

A woman wearing a blue headscarf and a blue and white patterned apron over a light-colored shirt stands in a market stall. She is smiling and has her arms crossed. In the foreground, there are several large woven baskets filled with green beans. The background shows other market stalls and people, slightly out of focus.

IFC-Managed SME Facilities

3

An important part of the department's mandate is to provide field-based technical assistance through IFC-managed SME facilities



Bringing together the policy reform expertise of the World Bank with the private sector business experience of IFC, the World Bank Group created the jointly managed Small and Medium Enterprise (SME) Department in 2000 to support small business and private sector development, especially in frontier markets. An important part of the department's mandate is to provide field-based technical assistance through IFC-managed SME facilities, multidonor initiatives that pursue targeted agendas to support small business development in some of the world's poorest countries.¹

Six such facilities currently operate: the African Management Services Company; the Africa Project Development Facility; the China Project Development Facility; the Mekong Project Development Facility; Southeast Europe Enterprise Development; and the South Pacific Project Facility. A seventh, the SouthAsia Enterprise Development Facility, will open shortly. Efforts are also under way to launch two others: the North Africa Enterprise Development Facility; and the Indonesia Enterprise Development Facility. Like their predecessors, these new facilities will work to promote robust SME sectors in their regions and foster much-needed job creation, an essential requirement for poverty reduction.

African Management Services Company

The African Management Services Company (AMSCO) helps African companies become more sustainable and competitive by sourcing and providing experienced managers to client companies and providing client-specific training to local work forces.

One of its key areas of focus this year was to complete the first phase of its regionalization program. The program is designed to place AMSCO personnel alongside clients in the African continent to enable a faster and efficient response to client needs. New offices, being set up in Africa, are staffed with local people, and progress is being made to increase the number of African managers provided to client companies.

¹ For comprehensive information on all of the World Bank Group's SME-related work, visit the department's website at www.ifc.org/sme or see separate Report on WBG Review of Small Business Activities – 2002. See also the section on SMEs in Chapter 2, p. 23.

Other highlights of AMSCO's activities for the year include:

- The number of managers grew by 21 percent, to a total of 307 at the end of CY01; managers were assigned to 124 African companies (78 percent of which were SMEs) in 24 countries.
- A total of 4,550 employees received training from AMSCO, an increase of 90 percent over the previous year.
 - AMSCO, with funding through IFC's TATF program, assisted in the development and launching of six country-specific corporate governance manuals (Ghana, Mozambique, Tanzania, Uganda, Zambia, and, Zimbabwe), in which international standard codes are being translated to the level of national enterprise and adjusted to national laws (*Denmark, Norway-TATF program*). The development and launching of corporate governance manuals for Côte d'Ivoire, Mali, and Senegal are expected to start late in 2002 (*Switzerland-TATF program*).
 - AMSCO organized ten general seminars, which were attended by a wide audience.
- AMSCO clients contributed substantially toward the total costs of managing and training their employees. This demonstrates that the great majority of client companies are willing and able to pay for AMSCO's services, as well as being satisfied with the service provided.

AMSCO continues to have major impacts on client companies. A good example is the company's effect on Fountain Trust. Two years ago, the owners of Fountain Trust of Nigeria decided to restructure the company's profile, converting it from a merchant bank to a commercial bank. With the help of AMSCO, Fountain Trust has been able to make this dramatic shift with a new chief operating officer offering broad experience in commercial banking. Fountain Trust's restructuring was also enhanced by a comprehensive program of training to provide the staff with the skills necessary to succeed in the bank's new business area. Helping the bank's frontline employees deal with retail clients was of special concern, given the new emphasis on SMEs. The results of AMSCO's efforts are underscored in the bank's operating figures. Fountain Trust has moved from loss into profit and has expanded its operations to meet the growing demand for its innovative products and services.

Africa Project Development Facility

The Africa Project Development Facility (APDF) provides support to SMEs in Sub-Saharan Africa operating at both the retail and wholesale level. APDF's mission is to support the development of competitive African SMEs with services that are needed and affordable; it works mainly through local institutions and local consultants. The APDF vision is to be a role model for African SMEs, based on sound market and business practices, as well as to be a leader in setting best practices and methods for measuring the effects of business development services on enterprise performance and reduction of poverty in Africa.

APDF has recently broadened its range of services to include business advisory services, enterprise support services, and skills development to SMEs. The focus is now on building capacity, not only of SMEs, but also by developing other service providers, such as local consultants, as well as those of local finance institutions targeting SMEs.

