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FINANCE CORPORATION
THE WORLD BANK GROUP

33819



IFC DONOR-SUPPORTED TECHNICAL ASSISTANCE PROGRAMS

2004 Report *to the* Donor Community

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About IFC

The mission of IFC (www.ifc.org) is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives. IFC finances private sector investments in the developing world, mobilizes capital in the international financial markets, helps clients improve social and environmental sustainability, and provides technical assistance and advice to governments and businesses. From its founding in 1956 through FY04, IFC has committed more than \$44 billion of its own funds and has arranged \$23 billion in syndications and underwriting for 3,143 companies in 140 developing countries. IFC's worldwide committed portfolio as of FY04 was \$17.9 billion for its own account and \$5.5 billion held for participants in loan syndications.

About the Cover

This cover is the seventh in the series featuring flowers. We have used these images to symbolize our thanks to our development partners for their generous support. Previous years have featured cherry blossoms, dogwoods, tulips, edelweiss, roses, and white lilies. This year's cover features the lily of the valley.

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Washington, DC 20433, USA
www.ifc.org

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Manufactured in the United States of America
Environmentally friendly printing on recycled paper using vegetable-based ink
September 2004

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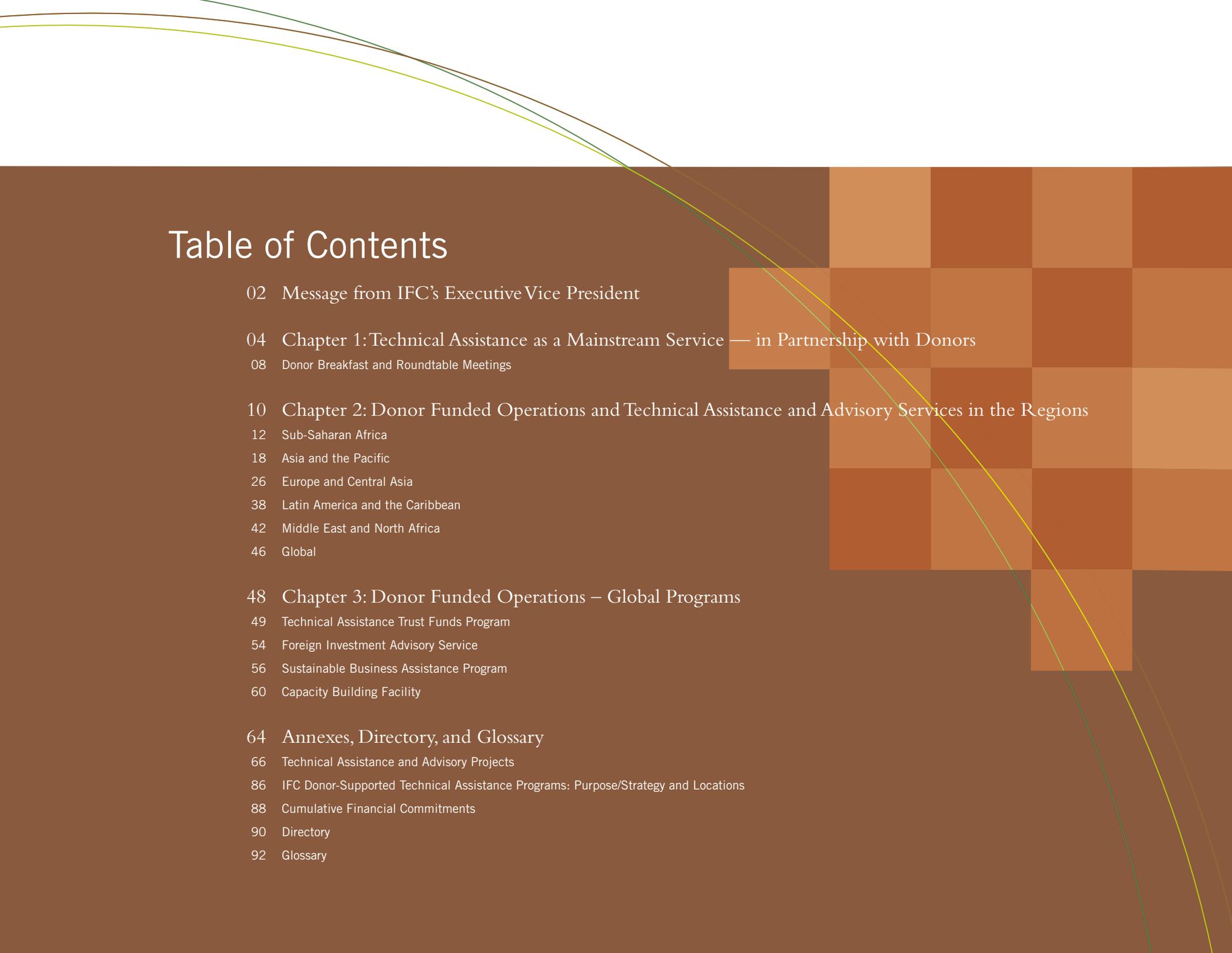


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Message from IFC's Executive Vice President



It gives me great pleasure to present to you this comprehensive report, which describes all that we do in the area of technical assistance (TA) and advisory services with the funding that you have so generously provided.

This year has marked a turning point in our growing network of partnerships with donor nations.

Not only were our donors more supportive and entrepreneurial in collaborating with IFC than ever before, increasing our overall technical assistance and advisory activities to a level of over \$100 million. IFC responded in kind, by expanding our capacity, formalizing a long-term plan to ensure greater stability in our own funding for these initiatives, and integrating donor-funded operations more tightly into our core business.

Altogether, this creates some very exciting prospects for our shared mission of reducing poverty through vibrant private sector growth. IFC's strategy, structure, and staff are aligned to ensure that we deliver for donors both consistent, tangible results and the flexibility to respond to new opportunities.

We are constantly reminded in our work on private sector development that our clients require a broad array of responses. Governments in both frontier and middle income countries have increasingly recognized the importance of supporting the growth of the private sector, creating a greater call for assistance from development institutions, and placing increasingly complex demands upon them.

In response to these demands, the Corporation is working with **five strategic priorities**:

- Strengthening our focus on frontier markets with emphasis on the SME sector
- Building long-term partnerships with emerging global players in developing countries

- Using our focus on environmental and social sustainability as a key way to differentiate ourselves from others in this field
- Addressing constraints to private sector investment in infrastructure, health, and education
- Continuing to focus on the development of domestic financial markets through institution-building and the use of innovative financial products.

It is becoming increasingly clear that to meet the challenges of these strategic priorities, the Corporation will need to scale up its provision of technical assistance and advisory services.

