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Recent Business Highlights

Poverty Conference Delegation visits CPDF projects in Sichuan; CPDF hosts BDO training session for Asia region PDFs; Sino-Swiss Chengdu SME Credit Guarantee Company founded; Local environmental consultants trained in ISO14000 practices; Creditor Rights Protection Project secures funding; and Fast-growing snacks company turns to CPDF for investment advisory services.

Visitors To IFC-CPDF

Michael Klein, Karin Finkelston, Desmond Dodd, Stoyan Tenev, Omar Chaudry, Simon Fowler, Carl Dagenhart, and Barbara Zhang.

People Among Us

Godfrey Firth, Market Coordinator with the Management Training Program

News From The Region

ChinaSOFT 2004 held in Chengdu

Private airlines plan to take-off in Sichuan

Intel breaks ground on USD \$300 million chip plant

MTP Business Edge partners to hold courses in Xi'an and Lhasa

CPDF co-sponsors Venture Capital Investment Forum in April

Coming Up Soon

Recent Business Highlights

CPDF in the Region

Delegation for the World Bank China-sponsored Poverty Reduction Conference visits CPDF ...

On April 12 and 13, a delegation of some 50 representatives from various countries, in preparation for the upcoming conference on scaling up poverty reduction, visited Chengdu on a research field trip. The delegation, which was joined by World Bank VP and IFC Chief Economist Michael Klein, visited several IFC/CPDF clients, including Huarong Chemicals, New Hope Dairy and Shiyun Paper Co. As well, on April 12, CPDF and the Sichuan Provincial Government hosted a roundtable on poverty reduction for the delegation, featuring presentations from Vice-Governor Chen Wenguang, 9 CPDF client companies and a CPDF-assisted local bank, Chengdu City Commercial Bank. The Conference will be held in Shanghai this May, and will feature 70 different case studies on effective and sustainable poverty reduction. 8 of these cases will deal with China, of which 3 are CPDF projects - in Linkages, Management Training, and SME Credit Guarantees. (news contributed by Sarah Xie, CPDF Office Administrator)



CPDF hosts cross-PDF training session...

A week-long training session for Business Development Officers from the 4 PDFs in the Asia region was held in Chengdu from Mar. 15 to 19. Around 40 participants from MPDF, SADF, PENSA, and, of course, CPDF took part in the program, which also included numerous presentations from SME Dept. members

and other HQ personnel. The learning program's content focused on the core business areas of the PDFs, while also emphasizing knowledge and experience sharing between various facilities.

Financial Sector (FS)

Sino-Swiss Chengdu Small Enterprise Credit Guarantee Company officially founded...

On March 30, the Chengdu Small Enterprise Credit Guarantee Company was officially launched at a founding ceremony at the Jinjiang Hotel. The CGC, set up with funding from UK's Dept for International Development, assists small and micro-enterprises and laid-off workers through providing credit guarantee services on a commercial basis. CPDF played a key role in introducing the Swiss Secretariat for Economic Affairs (SECO) as an investor to the Chengdu CGC. CPDF's financial sector team provided hands-on assistance to the local partner during a 10-month long due diligence process. SECO and the Chengdu Municipal Government each invested USD\$3 million in the joint venture company. The new funding will allow CGC to support 400 more SMEs. Present at the launching ceremony were Mr. Claude Barras, Investment Promotion Unit Head of SECO, Mr. Ge Honglin, Mayor of Chengdu, and Ms. Di Na, Deputy Director-General of the SME Department, State Development & Reform Commission. (news contributed by Wenfang Chen, BDO with the FS team, and Liu Min, BDA with the CB team)



CPDF's diagnostic report spurs local commercial bank to improve its credit system...

After six weeks of joint efforts by Ernst & Young and CPDF, a diagnostic report on Leshan City Commercial Bank's credit management system was completed in mid-March. On March 24, CPDF's Financial Sector team presented the review's main findings and recommendations to the bank's top management, and discussed the next steps for CPDF's TA. The Bank indicated that the report gave a fair view of its current situation and the management was very receptive to the recommendations. Bank management committed itself to implementing, with CPDF's help, the key recommendations, including creation of an independent risk management function, development of a credit scoring system and a credit manual. (news contributed by Wenfang Chen, BDO with the FS team)

Capacity Building (CB)

MTP signs up new partners and crosses the “3,000 trained” mark...