Recent activities have included:

- Training local consultants to a level enabling them to provide high-quality services to SMEs in Sub-Saharan Africa.
- Building capacity of local organizations promoting women and youth, such as the South African Women Entrepreneurs Network (SAWEN) and the South African youth organization, Usombomvu, which may be replicated elsewhere on the continent.
- Acquiring a diagnostic tool to evaluate the operations of SMEs developed by FUNDES, a Costa Rican-based foundation specializing in SMEs.
- Widening APDF's field presence with new offices in Mozambique and Cameroon.
- Coordinating donor efforts such as the APDF Ghana office's development of a sourcebook on all donor activities in Ghana, which facilitated a grant of US\$1million by USAID for a United Nations Development Programme (UNDP) project in microfinance.

APDF was created in 1986 as a joint venture of IFC, UNDP, and the Africa Development Bank. Since then it has assisted more than 500 projects, resulting in total investment of some US\$700 million and raising an estimated total of more than US\$390 million. APDF has helped create an estimated 36,100 jobs.

China Project Development Facility

In May 2002 World Bank Group President James D. Wolfensohn visited Chengdu, China, to oversee the official launch of the China Project Development Facility (CPDF), which will support the development of a vibrant small business sector in the interior of China, with an initial focus on the province of Sichuan. CPDF uses a comprehensive and integrated approach in addressing three of China's most important economic challenges: the lagging development of western China; a need for stronger, commercially oriented financial institutions; and an underdeveloped SME sector. This approach lies at the heart of IFC's strategic priorities of focusing on frontier markets, supporting local SME and financial sectors, and assisting with sustainable development.

CPDF is being funded by *Australia, Switzerland, the United Kingdom*, and IFC. Its activities have been planned and implemented in close collaboration with IFC and World Bank regional departments as well as the Sichuan government. To pursue its key objectives of generating employment growth in the private sector and strengthening sustainable local institutional capacity, it is currently working on projects in the following areas:

Access to Finance

- Technical assistance and capacity building for two Sichuan banks.
- Preparation of an SME risk-sharing finance initiative.
- Direct assistance that helps local SMEs strengthen and restructure their operations, obtain new capital, and better meet the challenges and opportunities emerging from China's new membership in the World Trade Organization.



- Support for an existing IFC investment in the Sichuan SME investment fund, and work on facilitating additional equity fund initiatives in the region.
- Possible support for a World Bank micro/small finance initiative.

Capacity Building

- Developing local consulting capacities through an innovative franchising and technical support project.
- Designing and supporting management education and training initiatives.
- Mounting a major corporate governance program targeted at private firms, banks, and local agents of change. (*Italy, IFC TA Allocation - TATF program*)

Business Enabling Environment

- Follow-up on a May 2002 business enabling environment seminar supported by the SME Department, IFC's East Asia/Pacific Department, and the *Australian Government, through the TATF Program.*
- Support for efforts to implement reforms in regulation, legislation, and other key policy areas.

- SME “mapping” in both Sichuan and Zhejiang provinces (to allow a comparison between the interior and the coast); administrative cost surveys; and support for private sector business associations.

Mekong Project Development Facility

Launched in 1997, the Mekong Project Development Facility (MPDF) has a mission of supporting the establishment and growth of private, domestically owned SMEs in Vietnam, Cambodia, and the Lao PDR. It bases its work on the belief that domestic entrepreneurship is central to ongoing efforts in all three countries to overcome widespread poverty and to continue the transition from central planning to market-based economies. MPDF is financed by *Australia, Canada, Finland, Japan, Norway, Sweden, Switzerland, United Kingdom* and multilateral institutions, including the *Asian Development Bank* and *IFC*.

MPDF's core working objectives are to improve the operational performance of SMEs and their access to capital. Its activities are split into two main programs. In its Company

Advisory Assistance program, MPDF works with individual companies to develop business plans and financing proposals and provides technical and advisory assistance to improve the operations of those companies. In its Business Support Services Development program, MPDF works to strengthen the quality and quantity of support services available to SMEs, such as training, financing, consulting, and information services. The program also seeks to improve the general business environment for private firms. Accomplishments of the two programs in CY2001 follow.

Company Advisory Assistance

- The program completed 40 projects, of which 27 involved raising finance and 13 were for technical or advisory assistance.
- Some 2,600 new jobs were created, and US\$25.8 million in foreign exchange was earned or saved.

The completion of 13 projects involving technical or advisory assistance reflects MPDF's response to the changing needs of SMEs in the region. General access to bank loans, especially in Vietnam, has improved dramatically over the past few years.

However, as private companies grow larger and more sophisticated and are more exposed to international competition, there is an increasing need for advisory assistance in other areas such as technology, marketing, human resources, and management information systems.