In **frontier markets**, IFC's TA will continue to focus on both private industry and governments, improving the framework for investment and increasing the capacity of businesses (mostly SMEs) to thrive and grow. This includes the work of all our Project Development Facilities and Private Enterprise Partnership facilities so generously supported by you. This also includes closer collaboration with the World Bank private sector development groups and enhanced partnerships with IDA.

An increasing number of IFC's clients, other financial institutions, and investors recognize IFC's leadership in the **sustainability** area and the value that its environmental and social standards and expertise provide. As we reported to you last year, in June 2003, 10 major international banks from seven countries adopted the Equator Principles, based on IFC's environmental and social safeguards and guidelines, as standards for their project finance activities. Since then, 16 more banks have joined, making the Equator Principles the new market standard, applicable to over 80 percent of the project finance market.

IFC invests on a commercial basis, and this remains at the core of the Corporation's approach. However, IFC has the ability to broaden this core competency by providing other value-added services to its clients. In a context where clients have an increased range of choices among international financial institutions, including some positioned as low interest rate lenders, IFC's comparative advantage is to provide these value added services along with funding to its clients, rather than just provide capital. Our ability to do this on a consistent basis is highly dependent on partnering with donors, as for example in our work in

- corporate governance, where we help clients implement best practice
- linkages, which add value to clients by lowering costs through increased local procurement of goods and services, enhancing community development programs, and improving relations with various local stakeholders
- HIV/AIDS, where our IFC Against AIDS program has worked with IFC clients to help first identify the risks and then provide guidance to establishing appropriate programs for the workforce and/or neighboring communities.

As the number of TA programs increases, there is a growing recognition in IFC and among our donors that **evaluation** of outcome is important. To strengthen the measurement of IFC's technical assistance and advisory services, a uniform project completion measurement system, applicable to all such activities in the Corporation, is being piloted. The system will address both the effectiveness of the advisory work from an output perspective and the expected development impact, and it will also include a corresponding system of evaluation. This will allow the effectiveness of the TA and advisory activities to become an important element in the assessment of the overall results of the Corporation.

IFC's reorganization a couple of years ago strengthened the role of the Regional Departments in the strategy process, with corporate investment activities being driven by regional strategies. In order to fully integrate and coordinate the added value of our services with investments, since January of this year the Regional Departments have taken on responsibility for all TA activities in their regions. They will put forward a separate **TA strategy**; this will be done for the first time in the fall of 2004. We made this change to emphasize even more the long-term importance of TA.

Last year I reported to you a long-term challenge for IFC. To do what is demanded of us in those areas where we have a comparative advantage, I said we would need a much more planned and stable source of TA funding. I am happy to report that we have now taken an important step in this direction.

One of the unique features of IFC's involvement in technical assistance and advisory services is that we make a significant cash contribution to the various TA activities from our own net income, and then use this funding to leverage additional resources from you, our donor partners. We believe that our financial involvement strengthens the ongoing working relationship with you and helps to ensure better alignment of interests. IFC's annual contributions to these activities have increased from \$5 million five years ago to \$34 million in FY04 and a projected \$43 million for FY05. IFC's expertise and track record in this work have been recognized by the donor community, which now provides more than \$100 million per year to these IFC-managed activities. We seek to build on this confidence you have shown in IFC, and work with you, our donor partners, to fund a good part of IFC's highly developmental capacity building and advisory activities.

As a way to strengthen our collaboration with you, IFC's Board has now approved the creation of a new Funding Mechanism for Technical Assistance and Advisory Services, wholly funded from our own resources. From now on, in every year that IFC's net income exceeds \$150 million, a portion of the net income will be designated for Technical Assistance and Advisory Services. The mechanism will thus provide a better, more stable way for IFC to meet its own commitments over a longer term. It can also give the Corporation some added flexibility: IFC can potentially make an upfront commitment for bigger programs and for project facilities, with the donors subsequently joining the funding exercise, depending on their own budget cycles. In addition, the mechanism will allow IFC to do important mission-related advisory work in regions where donor resources are scarce or unavailable and will allow us to cover gaps in external funding due to economic downturns and/or "donor fatigue."

We will continue to need the support provided by you, our donor partners, because there is so much to be done. Our intention in setting up the Funding Mechanism is to provide a more sustainable, efficient, and transparent way for IFC to support the many technical assistance and advisory activities being requested by our clients.

I thank you once again for your continued support and for another productive year of partnership; we look forward to continuing together in our joint mission of fighting poverty by fostering sustainable, private sector-led development.

PETER WOICKE
IFC EXECUTIVE VICE PRESIDENT
SEPTEMBER 2004



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CHAPTER ONE:

Technical Assistance as a Mainstream Service – in Partnership with Donors

Donor Funded Operations accounted for about \$90 million in expenditures in FY04.

About one-third of IFC staff are engaged full time in DFO work. Many of them are based in the field.

Technical Assistance (TA) at IFC has grown in the range of activities, sectors, and regions covered in the past decade, and is now an integral tool in delivering IFC's mission of private sector development in our client countries.

In FY2000 five Donor Funded Operations (DFO) were managed by IFC, with a total approved budget of \$126 million. Today there are 24 DFOs with about \$100 million currently committed from IFC and about \$250 million from our donors. These committed funds will be utilized in the coming three to five years, depending on the funding cycle of each DFO.

The growth of TA programs at IFC demonstrates the strong demand for TA for private sector development (PSD) in our client countries as well as the interest of the donors in responding to such demands. Many donors have explicit PSD strategies and have relied on IFC's capacity and capability to deliver intended results through various TA programs.

We are therefore making a conscious effort to leverage our TA efforts with our investments to deliver IFC's broader development mission. Some TA projects are directly linked to IFC investment projects and are adding significant development value to our investment. These investment projects often become models for other companies to follow. Other TA programs, such as SME facilities and projects, are not directly linked to IFC investment projects and address broader issues, such as improving investment climate in certain sectors, regions, and countries, while using the knowledge and experience IFC has acquired through its investment operations.

Clients and beneficiaries of TA are also diversified. Many of the direct beneficiaries are private companies that have shown strong commitment in improving various facets of their business, for example, in corporate governance, environmental management, or accounting. IFC also provides advisory services through TA to government entities, financial institutions, SMEs, and business development service providers.



In FY04, TA programs focused on the following areas:

Small and Medium Enterprises

SMEs are critical to development, and IFC continues to stress the importance of developing viable SMEs in many of our client countries. During FY04, one new facility to promote SMEs was launched (Private Enterprise Partnership for the Middle East), and another was approved (Iraq Small Business Financing Facility) in the Middle East and North Africa, thus increasing the total number of SME facilities to 12. During FY04, regional directors took direct responsibility for all of these facilities, thus making them more integrated with IFC's regional strategies. The facilities are gradually shifting their focus toward wholesale assistance rather than providing assistance to individual SMEs on a retail level. Donors continued to show strong support for SME facilities, and about 75 percent of new commitments in FY04 from the donors went to these facilities.

