Three years have passed since the return of democracy in Nigeria. After a long period of military dictatorship, Africa’s most populous country now has an improved political climate in which its abundant human and natural resources could be the basis for building a prosperous economy. But there is much still to be done.

Nigeria remains among the world’s 20 poorest countries. Per capita GNP (approximately US$260) is less today than it was at independence 40 years ago, and two-thirds of the country’s 125 million people fall below the poverty line of roughly $1 a day, up from 43 percent in 1985. Inflation is rising. Housing, transportation, electricity, and safe drinking water are all inadequate, and personal security is threatened by rampant crime. To boost the economy and reverse the continuous slide in living standards, it will be critical to spark new growth in the small business sector, which dominates the economy and is the only realistic source of employment for most Nigerians.

The World Bank Group is testing several new ways to help provide just this spark, developing small pilot projects with local partners in hopes that these will soon lead to a more comprehensive SME development effort. Such projects fit within the latest joint Bank/IFC/MIGA strategy for the country, which emphasizes private sector–led growth for poverty reduction. A related private sector assessment is underway and may lead to a future lending operation.

As part of these efforts, the SME Department recently teamed with others to map the small business world in Nigeria and identify priority needs in four key areas: business environment, and access to capital, support services, and information. The analysis found considerable entrepreneurial capacity in Nigeria, but also many obstacles to success for small business. These include excessive requirements for permits and fees, problems with land acquisition and construction, and other troubling uncertainties. (For more details on the survey, go to www.ifc.org/sme/html/development_community.html and select “SME Mapping,” then “Nigeria.”)

Streamlining procedures would help. But for the most part, local business associations and government officials still lack the wherewithal to promote effective change. Banks in Nigeria mainly target large companies, as do the country’s consulting, legal, and accounting firms. To grow, SMEs need their own financing tools and service providers, as well as better links with the big foreign multinationals that could be a major source of contracting and training opportunities.

New initiatives are underway on all these fronts (see pages 2–3). Many are linked to Nigeria’s new SME “map,” which was discussed by 2,000 participants in October’s National Economic Summit in Abuja and assigned to a national working group for further action. The good news is that there is now much broader recognition of the SME sector’s importance among key stakeholders. In the coming year, the World Bank Group will be seeking more indicators of how best to support this vital sector.
NEED:
Improve the management skills of microentrepreneurs.

RESPONSE:
Creation of STEP, the Support and Training Entrepreneurship Program. A new NGO focused on the informal sector, STEP provides microenterprises with an array of client services including training, assistance in writing business plans, and links with microfinance institutions. Work to date has centered on Lagos state; expansion to Akwa Ibom is planned.

PARTNERS:
IFC, Lagos Business School, others.

FOR MORE INFORMATION:
Irene Arias (iarias@ifc.org). Also see SME Focus, July 2001.

NEED:
Promote new business start-ups.

RESPONSE:
Support for the Fate Foundation, a local nonprofit founded by Fola Adeola, managing director of Guaranty Trust Bank. The foundation helps young Nigerians gain the skills they need to start their own firms through entrepreneurship courses, mentoring, loan support programs, and a business incubator in Lagos. IFC’s SME Capacity Building Facility recently provided $100,000 for Fate’s upcoming expansion to Port Harcourt in the Niger River Delta region.

PARTNERS:
IFC, Ford Foundation, local banks and corporations, others.

FOR MORE INFORMATION:
www.fatefoundation.org.
**NEED:**
Improve the business climate for SMEs.

**RESPONSE:**
Help strengthen Nigerian business associations so they can play a leading role in shaping the climate for small enterprise. A November 2001 study financed by IFC’s Danish technical assistance trust fund examined the kinds of support Nigerian business associations need in order to do more policy advocacy work and provide greater support services to their members. Followed by a two-day workshop, the study was seen as the first step in an ongoing capacity-building program.

**PARTNERS:**
Africa Project Development Facility, United Nations Industrial Development Organization, Confederation of Danish Industries.

