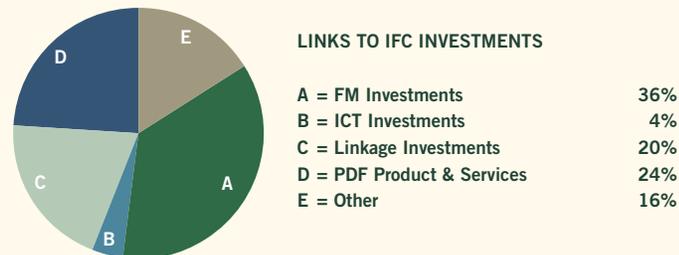


Cluster Objectives and Metrics

CLUSTER OBJECTIVES	PROJECT EXAMPLES	METRICS
<p>MICROFINANCE NETWORKS Rapidly expand the number of institutions IFC can assist, and build the capacity networks to reach MFIs through financing, TA, and governance.</p>	<p>Internationale Projekt Consult, ACCION, ShoreBank FINCA</p>	<ul style="list-style-type: none"> • Investments in FIs by new vehicles (e.g., AIM, ShoreCap); • Improvement in financial performance ratios of FIs; • Growth in number and volume of deposits and loans.
<p>MICROFINANCE CONVERSION TO BANKS Convert MFIs to bank status as a means of creating fully sustainable institutions that can absorb deposits and rapidly expand outreach and impact.</p>	<p>K-REP, Basix, XAC Bank of Mongolia, Microfinance Bank of Pakistan</p>	<ul style="list-style-type: none"> • Completion of the conversion process; • Improvement in financial performance ratios of FIs; • Growth in number and volume of deposits and loans.
<p>ACCESS TO MARKETS/NGO COMMERCIALIZATION Develop models to help linking artisans to world markets through capacity building, IT, finance, and market links.</p>	<p>Self Employed Woman's Association Trade Facilitation Center, Aid to Artisans, Novica Crafts Center</p>	<ul style="list-style-type: none"> • New sales generated for the artisan groups; • Numbers of new artisans participating in production; • Number of new and repeat buyers of artisan wares.
<p>LINKAGES Deepen the development impact of IFC's investments on local communities through linking SMEs into supply chains of large projects.</p>	<p>Mozal, Konkola Copper Mines, ACG/BTC, Yanacocha, Chad-Cameroon</p>	<ul style="list-style-type: none"> • New procurement orders for local SMEs; • Number of new SMEs involved in the supply chain; • Repeat or standing orders after one and two years.
<p>BUSINESS ASSOCIATIONS Build the capacity of member-based BAs to provide sustainable technical and advocacy services to members.</p>	<p>Danish Industries, Canadian Manufacturers & Export, Center for International Development Agency</p>	<ul style="list-style-type: none"> • Number of new paying members per association; • New revenue generated through member services; • Key improvements to the business environment.
<p>CONSULTING AND TRAINING Build sustainable models for delivering technical services to SMEs on an affordable and sustainable basis.</p>	<p>STEP Swisscontact, FUNDES Vouchers</p>	<ul style="list-style-type: none"> • Improvement in cost recovery for consultants; • Number of SMEs trained/advised; • Number of services modules/products developed; • Improvement in client performance.

CBF has broadened IFC's experience and provided new tools for SME development. Clusters of projects allow CBF to focus attention on specific challenges to developing SMEs and draw lessons across projects and share experiences among different partners. CBF has funded, for example, three leaders in the strengthening of business associations internationally: Danish Industries, the Center for International and Private Enterprise, and Canadian Manufacturers and Exporters. In January, this group convened a conference with World Bank, IFC, and PDF staff to develop common tools and best practices, which are now being introduced internationally, including through IFC's PDFs. Dozens of business associations are being trained to strengthen the services they provide to their members, impacting hundreds of thousands of small businesses.

Approximately 60 percent of CBF's projects contribute to the expansion of IFC's investment pipeline, primarily in the financial sector, linkages in the oil, gas and mining sector, with some in the information, communication, and technology sector. This was the case with Novica United, a company that sells crafts produced by artisans in developing countries. Novica began as a CBF pilot project and is currently under consideration as an IFC investment. Novica is a direct source of income and market information for 10,000 artisans across seven countries and enables local communities to thrive economically in a socially and culturally sustainable manner.



CBF funding has catalyzed significant additional grant financing for important SME projects. CBF funds no more than 40 percent of a project's cost. The \$21.3 million that CBF has approved has leveraged \$110.5 million in additional funding. For example, CBF has provided \$400,000 to Swisscontact for initiatives in five countries to develop the capacity of local consulting and training institutions. Swisscontact has leveraged IFC's contribution with another \$1.1 million from other donors.

CBF has enabled IFC to partner with many of the leading players in SME development, helping them to significantly expand outreach to thousands more SMEs around the world. CBF, for example, is providing the critical TA funds to support the Accion and ShoreBank investment vehicles, AIM and ShoreCap. This TA will enable each of them to invest in and provide TA to over a dozen micro and small business finance institutions, expanding their outreach by hundreds of thousands of micro and small businesses.

CBF has also enabled IFC to develop innovative solutions to intractable problems in the field of SME development.

For example, with \$200,000 in CBF funding, IFC became a founding member of the Institute for SME Finance. In its first two years, the Institute has been a leader in developing new, more viable models for risk capital finance for SMEs. The Institute is currently engaged in developing new models for risk capital finance in Rwanda, Zambia, Pakistan, Qatar, and Azerbaijan, and is advising the Funds Department in IFC, the World Bank and other IFIs on new SME risk capital vehicles. It is expected that this work will catalyze hundreds of million of dollars in new risk capital finance in developing countries.

CBF allows IFC to develop in-house solutions to SME challenges that are valued by its clients.

For example, CBF has enabled IFC to take a leadership position on developing new, better ways to expand the development impact of large investment projects in the local communities. With ACG-BTC, Mozal, and Chad-Cameroon, the programs that are being developed integrate supplier development, financing, development of local training and consulting skills, and broader community development initiatives. Already, dozens of small suppliers have been able to win millions of dollars' worth of contracts from the large companies as a result of these initiatives. With these projects, a model is being developed that will have a deep impact on local economic development, can be easily replicated across many of IFC's investment projects, and can boost IFC's value-added to its clients.

CBF Strategy Going Forward

Key objectives for FY04:

- Improved supervision
- Replication and scaling of successful projects
- Development of additional pilots and partnerships
- Deepening existing partnerships
- Widening sources of funding
- Improved impact measurement



Annexes, Directory, *and* Glossary



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Technical Assistance
and Advisory Projects

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IFC Donor-Supported
Technical Assistance
Programs: Purpose/Strategy

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Cumulative Financial
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Directory

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Glossary

Technical Assistance and Advisory Projects

CBF Capacity Building Facility
 CCF Corporate Citizenship Facility
 EOF Environmental Opportunities Facility
 FIAS Foreign Investment Advisory Service
 PEP Private Enterprise Partnership
 SFMF Sustainable Financial Markets Facility
 TATF Technical Assistance Trust Funds program

NOTE: Projects done through the SME Facilities are not included in the Annex. Donors are not separately identified for multidonor facilities.

