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Downscaling potential assessment for local banks in October
Survey on SME access to finance is underway
The Third China Leasing Industry Forum will be held in Beijing, and
ACS Learning Forum will be held in Chengdu in October.

Recent Business Highlights

IFC-CPDF in the region
DFID becomes first donor to approve funding for CPDF II...

Following the Donor and Advisory Board Meeting held in Beijing on March 30, 2005, DFID became the first donor to approve a contribution of US$3 million to CPDF II. We would like to express our sincere appreciation for the continued support of
the UK Government in helping us achieve our shared objectives in China. Other donors are expected to make decisions with regard to CPDF II funding soon, including IFC which plans to seek Board approval in November 2005. (News contributed by Mario Fischel, General Manager)

**Xiao fang Shen takes up position as joint CPDF-FIAS BEE Program Manager**

Xiao fang is going to lead the BEE program to be jointly supported by CPDF and FIAS. Building upon the previous work of CPDF, the new BEE program will leverage the strengths of the two units, maximizing the impact of international best practice combined with local knowledge and skills. The program will emphasize government ownership and collaboration with local counterparts both public and private. It includes policy diagnosis, solution design and implementation, and impact creation. Priority activities will include policy and regulatory reforms, government institutional capacity building, and sector studies (including value chain studies), to be jointly determined with local counterparts. (News contributed by Xiao fang Shen, BEE Program Manager)

**Business Enabling Environment (Financial Sector)**

**Draft Property Law released for public comments …**

Under the Creditor Rights Protection project, the PBOC/CPDF/FIAS team has provided support for the preparation of a new Property Law enabling and facilitating secured lending over the past one and a half years. For the first time, a draft new law was released on July 8, 2005 by the National People’s Congress (NPC) for public consultation. This is an important step towards modernizing China’s secured transactions framework. On the basis of the latest findings from the lender and registry surveys conducted as part of the project, the team provided formal comments on the released draft of the Property Law in August. Among others, various gaps between the current draft and international best practice were highlighted. The draft law incorporated several best practice elements (e.g., scope of permissible collateral, priority rules), but still needs to be improved further. (News contributed by the BEE team)

**Workshop on leasing regulations held in Beijing …**

A workshop on leasing regulations was held on August 16-17, 2005 in Beijing, organized jointly by IFC-CPDF, GTZ and the NPC Finance and Economics Committee (NPC-FEC). About 30 representatives mainly from four central government agencies and several law firms, universities and leasing companies participated in the meeting. NPC-FEC Vice Chairman, Mr. Guo Shuyan, opened the workshop and chaired the first session. A legal expert from IFC’s Central Asia leasing project and two German practitioners took part in the meeting as resource persons. Participants emphasized the imperative of consolidating leasing regulations in China.
Following the workshop, IFC-CPDF and GTZ also got together to prepare written contributions for their government counterparts. (News contributed by the BEE team)

**IFC-CPDF participated in the APEC conference on SME financing …**

An APEC conference on “Better Environment for Financing, Stronger Development of SMEs” was held in Beijing on July 22, 2005. The meeting was hosted by the China Development Bank, and attended by more than 150 delegates from a dozen APEC economies. The conference debated the supporting policies and regulations as well as tools and approaches for SME financing in emerging markets. IFC-CPDF was invited to the conference and Jinchang Lai presented on “Promoting Secured Transactions Reform in China.” (News contributed by the BEE team)

**Financial Sector Development**

**IFC-CPDF helps with SME Banking Diagnostics for four banks …**

In July and August, a team from IFC Beijing and CPDF together with a consultant successfully conducted a brief SME banking review of four Chinese banks. The primary purpose of the exercise was to advocate SME financing as a potentially profitable business, and to help the beneficiary banks assess their delivery capacity. All the participating banks showed interest in further TA work in this area. (News contributed by the Financial Sector Development team)