Business Support Services Development

- A “flexible learning” pilot was launched, with an initial series of 12 workbooks published in 2001. The local language workbooks are practical, easy-to-use, self-study tools covering specific subjects of small business management in marketing and human resources. Twice voted “best-sellers” in Vietnam, 38,000 flexible learning workbooks were sold in Vietnam and Cambodia. As a result, more resources will be used to extend the workbooks to other subject areas of interest to SMEs and to make them available in PDR Laos.
- The Bank Training Center (BTC) was conceived and launched as a private company owned by nine joint-stock banks in Vietnam. By pooling their resources and providing them access to world-class materials and instructors, the BTC enables these banks to improve their human resource development



substantially, while at the same time creating a company with the clear potential to become commercially viable in the future. The positive feedback from the market has prompted MPDF to consider a similar initiative in Cambodia.

- MPDF worked closely with the *Asian Development Bank* on the formation of the Mekong Enterprise Fund (MEF). A fund management group has been established, and US\$16 million was raised for the first tranche in 2001. This is the first regional venture capital fund targeting locally owned SMEs. It is expected to fill a major gap in the availability of institutional sources of risk capital for local entrepreneurs, especially in high-growth areas such as information technology and high-value exports. The fund is expected to commence operations shortly.

Other initiatives and pilot programs include an International Organization for Standardization (ISO) support program, export marketing, and SME enabling environment.

In July 2001 MPDF was certified with ISO 9001-2000 for Total Quality Management, becoming the first component of the World Bank group to gain ISO certification.

SouthAsia Enterprise Development Facility

Approved in FY2001, the SouthAsia Enterprise Development Facility (SEDF) will offer a mix of programs to help SMEs in the region improve their potential for growth. SEDF will work extensively with local institutions including banks, training institutions, consultants, and government agencies.

Based in Dhaka, Bangladesh, SEDF entered its start-up phase in FY2002 and expects to formally launch its operations in the coming months. One of its key focuses will be in helping local financial institutions learn ways to lend profitably to small businesses. Along these lines, in June 2002 SEDF organized a symposium to expose key South Asian banks to proven trends in small- and medium-size enterprise lending worldwide (*Norway-TATF Program*). The event shared experiences of selected small business lenders from the Philippines, South Africa, Sri Lanka, Thailand, and the United States with senior bank managers, government officials, and private sector representatives from Bangladesh, the Maldives, Nepal, northeast India, and Sri Lanka. The resulting feedback is helping the new facility frame a

detailed work program for its future work in the financial sector. SEDF also carried out several studies on Bangladesh's agribusiness and textile sectors (*Denmark-TATF program*); the studies will be important resources for SEDF as it designs its initial activities in those areas.

The SouthAsia Enterprise Development Facility is being funded by *the Netherlands, the United Kingdom, and IFC*.

Southeast Europe Enterprise Development

Southeast Europe Enterprise Development (SEED) is a multidonor initiative managed by IFC to strengthen SMEs in Albania, Bosnia and Herzegovina, FYR Macedonia, and Yugoslavia. The facility offers a variety of services both to local SMEs directly and to local organizations that support them. SEED also works closely with the World Bank and other international institutions to improve the difficult operating environment for SMEs in these target economies. Headquartered in Sarajevo, SEED has offices in Banja Luka, Belgrade, Skopje, and Tirana, and employs more than 60 staff.

SEED is funded by *Austria, Canada, Greece, the Netherlands, Norway, Slovenia, Sweden, Switzerland, the United Kingdom*, and *IFC*.

To implement its mandate, SEED works along three service lines:

- enterprise-level investment services.
- capacity building of enterprises and local service providers such as business associations, chambers of commerce, training and economic institutions, and consultants who serve the needs of SMEs.
- improvement of the business enabling environment.

During FY2002, SEED investment services delivered 31 internal enhancement plans and 24 investment plans. Fourteen projects were financed for US\$7.5 million. SEED also completed 37 capacity-building projects (to business development service providers, SMEs, or groups of SMEs), training more than 800 local service providers and nearly 1,600 SME employees and managers. Finally, SEED conducted 22 business enabling environment initiatives, which included surveys and studies, publications, and input into donor and government strategies on SME development and poverty reduction.

Investment Services

SEED is targeting companies for sustained, market-based competition. If an SME can define investment requirements in these terms, then and only then is a company ready for financing. SEED will attempt to identify clients that are near this goal. In such cases, SEED will actively try to match the company with appropriate investors and financiers immediately. For those SMEs that need to strengthen their performance, SEED will assist in that development before seeking financing. Investment service products aimed at SMEs include:

- **INTERNAL ENHANCEMENT PLANS.** SEED assists companies in analyzing their current situation and determining appropriate actions to improve internal management systems. SEED's recommendations focus on systems and mechanisms that can be implemented in the near term, such as working capital management, management information systems, cost analysis, quality control, and environmental certification. SEED helps companies identify the resources they need to implement the plan, including members of their own staff, local consultants, SEED staff, and, if required, international experts.

