Creating Opportunity in East Asia and the Pacific

Inclusive Economic Development
Inclusive economic growth that allows people to contribute to, and benefit from, economic activity is essential in the fight against poverty. Such growth creates jobs and improves access to goods and services for all people – in particular those at the base of the economic pyramid – giving them a chance to improve their lives.

East Asia and the Pacific is often hailed as the region where in recent decades the fight against poverty has been most successful.

Indeed, China alone has lifted more than half a billion people out of poverty over the last 30 years. We are also seeing progress in Indonesia, the Philippines, and elsewhere. Yet at the same time, more than 35 percent of the world’s poor who need to get by with $8 or less per day live in East Asia and the Pacific.

The challenge doesn’t stop there. Highly productive groups of people, such as women, often remain marginalized. For example, more than half of the women in seven Pacific island countries work and a majority of them are self-employed. Yet, their potential is often constrained because they can’t obtain loans to grow their businesses. World Bank research shows that including women and eliminating inequality in achieving economic progress could increase worker productivity in East Asia and the Pacific by as much as 7 to 18 percent.

The private sector is a key force in creating shared prosperity as it provides nine out of 10 jobs in the developing world. Governments play a vital role by ensuring that the conditions are in place for strong private sector-led growth and by removing obstacles that hinder job creation.
IFC, a member of the World Bank Group, is a leader in catalyzing and supporting inclusive development by working with the private sector. Our investment and advisory services support firms and governments in finding financially sustainable and scalable ways of extending economic opportunities to the poor. For example, we promote financing for small and medium enterprises and support rural finance across East Asia and the Pacific by combining policy advice and capacity building with investments.

The compilation of stories in this booklet shows how women farmers and handicraft makers in Vietnam and the Pacific can improve their livelihoods if they are empowered to become self-sustaining entrepreneurs. We share how a seemingly simple change in China’s law making more asset types acceptable as loan collateral has led to an incredible $3 trillion worth of loans – many of them for small businesses. We tell the story of how mobile technology has boosted the productivity of Papua New Guinea farmer and business owner Augustine Buava – he now sends money from his cell phone within minutes instead of spending half a day at a faraway bank branch.

Inclusive business makes poor people full partners in a country’s growth, bringing new opportunities to those at the base of the economic pyramid and showing private sector firms how innovative businesses can tap new markets.

Exploring more avenues in making economic growth as equitable as possible is a priority for IFC in East Asia and the Pacific. By working with the private sector, we can achieve inclusive growth while fostering profitable businesses.

Sérgio Pimenta  
Director  
East Asia and the Pacific
OUR APPROACH TO INCLUSION: ACCESS TO ECONOMIC OPPORTUNITIES FOR THE POOR

Over the past three decades, East Asia and the Pacific has grown to become an economic powerhouse, contributing around a quarter of global economic activities. Yet, while the region continues to record tremendous growth despite the recent global financial crises, the economic tide has not lifted all boats. The trend is toward less, not more, equality.

More than 70 percent of the region’s around 2 billion people live at the base of the economic pyramid, making less than $8 a day. Small-scale farmers, urban workers, rural villagers, laborers and microentrepreneurs not only have limited income, but also lack access to electricity, education, housing, and financing. What they need is a steady income to fulfill their needs, climb the economic ladder and improve their livelihood. In Papua New Guinea, for example, only 20 out of 100 people have access to banking services. The rest never use a bank.

The private sector can play a vital role in narrowing income gaps and reducing poverty by creating jobs, building infrastructure, and providing affordable financing so that more people benefit. To accelerate such an inclusive approach, IFC supports clients that expand access to goods, services and finance for the poor while running sustainable and profitable businesses:

- IFC’s equity investment in the not-for-profit China Foundation for Poverty Alleviation helped double the number of its clients
and turned it into China’s largest non-bank microfinance organization.

- We partnered with ECOM, one of the world’s largest coffee suppliers, to teach Vietnamese and Indonesian farmers – many of them women – sustainable farming techniques. This helped raise their productivity and incomes while ensuring reliable supplies of coffee to ECOM.

- Our early equity investment in ACLEDA Bank enabled the lender to expand financing for small businesses across the Mekong region.

No single organization can address the needs of the poor alone. IFC works with a wide range of partners including governments and other international organizations:

- Nearly half a million of Vietnamese and Cambodian factory workers – 86 percent of them women – have benefited from the Better Work program jointly organized by IFC and the International Labour Organization. The program has improved working conditions for the workers and productivity at participating firms by up to 10 percent.