PROJECT	DESCRIPTION	DONOR	PROGRAM
SUB-SAHARAN AFRICA			
Regional Action Plan for Integrated Community Development	To establish a model for sustainable social and economic development in communities to help local communities cope with employment and infrastructure issues when confronted with eventual closures of the gold mines in Ghana and Mali.	Luxembourg Netherlands	TATF
African Bank Training Consortium	To assist the Belgian Bankers Academy roll out training centers in five African countries and provide standardized training materials under the African Training Module Standardization program.		CBF
APDF Training Module Standardization	To assist APDF develop a standardized training methodology, train-the-trainers manuals, and a fixed set of modules for training SMEs, consultants, business associations, and bankers.		CBF
Development of Sector-Specific Agricultural Sector Linkage Projects	To assist Technoserve develop sector-specific agricultural interventions and work with local small agricultural enterprises in Tanzania, Mali and Uganda to provide technical assistance, financing and linkages for these enterprises to grow.		CBF
Diagnostic/Investment Promotion	To assist the South African Development Community Secretariat in developing an instrument for soliciting the views of policy-makers and bureaucrats in member countries on foreign direct investment related policies and implementation.		FIAS
Establishment of Target Group Oriented Bank	To help establish a bank with a commercial banking license to serve micro and small enterprises and prepare a business plan, legal framework, administrative structure, and operating guidelines.		CBF
Indian Ocean SME Support	To support the development of an information package and standardized training tools in French and the creation of the SME Solutions Center that offer capacity building, information services and ultimately finance and advocacy on behalf of SMEs and could be used in numerous locations.		CBF

PROJECT	DESCRIPTION	DONOR	PROGRAM
Mozal Community Development – Linkages with SMEs	To strengthen Mozal's linkages with SMEs as well as support the community outreach work of the Mozal Community Development Trust in access to working capital finance, consultant capacity building, agricultural product development, small business development, health clinic, promotion, and replication.		CBF
New Business Model for AMSCO	To assess existing AMSCO products and services and train regional managers to implement new approaches to marketing and sales.	Switzerland	TATF
Support for Entrepreneurs through Endeavor	To assist Endeavor transfer and adapt its unique model, developed in Latin America, to three countries—introduction of the full Endeavor model in South Africa, and a modified version in Ghana and Uganda.		CBF
Sustainable Banking in Africa	To collaborate with the United Nations Environment Program's Finance Initiative and African Institute for Corporate Citizenship to benchmark current sustainability practice in African financial sector and to set up self-sustaining local networks to promote wider adoption of good practice.		SFMF
Textile Sector Study	To help government agencies and the private sector in Kenya, Tanzania, and Uganda expand apparel exports under the U.S. African Growth Opportunity Act and help attract export-oriented investment to the region.	Switzerland	TATF
Burkina Faso Administrative Barriers to Investment	To conduct an administrative and regulatory survey.		FIAS
Cape Verde Administrative Barriers to Investment	To implement previous work on investment promotion strategy and tax and incentives. An action plan has been developed by local stakeholders.		FIAS
Eritrea Investment Promotion	To conduct a survey of potential international and diaspora investors to help the government understand their perceptions of the country.		FIAS
Ghana Administrative Barriers to Investment	To conduct a survey of existing investors to assess the administrative and regulatory costs of doing business.		FIAS
Administrative Barriers to Investment	To update the 1995 Investor Roadmap to identify the existing administrative barriers and underlying policy issues affecting investment and make recommendations for reform.		FIAS
Expansion of Soft Ghana's R&D Function and Management Capacity	To assist the company in its expansion plans in scaling up and achieving greater market share in the IT industry.		CBF
Ghana Voucher Program	To support the documentation and preparation of Kenya Voucher program for replication in Ghana and assist in the adaptation of the Kenyan manuals and installation of the MIS, provide training, and help monitor and evaluate the program.		CBF

PROJECT	DESCRIPTION	DONOR	PROGRAM
Local Entrepreneurial Development: Feasibility Study	To help a food retailer improve the local production potential, quality standards, and commercial relationships of local food producers, particularly growers of tropical fruits and vegetables.	Netherlands	TATF
Guinea-Bissau Administrative Barriers to Investment	To assess reforms and assist the government in developing an action plan.		FIAS
Kenya Fair Trade Certification for Honey Production	To work with a Kenyan cooperative to develop fair trade markets for honey and to help reinforce the business benefits of sustainable production.		CCF
Insurance Premium Financing: Viability Assessment	To assess the viability and development of the Kenya's insurance premium financing business and sector.	Ireland	TATF
Kenya Tea Development Agency: Corporate Governance	To develop a corporate governance review and recommendations report to help strengthen its business practices.	Netherlands	TATF
Labor and HIV Issues in the Kenyan Tea Sector	To assess HIV/AIDS issues and establish a policy and action plan for the tea company.		CCF
Railways Privatization	To maximize the developmental impact of the Kenyan Railways privatization and help ensure that privatization of the railways is sustainable.	Denmark	TATF
Mali Development of Local Service Provider	To develop a local service provider to adopt the working models of FUNDES for consulting and outreach to SMEs for the local markets.		CBF
Trickle-Up	To assist Trickle-up start or expand businesses of low-income earners, implement a microenterprise and saving program, and establish community-based revolving funds.		CBF
Mauritius Transaction Advisory Mandate: Water and Sanitation	To provide technical support services in the analysis and implementation of private sector participation in the provision of water and sanitation services.	Canada, Italy IFC TA Fund	TATF
Mozambique Tourism Investment Program	To assess the effectiveness of the South East African Tourism Investment Program and how it has affected the local communities; help implement a new tourism policy and complete a new tourism strategy.	Netherlands IFC TA Fund	TATF
Nigeria Competitive Environmental Advantage Workshop	To deliver a 5-day environmental management training course for Nigerian banks and local consultants in June 2003, in association with Lagos Business School.		SFMF
Enterprise Development Services	To support the expansion of Enterprise Development Services in the provision of advisory services, professional services, networking services, consulting services from MBAs and affiliated consultants, and research and analysis from the Lagos Business School.		CBF

PROJECT	DESCRIPTION	DONOR	PROGRAM
Expansion and Development Strategies of STEP	To provide R&D and capacity building support to Support & Training Entrepreneurship Program (STEP) through targeted seminar and MSE training outreach to remote regions, develop a training program for STEP field officers, and introduce the Management Skill Improvement program to facilitate STEP expansion and the production and publication of mapping and research findings for the informal sector.		CBF
Leasing Regulations and Legislation	To assist the government in creating legislation for development of the domestic leasing industry.	Netherlands IFC TA Fund	TATF
Sao Tome and Principe Investment Incentives	To assist the government by reviewing the proposed tax code.		FIAS
Senegal Administrative Barriers to Investment	To update an earlier study, giving new impetus to the reform process.		FIAS
Investment Incentives	To assist the government in implementing FIAS recommendations on taxation.		FIAS
Sierra Leone Investment Law	To review the draft investment law, drawing on international best practice.		FIAS
South Africa Bricks for Houses	To help identify target SME and operator groups to develop their business plan options, and develop training programs and organize training sessions on testing a brick-making machine and its products.		CBF
People Project Foundation	To assist People Project Foundation achieve its objectives in strengthening and expanding entrepreneurial programs that train and prepare disadvantaged women for meaningful and sustainable self-employment and ownership through craft production.		CBF
South African Bottling Company	To identify opportunities for building capabilities of SABCO third-party partners, develop appropriate training programs and prepare an easy-to-use manual.		CBF
Umbrella for SME Investments	To explore the feasibility of creating innovative SME investment vehicles in Africa by designing and developing a replicable, commercially viable model for investing in African SMEs through risk-oriented instruments, and another model for the capitalization of such SME investment vehicles. To help identify appropriate countries in Africa to be considered for the establishment of Small-and Medium Enterprises Investment Companies (SMEICs) as well as the key issues particular to those countries which must be fully addressed by the investors and fund managers of those SMEICs.		CBF
Tanzania Kilombero Business Linkage Outgrowers Scheme	To help improve the quality of life of the wider community through the development of sugar cane farming and help SMEs provide supporting services such as access to capital, taking advantage of immediate/captive market, institution / capacity building, and creation of sustainable income.		CBF