**TA to Xi’an City Commercial Bank (XACB) launched …**

XACB is one of the largest local banks headquartered in the Western part of China. It has an important role in supporting SME development in Sha’anxi Province, neighboring Sichuan. Over the past two years, the Bank has sent staff to participate in six training workshops held in Chengdu. Based on this strong relationship, IFC-CPDF has been requested to design a TA project for XACB focusing on credit training and a risk rating system. In July-August 2005, the project was kicked off with two five-day basic credit analysis training sessions in Xi’an. In opening the workshop, the Bank’s Canadian Vice President Terry Watkins stressed that formal credit training is exactly what the Bank needs at its current stage of development. The second version of IFC-CPDF’s workbook on credit analysis was tested at the workshop. Two CBRC officials and a university professor also attended the training as part of IFC-CPDF’s efforts to extend the influence of its activities. (News contributed by the Financial Sector Development team)

**Corporate Social Responsibility**

**Corporate Governance & Investment Forum held in Chengdu…**

To further promote corporate governance in western China, IFC-CPDF organized its second Corporate Governance & Investment Forum together with the Sichuan Listed Company Association on July 14. The forum was attended by more than 300 Chinese
private business leaders in Sichuan. Ms. Karin Finkelston, IFC’s Associate Director of the East Asia & Pacific Department said that IFC will continue to assist firms to achieve international standards in corporate governance practices for sustainable development. Mr. Tong Daochi of the China Securities Regulatory Commission, Mr. Zhang Chunlin, senior enterprise restructuring specialist from the World Bank Beijing Office, Mr. Stuart Schonberger, managing director of CDH Investment, and Ms. Xu Ying, deputy CFO of Wumart Group and made key presentations at the forum, highlighting the perspectives of the regulator, companies, and investors. Feedback showed that the audiences were very satisfied with the forum, and hoped that IFC-CPDF will organize more such events in future. (News contributed by Liu Min with the CSR team)

**Swedish Environmental Compliance project kicks off…**
Supported by the Swedish Trust Fund, the Sichuan Environmental Compliance Project was officially launched on June 13, 2005. The program will help the Sichuan Environmental Protection Bureau (SEPB) increase enforcement efficiency and effectiveness through a new mechanism involving step-by-step performance enhancement. The project provides training for Sichuan environmental enforcement officers and related service providers. It is scheduled to be completed in April 2006. (News contributed by Chen Rong, the Business Development Officer with the CSR team)

**Dairy linkages for western China…**
Supported by the Dutch Trust Fund (US$78,000) and IFC Trust Fund (US$70,000), IFC-CPDF will launch the *linkages project for west China dairy farmers* in October 2005. It is expected that more than 30,000 individual dairy farmers and SMEs will benefit from the project. The key components of the project are to 1) develop a “train the trainer” program to build the capacity of local providers of extension and advisory services related to animal husbandry and dairy cattle raising; 2) use the “Hong Xing Collective farm” as a demonstration site to show neighboring farmers how new technologies can work for them; 3) advise on the establishment of the New Hope demonstration farm. Currently, IFC-CPDF has finished an extensive project scoping and design mission. (News contributed by Yi Qiyun, the Business Development Officer with the CSR team)
CHUEE project to promote energy efficiency...
Developed by IFC’s Environmental Finance Group, the China Utility-Based Energy Efficiency Finance Program (CHUEE program) will combat global warming by decreasing greenhouse gas emissions, and help SMEs with access to finance for investments in energy efficient equipment. The project targets to support RMB 1 billion (US$120 million) in loans and 300-400 transactions.

The Environmental Finance Group is in the final stage of securing US$16.5 million in grant money from the Global Environment Facility and will start preliminary pilot projects in autumn of 2005. CPDF is providing on-the-ground support to Xinao, the first utility partner, as well as local partner banks, in how to assess and structure viable energy efficiency investments by local private firms. (News contributed by Chen Rong, the Business Development Officer with the CSR team)

China Development Marketplace...
IFC-CPDF is in the process of supporting the World Bank's China Development Marketplace endeavor, whereby local civil society organizations will be recognized for their innovative efforts to scale up services that reach the poor as well as providing an opportunity to bring together civil society organizations, government, the business sector and development agencies to explore ways to work together in partnership to fight poverty in China. (News contributed by Will Beloe, Business Development Officer with the ABS team)

Access to Business Services
BE partner development...
Two new Business Edge partners signed in July and August, bringing the total number of BE partners to seven. One partner, Zhiyuan Consulting Co., Ltd, is based in Deyang. This is our first BE partner in the secondary cities. Another partner, Idea Co., Ltd is based in Chengdu, specializing in IT and Business Management Training. This partnership could help SME clients integrate management training and IT investments. It is expected that more partners will join soon, especially in secondary cities such as Deyang, Panzhihua, Yibin and Mianyang. (News contributed by Evariste Nduwayo with the ABS team)