- Our work with the Chinese government helping small companies secure loans by using movable assets, such as inventory and equipment, has improved access to finance for such businesses.

- In Myanmar, we are offering advice on how to structure regulatory frameworks to create private sector-led inclusive growth following decades of underinvestment.

In sum, our approach combines working with private sector clients, government partners and other stakeholders, to create opportunities for the poor by investing and providing advice, expanding access to finance, raising skill levels, and removing barriers that constrain entrepreneurship.
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Despite its rich natural and human resources, Myanmar is one of the poorest countries in Southeast Asia. After a long absence, the World Bank Group has begun re-engaging with the country, supporting reforms that will benefit all of its people, including the poor and vulnerable.

Until now, difficulty in accessing finance, underdeveloped infrastructure – particularly telecommunications and power – and the lack of a business environment conducive to private investment have all held back the potential of this country of 62 million people, more than two-thirds of them living in rural areas.

Recently, however, the government began a far-reaching program to strengthen the role of the private sector in the economy. Working alongside the World Bank, IFC is supporting this effort with diagnostics and advisory services to help improve the regulatory framework and the broader investment climate.

Ongoing consultation between the government and the private sector on the reform program will be necessary. Bringing significant regional and global experience in developing public-private dialogues, we are working with the government and chambers of commerce to support the establishment of a business forum.

Members of Myanmar’s Federation of chambers of commerce and Industry visited Vietnam in December 2012 to learn about the operations of the Vietnam Business Forum, a public-private dialogue initiated by the World Bank Group 15 years ago.

“We do think creating a formal dialogue platform between the government and
business community – with support from development institutions – will enable greater and more open discussion on legal and regulatory issues that would help improve the business environment,” said Zaw Naing Thein, executive committee member of Myanmar’s Federation of Chambers of Commerce and Industry.

At the same time, IFC is conducting assessments that will form the basis for future investment and advisory programs in Myanmar. A financial sector mapping exercise has been completed to study ways to improve access to finance. We are also working with the World Bank to assess the country’s investment climate and infrastructure needs, with an initial focus on telecommunications and power.

The first investment IFC has planned is a $2 million loan to Cambodia’s ACLEDA Bank to help it set up a microfinance institution in Myanmar. ACLEDA MFI Myanmar aims to provide loans to more than 230,000 people, mostly women, by 2020 to revitalize the country’s private sector and spur job creation.

The World Bank, which had not approved any lending to Myanmar between 1987 and 2011, has also stepped up its financing, beginning with an initial $80 million in grants to benefit Myanmar’s local communities.
SMALL LOANS, BIG GAINS

Many mom-and-pop businesses in East Asia and the Pacific have limited access to capital as they are too small to be lucrative clients for commercial banks. That’s why IFC steps in to improve microfinance initiatives so that small entrepreneurs can grow.

Mary runs a basket-weaving business out of her house in the Pacific island of Tonga. To earn more for her family, the mother of 14 children needs capital to expand her business. But Tongan women often find it hard to come up with collateral – usually in the form of property – for loans from commercial banks because they can’t hold land titles.

To help small entrepreneurs like Mary, IFC, in partnership with the Australian government, launched the Pacific Microfinance Initiative to improve access to basic financial services, particularly for women, rural households, and small enterprises. IFC worked with South Pacific Business Development, a network of microfinance institutions working in Fiji, Tonga, and Samoa, to develop small loans that require no collateral.

“With the loans from South Pacific Business Development, I can grow my business and increase my profit, which I can use to pay for my children’s tuition and other family needs,” says Mary.

Small loans of a few hundred dollars have the power to radically change people’s lives and increase incomes for entrepreneurs like Mary, allowing them to create jobs for others. To lift more people out of poverty, IFC is helping
microfinance institutions by granting loans, making equity investments, or showing them how to help their clients with best business practices. Between mid-2008 and mid-2011, we facilitated $4.9 trillion in financing for businesses and households in East Asia and the Pacific.

In China, IFC advised and made an equity investment in the microfinance program of the China Foundation for Poverty Alleviation to help transform the non-profit program into an independent and commercially operated entity. Since IFC’s involvement in June 2010, the company has doubled its number of active clients to 106,000 and is now the largest non-bank microfinance provider in China.