In collaboration with the SME facilities and industry departments, IFC's SME Department is increasingly developing linkage programs. Currently programs in 14 countries are linked to over \$1 billion in IFC investments. Two prominent programs underway are related to the Chad-Cameroon pipeline and the Baku-Tbilisi-Ceyhan (BTC) pipeline projects. Both of these programs reflect IFC's strategy of working closely with clients and partners to provide developmental support to growing SMEs through linkages to major investment projects. The support is directed at expanding local supply and distribution chains to create more opportunities for smaller businesses and to assist in sustainable community development efforts. The program's clients benefit from the provision of targeted technical assistance, improved access to finance, and the creation of local business development service providers.

The SME Department is now much more focused on capturing and disseminating best practice in SME development and providing input to regional SME strategies. It also provides expertise to the facilities and other activities in the World Bank Group, such as the IDA/IFC Africa program.



Financial Markets

IFC continues its efforts to improve the quality, scope, and accessibility of financial services in our client countries by investing in and providing TA to banks and non-bank institutions and related regulatory authorities. The TA tools include undertaking studies to identify new financial services such as leasing, housing finance, insurance, and contractual savings; creating enabling environments to support the financial institutions, including the development of securities markets and credit bureaus; and building strong, sustainable, and diversified financial institutions and markets.

IFC is currently engaged in 88 TA projects in Financial Markets Advisory Services (FMAS) in 60 countries, worth almost \$38 million in aggregate. Over 75 percent of the FMAS TA portfolio involves strengthening micro- and SME finance. Helping countries diversify into non-bank financial services accounts for 35 percent of the portfolio, primarily for firms to diversify into SME-related leasing. Over 70 percent of the FMAS portfolio is helping to strengthen individual institutions, largely where IFC has investments.

Substantial efforts are made in institutional capacity building in such areas as corporate governance, applying international standards in various areas including accounting, and conventional training in technical areas such as credit analysis.



Sustainability

For IFC, sustainability is an essential element of business success and a means to enhance development impact. IFC is now the global sustainability leader. The Equator Principles are a voluntary set of guidelines based on the policies and guidelines of the World Bank and IFC for managing social and environmental issues related to the financing of development projects. Adopted initially by 10 leading banks in June 2003, the concept now extends to 26 financial institutions around the world. These financial institutions will apply the Principles globally for project finance in all industry sectors, including mining, oil and gas, and forestry.

In July 2002, IFC created three new donor-funded facilities around the theme of environmentally and socially sustainable business. Together, these facilities are called the Sustainable Business Assistance Program (SBAP) and comprise the Corporate Citizenship Facility, the Sustainable Financial Markets Facility, and the Environmental Opportunities Facility. They help to expand the range of activities associated with IFC's investments, and accelerate wider market adoption of new technologies, services, and business models. (See details on SBAP in Chapter 3.)

In addition, IFC manages a part of the Global Environment Facility, carries out updates of the Environmental, Health, and Safety Guidelines, and engages in energy efficiency initiatives, many of which are funded by the donors.

One of IFC's strengths in delivering...results comes from our experience in investing in private sector projects in our client countries.



Donor Breakfast and Roundtable Meetings

IFC ANNUAL DONOR BREAKFAST MEETING: Dubai, September 21, 2003

The IFC Donor Breakfast Meeting was held in Dubai, United Arab Emirates, in conjunction with the World Bank Group–IMF Annual Meetings on September 21, 2003. IFC uses this annual opportunity to share with donors the broad strategic directions of its donor-funded operations for the coming year and to review the performance of past and ongoing initiatives.

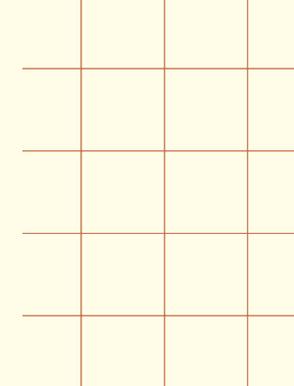
The meeting was chaired by Mr. Peter Woicke, Executive Vice President of IFC and Managing Director of the World Bank. Mr. Woicke welcomed two new donors, South Africa and the Federal Government of Germany, and thanked Finland's Ministry of Trade and Industry for setting up a new trust fund for China and Russia. He thanked donors for the more than \$65 million in new commitments for technical assistance they provided last year, targeted primarily toward capacity building in the private sector, and for the support of SMEs. He pointed out that the bulk of IFC's technical assistance was in higher-risk "frontier" countries, with more than 10 percent in countries with a high incidence of poverty. These frontier countries remain underserved as investors become more discerning, and this has meant more demand for IFC's TA services.

Mr. Woicke pointed out that IFC has responded through new approaches, strengthened partnerships, and enhanced capacity. For instance, a donor-funded facility for infrastructure projects in the Balkans, the BID Facility, was established during the year and is expected to make use of public-private partnerships. In the SME sector, IFC's project development facilities now report directly to regional directors to ensure that their operations are more closely integrated with IFC's core private sector development strategy. Also, work on two new facilities in Indonesia and Latin America began operations in FY04. The financial markets TA program was reorganized and expanded to include housing finance and leasing. In the area of environmental and social sustainability, three new facilities for corporate citizenship, environmental innovation, and capacity

building in financial institutions began operations. IFC was able to leverage its expertise in sustainability to facilitate adoption of the Equator Principles, an initiative in which the world's leading banks have adopted IFC's environmental and social standards as mandatory for their project finance lending around the world. IFC is proud to be the center of the Equator process and could not have done this without donors' support.

Donors expressed general satisfaction with IFC's TA activities and its strategic directions, including its sustainability focus. They called for IFC to play a greater role in promoting private investment in the poorest countries, particularly in Africa. The donors welcomed the trend toward linkages and community development around large IFC projects, and they encouraged IFC to link its TA activities to its investment operations. They sought earlier and greater donor consultation in project design, and urged greater collaboration between IFC and the regional development banks.

While there is optimism about the momentum of IFC's TA work, Mr. Woicke concluded, a lot more remains to be done. Iraq and Afghanistan will present a special development challenge. Also, there is still room for progress in measuring development impact and ensuring that IFC disseminates its lessons of experience with clients and others in the development community. IFC has allocated about \$34 million of its own funds for technical assistance and advisory work for the current fiscal year—the highest levels ever. Underlying all these efforts is a deep appreciation for donors' support and collaboration, and a willingness to continue experimenting with new models and pilots.