**FOR MORE INFORMATION:**
Irene Arias (iarias@ifc.org).

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**NEED:**
Improve access to finance for SMEs.

**RESPONSE:**
Expose local banks to global best practices in SME lending. A roundtable with this goal was held in November 2001 and is expected to lead to future training initiatives and possible creation of an independent credit bureau.

**PARTNERS:**
Africa Project Development Facility, African Management Services Company, IFC, foreign banking consultants, local financial institutions.

**FOR MORE INFORMATION:**
Irene Arias (iarias@ifc.org).
Building Local Industry: Tourism in Papua New Guinea

There are many local entrepreneurs in the Pacific island nation of Papua New Guinea who would love to build small hotels targeting the diving and ecotourism markets. But they lack the financial planning skills needed to attract private investment. This keeps money out of what could be a key component of SME development in the country.

To help bridge the gap, the IFC-managed South Pacific Project Facility (SPPF) and the Australian international development agency teamed with Papua New Guinea’s tourism promotion authority on a three-day tourism development workshop last October. Held at Mt. Hagen in the exotic western highlands, the event brought 15 local entrepreneurs together with national tourism officials, bankers, and a team of Pacific tourism industry leaders. The entrepreneurs, who paid a $70 attendance fee, were screened carefully for the viability of their project ideas.

In pursuing their visions, the aspiring hoteliers had struggled to obtain financing from local banks unfamiliar with tourism and reluctant to accept its risks. SPPF hopes to help break this cycle in Papua New Guinea just as it did in the 1990s in Samoa, where it helped develop the locally owned and very successful Sinaie Reef Resort. Like Sinaie Reef’s Samoan backers in their early days, most of the entrepreneurs at Mt. Hagen did not know how to access capital. But with SPPF as facilitator, they met with representatives from the Bank of Papua New Guinea, the Bank of the South Pacific, and the Rural Development Bank. They learned how to package the information that potential financiers need to make investment decisions, and also received training in marketing, networking, and meeting environmental standards.

SPPF is now helping eight of the entrepreneurs take their projects to the next level with input on design, financial structuring, and management—all essential elements of a sound business plan. SPPF’s John Perrottet plans several site visits in the coming months. The small hotels on the drawing board promise to have an impact on the island’s poor population, creating jobs and drawing on a network of local suppliers.

For more information: John Perrottet (jperrottet@ifc.org).

“I really enjoyed this workshop and suggest another one be conducted in the future,” wrote one entrepreneur on his evaluation form. “I have learned a lot and strongly believe my dream will come true.”
Vietnam’s Private Banks Take Training into Their Own Hands

One of Vietnam’s newest private companies offers something unprecedented in that country: training services crafted to meet international standards and designed to enable local banks to serve SME customers more profitably. The Bank Training Center (BTC) is the brainchild of the IFC-managed Mekong Project Development Facility (MPDF). Its start-up capital of $100,000 comes directly from its 10 Vietnamese shareholders, all domestic private commercial joint-stock banks that serve mainly SMEs. The success of the initiative will be determined by the value that customers themselves place on the Center’s services.

“We have great expectations for this venture,” says Nguyen Duc Vinh, CEO of Techcombank and the BTC’s first chairman of the board. “My bank invested because this was the most efficient means of providing our staff with the highest quality training at the best price.” While responding to their own immediate needs, the BTC founders are also helping to lay the groundwork for financial sector reform in Vietnam.

Vietnamese joint-stock banks are small: the BTC shareholders average a modest $137 million in assets per bank. As a result, they lack the time and human resources to organize in-house training. The BTC promises to meet client needs while consolidating demand in order to make the venture commercially feasible.

“We are filling a huge gap in the market,” says Tony Jennings, MPDF’s senior bank training advisor. “Up to now, local bank training institutions taught procedure or theory. Our approach is very practical, aiming at transferring skills and knowledge to the workplace. In addition to classroom training, our staff assist with on-the-job implementation.” Jennings has three decades of international banking experience, including seven years as Standard Chartered Bank’s regional head of client training for Asia Pacific.