In Indonesia, our loan and equity investment in Bank Tabungan Pensiunan Nasional enabled it to lend to small traders like Wahyuningsih Aswin, who runs a garbage collection and sorting business.

“I used the loan to buy land where I can store the trash,” she says. “I can also increase the size of my business, which means giving more income to my collectors.”

By empowering entrepreneurs like Mary and Wahyuningsih, not only do we help them meet their basic needs, but we also encourage them to dream bigger.
Nolie and Rogelio Estocado wanted to provide for the growing needs of their family by reviving an old Christmas and seasonal decoration-making business that had fallen on hard times. However, finding affordable capital can be tough.

The couple turned to the Center of Agriculture and Rural Development (CARD), a microfinance pioneer that wants to expand its reach among small and medium enterprises in the Philippines. IFC Advisory Services helped the company establish CARD SME Bank to serve the needs of small companies exclusively.

After receiving a 4,000 Philippine-peso loan (about $100) and training from the bank, the Estocados managed to build a small factory employing 60 workers. They were then able to borrow more money to meet larger orders, source better-quality materials, and hire more workers – many of them women.

Small and medium enterprises account for more than 90 percent of registered businesses in the Philippines. In 2010 and 2011, IFC provided more than 6 million loans to micro, small and medium enterprises in East Asia and
the Pacific. This in turn catalyzes job creation and economic growth.

That’s why IFC has invested in and provided expert advice to financial institutions serving this sector. In the Mekong region, ACLEDA Bank used IFC’s early equity investment to support small businesses in Lao PDR. Khamsaveng Southichak in Vientiane borrowed $25,000 from the bank to expand his cement pole-production business in 2010.

“The loan allowed me to upgrade my small factory with only four workers to a modern, well-equipped one with more than 10 workers. Now I can accept more orders from electrification projects, which was impossible in the past due to limited production capacity,” he says.

Serving small entrepreneurs has also been a winning business strategy for Xacbank in Mongolia: They accounted for half of the bank’s loan portfolio as of end of June 2011. IFC’s loans and equity investment have helped the bank expand its products from microfinance to trade finance. Xacbank is looking to replicate its success with small and medium enterprises in China and neighboring Central Asian states.

In 2010 and 2011, IFC provided more than 6 million loans to micro, small and medium enterprises in East Asia and the Pacific.
LOCAL FARMERS, **GLOBAL MARKETS**

Consumers are increasingly willing to pay for high-quality, sustainably grown produce, but small farmers in East Asia and the Pacific – many of them women – lack know-how in sustainable farming and access to international markets to take advantage of this demand.

Across the region, IFC has partnered with large international buyers, like the ECOM Coffee Group, for a win-win strategy that helps these farmers improve crop quality and guarantees buyers a dependable source of sustainably grown commodities. Together with ECOM, we have set up farmer training centers in major coffee-growing countries, including Vietnam and Indonesia.

A 4.3-hectare training center, equipped with a laboratory and demonstration plots, in Vietnam’s Lam Dong province helps about 4,000 farmer households qualify for globally recognized sustainability certifications such as those offered by UTZ, Rainforest Alliance, and 4C. These certifications allow farmers to sell beans at higher prices to ECOM, thereby opening a new market for them, increasing their incomes, improving their working conditions, and benefiting the environment through sustainable farming techniques.

Coffee farmer Le Than’s 5.4-hectare coffee plantation is now certified, and he says he has reduced costs by up to 30 percent. “My coffee quality has significantly improved and I get better prices,” he says.
Farmer Than is one of more than 7,500 Vietnamese and Indonesian coffee growers whom IFC has helped become certified through the ECOM programs. As a result, their revenues went up by more than $3 million.

The program has also helped women realize their economic potential. Female farmers play a significant role in coffee growing, but initially very few Indonesian women took part in the training. We deployed female trainers and farmer volunteers and adjusted training schedules to suit women’s needs. As a result, the share of women trainees jumped from 4 percent to 43 percent.

Similarly in Vietnam, we engaged local women union leaders, developed gender-specific training materials, and adjusted training times. Through these measures, we trained nearly 2,000 women, doubling the share of female farmers participating in the training.

Coffee farmers are not the only ones IFC helps to integrate into global supply chains. We also worked with GarudaFood, one of Indonesia’s leading food and beverage manufacturers, to incorporate more than 8,000 peanut farmers into its supply chain. This increased the productivity of GarudaFood’s local subsidiary by as much as one-third and that of the farmers by 30 percent.