PROJECT	DESCRIPTION	DONOR	PROGRAM
Institutional Capacity Building of an SME Bank—EXIM Bank	To bring the bank's operations level up to international banking standards, specifically in credit appraisal, risk management, operational policies, portfolio monitoring, and asset liability management.	Norway	TATF
Zambia Administrative Barriers to Investment	To advise on investment climate and business environment issues related to growth and poverty alleviation.		FIAS
Copperbelt SME Development Program	To work to develop SMEs and build their commercial links with a privatized copper conglomerate.	Canada	TATF
ASIA & THE PACIFIC			
Regional Association for Sustainable & Responsible Investment in Asia (ASrIA) 2002 Conference	To sponsor the 2002 annual conference of ASrIA in Tokyo to raise awareness of SFMF's role, contact key Asian SRI actors, and provide guidance on SFMF's broader SRI strategy.		SFMF
Comprehensive Analysis of ASrIA SRI Country Profiles	To provide funding to Sustainable & Responsible Investment in Asia (ASrIA) for a comprehensive analysis of sustainable and responsible investment (SRI) markets and related activity in China, India, Indonesia, Malaysia, Philippines, South Korea, and Thailand.		SFMF
Corporate Governance and Benefit Streams Management: Capacity Building	To help develop a training program to build capacity in governance and revenue management for the natural resource industries.	New Zealand	TATF
Investment Promotion Institution	To conduct the last in a series of training programs on data collection and management for staff from Pacific Investment Promotion Institutions.		FIAS
Investment Promotion Institution	To prepare and present papers on investor fraud and private public partnerships and provide general support to the Forum Secretariat on this presentation.		FIAS
Regional Business Development Services	To analyze the supply and demand of business development services to the private sector.	Australia IFC TA Fund	TATF
EAST ASIA			
Cambodia Assistance to an NGO: Hagar Design	To help increase production capacity and high-quality market-driven products produced by Hagar Design by providing appropriate training to the women, market access to artisans, and implementing new MIS for tracking production and sales data.		CBF

PROJECT	DESCRIPTION	DONOR	PROGRAM
GRET	To support Research and Technological Exchange Group's (GRET) micro insurance program to upscale services in two provinces (Takeo and Kandal), and to improve micro insurance business to make it self-sustainable.		CBF
Quality Management in Higher Education	To help Norton University improve its quality management systems and achieve full university status; provide training to faculty and staff.	New Zealand	TATF
China Accounting, Auditing, and Training Program	To conduct a financial audit of Zhejiang Babei Necktie & Weaving Company and help upgrade its knowledge and skills in International Accounting Standards and internal controls.	Ireland	TATF
Agribusiness Company: Resource Planning Program	To carry out a needs assessment for critically needed MIS and help develop an integrated Enterprise Resource Planning System Implementation Plan for an agribusiness development company.	Denmark	TATF
Capacity Building for a Securities Company	To help Citic Securities improve its practices in corporate governance, risk management, and management information systems.	Switzerland	TATF
Commercial Bank Technical Assistance	To help Nanjing City Commercial Bank strengthen use of business methods conforming to international best practices, specifically in credit/investment management and risk management.	Italy	TATF
Consulting Capacity Building Project	To help CPDF provided local consulting firms with a comprehensive, highly standardized, fully tested turnkey consulting methodology with an innovative franchise approach.		CBF
Corporate Governance for an Asset Management Industry	To assist in setting standards for asset management companies to follow international best practice in corporate governance.	France	TATF
Financial Review and Advisory Service	To provide advisory assistance and a financial review for Chengdu City Commercial Bank to improve credit and risk management policies.	Norway	TATF
Private Higher Education: Market Survey	To assess the situation in private colleges, universities, and vocational training institutions, and identify potential investment opportunities.	Sweden	TATF
Privatization of State-Owned Enterprises	To help formulate a strategy for privatization of SOEs in small and medium enterprises at national and local levels.	Australia	TATF
Sichuan Environment Capacity Building Project	To help develop the capacity of consultants and specialists to undertake social, environmental, and health and safety reviews and mitigation work in accordance with international standards.	Denmark	TATF
Social Security Program: Internal Risk Management System	To assist the National Council for Social Security Funds in formulating policies and guidelines and help strengthen its internal knowledge base by introducing fiduciary best practices.	Ireland IFC TA Fund	TATF

PROJECT	DESCRIPTION	DONOR	PROGRAM
Solid Waste Utilization	To assist local farmers in switching from inorganic to organic fertilizer and assess their willingness to use this alternative.	Israel	TATF
Wharton Joint Capacity Building Project	To deliver training and other services to SME owners using Wharton teaching materials through Wharton consultants and MBA students and CPDF staff, focusing on building the capacities of local trainers through formal and on-the-job training.		CBF
Indonesia Investment Promotion	To advise on establishment of the proposed National Investment Team, in association with the Asian Development Bank.		FIAS
Supply Chain Linkages	To help smaller businesses in Kalimantan participate in the supply chain of large firms in the region, focusing on the mining sector.	Ireland	TATF
Malaysia Linkages	To evaluate the spillover effects from multinational companies to local suppliers over the past decade.		FIAS
Mongolia Investment Policy and Promotion	To provide training for staff from the national investment promotion agency; to help prepare a new investment policy statement.		FIAS
Palau Policy: Investment Law	To review a draft implementing regulations on foreign direct investment.		FIAS
Philippines Rural and Small Business Finance	To assess the prospect of establishing a rural and small business finance wholesale facility or bank holding company that will invest in substantial minority stakes in local and regional rural banks.	Netherlands	TATF
Sustainable Mineral Resources	To improve awareness and appreciation among key stakeholders and help increase private investment for sustainable development of mineral resources.	Japan	TATF
Timor-Leste Investment Law	To review a draft investment law.		FIAS
Investment Policy	To participate in a World Bank mission to review the environment for private sector investment.		FIAS
Vietnam Consumer and Small Business Banking	To help two Vietnamese banks develop viable consumer and small business finance operations by improving their credit underwriting processes and strengthening their risk management and introducing a scoring system for their retail and small business lending.	Netherlands Switzerland IFC TA Fund	TATF

PROJECT	DESCRIPTION	DONOR	PROGRAM
E-Finance Global Initiative	To assist Asia Commercial Bank and Sacombank develop their SME strategies and strengthen their operational capabilities to demonstrate that SME financing can be profitable and sustainable, and help assess and develop risk management and risk grading systems, review and improve current data management practices and procedures, improve collections practices and procedures in retail and small business banking, conduct IT/Systems review, and develop alternative distribution channels.		CBF
Ha Tien Wetlands Sustainable Land Use	To work with multiple stakeholders to assess conservation priorities and impacts of limestone mining from wetlands, and develop a sustainable use management plans with the company/NGOs and local municipality.		CCF
SOUTH ASIA			
Bangladesh			
Investment Promotion Strategy	To help the country's board of investment develop its first investment promotion strategy; conduct a strategic planning workshop.		FIAS
Bhutan			
Investment Policy	To assist with the country's first investment policy decree; help prepare drafts of rules, regulations, procedures, and criteria.		FIAS
India			
Kvishi Gram Vikas Kendra Women's Enterprise Development	To support community development through capacity building of a foundation to help rural poor women develop sustainable economic activities.		CCF
Mahindra Ecomobiles: Eco Efficiency	To assist in the development of required infrastructure facilities associated with manufacturing and marketing of electric vehicles and introduce an innovative indigenous technology to help reduce pollution in congested cities in India.		EOF
Market Study on SME Sector	To assemble data on education enterprises in the states of Madhya Pradesh and Andhra Pradesh to help quantify the size of the market in need of financing and to identify potential partners and recommend a financing mechanism structure.	United Kingdom IFC TA Fund	TATF
Mortgage Guarantee Products: Market Assessment	To study how mortgage guarantee companies can estimate the demand for their product, establish a pricing mix, determine eligibility criteria for lenders, and encourage lenders to use standardized loan documents.	Canada	TATF
Maldives			
Environmental Management and Sustainable Tourism	To provide environmental impact training to strengthen domestic capacity and management in tourism and commercial sectors.	Japan	TATF
Insurance Industry Legislation	To help set up viable and transparent legislation for the domestic insurance industry.	Ireland	TATF
Investment Policy and Promotion	To review the existing investment law and implementation guidelines; comment on the current institutional arrangements for investment promotion.		FIAS