The BTC has already attracted a core team of senior Vietnamese professionals with experience in banks such as ABN Amro, Bank of America, Standard Chartered, and ANZ. They have created 20 training programs that fuse international best practices with Vietnamese realities, including loan officer training and a program on leadership and change management for three shareholders undergoing organizational restructuring. Some courses are individualized to meet unique shareholder needs. For example, in response to a request from Phuong Nam Joint-Stock Bank, the BTC designed a full-day program on customer service based on video tapings of interactions between the bank’s employees and customers, as well as follow-up interviews.

In contrast to their much larger state counterparts, Vietnamese joint-stock banks operate according to straightforward profit motives and face clear consequences when they fall short. In 2001, the number of joint-stock banks dropped by more than a third as a result of closures and mergers. As a result of their focus on the bottom line, commercial joint-stock banks are also more concerned with upgrading credit analysis technologies and skills. Nevertheless, large state-owned banks, and even foreign banks, are envisioned as important future customers of the BTC. While shareholders pay $15 per participant, state and foreign banks will be expected to pay much more.

For MPDF, the ultimate goal is to improve the range and quality of services offered by domestic banks to private SMEs. MPDF is contributing approximately $330,000 in initial R&D and project design assistance to get the BTC up and running. This assistance is in the form of salaries for Jennings and two Vietnamese staffers for two years, office space and equipment for up to one year, and development of a database of “best practice” training materials and a network of relations with other centers of training excellence in the region.

For more information: John McKenzie (jmckenzie@ifc.org).
Self-Employed Women’s Association (SEWA)

At a Glance

What it is: A trade union for women workers in the informal sector, headquartered in Gujarat, India. Known internationally for its grassroots development work, SEWA is moving to commercialize aspects of its operation for greater sustainability.

Mission: To organize and empower women for full employment, income security, and self-reliance, both individually and collectively.

How it works: Members own and manage a network of producer and service cooperatives, groups, and federations. SEWA also builds women’s activism and leadership and advocates for more policies and protections for informal-sector workers.

New partnership with IFC: The SME Capacity Building Facility is supporting establishment of a trade center to expand and commercialize handicraft operations by SEWA members.

For more information:
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E-mail: mail@sewa.org
Web: www.sewa.org

In 1971, a group of homeless women working as cart-pullers in the Ahmedabad market approached a local textile union for help in finding shelter and raising their dismal wage. Working with the women’s wing of the union, then led by Ela Bhatt, the cart-pullers came together with other marginalized women workers and founded the Self-Employed Women’s Association (SEWA).

Today, SEWA is a registered trade union with 300,000 dues-paying members across India, where 94 percent of female workers are in the informal sector. SEWA members are vendors, home-based workers, dairy workers, manual laborers, and service workers, more than half of them illiterate, all of them poor. The SEWA family of member-owned organizations includes producer cooperatives and those providing supportive services to members (education and training, health care, child care, housing, legal aid), as well as regional and national federations of the groups. The organization’s microfinance arm, SEWA Bank, manages $7.5 million in working capital and offers savings and credit products to 150,000 women.

Reflecting the respect accorded SEWA in development circles, former U.S. president Bill Clinton and World Bank President James D. Wolfensohn met with founder Ela Bhatt during their visits to India in 2000. Now, SEWA is taking a key component of its operation to a new level with help from IFC.

SEWA members in rural Gujarat state have traditionally eked out a living selling vegetables and dairy products or collecting gum and salt. Increasingly, however, they are turning to their embroidery skills as a series of natural disasters, including the devastating 2001 earthquake, have left traditional subsistence occupations even more precarious. SEWA has been instrumental in organizing these craftswomen and helping to market their goods through shops, trade fairs, and exports.