“My income improved significantly and I can sleep peacefully at night knowing that GarudaFood will buy my crops at agreed prices,” says Sajidin, a peanut farmer in Indonesia’s southern Nusa Tenggara province.
Farmers like Zeng Fuyuan in Sichuan, a major food-growing province in China’s less-developed western region, know little about how to use fertilizers to grow healthy and sustainable crops.

With the help of Ko Yo Chemical (Group), one of China’s leading fertilizer manufacturers, Zeng and other small-scale farmers are learning from experts about soil analysis, correct blending, and the proper application of fertilizers.

Ko Yo produces top-quality fertilizers from low-cost urea, a chemical compound found in urine, and sells it to farmers. At the same time, its agricultural specialists teach the
Ko Yo’s fertilizer specialists helped chili pepper and tomato farmers increase crop yields by 10 percent.

farmers how to apply fertilizers: They have helped those who grow chili peppers and tomatoes enhance their crop yields by 10 percent; rapeseed growers have experienced a 7 percent increase in their harvests and earned higher incomes as a result.

“Thanks to Ko Yo’s experts, who taught me how to mix fertilizers and spray pesticides to prevent diseases, my cowpeas are good this year,” says Zeng. “I plan to grow more next year.”

Ko Yo has been using IFC financing to provide more hands-on farming assistance. In 2009, we made a $10 million equity investment and extended a $20 million loan to help the company build a new plant in Sichuan. The investment helped alleviate a fertilizer shortage in the province following a devastating earthquake in 2008. In 2011, IFC increased its equity investment by $7 million to help the plant improve its capacity, adopt cleaner manufacturing methods, and reach more farmers.

“IfC’s involvement is critical to the project’s success,” says Li Weiruo, chairman of Ko Yo. “Not only is IFC providing long-term capital, but its technical support also assists in implementing environmental standards for our operations, enabling us to reach more than four million farmers.”
GROWING AGRIBUSINESSES

Demand for agricultural commodities has been on the rise around the world in recent years, opening new markets for farmers and agribusiness entrepreneurs. To take advantage of this trend, they need more than a sound business plan and a resolve to compete.

What they need is credit to grow their businesses and raise revenues. For Papua New Guinean entrepreneur Micky Puritau, whose loan applications were turned down by several banks, access to credit means he can expand his export business, which supports 2,500 vanilla bean growers.

“When I started exporting vanilla beans 10 years ago, the banks wouldn’t speak to me because I didn’t have collateral,” says Puritau. “I do business on a cash basis, but having access to capital would allow me to fulfill my vision of expanding my business to also export coffee beans and help 7,000 more farmers get their goods to market.”

Puritau’s story is common in Papua New Guinea, where small businesses struggle to meet bank loan requirements, such as financial statements, collateral, and guarantees. But with the help of a risk-sharing facility created by IFC, the World Bank, and the government of Papua New Guinea, banks now have a greater incentive to lend to agricultural entrepreneurs like Puritau.

The facility guarantees 50 percent of the loans that participating banks extend to small and medium businesses, encouraging banks to lend more to the sector and to develop new financial products to meet its needs. The facility will support up to $61 million in new financing and technical assistance for small and medium firms.

Micky Paritau, a vanilla beans exporter in Papua New Guinea, can help 7,000 more farmers get their goods to the market if he gets the funds to expand his business.
“Improving access to finance for small and medium enterprises will revolutionize this country in terms of creating wealth and helping businesses like mine improve livelihoods for people living in rural areas,” says Puritau.

In the Mekong region, the world’s rice bowl, IFC is helping unlock new sources of collateral in the agriculture sector.

As part of our Global Warehouse Finance Program, we provided Vietnam’s Techcombank with a $20 million loan to fund agricultural commodity producers and traders, especially small and medium enterprises.

Techcombank will provide short-term loans backed by warehouse receipts.

Warehouse financing helps farmers increase their income by giving them more flexibility in timing their sales so that they don’t have to suffer from price seasonality. It also allows banks to shift risk from borrowers’ fixed assets to the commodities that farmers produce.

“IFC’s global experience in warehouse financing will help us improve risk management practices in commodities financing,” said Simon Morris, CEO of Techcombank. “We will further increase our lending capacity to the agriculture sector.”
In rural Papua New Guinea, farmers and entrepreneurs have to travel long distances on sometimes perilous roads to cash a check or deposit money at a distant bank branch.