Radio Program well received...
Due to positive feedback from all stakeholders, IFC-CPDF's weekly radio program on Business Edge will be extended for a further nine months beyond its initial three-month pilot period. Over the next phase the program will be expanded to include
Business Enabling Environment and Corporate Social Responsibility issues, in addition to consulting and training topics. (News contributed by Will Beloe, Business Development Officer with the ABS team)

**Sixth consulting meeting…**
On August 19, IFC-CPDF hosted the sixth Sichuan Province Consulting Industry Meeting. Attendance again was good including a new company participating from Chongqing. This was notable for two reasons. Firstly they thought it was worth it, to proactively make the trip to Chengdu to exchange information with their industry colleagues and secondly, because they had heard about the event through the Consulting Industry web-page IFC-CPDF designed and constructed for the industry earlier this year. (News contributed by Will Beloe, Business Development Officer with the ABS team)

**Visitors to IFC-CPDF**

- **Ms. Karin Finkelston**, Associate Director of IFC’s East Asia & Pacific Department, **Mr. Stuart Schonberger**, Managing Director of Ding Hui Investment, **Mr. Zhang Chunlin**, senior enterprise restructuring specialist from the World Bank Beijing Office, **Ms. Xu Ying**, Deputy CFO of Wu Mei Commercial Group, and **Mr. Tong Daochi**, Deputy Director, Department of Listed Company, China Securities Regulatory Commission visited IFC-CPDF on July 13-14 for Corporate Governance & Investment Forum.


**People Among Us**

**Dr. Lili Sisombat**  
Program Manager  
Access to Business Services

Lili Sisombat joined IFC-CPDF in July 2005, as the program manager of Access to Business Services team. Lili holds a PhD in sociology from Paris VIII University and an MBA from Ecole Superieure de Commerce de Dijon (France). She worked as a marketing manager in several IT companies in Europe, including Apple Computer Inc., before coming back to Asia where she established a successful marketing research and
consultancy company. She successfully managed the Business Development Programs of MPDF in Cambodia and Lao PDR before joining IFC-CPDF.

**News From The Region**

**Government – Support for SMEs...**
Sichuan Province implemented measures on promoting the development of small-and-medium-sized enterprises (SMEs) early July this year. Six types of SMEs are further classified as eligible for preferential tax policies and SMEs pursuing technological innovation are to obtain loans with low interest rates.

**Business – Sichuan SMEs to debut in APEC...**
More than 20 Sichuan SMEs attended the APEC SMEs meeting in Korea in August this year. The meeting is part of the 13th Asia-Pacific Economic Cooperation summit to be held in South Korea in November. Sichuan SMEs are to seek cooperation partners and establish trade ties with other participants.

**Business – IBM locates Chengdu for third software production base...**
IBM has chosen Chengdu to build its third China software production base focusing on software packing business on the heels of Shanghai and Dalian. The construction work is to be kicked off at the newly built Tianfu Software Park.

**Business – Pan-Pearl River Delta regional cooperation...**
The second forum and business talks on the cooperation and development of the Pan-Pearl River Delta regions were held in Chengdu in July. The event was sponsored by nine provinces as well as HK and Macau SARs. Over 3,000 projects with an investment over US$29 billion.

**Society – Chengdu tops western China in social security...**
Chengdu ranks ninth among 50 Chinese cities in comprehensive social and economic power. Chengdu is the only city in western China listed as one of the top ten. The report was released in July throughout the country.

**Coming Up Soon**

- A core consulting course will be held on September 19-29.
- The Dairy Linkages Project will be launched in October.
Workshop on “Risk Control in Commercial Banks” will be held on October 27-28 in Harbin, Heilongjiang Province.

Assessment on downscaling potential for three local banks in October.

“Survey on SME access to finance” with NDRC is underway.

The third China Leasing Industry Forum will be held in Beijing in October.

The seventh consulting industry meeting will be held in October.

Regional ACS Learning Forum will be held in Chengdu on October 18 - 21. More than 40 ACS staff will join the session.

Comments and/or questions? Contact us at:

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