IFC DONOR ROUNDTABLE: Paris, May 3-4, 2004

The theme for the Donor Roundtable held in Paris, France on May 3 and May 4, 2004, was Beyond Financing: Adding Value through Partnerships. A broad cross-section of donor representatives attended, along with an IFC delegation led by Mrs. Farida Khambata, Vice President Portfolio and Risk Management, who chaired the Roundtable. The primary objective of the Roundtable was to update donors on the status of IFC's technical assistance programs and of the Corporation's future strategic directions so as to enable both sides to make informed decisions about partnering. This year, the Roundtable was organized to present IFC's TA activities along regional lines, while also summarizing cross-cutting themes such as sustainability, financial market development, and SME development. A few donors shared their experiences about their own bilateral programs and their potential for strengthening partnerships with IFC. A half-day was also allotted to discussing the important theme of TA evaluation within IFC.

Donors welcomed the proposed changes following the Donor Funded Operations Strategic Initiative (DFO-SI), which they saw as an indication of IFC's ability to adapt to a changing environment. However, they cautioned that IFC's TA activities should remain demand-driven, and that the proposed Funding Mechanism for Technical Assistance and Advisory Services should not be seen as an indirect way of phasing out nationality-tied donor funds. They also were concerned that IFC's expanding TA activities could distort markets by competing with local providers of finance who cannot offer TA services. On the restructuring of the SME Department, many donors applauded the devolution of responsibility to the regional departments. However, they warned of the necessity to ensure an optimal balance between regional and central knowledge in the SME sector. Some donors suggested a special session in next year's Roundtable dedicated to the lessons learned from IFC's experience with SMEs. They encouraged IFC to share its knowledge on SMEs with other organizations such as the International Labor Organization.

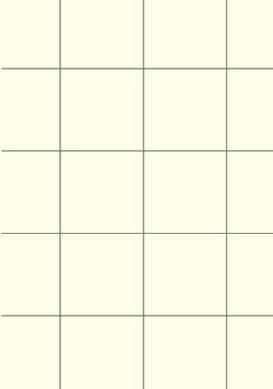
While welcoming the Africa Strategy and the IDA/IFC Africa Initiative, donors felt that there should be greater collaboration with other multilateral institutions, such as the United Nations Development Programme and the Africa Development Bank, with IFC playing a more proactive role in leading such collaboration. In Asia where, in many countries, finance is not in short supply, IFC should focus on countries with a more challenging political environment and help support regional integration efforts. With regard to the IFC's TA activities in the area of sustainability, donors encouraged IFC to pay special attention to monitoring and evaluation. On IFC's microfinance activities, donors recommended that IFC maintain an appropriate mix of TA and credit lines, with up-front subsidies preferred to ongoing subsidies. Many donors expressed a willingness to collaborate with IFC and the World Bank in the area of infrastructure. Donors welcomed the concept of a corporate project completion report for IFC's TA evaluation activities, but recognized the difficulty of measuring development impact and poverty reduction. They emphasized the importance of independent evaluations and suggested that good case studies be disseminated broadly. They also encouraged flexibility, ex-ante evaluations, and cross-cutting themes.





CHAPTER TWO:

Donor Funded Operations and Technical Assistance and Advisory Services in the Regions



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SUB-SAHARAN AFRICA

Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe

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ASIA AND THE PACIFIC

Bangladesh, Bhutan, Cambodia, China, Fiji, India, Indonesia, Kiribati, Republic of Korea, Lao People's Democratic Republic, Malaysia, Maldives, Marshall Islands, Federated States of Micronesia, Mongolia, Myanmar, Nepal, Palau, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Tonga, Vanuatu, Vietnam

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EUROPE AND CENTRAL ASIA

Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, FYR Macedonia, Moldova, Poland, Romania, Russian Federation, Serbia and Montenegro, Slovak Republic, Slovenia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan

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LATIN AMERICA AND THE CARIBBEAN

Antigua & Barbuda, Argentina, The Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, Trinidad and Tobago, Uruguay, República Bolivariana de Venezuela

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MIDDLE EAST AND NORTH AFRICA

Afghanistan, Algeria, Bahrain, Arab Republic of Egypt, Islamic Republic of Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Pakistan, Saudi Arabia, Syrian Arab Republic, Tunisia, United Arab Emirates, West Bank and Gaza, Republic of Yemen

Sub-Saharan Africa

Recognizing the need to address Africa's development challenge more comprehensively, IFC launched a new strategy for Sub-Saharan Africa in FY04. The new approach responds to the needs of Africa's private sector with expanded and enhanced programs oriented to SMEs. It also addresses the challenge of developing larger projects by targeting more IFC support to the formative stages of project development, thus expanding IFC's role well beyond the provision of finance. This strategy recognizes the obstacles faced both by governments and by the private sector in their efforts to improve the overall investment climate, and it brings IFC's global knowledge and local experience to bear on removing investment constraints. IFC has consistently devoted significant resources to its operations in Africa, and will increase those resources under the new strategy.

One of the major implications of the new strategy is the increased role for technical assistance, capacity building, and advisory services. Continued donor support is essential for IFC to be able to expand new SME financing intermediaries and to provide business development services through the Africa Project Development Facility (APDF). Technical assistance is also key to laying the groundwork for potential investments, particularly in infrastructure.

IFC also plans to expand investments in the region. But, to do so requires additional resources to identify potential projects, prove their concept, and help address the constraints in the investment climate that deter potential investors. IFC's investment commitments in Africa increased to \$391 million in FY04, up from \$152 million the previous year. While this increase is not attributable to the shift in strategy—as most projects have been in development for some time—the increased volume does illustrate the potential returns from an increased upstream effort in project development, a key element of the new strategy.



Other SME Initiatives

IFC also began implementing a joint Micro Small and Medium Enterprise (MSME) initiative with IDA. The initial stages have involved designing a comprehensive program for MSME support. Donor funding provided consultants to assist in the design of several initiatives included in the program, including an assessment of the market for business development services in Madagascar and Kenya, a review of the regulatory framework for leasing in Madagascar, and expansion of the Support and Training for Entrepreneurs Program (*Netherlands and Switzerland*) from Nigeria to Mali.

IFC opened the first of three pilot SME Solutions Centers (SSCs) in Madagascar. The SSCs combine technical assistance, market and business environment information and services, and a risk capital facility. IFC also invested in a microfinance bank in Angola. Establishment of the bank through trust funds helped defray some of the training costs and startup expenses (*Norway*). Given these initial infusions, the bank is expected to become commercially viable in a shorter time than otherwise.