Not anymore: Banking services are now at their fingertips.

IFC, with support from the Australian government, helped Bank South Pacific Rural launch a pilot mobile-banking service in the township of Rabaul, located in Papua New Guinea’s East New Britain province. Geographically remote but technologically plugged in, commodity buyers transfer payments to farmers’ bank accounts via text messages. The farmers can then withdraw the money using a bank card at electronic funds transfer machines or at local shops that operate as agents for the bank.
“It saves me time going down to Kokopo town, where I spend half a day or the whole day just standing in the queue. Mobile banking is easier for me. I use the service every day,” says Augustine Buava, a farmer and business owner.

Mobile banking also keeps the farmers safe as some of them have been robbed of their money on their way to and from the bank. Now, they can focus on tending to their crops and raising productivity.

Only a fifth of Papua New Guineans have access to banking services, but almost half of them use mobile phones. Mobile banking will go a long way in developing the local economy and improving the livelihoods of people in rural areas.

IFC’s experience in other markets such as Cambodia and Africa has helped guide the launch of not only the mobile banking service in Papua New Guinea, but also the first such service in Indonesia. Sinar Sip, introduced by Bank Sinar Harapan Bali and mobile phone network provider AXIS in 2011, serves customers on the island of Bali and is expected to expand into other parts of Indonesia’s vast archipelago.
TAPPING NEW CREDIT SOURCES

Being able to use so-called movable assets – things owned by a business other than real estate – as collateral is important for small entrepreneurs to obtain loans and for developing a healthy credit market.

In emerging markets, many small and medium enterprises simply do not own land or buildings that can be offered as security for a loan. If they can use movable assets, such as inventory, equipment, crops, livestock or future income, as collateral, a whole new world of financing and growth opportunities opens up.

That’s what happened in China, where the share of financing secured by movable assets was a mere 4 percent in 2004. In developed markets, typically 80 to 90 percent of lending to small and medium enterprises involves movable assets.

IFC supported the Chinese government in drafting and passing a groundbreaking law in 2007 that paved the way for banks to accept movable assets and increase their lending to small and medium enterprises. To further strengthen movable asset financing,
we also advised the People’s Bank of China to set up and run a centralized online system for creditors to register borrowers’ accounts receivables and other forms of movable asset security, making it easier for banks to grant loans.

The effect has been phenomenal: The value of commercial loans involving movable assets grew 24 percent in the past four years. As of June 2011, more than $3 trillion in loans have been granted with movable asset security and many of the beneficiaries are small businesses.

“Previously, our company had to spend energy and resources on getting small orders because we did not have the working capital to accept large contracts,” says Xiong Yun, financial manager of Tianyue, a Chengdu-based producer and installer of window frames for buildings. “Now that we can use movable assets, such as accounts receivables, for collateral, we have been able to take on additional, larger orders and focus more resources and time on product development.”

Countries across the Mekong region are moving in the same direction, improving the potential for businesses in fast-growing Lao PDR and Vietnam to expand and create jobs. In Vietnam, IFC helped the government launch an online registry for movable assets to encourage lenders and borrowers to increase the use of the financing method.

“Loan access is among the top five most troublesome procedures for enterprises. The new online system will bring great benefits for the companies to cut costs and time,” says Dau Anh Tuan, deputy director of the Legal Department at the Vietnam Chamber of Commerce and Industry.
IFC worked with the Chinese government, mainly the People’s Bank of China, to develop a credit reporting system for individuals and firms so that banks can easily access their credit information and make lending decisions more quickly. The project also helped put in place regulations for credit reporting, laying the foundation for a well-functioning system.

Today, China’s credit registry, the largest in the world, has records of more than 800 million individuals and 18 million entities, improving access to capital for millions of small businesses so that they can grow and create more jobs. Even individuals without bank accounts now have profiles and can apply for loans more easily as the registry also draws on information from non-bank sources, such as utilities and business registration agencies.

Tracking credit data has also helped banks identify businesses that fail to meet social and environmental performance standards.

QUICKER LOANS FOR SMALL BORROWERS

Ten years ago, as China’s ranks of private entrepreneurs rapidly grew, banks were hesitant to lend to small borrowers whose credit histories were not readily available. That uncertainty meant even companies deserving of a loan could not get one.