2 new local training providers have joined CPDF's Business Edge Management Training Program. Knowledge in Action is a team of Sichuan University Business School professors, who specialize in providing in-company training to SMEs. The Chengdu Chamber of Commerce is the largest business association in the city, and plans to offer Business Edge courses to managers in member companies. As of April, the MTP has trained over 3,000 SME managers and staff since its launch in October 2003, and earlier this month also delivered its first course in Bazhong, in the remote and impoverished northeast of Sichuan. (news contributed by Qiu Min, BDO with the CB team)

Chengdu Chamber of Commerce



Knowledge in Action



CG team assists with the establishment of the Sino-Swiss CGC and develops new tools...

CPDF's CG team worked on the establishment negotiations for CGC (see Financial Sector above) to strengthen its corporate governance, via strengthening its decision-making authority structure and appointment of an independent Board Director. The team has recently created Corporate Governance Progression Matrixes for limited liability, joint stock limited and listed companies, respectively, in China. These Matrixes will be used by the CG team and partner consultants to assess client companies' corporate governance practices and recommend improvements. (news contributed by Liu Min, BDA with the CB team)

Environmental consultants trained in ISO14000 practices and system...

On April 8 and 9, CPDF successfully delivered the third component of its environmental capacity building training program. Mr. Stig Hirsbak of Ramboll, an expert in the EMS/ISO14000 certification system, delivered a two-day seminar of intensive hands-on training to 24 local environmental consultants. The 24 consultants, 10 of which work for 5 environmental consulting firms and 14 are independent experts, beyond acquiring a basic familiarity with the ISO14000 system, also gained practical experience in assessing the environmental risks in clients' business operations, especially when clients are targeting the EU market. (news contributed by Chen Rong, BDO with the CB team)

CPDF staff contributes to development of linkages TA for IFC project...

From April 5 to 10, CPDF's linkages staff teamed with the HQ linkages unit to develop a program addressing potential local community issues resulting from Chenming Paper Company's expansion plans. In particular, the linkages program is expected to assist affected rural residents in small enterprise formation and acquiring new employment opportunities. (news contributed by Yi Qiyun, BDO with the CB team)

Business Enabling Environment (BEE)

FIAS confirms financing for CPDF-led Creditor Rights Protection Project...

The creditor rights protection project, aimed at improving the current collateral system, has been under development since August of last year. Collateral issues constrain the ability of SMEs to access finance. Discussions on the Project and its terms of reference have been conducted among CPDF, FIAS, IFC's legal department, and the Research Department of the People's Bank of China, China's central bank. Recently an agreement was reached between all the parties involved regarding implementation, and the responsible Deputy Governor at the PBOC has also approved the project.

CPDF, as the general coordinator of the project, will, together with FIAS, implement the project over the next 18 months. The project will integrate two components: a local component and an international 'best

practice' component. The local component will be carried out by the Institute of Finance of the PBOC with CPDF financing, and the international component will be carried out by WBG staff and international consultants using FIAS financing. The project has already drawn the attention of policy makers in China, and has been designated by the PBOC as one of its "national priority" projects for 2004-2005. (news contributed by Yanfei Ye, BDO with the BEE team)

Enterprise Development and Investment Services (EDIS)

EDIS head invited to Israel to speak on investment opportunities in Sichuan...

Charlie Cheng, the head of CPDF's EDIS Department, was in Israel from Mar. 22-25, speaking at an IT CEO Forum on investment opportunities in the Sichuan IT sector. He also presented to the senior management of the Israeli Export and International Co-operation Institute, a key government-industry association. As a direct result of this presentation, the Institute has decided to extend the itinerary of a major Israeli trade delegation to China, previously scheduled only to visit Beijing and Shanghai, to include Chengdu. This delegation will include Israel's Deputy Prime Minister, the Minister of Industry, Commerce, and Labor, and over 100 company CEOs. (news contributed by Charlie Cheng, EDIS Head)

EDIS team inks mandate with fast-growing snack food manufacturer...

The EDIS team recently signed a mandate with Chengdu Hua Hui Foodstuff Industry Co., Ltd. to deliver an Internal Enhancement Plan focusing on addressing issues that will allow the company to continue its recent rapid expansion. This company produces a wide range of snack foods including melon seeds, dried tofu and rice biscuits. Over the last three years it has quadrupled its revenues to RMB80m, with net profits showing even more impressive improvement. Its production facilities are based outside of Chengdu in more remote areas of Sichuan. (news contributed by William Beloe, BDO with the EDIS team)

CPDF launches due diligence co-operation with the newly-formed Chengdu CGC...