Upstream Project Development

In FY04, IFC initiated a number of efforts to identify potential new projects, define sector strategies to guide IFC investments, and help define concession arrangements for private infrastructure projects. Following a successful TA project that surveyed the information technology sector in West Africa, thereby helping IFC develop an approach to supporting the sector (*Sweden*), IFC replicated the approach in southern and eastern Africa (*Finland*). We used TA to assess the potential export market of a major forest products company in which IFC is considering an investment; the study assessed the ability of the company to tap markets for products derived from sustainably managed forests, with external certification. We also examined the potential for expansion of glass manufacturing in East Africa (*Sweden*). In Mozambique, we began a major initiative to develop the tourism sector (*Netherlands*), working with the government and local communities to define private investment opportunities, to design regional tourism circuits in neighboring countries, and to put in place mechanisms for concessioning projects to the private sector in a transparent fashion.

In the financial sector, IFC initiated a project to revitalize the corporate bond market in Nigeria, which has long been dormant because of inefficiencies and high costs (*Canada*). The study is being used to document the constraints, and to engage the Stock Exchange and relevant regulatory authorities in a dialogue on addressing them. The objective is to restart this potentially powerful tool for expanding options for longer-term funding for corporates and for diversifying instruments for institutional investment and individual savings. On a parallel track, IFC is identifying potential issuers of bonds to provide some immediate response to the proposed reforms. Under the pilot World Bank Group program for municipal finance, IFC made its second such investment (and its first in Africa) with a guarantee for a bond issue by the City of Johannesburg. With a view to exploring options beyond South Africa, IFC commissioned a study with INCA, the principal institution for municipal infrastructure financing, to assess the potential for similar municipal finance opportunities in other African countries (*Norway*).

REVISITING PAST TA PROJECT Air Tanzania

In FY03, IFC completed the privatization of Air Tanzania Corporation, the national airline of Tanzania, and its sale to South African Airways (SAA). SAA paid \$20 million for 49 percent of the company, of which \$10 million was cash to the government and \$10 million was a capital injection into the airline. The transaction was carried out under a fully liberalized and competitive market structure, with no protection for the airline following privatization. This is a first for Africa. An essential component of IFC's advisory mandate was the role played by trust funds (*Denmark* and *IFC TA Fund*). This support made possible the mobilization of a team of transitional management consultants, who stabilized the airline before the transaction and turned around its flagging financial performance. The deal would not have been completed satisfactorily without this intervention (*IFC TA Fund*).



AFRICA PROJECT DEVELOPMENT FACILITY

A critical accomplishment in FY04 with regard to enhancing IFC's SME operations was the development of a new strategic vision for APDF, and the beginning of its transformation to a new operating and funding model.

During FY04, APDF continued to improve the quality of its service delivery and to concentrate on programs that expand the reach and improve the impact of its operations. While maintaining its focus on capacity building and training of local business associations and local consultants, APDF also expanded business linkages, enabling it to reach more beneficiaries. These shifts were a result of a needs assessment undertaken in a number of countries in the region, and an evaluation by an independent external consultant of where APDF can bring the greatest value. Quality improvements were achieved through greater usage of improved diagnostics tools, disciplined use of our training standards and guidelines, improved training modules, better application of the business association diagnostics manual, and improved access to the operational data base by APDF staff. APDF continued to consolidate, standardize, and benchmark its services and its internal management systems and processes, and to adopt recognized best practices from other donor funded operations.

Integration of APDF into the regional department has allowed for the coordination and delivery of a more integrated package of financing and technical assistance in a number of cases. In Mozambique, for example, IFC made a repeat investment in a flour mill, while APDF helped design and implement a linkage program to work with local bakeries to improve their quality and efficiency. In Kenya, APDF designed a technical assistance program for microenterprises that constitute the retail and small distributor end of a soft-drink bottler's distribution chain. This TA complemented a previous IFC loan that funded investments by the bottler in East Africa.

APDF and the Corporate Citizenship Facility (CCF) are providing technical assistance to Honey Care Africa, a socially responsible small business that sells beehives to rural subsistence farmers and buys their produce at fair market prices. Honey Care introduces Kenyan small-scale farmers to commercial beekeeping production methods used elsewhere around the world and is building a premium

market for their honey. In May 2004 it was one of 10 global firms to win the World Business Awards from the UNDP, the International Chamber of Commerce, and the International Business Leaders Forum for its contribution toward attaining the Millennium Development Goals.

IFC's Operations Evaluation Group completed an evaluation of APDF in the fall of 2003 and presented a number of recommendations, which are under implementation. Recommendations included changing APDF's organizational structure, its product lines, and its funding. The evaluation further recommended increasing APDF's field presence, expanding its staff, and focusing its services and activities on fewer, broader interventions. These recommendations will be fully implemented over the next year within the new ADPF operating and funding model.

Key aspects of APDF's new model include:

- Moving APDF more toward a projects/programs model of operation.
- Strengthening APDF's partnerships with its key donors. This is fundamental to APDF's success in broadening and expanding its services and achieving a deeper and more lasting impact on the countries it serves. This will require closer collaboration with donors in the selection, design, and implementation of programs they choose to support.
- Changing the way APDF is funded to include a major commitment by IFC to pay staff costs and some administrative support needed to attract and retain highly skilled core staff, and a major commitment by donors to fund specific programs and their administrative costs.
- Strengthening and improving the skills mix of APDF staff.
- Where consistent with its mandate, aligning the operations of APDF more closely with the strategies and activities of IFC and the World Bank's Private Sector Department.
- Using FY05 as a transition year during which APDF will complete the activities envisioned in APDF 2000 and begin to implement specific, donor-funded projects/programs. During FY05 APDF will also mobilize resources from donors in order to fund specific projects/programs for implementation beyond FY05.

Expanding the sustainable development of Africa's natural resources is a strategic priority for IFC. The Corporation investigated the potential of bringing natural gas from Mozambique to South Africa for integration into the domestic and industrial markets for gas in South Africa (*Switzerland*). Part of that project involves a pipeline spur to Maputo for eventual domestic use within Mozambique. IFC began a study to identify the demand for gas in the Maputo area to assist in the implementation of the pipeline spur. This is an important aspect of the project, as it is expected to bring direct benefits to Mozambican companies and consumers, in addition to the benefits to the country from export earnings (*Norway*).

There is a strong role for the private sector in providing infrastructure in Africa. IFC began exploring the potential for a private high bandwidth backbone linking cellular providers in Southern and Central Africa (*Sweden*). IFC is also working closely with the World Bank to establish new public-private partnerships, particularly in the power sector. In Senegal, IFC worked with the Bank to structure a concession for a new private power plant. In order to be able to respond rapidly to the winning concessionaire, IFC used trust fund resources to begin the legal and technical work needed for project preparation (*Switzerland* and *IFC TA Fund*). In Madagascar, IFC initiated three advisory mandates to support private investment in the country's ports, airports, and power sectors. Donor funding helped IFC conduct the studies required to appraise the current public utilities in the ports and airports. In addition, this work was supported through DevCo, the new advisory facility provided by members of the Private Infrastructure Development Group of donors, led by the UK Department for International Development (DFID) (see box, page 47).