PROJECT	DESCRIPTION	DONOR	PROGRAM
EUROPE & CENTRAL ASIA			
Balkan Region Herbal Development Initiative	To assist SEED in the development of an environmentally and socially sustainable herbal sector in the Balkans.		CCF
SEED Linkage	To assist SEED in developing a program with a set of technical tools and training modules to support its new linkages program working through FDIs to targeted SMEs.	Italy	TATF
Support for Entrepreneurs - Faculty Development Program	To assist academic faculty in creating training courses and university-level curriculum in areas of entrepreneurship in countries covered by SEED.		CBF
Central Asia Region Microfinance Legislation	To advise governments on legislation to stimulate microfinance development.	USA	PEP
Europe Region Administrative Barriers to Investment	To conduct a pilot survey of consulting firms, law firms, and accounting and audit firms regarding the experiences of their clients with administrative procedures.		FIAS
European Conservation Farming Initiative	To analyze the markets, policy, institutional status and potential partners/competitors for a conservation farming initiative.	Netherlands	TATF
Medical Device and Equipment Sector: Investment Opportunities	To carry out a study to get an overview of the medical device sector in Poland and Ukraine, to identify investment opportunities, and to assess market structures.	Israel	TATF
Public-Private Partnerships for Public Hospitals	To help implement pilot public-private partnership transactions in public hospitals in Poland and the Slovak Republic.	Austria	TATF
Support for Commercialization of Energy Efficiency Finance	To help reduce the financing barriers to investments in energy efficiency projects.	Spain, Finland, USA	TATF
Southern Europe & Central Asia Region Multistakeholder Forum	To support a series of consultation meetings to address macrodevelopment issues (revenue management, economic development, and regional protected areas) for the Baku-Tbilisi-Ceyhan Oil Pipeline.		CCF
Linkages	To ensure local SMEs benefit from the development of integrated oilfield complex in the Caspian Sea by improving Azeri firms' performance in participating in contracts, encouraging diversification of firm's revenue streams, addressing difficulties related to access to finance, facilitating access to wider opportunities outside the oil and gas sector, and working with Azeri International Oil Consortia Enterprise Center and Business Development Alliance.		CBF

PROJECT	DESCRIPTION	DONOR	PROGRAM
Albania Administrative Barriers Study	To help the government conduct a regulatory and administrative cost survey among existing firms and provide advice on needed improvements.		FIAS
Privatization of Albania Power Company	To assist the government in privatizing the country's state-owned power company.	Greece	TATF
Armenia Investment Law	To review the existing and proposed investment law, based on best practices and previous advice from FIAS.		FIAS
SME Risk Capital Fund	To promote the development of the SME sector through facilitating enterprise access to term risk capital.	USA	PEP
Azerbaijan Corporate Governance Project	To advise and train companies on corporate governance, and advise government on better legislation.	Switzerland	PEP
Leasing Development Project	To promote new legislation and build local expertise in leasing.	Switzerland	PEP
Investment Law	To review a new draft law on investment activity and provide a set of guidelines for drafting in line with international best practices.		FIAS
SME Banking	To help create systems and procedures for prudent assessment of small business loan applications, generate new lending opportunities, create and implement sound portfolio management and compliance tracking function, and implement a training program for branch managers, loan officers and credit analysts of Azerigazbank and Rabitabank.		CBF
Belarus Business Association Development	To promote business-friendly policies and equip entrepreneurs with skills needed in a country with a limited private sector.	Sweden	PEP
Bosnia and Herzegovina Administrative Barriers to Investment	To follow up on an earlier study; to focus on strengthening the dialogue between the public and private sectors and develop a monitoring system to assess the impact of reforms.		FIAS
Bulgaria Administrative Barriers to Investment	To update an earlier study, including a comprehensive business survey of administrative and regulatory costs.		FIAS
Croatia Mapping of Small and Medium Enterprises	To map distribution and characterize small and medium enterprises in order to help analyze the business enabling environment and identify opportunities for programs.	Austria	TATF

PROJECT	DESCRIPTION	DONOR	PROGRAM
Georgia Georgia Business Development	To promote improved legislation and build local expertise in leasing; to advise companies on corporate governance and carry out a survey of the SME sector.	Canada	PEP
Latvia Administrative Barriers to Investment	Updated an earlier study and conducted a business survey of administrative and regulatory costs.		FIAS
Linkages	To contribute to a larger World Bank Labor Market Study by assessing training policies provided at the firm level and their contribution to technology development within the country.		FIAS
Linkages	To provide policy recommendations to develop the country's knowledge-intensive sectors over the next decade.		FIAS
FYR Macedonia Administrative Barriers to Investment	To conduct a study of administrative barriers to investment, including a business survey of administrative and regulatory costs.		FIAS
Food Processing: Implementation of HACCP Standards	To train local businessmen in the food processing sector to implement the Hazard Analysis Critical Control Point procedures.	Greece	TATF
Implementation of SME Strategy	To strengthen the Small and Medium Enterprises department of the Ministry of Economy and help turn the SME strategy into a realistic action plan for implementation.	Ireland IFC TA Fund	TATF
Romania Administrative Barriers to Investment	To help the government implement an action plan to remove administrative barriers.		FIAS
National Environment Fund	To help strengthen the National Environment Fund by providing advisory services to the Environment Ministry on how to improve other operational procedures and reorganize the Fund.	Canada	TATF
Secondary Market Legislative Project	To assess the legislative framework for mortgage bonds and mortgage-backed securities and the need to harmonize with countries in the region.	Canada	TATF
Russian Federation Advisory Support on Securitization	To advise public and private sector officials on identifying obstacles in securitization transactions.	United Kingdom IFC TA Fund	TATF
Banking Sector: Corporate Governance Study	To analyze the extent to which the country's banks follow corporate governance best practices in internal operations.	Switzerland	TATF (PEP / TATF)
Development of Forestry Finance and Accounting	To promote sustainable development of forestry and facilitate foreign direct investment.	Finland	PEP