IFC’s SME Capacity Building Facility is supporting expansion of a SEWA Trade Facilitation Center that will commercialize the embroidery operations, allowing SEWA to capture a larger portion of the world market. The trade center will be worker-owned and operated, with additional participation from local Indian and international investors. While current annual craft sales are a modest $180,000, international demand is high, and SEWA anticipates increased revenues by yearend 2002.

The IFC contribution of $400,000 plus technical assistance will support four strategic objectives:

- Development of international sales and marketing channels
- Product development
- Supply-chain development and training
- Establishment of a new legal entity for the Trade Facilitation Center.

If successful, the trade center project will provide a sustainable livelihood for more than 15,000 rural artisans, empower the workers as part-owners of the enterprise, and provide SEWA with a model for commercializing its members’ production of other goods such as gum and salt.

The goal? To build sustainability for these micro businesses through commercial profitability, achieving greater impact in a region where SME development is a lifeline for hundreds of thousands of families.
A year ago, Microlink Technologies was nothing more than an African entrepreneur’s dream. Today it is Zambia’s newest Internet service provider, offering better service at lower rates than the competition—the key to bringing more high-speed Web connections to the country than ever before.

Microlink (www.microlink.zm) went live in November 2001. Its package of advanced broadband Internet-over-satellite and wireless infrastructure as well as strong technical support quickly attracted 134 paying subscribers and earned it a good name around Lusaka. Founder Jimmy Pittchar credits the IFC-managed Africa Project Development Facility (APDF) with finding his critical early-stage financing.

“APDF not only facilitated access to an important loan facility, but also improved our competitive positioning by introducing us to financiers who came on board with a strong technology partner,” Pittchar says. “Technically, APDF added much value to our proposal early on. They sent us an international Internet and data telecommunications consultant, a former engineering executive with British Telecom with extensive experience in African Internet ventures. The consultant worked with us for three weeks, tore our original proposal to pieces and found there was even greater suppressed demand for our services than we thought.”

The market was in sore need of a shake-up. The three existing access providers were expensive and often unreliable, leaving Lusaka with far too few public cyber cafés and only 9,000 paid e-mail accounts out of a Zambian population of 10 million. Pittchar had a good idea and sufficient sponsor equity, but was at first blocked by local banks’ high collateral requirements and interest rates. He needed help.

After negotiating a fee arrangement, APDF reviewed his ideas for Microlink and took them to NORSAD, a Southern Africa investment fund sponsored by Nordic governments. NORSAD in turn introduced him to Norway’s Taide Network AS. Its low-cost access to bandwidth on the Intelsat 603 satellite became the key to Microlink’s business model, which involved charging 30 percent less than rival ISPs. The training package Microlink negotiated through the International Institute for Communication and Development in the Netherlands was also a big plus. NORSAD made a $300,000 five-year loan and Microlink was in business, creating 25 new high-skill jobs roughly a year after first contacting APDF.

“We will continue to offer interesting products to SMEs in Zambia that strengthen the whole value chain, including comprehensive business plans, restructuring exercises, management, marketing, production, and beyond,” says APDF’s John Chitsa. “We look forward to assisting more projects like Microlink.”

For more information: Marita Nortje (mnortje@ifc.org).
CALENDAR

Seminars

INTER-AMERICAN DEVELOPMENT BANK
2002 ANNUAL MEETING.
March 11–13, 2002, in Fortaleza, Brazil.
http://www.iadb.org/exr/am/2002/

INTERNATIONAL CONFERENCE ON
FINANCING FOR DEVELOPMENT.
March 18–22, 2002, in Monterrey, Mexico.
http://www.un.org/esa/ffd/
E-mail: ffd@un.org

ASIAN DEVELOPMENT BANK
2002 ANNUAL MEETING.
May 10–12, 2002, in Shanghai, China.
http://www.adb.org/annualmeeting/2002/
E-mail: annualmeeting@adb.org

EUROPEAN BANK FOR RECONSTRUCTION
AND DEVELOPMENT 2002 ANNUAL MEETING.
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