IFC has consistently devoted significant resources to its operations in Africa, and will increase those resources under the new strategy.

REVISITING PAST TA PROJECT

Gabon: Société d'Énergie et d'Eau du Gabon (SEEG)

In July 1997, SEEG signed a 20-year concession contract with the government of Gabon for operating both water and electricity services throughout the country. This transaction was not only Gabon's first major privatization, but the first full water and electricity concession in Africa where the concessionaire accepted complete responsibility for financing and management. It also introduced coverage targets for expanding service to previously unconnected rural areas. Bidders had to bid on the average reduction in tariffs they would implement if awarded the concession. Compagnie Générale des Eaux of France (since renamed Vivendi), in a consortium with the Electricity Supply Board of Ireland, won with a proposed cut of 17.25 percent and an investment requirement of at least \$200 million. The strategic sale was followed by Gabon's first initial public offering (IPO), a challenging task considering that the country has no stock market. Nevertheless, the IPO was a success and considerably broadened the ownership base of the privatized company.

A 2002 report published by the World Bank and the Public-Private Infrastructure Advisory Facility found that "overall, SEEG's performance in the first 5 years of operations shows substantial improvement in terms of quality of service, both in technical terms and in commercial terms."¹ Furthermore, the report found that SEEG had met most of its coverage obligations, and customers "are more satisfied with the service than prior to privatization."² In addition, the financial performance of the company has continued to improve. IFC's Advisory Services Department was the lead advisor to the government of Gabon on this transaction, and the *Japanese* trust fund provided funding for specialized consultants used on the mandate.



¹ *Emerging lessons in Private Provision of Infrastructure Services in Rural Areas: Water and Electricity Services in Gabon.*

Author: Sophie Trémolet and Joanna Neale.

Source: World Bank and the Public-Private Infrastructure Advisory Facility (PPIAF), Washington, D.C., September 2002

² *Ibid.*



IFC also expects to expand the number of new initiatives to develop new projects in the key areas of private infrastructure, the financial sector, and competitive export industries, including the sustainable development of Africa's extractive industries.

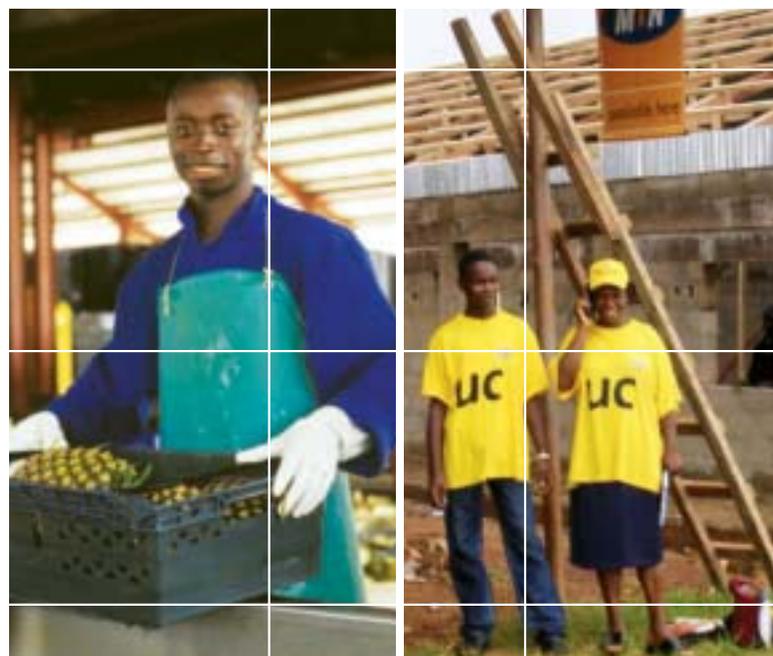
FIAS has continued to help Sub-Saharan African governments liberalize their investment regimes and improve their attractiveness for FDI. Many countries have already made basic investment law reforms, and FIAS advice has moved toward the next generation of products, such as incentive structures—simplifying maze-like administrative systems and creating investment agencies that focus on promotion rather than regulation.

FIAS conducted 15 advisory projects in Sub-Saharan Africa during the past fiscal year. The range of product areas includes administrative and regulatory costs surveys (Cape Verde, Ghana, Guinea-Bissau, Burkina Faso, Uganda, and Zambia), taxation and incentives policy and implementation (Guinea-Bissau, Senegal, Sao Tome and Principe - not yet an IFC shareholder), administrative barriers studies (Kenya, Cape Verde, and Eritrea), reviews of investment laws (Kenya and Sierra Leone), and diagnostics (Seychelles). FIAS also pursued work at the regional (supranational) level with programs addressing constraints and the reform agenda of the West African Economic and Monetary Union (WAEMU) and the East Africa Community (EAC). FIAS also prepared the launch of new analytical tools, such as competition policy, in Burkina Faso. Most of this work was supported by and coordinated with IBRD/IDA, IFC, MIGA, the IMF, and a range of multilateral and bilateral agencies. For instance, a large number of the FIAS recommendations on reform of administrative barriers in Cape Verde were incorporated by IDA into a new private sector development operation that is now financing the implementation of these reforms.

Future Directions

As a critical element of its strategy in Sub-Saharan Africa, IFC expects to expand its advisory and capacity building services significantly. Donors contributed to the restructuring of APDF and helped guide the thinking on how to improve the impact of APDF and expand its coverage while making it a more flexible program, able to respond quickly to demand and be linked more closely to other IFC operations. IFC will be seeking support for specific programs to be implemented by APDF, normally at the country or subregional level.

Similarly, a number of SME financing initiatives under consideration will require some concessional funding, as in the microfinance example, to cover associated provision of technical assistance to investees, and in some cases to cover the costs of managing these facilities. In the latter cases, it has been our experience that often high start-up costs of new institutions, make it impossible to cover fully the management costs from investment earnings, and a limited upfront subsidy from donor resources can allow the fund or institution to be professionally managed, perform well, and ultimately graduate from the subsidy following a start-up period or upon achieving scale.



Asia and the Pacific

East Asia & the Pacific

East Asia and the Pacific (EAP) region investment activities in FY04 resulted in committed investments of \$730 million, which continued to be targeted on high impact sectors, such as financial markets and infrastructure. Increasingly these investments have been integrated with TA work that has been coordinated with EAP regional and IFC global TA programs and those of other donors and agencies. This integration of investment and TA has been a key element of IFC's approach, where individual private investment transactions tend to be reinforced by TA, and where TA can advance related policy dialogue and advisory work with the government.