PROJECT	DESCRIPTION	DONOR	PROGRAM
Departments of an Agribusiness Company	To help Stavropolsky Broiler establish a new management information system, train staff, and hire and train a chief financial officer.	Netherlands	TATF
Financing Options for Private Energy Efficiency Projects	To identify several pilot projects for energy efficiency investments, considering market conditions, financing structures, and the regulatory environment.	Netherlands	TATF (PEP / TATF)
Information and Communications Technologies	To provide technical assistance to companies in the offshore programming sector and link them to counterparts in Western Europe.	Finland	PEP
Mobile Telecommunications Market	To examine the mobile telecommunications market in order to determine appropriate financing needs. Identify competitive candidates, and advise on ways to serve the market effectively.	Sweden IFC TA Fund	TATF
Northwest Russia Leasing Development	To promote leasing development in the Northwest of Russia, and match companies with Western European investors and equipment manufacturers.	Finland	PEP
Review of Mortgage-Backed Securities Law	To review the draft law for mortgage-backed securities to help establish the country's first secondary mortgage company.	Norway	TATF
Russia Leasing Training	To conduct a training course on environmental risk management for 20 Russian leasing companies, including three IFC clients and a "train-the-trainers" course for PEP staff to enable replication by PEP.		SFMF
Waste Gas Utilization Feasibility Study	To determine the viability of capturing waste gas and developing a business based on its commercial utilization.	Bavaria	TATF (PEP / TATF)
Serbia and Montenegro Advice on Bank Credit Policies and Strategy	To finance an advisor to reengineer Vojvodjanska Banka's credit process and develop a strategy for its credit operations.	Sweden IFC TA Fund	TATF
Feasibility Study and Business Plan for Hotel Modernization	To help Hotel Metropol, a leading hotel, choose a modernization strategy and identify strategic partners.	United Kingdom IFC TA Fund	TATF
Feasibility Study and Business Plan for Polyclinic Hospital	To carry out a technical, market, and commercial assessment of the proposal to establish a polyclinic hospital and to develop a comprehensive business plan.	Sweden	TATF
Finance Expert to Assist State Privatization Agency	To finance an expert for the capital market center in the Privatization Agency who will assess the portfolios held by the State Share Fund of Serbia, strengthen the capacity of its staff, and identify and correct potential weaknesses in program delivery.	Italy	TATF
Internet and IT Sector: Survey of Investment Potential	To identify investment opportunities in the Internet and IT sector.	Italy	TATF
Market Study of Tissue Products and Recycled Paper	To analyze the current market for tissue products and identify the potential for development.	Sweden IFC TA Fund	TATF

PROJECT	DESCRIPTION	DONOR	PROGRAM
Oil and Gas Industry	To strengthen the reform agenda of the Serbian government in the energy sector and to address the need for reorganization and restructuring of Nafta Industrija Srbije prior to privatization.	Italy	TATF
Privatization	To help the government of Montenegro introduce private sector participation into the operations of the Dr. Simo Milosevic Institute.	Austria	TATF
Restructuring Business Group: Community Development Program	To assist in the restructuring of the Tigar rubber footwear and consumer goods business and support the development of a viable dairy operation.	Sweden	TATF
Strengthening the Insurance Supervisory Authority	To review the draft legal and regulatory framework for insurance and assist the government's insurance supervisory services.	Italy	TATF
Support to Privatized Banks	To address the need to restructure nonperforming assets, assist in the preparations for privatization, and provide advisory services.	Sweden	TATF
Tajikistan Creation of a Microfinance Institution	To assess the feasibility of establishing a microfinance bank, focusing on the underserved population of the Ferghana valley.	IFC TA Fund	TATF
Local Capacity Building: International Standard Audit	To provide training in financial management services to staff of a first local private consulting firm and its business clients.	IFC TA Fund	TATF
Turkey Investment Law	To provide assistance in revising the draft laws on foreign investment and on setting up an investment promotion agency.		FIAS
Investment Promotion	To develop a strategic and institutional framework to improve the environment for foreign direct investment in the country.		FIAS
Ukraine Advisory Expert on Mortgage Securities Law	To draft a law on mortgage securities, including authorization to issue off-balance sheet, multitranches mortgage-backed securities.	United Kingdom IFC TA Fund	TATF
Diagnostic on Policy Covering Small and Medium Enterprise Firms	To analyze major obstacles faced by local entrepreneurs and to help improve governmental regulatory activities to encourage private sector growth.	Norway IFC TA Fund	TATF (PEP / TATF)

PROJECT	DESCRIPTION	DONOR	PROGRAM
<p>LATIN AMERICA & THE CARIBBEAN</p> <p>Latin America Region Business-to-Business Sustainability Workshop</p> <p>Competitive Environmental Advantage Workshop</p> <p>Promotion of Sustainable Businesses</p> <p>Student Financing Programs: Case Studies for Future Investments</p> <p>Utilization of Sustainable Resources</p> <p>Central America Region Exit Strategies for SME Venture Capital Funds</p> <p>Eastern Caribbean Region Business Development and Training for Smaller Entrepreneurs</p> <p>Bolivia Prodem Finance: a Microenterprise Development Program</p> <p>Prodem Foundation</p>	<p>To finance a workshop for IFC's clients. The partnering of enthusiastic sponsors with those who have adopted sustainable practices in their operations has proved a significant and powerful agent for change in IFC's client base.</p> <p>To deliver a 3-day environmental management training course for Latin American financial institutions in association with the Inter-American Investment Corporation.</p> <p>To assist small agro-extractive producers in the Amazon Basin strengthen their business, managerial, and technical skills; develop bankable business plans; and convert from subsistence production to more environmentally sustainable entrepreneurial enterprises.</p> <p>To examine student financing programs and establish a case book on successes and failures.</p> <p>To help Conch in the expansion of farming conch by adding ponds to increase production, and to assist in improving sales and marketing techniques and distribution channels.</p> <p>To help Aureos Capital Limited, a global fund manager of private equity funds specializing in SMEs, improve its exit opportunities.</p> <p>To help increase local business capacity in delivering services and to provide training to small and medium enterprises.</p> <p>To link microenterprises with medium-size businesses that are investees of Prodem and to help raise their income levels through training and other forms of capacity building.</p> <p>To assist Prodem implement intelligent ATM technologies in rural areas and to develop, construct and install 22 ATMs throughout the region and introduce 20 autonomous sales points in locations such as gas stations and markets to increase accessibility.</p>	<p></p> <p></p> <p></p> <p>Switzerland</p> <p></p> <p></p> <p>Switzerland</p> <p></p> <p>Canada IFC TA Fund</p> <p></p> <p></p>	<p></p> <p>CCF</p> <p>SFMF</p> <p>CBF</p> <p>TATF</p> <p>EOF</p> <p>TATF</p> <p>TATF</p> <p>CBF</p> <p>CBF</p>

PROJECT	DESCRIPTION	DONOR	PROGRAM
Brazil Aguas de Amazonas: Provision of Affordable Water	To develop local capacity to establish communal water access points, to build a financing structure to enable poor communities get access to water, and to create a revolving guarantee fund for these activities through a local microfinance institution.		CBF
SEBRAE Assistance to Micro and Small Enterprises	To provide training programs geared to small entrepreneurs.		CBF
Colombia Diagnostic and Recommendations on Distribution Network	To increase the efficiency of the distribution system for a beverage company, Bavaria de Colombia, and create a training program.	IFC TA Fund	TATF
Investment Promotion Strategy	To advise the country's investment promotion agency on international experience regarding structural arrangements between export and investment promotion.		FIAS
Sustainable Microfinance: Feasibility Study	To assess the feasibility of setting up a commercial microfinance/small business lending facility.	Canada	TATF
Ecuador Banana Supply Chains	To implement an extensive program of supplier training and to improve Favorita's social equity and environmental sustainability performance throughout its supply chains in order to maintain continued access to international markets.		CCF
Business Plan for a Gas Processing and Power Plant	To prepare and submit a business and project financing plan for Amazonia Gas, a private company owned by a confederation of indigenous peoples.	Norway IFC TA Fund	TATF
Dairy Company Processing and Marketing	To assist Agrícola Ganadería Reysahiwal S.A., a dairy company, with its milk processing and product marketing, including a plan for new product development and distribution.	Denmark	TATF
Honduras Competition Policy	To review draft legislation to help the government design a best practice framework on competition policy.		FIAS
Strengthening the Horticulture Sector	To help develop a detailed business plan for capacity building for enterprises in the horticulture sector.	Netherlands	TATF
Mexico Calidra: Eco-Efficiency	To help install a new water recovery system in one of Calidra's manufacturing facilities on a pilot basis.		EOF
Public-Private Partnership Program	To aid the government of Mexico in the development and implementation of its Public-Private Partnership program.	United Kingdom IFC TA Fund	TATF