- **INVESTMENT PLAN.** Following the implementation of key recommendations in the internal enhancement plan, SEED often assists companies in designing an investment plan for a specific project. The plan provides pro forma financials of the proposed project and gauges the receptivity of potential investors and their likely requirements for equity purchase, loan pricing, maturity, security, support arrangements, and other financing features.
- **MARKETING THE INVESTMENT PLAN.** SEED will market a company's investment plan to a targeted group of financial sources on a commercial, reasonable effort basis. Investment negotiations with the financial partner are the responsibility of the company. SEED will provide services to the company to help prepare it for such negotiations.

Environmental and Social Overview of SMEs

As a part of its existing services, SEED will review all aspects of the SME business relating to the environment, occupational health and safety, fire protection, and social issues. This review will be an integral part of

both the internal enhancement and investment plans. SEED's environmental consultants will help companies find solutions on issues dealing with environmental protection. They will closely cooperate with the client to identify the project impact, mitigate or reduce risks and potential negative side effects, and highlight the importance of environmental and social outcomes.

Capacity Building

The vast majority of SMEs in Southeast Europe have been shielded from modern market economies and are at a competitive disadvantage as they operate and attempt to grow their businesses. Furthermore, there is no history of business advocacy or association existing for the sole purpose of supporting business interests. SEED is addressing these issues by:

- Partnering with local associations of business owners and helping them expand and function more effectively and independently of donor support.
- Implementing training and technical assistance programs for local business service firms (for example, accounting firms, small business law firms, auditing firms,

management information firms, and general consultants).

- Implementing SME training programs to enhance competitiveness.
- Sharing knowledge among SMEs and SME service providers through in-person “business roundtables” and Internet-based exchanges.
- Promoting the development of women-owned and -operated businesses through targeted support for development of women’s business associations.

Business Enabling Environment

To help make the business environment for Balkan SMEs more simple, supportive, predictable, and transparent, SEED is currently:

- Supporting legislative and tax reform benefiting SMEs.
- Reaching out to municipal leaders to support local economic development programs targeting SME development.
- Organizing and disseminating business information that can help SMEs identify new markets; understand and comply with local laws and regulations; and learn about new products, production methods, and technology.

South Pacific Project Facility

The South Pacific Project Facility’s mission is to assist and accelerate the development of productive and self-sustaining SMEs in Pacific island countries. SPPF achieves this by working with entrepreneurs in the Pacific island countries to develop and finance commercially viable businesses with the potential to promote sustainable economic growth, provide productive employment, and stimulate export earnings.

SPPF’s activities include:

- Evaluation of business ideas and concepts on an objective and confidential basis.
- Development of business plans and, where appropriate, engaging expert technical advisers to carry out feasibility and market studies to evaluate fully the viability of business proposals.
- Arranging and negotiating debt and equity finance on the best available terms.
- Identifying technical and managerial requirements of clients and, if required, sourcing technical partners on equitable and fair terms.
- Assisting in the selection of business partners and investors.



- Advising in the purchase of local companies from foreign shareholders or the acquisition of state-owned enterprises that member countries wish to privatize.
- Advising Pacific island governments on private sector initiatives and the privatization of public sector enterprises.

For FY2002, a total of 30 projects in industries ranging from manufacturing and tourism to agribusiness and banking benefited from the activities of the SPPF—a 36 percent growth over FY2001. Eight of these were technical assistance projects undertaken by SPPF on behalf of either private sponsors or governments to determine whether a venture or type of business is viable. These projects are intended to lead to specific business opportunities for which SPPF can then raise finance or facilitate the investment climate in the private sector in target countries.

A good example of SPPF intervention is that of the Rural Development Bank in Papua New Guinea (*Australia-TATF program*). In cooperation with the bank, SPPF worked with ten SMEs with existing or potential problems that could threaten their viability and provided assistance with the formulation and execution of corrective measures. Loan rescheduling or restructuring proposals were prepared and submitted to the bank on behalf of seven SMEs employing a total of 108 people. The project gave the SPPF an insight into areas where both the bank and its clients could benefit from a skills development program.

The South Pacific Project Facility was established in 1990 with financial support from the governments of *Australia, Fiji, Japan, Kiribati, New Zealand, Samoa, and IFC.*