EDIS has started working with the just opened Sino-Swiss Chengdu SME Credit Guarantee Company. The team has already completed two Assisted Due Diligence evaluations and delivered the reports to CGC. The two companies reviewed are Sichuan Shengtong Pharmaceutical Company, a medicine trading firm, and Sichuan Hengsheng Environmental Protection Technologies, a B2B provider of environmental protection solutions, focusing on waste water and solid waste treatment projects. (news contributed by Quan Chen, BDO with the EDIS team)

Visitors To IFC-CPDF

- ③ World Bank Group Vice President and IFC Chief Economist **Michael Klein** visited CPDF from April 10 to 14, leading the delegation of representatives to the upcoming World Bank Conference on Scaling Up Poverty Reduction in Shanghai. Accompanying him were IFC's China Country Manager **Karin Finkelston** and East Asia/Pacific Region Senior Communications Officer **Desmond Dodd**.
- ③ Also working on Conference-related projects, East Asia/Pacific Regional Economists **Stoyan Tenev** and **Omar Chaudry** were in Chengdu for the first two weeks of April. The two economists are developing 3 case studies, based on CPDF projects, for use at the Conference in May.

- ③ **Simon Fowler**, Senior Manager in the Controller's Dept., and his COSO team were in Chengdu during the week of March 15, conducting a COSO review of CPDF's finance and operations, as well as participating in the BDO training program.
- ③ **Carl Dagenhart**, Business Development Officer with MPDF, was in Chengdu for two weeks in late March and early April, working closely with a team of CPDF staff on the upcoming plan for expanding CPDF's work beyond Sichuan.
- ③ Finally, **Barbara Zhang**, a MarCom (Marketing Communications) expert with over 12 years of PR experience in China and abroad arrived at CPDF on April 12 to assist the facility in revamping its marketing and public relations strategies.

People Among Us



Market Coordinator with the MTP program and Acting Chief Editor of the CPDF Newsflash, Godfrey Firth joined the facility in August of 2003, after three years in Shanghai with CBC Marketing Research and Prodigy Network Technologies. Born in the UK and raised in the US, he is a graduate of Boston University with a BA in International Relations and History, and also holds an MA from Harvard University in East Asian Studies. When not eradicating poverty, he divides his time between nurturing the homicidal kitten lurking in his apartment and wandering the province seeking local brews, chess opponents, and a teacher capable of explaining the Sichuan dialect.

News From The Region

Business - ChinaSOFT 2004 held in Chengdu...

Chengdu hosted ChinaSOFT 2004, China's premier IT and software industry convention, from April 5 to 7 at the Chengdu International Exhibition and Convention Center. Keynote speaker at the convention was John Gage, Chief Scientist of Sun Microsystems. Representatives from all major global players in the industry gathered at the event, with many Indian and Chinese software firms querying their American counterparts on the growing furor around "outsourcing" and "offshoring" in the U.S. In conjunction with the event, Microsoft opened its Chengdu Microsoft Technical Center, designed to provide software services to local governments.

Business - Entrepreneurs look to launch private airlines in Sichuan...

Two different groups of investors are looking to launch privately-owned airlines in Sichuan, following the decision of the Civil Aviation Administration of China (CAAC) to allow private investment in the sector. Sichuan Sanxing Tongyong Airlines, funded by the CAAC Flight School and several private companies, plans to set up an airline based in Mianyang and flying regional routes in West China. E & Net Airlines plans to compete in the same market.

Business - Intel breaks ground on new chip plant near Chengdu...

Sichuan's biggest success in attracting IT investment to date, Intel's new chip fabrication plant near Chengdu, will utilize USD \$300 million in investment in its first phase. The ground-breaking ceremony was held on April 8, with Intel CEO Craig Barrett and the usual array of government officials in attendance. The plant is expected to enter operation next year.

Coming Up Soon

- ③ The EU-China Sha'anxi SME Promotion Center has invited one of CPDF's Business Edge trainers to deliver a demonstration management training course in Xi'an on April 21. As well, MTP partner Basis Educational will deliver Business Edge courses to Tibetan companies in Lhasa on April 26-28.
- ③ In May, CPDF will co-organize a senior-level Venture Capital Investment Forum with the Chengdu Venture Capital Association and the Sichuan SME Investment Fund (an IFC portfolio company). Keynote speakers for the forum are Mr. Jonathan Carr, the founder and president of SSIF, and Mr. Yigal Erlich, the chairman of Yozma Group, a major Israeli VC firm.