PROJECT	DESCRIPTION	DONOR	PROGRAM
Wastewater Recycling Plant	To support the design and implementation of a wastewater recycling plant to provide industrial-grade water for manufacturing.	IFC TA Fund	TATF
Wastewater Recycling Plant	To strengthen the environmental and social development components of a municipal wastewater management program and to help develop a sustainable waste management plan for the region.		CCF
Nicaragua Administrative Barriers to Investment	To evaluate and propose a comprehensive administrative reform program to eliminate barriers to entry.		FIAS
Competition Policy	To assess the constraints to competition and their impact on competitiveness of the country's economy.		FIAS
Housing Finance Market Feasibility Study	To analyze the housing finance system capital market and legal framework to promote development of the residential housing market.	Canada IFC TA Fund	TATF
Peru Investment Promotion Strategy	To conduct a study and develop a strategic framework for promoting foreign direct investment.		FIAS
SME Development in Cajamarca Region	To assist in the scaling up of SME development by focusing on SME finance, supply chain linkages and artisan development.		CBF
Suriname Investment Promotion Strategy	To review the government's initiative and to create a new investment law and promotion agency.		FIAS

PROJECT	DESCRIPTION	DONOR	PROGRAM
MIDDLE EAST & NORTH AFRICA			
Regional Algeria and Morocco SME Evaluation	To evaluate the SME sector and propose interventions to support commercially sustainable initiatives.	Italy	TATF
Primary Housing Finance	To document the current system and legal framework and to create a specialized lending institution and build a long-term plan to include the development of mortgage securitization and a secondary mortgage market.	Switzerland	TATF
Afghanistan Commercial Banking Operations: Feasibility Study	To assess the need for commercial banking operations and to create the first microfinance bank within the existing framework.	Netherlands	TATF
Microfinance Banking	To provide capacity building to a microfinance bank and to address the shortage of trained staff, the limited physical infrastructure, and the management of social issues.	Norway	TATF
Algeria Foreign Direct Investment	To cosponsor a survey of potential foreign investors from three Western European countries, focusing on constraints to private sector development.		FIAS
Investment Climate	To identify the policy and regulatory constraints affecting the country's investment climate and to recommend specific changes.		FIAS
Microfinance Sector Assessment	To assess the microfinance sector for the North African Enterprise Development facility.	Italy	TATF
Jordan Investment Law	To review a draft investment law.		
Investment Opportunities Study	To provide an overview of the health care sector, with emphasis on identifying investment opportunities.	Sweden	FIAS
Kuwait Administrative Barriers to Investment	To assess impediments to investment and to provide recommendations for change.		FIAS
Foreign Direct Investment	To help draft a new bylaw on foreign direct investment and to provide recommendations on automating fiscal incentives and information on screening and licensing.		FIAS
Lebanon Insurance Regulatory Framework	To help implement supervisory procedures so international standards are met and to help build organizational capacity in the insurance sector.	Canada	FIAS

PROJECT	DESCRIPTION	DONOR	PROGRAM
<p>Pakistan Credit Bureau Development</p>	<p>To aid the development of Datacheck, a credit bureau, to expand its services and attract a strategic partner.</p>	<p>New Zealand</p>	<p>TATF</p>
<p>Secondary Mortgage Market: Feasibility Study</p>	<p>To assess the feasibility of establishing a secondary mortgage market and to help the government identify steps to improve the affordability and availability of funds.</p>	<p>USA IFC TA Fund</p>	<p>TATF</p>
<p>Study on Administrative Barriers</p>	<p>To identify the steps needed to complete an investment approval and start a legally established business.</p>	<p>USA</p>	<p>TATF</p>
<p>Saudi Arabia Administrative Barriers to Investment</p>	<p>To examine foreign direct investment as a tool to address the cyclical nature of the economy and the problem of unemployment.</p>		<p>FIAS</p>
<p>Syrian Arab Republic Insurance Law</p>	<p>To draft an updated law to govern the activities of private sector insurance companies.</p>	<p>Sweden</p>	<p>TATF</p>
<p>Tunisia Investment Incentives</p>	<p>To assess the tax system and investment incentive regimes.</p>		<p>FIAS</p>

PROJECT	DESCRIPTION	DONOR	PROGRAM
GLOBAL Better Management Practices	To work with agribusiness commodity buyers/producers and banks that invest in agribusiness commodities to develop better management practices that can be used as investment screens.		CCF
Biodiversity Good Practice Guide	To commission the development of a practical guide for businesses in emerging markets and to understand and incorporate biodiversity in their operations. This guide will be the fourth publication in the good practice series.		CCF
CIPE in the Balkans, Africa, and Asia	To help build the institutional capacity of membership-based business associations by strengthening the capacity of business associations, improving a better business environment, and increasing access to services for SMEs.		CBF
Credit Bureau Program	To foster the development of private credit bureaus, and to facilitate the extension of credit to previously underserved segments of the population.	Italy, New Zealand, Norway, IFC TA Fund	TATF
Development of IT Industry in India and China	To assess drivers of growth performance and the private sector information technology services, and to identify opportunities and constraints for future development in these countries.	Norway IFC TA Fund	TATF
Electronics Manufacturing: Global Strategy	To define a role for subsectors of the industry, focusing on a positive economic and developmental impact.	Switzerland IFC TA Fund	TATF
Environmental and Social Guidelines	To help develop environmental and social performance technical guidelines to complement investments in countries with emerging or transitional economies.	Denmark	TATF
Mining and Biodiversity Best Practice Forum	To sponsor the participation of a mining junior at the International Council on Mining and Metals / International Union for Conservation of Nature and Natural Resources meetings on biodiversity-related best practices.		CCF
Partnership with German Agency for Technical Cooperation	To help develop bank training programs and to build up the capacity of local bankers and provide training for a number of selected SME finance institutions.		CBF
Quality Improvement of Professional Business Managers	To fund a pilot internship program by assisting the Global Business School Network with its sponsor internships, preparation of business cases, institution-building for business schools in developing countries, and joint research, and to identify clients and help with the placement process.		CBF
SME Toolkit	To provide small businesses access to Web and CD-ROM based interactive tools, training, how-to articles, downloadable forms, and software that will enable them to improve operational and management practices and to help translate international content and develop local content.		CBF

PROJECT	DESCRIPTION	DONOR	PROGRAM
Strengthening of Business Associations in Africa and Asia	To help improve the functioning of potentially sustainable and independent local business membership organizations (BMOs) through training and technical assistance covering management, development of membership services, and advocacy; and to increase the effectiveness of BMO projects by gathering lessons learned and developing products/tools and training for BMO project managers.		CBF
Support for Business Associations	To deliver training and technical support to business associations in Cambodia, Nigeria, South Africa, and Vietnam.	Denmark	TATF
Sustainable Private Equity Workshop	To provide a one-day sustainability training course to investment professionals from Aureos, a private equity fund management group.		SFMF
Sustainable, Responsible Investment in Emerging Markets	To research report into current and future potential for sustainable and responsible investment in emerging market equities, including an analysis of investor appetite, key barriers/incentives, and capacity building needs.		SFMF
World Health International: Environmental Services & Infrastructure	To develop a market line of proprietary, scalable water purification and disinfection devices and to deliver affordable potable water, especially to underserved populations (Bangladesh, Mexico, and Philippines), and to establish point-of-sale leasing to SMEs for water treatment equipment in the LAC region.		EOF