Chinese banks can now easily access the credit information of individuals and firms after IFC worked with the government to set up China’s credit registry.
By 2011, the system had about 40,000 records on the environmental compliance practices of companies.

Following the success of the credit registry in China, IFC started similar projects in other countries in East Asia and the Pacific. With IFC’s assistance, the Credit Bureau of Cambodia, the first private one in the country, opened in March 2012 and quickly built up 1.8 million loan records.

Among the Pacific island nations, Tonga’s first credit bureau and the Data Bureau of Vanuatu were both launched in 2011. The bureaus will go a long way in helping entrepreneurs find capital in a region where no more than 20 percent of the population has access to financial services.

In Tonga, IFC partnered with Data Bureau Ltd., a Fijian-owned credit information company, to establish the Tongan branch, Data Bureau (Tonga) Ltd. Over the past year, the bureau has developed a database that has 3,000 public notices and the credit histories of more than 700 companies out of a total of 2,884 registered businesses in Tonga.

“Our services not only benefit financiers and credit providers in the country, but also the people,” said Delores Elliot, manager of Data Bureau Ltd. “The bureau will greatly encourage people to be responsible in their financial commitments. It’s a win-win situation for both parties in the long term.”
Since then, the Banking Skills Training and Consultancy Joint Stock Co. (BTC) has offered hundreds of international-standard training courses to boost the professional skills of 50,000 bankers in Vietnam. It has increased its training capacity 28 times and has an extensive network of 200 local and foreign trainers.

With its global experience in emerging markets, IFC foresaw back in 2001 that Vietnam’s rapidly growing banking sector would quickly face a talent crunch and we set up a training program for bank staff to meet demand.

BTC has helped build a bigger pool of skilled bankers for Vietnam’s young financial institutions. The bankers have in turn applied their professional training to devise better and broader financial services for the country’s small and medium enterprises to help them grow.

Vu Thi Kim Diep, who works at the North Hanoi branch of Vietnam Joint Stock Commercial Bank for Industry and Trade, explains how she benefited from a training course she completed.

“The course on sales skills provided us with specific steps such as information exploration, customer needs identification, and risk management-based proposals,” she says. “While I was still taking the course, I was able to apply the negotiation skills at work, including mobilizing a deposit of 200 million Vietnamese dong ($10,000) on the last day of the course.”

BTC became a joint stock company in 2006 and opened a second office in Hanoi. In 2011, the State Bank of Vietnam officially recognized the company for its contribution
Over the past decade, BTC has grown to become a premier training company for bankers in Vietnam.

Vietnam’s Banking Skills Training and Consultancy Joint Stock Co. has trained 50,000 bankers since it opened in 2001.

“Our company is built from the industry, for the industry,” says Nguyen Duc Vinh, chairman of BTC. “IFC’s technical assistance in the early stages helped us develop into the first and only internationally accredited banking training company in Vietnam today.”

BTC is working with international training institutions to deliver more world-class training programs to further support the reform and growth of the banking industry. That’s why IFC continues to partner with the company to develop training on risk management, corporate governance, and new financial products, including for small and medium enterprises and energy-efficiency projects.
In Asia’s youngest nation, Timor-Leste, people are still reeling from years of conflict, and job creation hinges on a business environment that welcomes both small and large businesses.

For years, Timor-Leste entrepreneurs had to wait for as long as 103 days to register a business. But with the help of IFC, the government simplified the procedure and cut the wait to a mere 13 days.

“If we make it easier to start a business, then there will be more businesses established in Timor-Leste, creating opportunities and jobs,” says Julio Alfaro, president of Timor-Leste’s Chamber of Commerce and Industry.

Soon, the government will be opening a “one-stop shop” where business owners can obtain a commercial registration certificate, license, and tax identification number from a single counter.

In many developing East Asia and Pacific countries, foreign and domestic enterprises have to navigate red tape and wait for months to open a business. Many small businesses end up operating in the informal sector, and some prospective foreign investors move to friendlier markets.

IFC’s Investment Climate program works with governments to make doing business easier, from cutting red tape in business registration, reforming tax and land-
acquisition regulations, to keeping governments honest by measuring improvements in the ease of doing business over time through our Doing Business reports.

In Indonesia, IFC worked with the Jakarta government to establish provincial- and municipal-level one-stop shops, where businesses can submit application and obtain 19 business licenses and permits through a single office. Together with other simplification initiatives implemented by both the national and Jakarta governments over the past eight years, the reforms helped reduce the time of starting a business to 45 days from 151 days.