In China, IFC's equity investment of \$52 million in Industrial Bank, a former state-owned bank, has become a model for a progressive privatization investment project. IFC is also providing assistance through institution building to strengthen its corporate governance and retail and SME finance practices (*Ireland and IFC TA Fund*). In Vietnam, along with IFC's investment in Sacom Bank, a TA program to strengthen consumer and small banking practices is being implemented (*Switzerland*). In the Philippines, IFC has implemented an institution building TA project for Banco de Oro that will help to strengthen its risk management, corporate governance, and anti-money laundering practices (*Canada and IFC TA Fund*). IFC has invested \$20 million in the bank's convertible shares.

A major constraint to the growth of jobs through the private sector continues to be the investment climate. Thus, in addition to investment-specific TA, IFC is implementing several enabling environment TA projects to help inform policymakers and regulatory bodies on how to improve the investment environment by developing the necessary legal and regulatory frameworks. In Mongolia, we are using the Moscow-based Private Enterprise Partnership's extensive leasing experience from the former Soviet Union to implement a Leasing Development Program (*Japan and IFC TA*

Fund) that will help build the Mongolian leasing industry. The work includes advising the government on regulation, training leasing companies, banks, and potential leasing clients on leasing operations, building opportunities for leasing investments, and conducting a public awareness campaign.

In China, through the Bond Market Development TA, IFC is advising the Chinese government on how to create a more market-oriented bond market by helping improve disclosure and build a credit rating culture (*Canada and IFC TA Fund*). IFC is also helping the National Council for Social Securities Funds evaluate its liquid assets, formulate internal policies and operating guidelines based on industry best practices that are adapted to local market and policy conditions, and develop an information technology department (*Ireland and IFC TA Fund*).

In the Philippines, IFC is advising the Philippines Stock Exchange on how to improve its function in the capital markets and is helping the Philippines Dealing and Securities Holding Inc. introduce custody operations (*Italy*).



IFC is also working in Vietnam to facilitate the extension of credit to previously underserved segments, in particular small businesses, through the development of private credit bureaus (*Australia*). IFC has also used TA to facilitate the dialogue between the government, development agencies, and the private sector to better understand the constraints of the private sector; this activity took a form of the Vietnam Business Forum (*Canada*) and the Cambodia Private Sector Forum (*Australia*) (see box).

IFC is also using TA resources to increase interregional trade by implementing a study on local trade finance practices in the Philippines, Vietnam, Indonesia, and China to design a future guarantee facility (*Switzerland*). This TA will include a trade finance training program for local banks to enable those banks to learn international best practices. IFC is also working to develop the housing finance market in Vietnam with a TA project that consist of a basic housing finance market study to help the Mekong Housing Bank understand its strategic position in the market, and prepare it for the forthcoming equitization (*Denmark*). Another area where IFC can improve the investment climate is through its Corporate Advisory Services, which is working with the Philippines government to help it prepare for the process of privatizing rural electrification (*Norway* and *IFC TA Fund*).

The private sector in East Asia is showing increased interest in sustainability, including environmental, corporate governance, corporate social responsibility, community development, and SME linkages. IFC has been making the business case for sustainability, and firms now realize the importance of these factors for sustainable operations or improved access to funding (from multilateral institutions, for initial public offerings, and in the international capital markets), and for access to markets (international buyers and global supply chains). Improving the environmental, financial, and social sustainability of local companies through the capacity building TA to assist them in adopting international standards is a core part of IFC's special role in the region.

IFC is now implementing a capacity building TA for Fangxin Metal Technologies Co. Limited, a packaging company in China (*Denmark* and *IFC TA Fund*). This pre-investment TA will help Fangxin prepare a strategic business plan and upgrade its financial management systems, and will enable IFC to make our first investment in the packaging sector. IFC is also using TA to help strengthen the shipping sector in China, with Minsheng Shipping in Chongqing (*Norway*). The TA designed is to help Minsheng Shipping better understand its strategic

CAMBODIA

Private Sector Forum Secretariat: Facilitating Private Sector Dialogue

Funded by IFC and AusAid, the Government Private Sector Forum (PSF) is a mechanism for improving the business environment, building trust between the public and private sector, and fostering private investment. Throughout the year, seven sector-based working groups meet regularly to review and comment on a variety of issues including proposed legislation and to identify issues for discussion at the next PSF. Input is encouraged from the broad spectrum of domestic and foreign investors in Cambodia and from small and large businesses. To make this process inclusive of businesses operating in Cambodia, provincial input in the working group process is being actively encouraged, and in the future, agro-business & agro-processing working group meetings will likely be held in the provinces. Achievements include high-level consultation on investment and tax law, the introduction of private sector monitors within the Customs Department, improved labor standards, and negotiations on cost reductions for a major road concession.



PEDF: FIJI DEVELOPMENT BANK

In mid-2003, the Fiji Development Bank requested PEDF's assistance in reviewing the Bank's operations to improve its customer service and operating efficiency. This project included a complete review of the Bank's existing systems and the development of a totally new way of doing business—while at the same time ensuring that its “development bank” charter was not lost in the process. PEDF completed that assignment in December 2003, and its findings were then presented at a strategic planning workshop attended by government ministers, the FDB Board, senior executives, and PEDF. Among PEDF's recommendations:

- Improved risk management procedures, including
 - the design and implementation of credit risk rating systems
 - the establishment of an asset liability committee
 - the establishment of an asset management unit (debt collection)
- Operation restructuring, including a “skills audit” to help determine staff duties.
- Training programs developed and implemented for the new corporate teams, covering both risk and sales and service.

PEDF completed this phase of the program in March 2004, leaving the Bank with a plan that will enable it to better serve the banking needs of Fiji's SMEs. To implement this plan, a third phase, also funded by *Australia*, commenced in May 2004. By the end of June 2004, corporate portfolios had been designed and allocated to regional managers and operations for the newly formed teams: the Corporate Sales and Service Team, the Corporate Business and Risk Team, and the Credit Audit and Credit Support and Monitoring Team. Furthermore, an independent director with internationally recognized banking expertise was nominated for membership of the board as part of an improved corporate governance program, and the benefits of improved banking practices have begun to appear.



position in the shipping market and introduce a competitive strategy to become a leading shipping company in the region.

Sharing the benefits of economic growth promotes sustainability, and increasingly businesses are recognizing the business case for local community development as a way to lessen the inequalities that weaken and potentially destabilize the business environment. In the Philippines, IFC helped build a consensus among stakeholders to promote sustainable development of mineral resources (*Japan*). This project has improved awareness and appreciation among key stakeholders of the potential economic contribution of mining, and has sought consensus on the actions needed to increase private investment for sustainable development of mineral resources.