IFC DONOR-SUPPORTED TECHNICAL ASSISTANCE PROGRAMS: PURPOSE/STRATEGY

ACTIVITY / DFO	PURPOSE / STRATEGY	INCEPTION DATE
FIAS	To assist governments to improve their policies, regulations, and institutions in order to attract more and more beneficial foreign direct investment.	1985
APDF	To respond to the need for project preparation & assistance to entrepreneurs in Sub-Saharan Africa.	1986
PEP	To provide focused technical assistance, with the goal of helping build successful private businesses in the former Soviet Union region.	In operation since 1987. The Partnership was formally created in May 2000
TATF	To develop TA projects to help strengthen the business environment in all IFC client countries, focusing on TAs to promote private sector growth.	1988
AMSCO	To assist SMEs with substantial African ownership to become more sustainable and competitive in national and international markets.	1989
SPPF	To assist and accelerate the development of productive, self-sustaining SMEs in Pacific Island countries.	1990
MPDF	To foster growth in the number and size of domestic private firms in the Mekong region.	1996
CPDF	To support the development of private SMEs in the interior of China, with an initial focus on Sichuan province.	2000
SEED	To help support the development of the private sector in Albania, Bosnia, Macedonia, and Serbia and Montenegro.	2000
CBF	To fund partnerships and programs that support the WBG SME strategy.	2002
CCF	To support best environmental and social practices in individual businesses in developing countries and actively disseminate those practices throughout the private sector in emerging markets.	2002
EOF	To provide catalytic project development funding and flexible investment financing for innovative projects that address primarily local environmental issues. To overcome the barriers to investments in these sectors and move projects toward commercial viability.	2002
IEDF	To help develop a growing and viable SME sector that will generate sustainable employment and economic growth, thereby contributing to poverty alleviation and social stability. To develop a sustainable and commercially viable domestic capacity to support the SME sector.	2002
NAED	To support the development of markets and institutions that are key to SME growth in (initially) Algeria, Egypt, and Morocco. To develop SME finance instruments and expertise, improve the business and regulatory environment, and provide support for intermediary organizations.	2002
SEDF	To increase competitiveness, performance, and growth of the SME sector, which is expected to contribute to an improvement in economic and social conditions.	2002
SFMM	To enhance the environmental and social impact of financial intermediaries (FIs) operating in developing countries, and to strengthen FIs' competitiveness by improving their capacity to manage environmental risk and the opportunities arising from increased sustainability; and to have a strategic impact on the sustainability agenda of the broader financial community.	2002
LACP	To promote private sector development through support to SMEs with the aim of fostering job creation and reducing poverty in Latin America and the Caribbean region.	2003

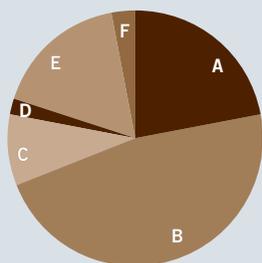
IFC DONOR-SUPPORTED TECHNICAL ASSISTANCE PROGRAMS: LOCATIONS



IFC DONOR-SUPPORTED TECHNICAL ASSISTANCE PROGRAMS

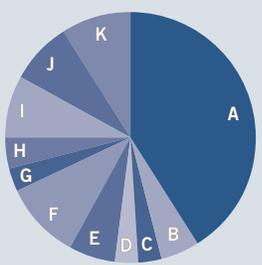
CUMULATIVE FINANCIAL COMMITMENTS IN US\$ MILLIONS EQUIVALENT UP TO JUNE 30, 2003

CUMULATIVE FINANCIAL SUPPORT BY PROGRAM



A = TATF	22%
B = SME Facilities	47%
C = FIAS	9%
D = SEF	2%
E = PEP	17%
F = CBF	3%

CUMULATIVE FINANCIAL SUPPORT BY DONOR



A = Others	41%
B = Canada	5%
C = UNDP	3%
D = Italy	3%
E = Japan	6%
F = Netherlands	10%
G = Norway	3%
H = Sweden	4%
I = Switzerland	8%
J = United Kingdom	8%
K = United States	9%

DONOR	TATF	SME FACILITIES	FIAS	PEP	SEF	CBF	TOTAL
IFC Donor Community							
African Development Bank	-	12.06	-	-	-	-	12.06
ADB	-	1.50	-	-	-	-	1.50
EBRD	-	1.22	-	-	-	-	1.22
European Community	3.50	12.48	-	-	-	-	15.98
Inter-American Devt Bank	-	3.40	-	-	-	-	3.40
UNDP	1.14	15.69	8.43	-	-	-	25.26
Other Donors							
Australia	4.44	12.07	2.91	-	-	-	19.42
Austria	1.05	2.27	-	-	-	-	3.32
Belgium	-	3.11	0.17	-	-	-	3.28
Canada	7.37	17.56	1.65	16.14	-	-	42.72
Denmark	5.64	13.75	-	-	-	-	19.39
Finland	5.71	8.08	0.47	2.71	-	-	16.97
France	1.88	7.16	0.79	-	-	-	9.83
Germany	3.62	5.92	-	-	-	-	9.54
Greece	1.85	0.25	-	-	-	-	2.10
India #	-	-	-	-	-	-	-
Ireland	2.03	1.52	0.15	-	-	-	3.70
Israel	0.90	-	-	-	-	-	0.90
Italy	18.72	4.50	0.57	-	-	-	23.79
Japan	30.65	13.92	3.56	-	-	-	48.13
Luxembourg	0.50	-	0.52	-	-	-	1.02
Mexico	-	0.50	-	-	-	-	0.50
Netherlands	23.69	33.27	2.35	12.85	5.17	-	77.33
New Zealand	1.49	1.79	0.92	-	-	-	4.20
Norway	6.69	19.57	0.54	0.01	0.40	-	27.21
Poland	-	0.50	-	-	-	-	0.50
Portugal	-	4.84	0.25	-	-	-	5.09
Slovenia	-	0.20	-	-	-	-	0.20
South Africa	0.20	-	-	-	-	-	0.20
Spain	2.85	-	0.30	-	-	-	3.15
Sweden	14.06	14.53	2.42	2.71	-	-	33.72
Switzerland	13.77	30.64	3.67	10.52	1.50	-	60.10
United Kingdom	7.25	18.59	2.12	36.67	-	-	64.63
United States	7.25	20.00	3.74	39.07	-	-	70.06
Other Donors (continued)							
ICDS	-	2.65	-	-	-	-	2.65
Caribbean Devt Bank	-	0.10	-	-	-	-	0.10
Others	0.65	2.81	-	-	-	-	3.46
	166.90	286.45	35.53	120.68	7.07	-	616.63
World Bank Group*							
IBRD	-	5.85	10.09	-	-	-	15.94
IFC	10.71	77.18	21.23	12.60	10.00	21.30	153.02
MIGA	-	-	2.91	-	-	-	2.91
	10.71	83.03	34.23	12.60	10.00	21.30	171.87
GRAND TOTAL	177.61	369.48	69.76	133.28	17.07	21.30	788.50
By Program (percent)	22.6%	46.8%	8.9%	16.8%	2.2%	2.7%	100%

TATF includes one-time funding for specific projects (excluding EC/IFC equity line of ECU 5 million). **SME Facilities** comprise AMSCO, APDF, BAS, CPDF, ESSA, IEDF, MPDF, NAED, PBAS, SEDF, SEED, SPPF, and SME Initiatives. **FIAS** is a joint service supported by IFC and the World Bank. **PEP** is the Private Enterprise Partnership and also refers to IFC's earlier privatization activities & technical assistance in the former Soviet Union. **SEF** comprises CCF, SFMF, and EOF. **CBF** refers to the SME Capacity Building Facility to fund pilots and partnerships and programs that support the WBG SME strategy.