“Since the one-stop shop has been established, the procedure is much faster and easier. I could obtain the license on the same day. The official at the one-stop shop clearly explained to me all of the documents required and the paperwork I submitted was in order,” said Lilis, a local entrepreneur and linen crafts woman who was trying to renew her operating license. It was a huge improvement from when she first started her business in 1996: It took her more than two weeks to obtain a license then.

In Vietnam, the government, with support from IFC, developed and implemented its comprehensive Master Plan for Administrative Procedure Simplification between 2007 and 2010. The reforms abolished many unnecessary procedures and saved about $4 million for approximately 80,000 businesses in 2010.

Together with IFC, economies in East Asia and the Pacific are looking at more reforms to further improve the business environment, enabling entrepreneurs – large or small – to create opportunities for others.

Entrepreneurs in Timor-Leste used to wait for 103 days to register a business, today they can process in only 13 days.

Since the opening of the one-stop shop in central Jakarta, entrepreneurs like Lilis can obtain their business licenses more quickly and easily.
Consumers want to wear their sneakers, shirts, and pants with a good conscience. As a result, global apparel brands are facing greater scrutiny over how their products are made. In the Mekong region, garment factories that meet international labor and social standards are more likely to secure contracts, ensuring jobs for hundreds of thousands of people.

In Vietnam and Cambodia, the clothing sector directly affects as much as 10 percent of the population. To help ensure that this vital sector remains competitive, IFC and the International Labour Organization launched the Better Work program to improve the working conditions and productivity of factory workers so that global brands like Adidas, Levi Strauss & Co., and Nike will continue to buy from them.

Better Work combines labor-standards monitoring, training for factory supervisors, and audits of workplace conditions. It provides assurance to global brands that they are not outsourcing the production of their products to sweatshops and encourages them to keep doing business with factories that participate in the program.

The chance to sew, stitch, and sort in factories with long-term sourcing contracts makes a world of difference to garment workers, many of whom come from impoverished rural areas.

Do Thi Sen is among 470,000 Cambodian and Vietnamese workers (86 percent of whom are women) who have benefited from the program since it started in 2006.

“I was a freelance seamstress before, but the work wasn’t very stable,” says Do, who began working seven years ago for a factory in southern Vietnam participating in the program. “Factory work provides a stable
job and the working environment is better."

For factories, Better Work’s monitoring system reduces the costs of compliance audits demanded by international buyers. Factories can pay for one audit instead of hiring expensive third-party auditors to assess their operations for each brand that buys from them. The savings can then be spent on improving benefits for workers.

“To improve competitiveness, you must retain good workers,” says Hilde Gunn, Adidas’ regional manager for social and environmental affairs. “Salaries always play an important role, but there are other tangible benefits. For example, some of our factories now have daycare centers, dormitories, supermarkets, and free motorbike maintenance.”

Better Work also provides management training to factory supervisors so that they can improve relations with workers and avoid costly production disruptions due to conflicts. Participating factories have reported up to 10 percent higher productivity. In Vietnam, the program has been expanded to cover workers’ health, safety, and compensation, leading to a 33 percent improvement in the application of health and safety regulations.

The supervisor training has recently been introduced in Indonesia as well, and lessons from the three East Asian markets are scaled up globally through Better Work programs in Jordan, Haiti, Lesotho, and Nicaragua.

Of the nearly half a million workers who benefited from the Better Work Program, 86 percent are women.

The Better Work program offers training to managers, supervisors, and workers of apparel manufacturers.
Governments formulate investment and business policies. But the private sector also plays an essential role in shaping those policies so that companies can operate at their best and contribute their most to economic development.

Creating a platform for formal exchanges of ideas between the public and private sectors can lead to important reforms to increase investments and job creation.

Take Vietnam for example. When the country’s economy opened up to foreign investors in the 1990s, the private sector worked closely with the government to resolve regulatory constraints hindering its development. As a result, the Vietnam Business Forum was launched in 1997 and continues to operate today as a bi-annual formal dialogue between the government and foreign and local business associations.

Under IFC’s guidance and management, the forum contributed to the passage of 73 laws and regulations, including the Law on Securities, the Common Investment Law and an amended labor code. The forum also spearheaded reforms, such as eliminating the practice of charging locals and foreigners different prices and increasing the cap on deductible marketing and promotion expenses from 3 percent to 15 percent for new enterprises. These business-friendly policies helped private companies save around $240 million, allowing them to grow and employ more workers.