Indicates contribution-in-kind from EximBank, India.

* Includes contribution-in-kind from IBRD, IFC and MIGA.

SME FACILITIES: IFC DONOR-SUPPORTED TECHNICAL ASSISTANCE PROGRAMS

CUMULATIVE FINANCIAL COMMITMENTS IN US\$ MILLIONS EQUIVALENT UP TO JUNE 30, 2003

DONOR	APDF	AMSCO	CPDF	IEDF	MPDF	NAED	SEDF	SEED	SPPF	SME INITIATIVES	CLOSED PDFS	TOTAL
IFC Donor Community												
African Development Bank	8.06	4.00	-	-	-	-	-	-	-	-	-	12.06
ADB	-	-	-	-	0.75	-	0.75	-	-	-	-	1.50
EBRD	-	-	-	-	-	-	-	-	-	-	1.22	1.22
European Community	-	-	-	-	-	-	11.58	-	-	-	0.90	12.48
Inter-American Devt Bank	-	-	-	-	-	-	-	-	-	-	3.40	3.40
UNDP	10.00	4.69	-	-	-	-	-	-	-	-	1.00	15.69
Other Donors												
Australia	-	-	1.48	2.68	2.90	-	-	-	5.01	-	-	12.07
Austria	-	-	-	-	-	-	-	2.27	-	-	-	2.27
Belgium	2.20	0.31	-	-	-	0.60	-	-	-	-	-	3.11
Canada	2.50	-	-	-	1.92	-	5.84	1.36	0.77	-	5.17	17.56
Denmark	7.73	5.64	-	-	-	-	-	-	-	-	0.38	13.75
Finland	2.20	2.62	-	-	3.26	-	-	-	-	-	-	8.08
France	5.50	1.66	-	-	-	-	-	-	-	-	-	7.16
Germany	2.30	1.02	-	-	-	-	-	-	-	-	2.60	5.92
Greece	-	-	-	-	-	-	-	0.25	-	-	-	0.25
India #	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	1.50	-	-	-	-	-	-	-	-	0.02	1.52
Israel	-	-	-	-	-	-	-	-	-	-	-	-
Italy	1.00	1.00	-	-	-	1.72	-	-	-	-	0.78	4.50
Japan	4.00	-	-	0.50	2.03	-	-	-	6.14	-	1.25	13.92
Luxembourg	-	-	-	-	-	-	-	-	-	-	-	-
Mexico	-	-	-	-	-	-	-	-	-	-	0.50	0.50
Netherlands	9.26	6.32	1.02	1.87	0.57	-	2.03	5.00	-	5.22	1.98	33.27
New Zealand	-	-	-	-	-	-	-	-	1.79	-	-	1.79
Norway	5.37	0.60	-	-	2.92	-	7.03	3.20	-	0.35	0.10	19.57
Poland	-	-	-	-	-	-	-	-	-	-	0.50	0.50
Portugal	1.90	2.94	-	-	-	-	-	-	-	-	-	4.84
Slovenia	-	-	-	-	-	-	-	0.20	-	-	-	0.20
Spain	-	-	-	-	-	-	-	-	-	-	-	-
Sweden	5.37	3.66	-	-	1.91	-	-	2.10	-	0.46	1.03	14.53
Switzerland	7.30	2.77	2.33	3.65	6.81	3.48	-	4.00	-	-	0.30	30.64
United Kingdom	3.77	1.92	3.29	-	2.32	-	5.68	0.91	-	-	0.70	18.59
United States	11.50	2.70	-	-	-	-	-	-	-	-	5.80	20.00
Other Donors												
ICDS	-	2.65	-	-	-	-	-	-	-	-	-	2.65
Caribbean Devt Bank	-	-	-	-	-	-	-	-	-	-	0.10	0.10
Others	-	0.62	-	-	-	-	-	-	0.88	-	1.31	2.81
	89.96	46.62	8.12	8.70	25.39	5.80	32.91	19.29	14.59	6.03	29.04	286.45
World Bank Group												
IBRD	-	5.85	-	-	-	-	-	-	-	-	-	5.85
IFC	23.10	6.87	5.00	5.00	9.00	5.00	5.00	6.00	4.41	-	7.80	77.18
MIGA	-	-	-	-	-	-	-	-	-	-	-	-
	23.10	12.72	5.00	5.00	9.00	5.00	5.00	6.00	4.41	-	7.80	83.03
GRAND TOTAL	113.06	59.34	13.12	13.70	34.39	10.80	37.91	25.29	19.00	6.03	36.84	369.48

Note 1 - IEDF was approved by the Board of Directors of IFC in October 2002.

Note 2 - SME Initiatives comprise various initiatives. The first one was created in May 2002.

Note 3 - Closed PDFs comprise BAS, established in 1981 & closed during FY97; PBAS, established in 1991 & closed in June 1996; and ESSA, established in 1994 & closed in January 2002.

indicates contribution-in-kind from EximBank, India.

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Glossary

ACG-BTC	Azeri, Chirag and Deepwater Gunashi / Baku-Tbilisi-Ceyhan	IMF	International Monetary Fund
ADB	Asian Development Bank	LAC	Latin America and the Caribbean
AfDB	African Development Bank	LACP	Latin America and the Caribbean Program
AMSCO	African Management Services Company	MDBs	multilateral development banks
APDF	Africa Project Development Facility	MENA	Middle East and North Africa
BDS	Business Development Services	MFI	microfinance institution
CBF	Capacity Building Facility	MIGA	Multilateral Investment Guarantee Agency
CCF	Corporate Citizenship Facility	MIS	management information systems
CDB	Caribbean Development Bank	MPDF	Mekong Private Sector Development Facility
CDC	Commonwealth Development Corporation	NAED	North Africa Enterprise Development facility
CEE	Central and Eastern Europe	NGO	nongovernmental organization
CIDA	Canadian International Development Agency	NORAD	Norwegian Agency for Development Cooperation
CPDF	China Project Development Facility	OECD	Organization for Economic Cooperation and Development
DFO	Donor-Funded Operations	PDF	project development facility
EAP	East Asia and Pacific	PEP	Private Enterprise Partnership
EBRD	European Bank for Reconstruction and Development	PPP	Public Private Partnership
EC	European Community	SEAF	Small Enterprise Association Funds
EOF	Environmental Opportunities Facility	SECA	Southern Europe and Central Asia
ESSA	Enterprise Support Service for Africa	seco	State Secretariat for Economic Affairs of Switzerland
EU	European Union	SEDF	SouthAsia Enterprise Development Facility
EXIM	Export-Import Bank of India	SEED	Southeast Europe Enterprise Development facility
FATE	Fate Foundation	SEF	Social and Environmental Facilities
FDI	foreign direct investment	SFMF	Sustainable Financial Markets Facility
FIAS	Foreign Investment Advisory Service	Sida	Swedish International Development Agency
FM	financial market	SME	small and medium enterprise
FMTA	IFC Financial Markets Technical Assistance	SOE	state-owned enterprise
FY	fiscal year	SPPF	South Pacific Project Facility
FYR	former Yugoslav Republic	TA	technical assistance
GEF	Global Environment Facility	TATF	Technical Assistance Trust Funds program
IADB	Inter-American Development Bank	TF	Trust Fund
IAS	International Accounting Standards	UNDP	United Nations Development Programme
IBRD	International Bank for Reconstruction and Development	UNEP	United Nations Environment Programme
ICDS	Industry Council for Development Service	USAID	United States Agency for International Development
IDA	International Development Association	USTDA	United States Trade and Development Agency
IEDF	Indonesia Enterprise Development Facility	\$	US\$
IFC	International Finance Corporation	€	EURO
IFI	international financial institution		

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