“The most important channel of communications with the government is probably the Vietnam Business Forum, which we have been active in over the last 10 years. We use this forum as a platform to present our sentiment on various aspects of business concerns,” says Dang Duc Dung, vice-chairman of the Hanoi Young Business Association, a participant in the forum.

In 2011, IFC handed over the secretariat of the forum to a consortium of chambers of
commerce and local business organizations. The forum has become a model for a similar public-private sector dialogue in neighboring Lao PDR. The Lao Business Forum has supported reforms in mining, tourism, taxation, and intellectual property rights.

Public-private sector exchanges have also been important for the fledgling economy of Timor-Leste, which won independence in 2002. As the new government developed national investment policies from scratch, businesses felt that they needed to make their voices heard. IFC helped Timorese business owners form a national chamber of commerce to interact with the government and improve their effectiveness in advocating for business-friendly laws and regulations. With a formal representative body in place, the Timor-Leste business community has since been playing an active role in shaping the country’s future.

The Vietnam Business Forum directly contributed to the passage of 73 laws and regulations, helping businesses save around $240 million.
Ensuring that water flows at the turn of the tap, gas fuels the cooking stove, and electricity illuminates the house has traditionally been the responsibility of state-owned utility companies the world over. But governments can’t always provide such basic necessities in a high-quality, yet affordable way. Tapping private sector funds to accelerate power projects is therefore vital to sustaining economic growth.

For many years, residents of the northern Philippine city of Olongapo suffered frequent power outages. But as Olongapo began attracting international investments in the late 1990s after the city converted a former U.S. naval base into the Subic Bay Freeport Zone, reliable electricity became even more vital.

To improve electricity supply for about 200,000 residents and maintain the city’s competitiveness, the Olongapo City government brought in IFC in 2008 to advise on the privatization of its electricity distribution system. IFC assisted in the preparation, design, and implementation of a transaction that involved private sector investors.

Public-private partnerships ease the burden on taxpayers and spread a project’s risk and reward. At the same time, communities benefit from high-quality services.

In 2010, Olongapo sold its electricity distribution system for $13.3 million to
Cagayan Electric Power and Light Co. Inc., one of the largest electricity-distribution companies in the Philippines. Cepalco also agreed to invest $2 million for system repairs and upgrades during the transition period and another $11 million over five years. The upgrades have helped the company reduce some 3,600 tons of carbon dioxide emissions annually since 2011.

“This public-private partnership deal for Olongapo’s power system addresses local people and businesses’ demand for a reliable supply of electricity,” says Olongapo Mayor James Gordon Jr. “Given the government’s limited resources, it is only through private sector management that modernization and improved services can be achieved.”

IFC also helped the Philippine government attract private investments in off-grid power generation in rural areas.

In Indonesia, where power shortages threaten to curtail industrial growth, IFC helped develop the first independent power project in more than 10 years. We advised Perusahaan Listrik Negara, the state-owned power utility, to grant a private company the rights to build and operate the Central Java Power Plant. It was the first infrastructure project to be put out to tender under the country’s new public-private partnership law.

A Japanese-Indonesian consortium among J-Power, Itochu Corp., and Adaro Power won the bid for a 25-year contract to build, own, operate and transfer the new facility. The project will help ease power shortages on Indonesia’s main island of Java by generating 2,000 megawatts of electricity and improve access to electricity for 8 million residents by 2016.

The Indonesian government estimates that it will need $31.4 billion in investments to meet the country’s power needs by 2013. The private sector will have plenty of opportunities to shoulder the risks and enjoy the rewards in the country’s fast-growing economy while ensuring affordable, high-quality power for its people.
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Our vision is

- That people should have the opportunity to escape poverty and improve their lives.

Our core corporate values are

- Excellence
- Commitment
- Integrity
- Teamwork
- Diversity

Our purpose is

To create opportunity for people to escape poverty and improve their lives by:

- Promoting open and competitive markets in developing countries
- Supporting companies and other private sector partners where there is a gap
- Helping to generate productive jobs and deliver essential services to the underserved
- Catalyzing and mobilizing other sources of finance for private enterprise development

In order to achieve its purpose, IFC offers development impact solutions through firm-level interventions (direct investments, advisory services and our Asset Management Company), standard-setting, and work that enables the business environment.

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