In Mongolia, a feasibility study is in preparation for a Mining SME Linkages Program (*Ireland*). This TA builds upon other IFC-developed linkages programs that promote sustainability along with IFC's investments as a way to share the benefits of economic growth with the suppliers/distributors of IFC's clients.

TA funding continues to be valuable in identifying opportunities for investment activities. IFC has done ten sector review/investment identification TA projects in various sectors, such as polyester fiber (*Sweden*), non-wood pulp and paper (*Finland*), in pharmaceuticals (*Sweden*), information technology (*Ireland*), flat glass (*Sweden* and *IFC TA Fund*), and the automotive sector (*Sweden*). Such studies are essential, as they lead directly to potential FDI opportunities. For instance, in China, possible investment clients were identified through a study on the private higher education sector. Also as a result of this study, IFC has implemented a capacity building TA for one of its potential clients, Yellow River University, to improve its financial reporting system (*Sweden* and *IFC TA Fund*).

FIAS has implemented ten projects in the region. In China, FIAS held a workshop with Chinese government officials from the northeastern part of China and discussed enhancement of the foreign direct investment environment. FIAS has conducted an independent review on the current status of foreign direct investment in Papua New Guinea and proposed action plans to improve the country's investment climate.

The East Asia Region now manages four regional facilities: the Pacific Enterprise Development Facility (PEDF); the Mekong Private Sector Development Facility (MPDF); the China Project Development Facility (CPDF); and the Program for Eastern Indonesia SME Assistance (PENSA).

PEDF, the oldest of the regional SME facilities, increased its focus on improving SME access to capital and building the capacity of local business development services. For example, PEDF was asked by the Central Bank of Solomon Islands to provide expert assistance for the Solomon Islands Credit Union League (SICUL). The TA is to implement strategic and operational plans for the credit union movement and SICUL (*Australia*). PEDF has also supported the Fiji Development Bank by providing assistance on capacity building (*Australia*) (see box, page 20).

MPDF, launched in 1997, supports the growth of small and medium enterprises in Vietnam, Cambodia, and Lao PDR. MPDF, now in its second five-year cycle, has three main programs: the Business Development Program, the Business Enabling Environment Program, and the Company Advisory Assistance Program. MPDF has pioneered the development of the Business Edge management training and has helped create Bank Training Centers in Vietnam and Cambodia. The expansion of the Business Edge approach is being supported by other regional SME Facilities and by donors (*Australia* and *IFC TA Fund*) (see box).

CPDF, now in its third year of operations, continues to work in close collaboration with the Chinese government to improve business conditions in the interior of China and is focusing on access to finance, capacity building, corporate governance, and an improved business enabling environment for SMEs.

PENSA has now completed its first year of operation and has made substantial progress on many fronts, including access to finance, supply chain development, agribusiness (maize, poultry, cocoa, and seaweed), oil, gas, and mining linkages programs, and business enabling environment programs. PENSA recently released a publication “Voices of the Private Sector” presenting the “voices” of 19 business men and women from across Indonesia (see page 23).

Through its Sydney Office, FIAS advisory products and services are available on a country-specific and subregional basis in East Asia and the Pacific.

Some activities in the past year include:

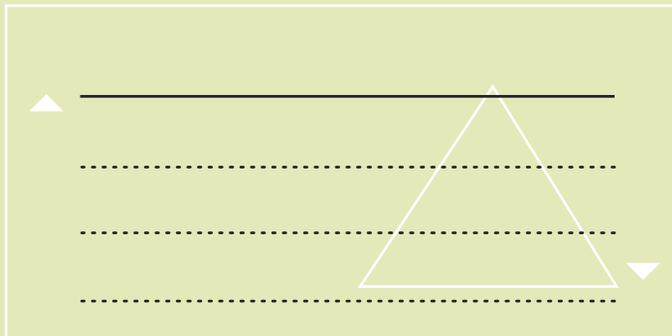
- Successful test of an approach to identify and assess the nature and extent of linkages arising from FDI into the local economies of Fiji and Samoa, at the request of the Pacific Islands Forum Secretariat. The results of the research – the first of its kind in the Pacific – were presented at the 2003 Heads of Investment Promotion Agencies Meeting.
- The Fiji Cabinet – and subsequently the House of Representatives – approved the Foreign Investment (Amendment) Bill 2004. The new Act, prepared with FIAS assistance, will facilitate investment via a simple, transparent, non-discretionary process. FIAS also provided assistance to the Fiji Trade and Investment Bureau (FTIB) to develop an automatic registration system for foreign investors. Finally, in collaboration with MIGA, FIAS helped FTIB to develop an investment promotion strategy.
- Participation in a Pacific regional initiative with MIGA, the Commonwealth Secretariat, and the Forum Secretariat to develop and deliver a capacity-building program for investment promotion agencies from all 14 Forum Island Countries. The initiative used MIGA’s Website architecture, IPAworks, to enable the IPAs to develop and maintain an investment promotion Website.
- Continuation of a program of assistance to the Board of Investment in the Philippines designed to create an investor aftercare program and, through this, to address the issues of the retention, expansion, and diversification of foreign investors.
- Assistance to the Government of Cambodia with drafting guidelines for the new Investment Law, which was subsequently passed by the National Assembly.
- Participation in a World Bank Private Sector Development Team in Timor-Leste, where an evaluation of a proposed Investment Promotion Agency was provided. FIAS recommendations are now being implemented through a Small Enterprises Project. Subsequently, the Bank team asked FIAS for advice on draft External Investment and Domestic Investment Laws.

MPDF'S "BUSINESS EDGE" APPLICATION CROSSES OVER TO CHINA

The Business Development Program of MPDF has been especially well received in Vietnam, Cambodia, and Lao PDR. It develops management training resources, supports bank training centers in Vietnam and Cambodia, expands the services and advocacy skills of business associations, and helps service providers and producers to market their wares overseas.

Under this program, MPDF has pioneered the development of the Business Edge management training program and published 16 new workbooks, bringing the total to 40, more than 85,000 copies of which have been sold in three countries. The weekly television series Business Edge was launched in Cambodia with good ratings, positive evaluations, and spontaneously formed weekly discussion groups.

KEY COMPONENTS OF BUSINESS EDGE



Leveraging on MPDF's experience, CPDF has introduced Business Edge in China in FY04. The current status is as follows:

- Seven Marketing and five HR training courses currently available; eleven Personal Productivity and four Finance and Accounting topics will be available in FY05.
- Over 50 local trainers trained and certified, who in turn have delivered Marketing courses to 5,000 participants in 97 course sessions.
- Open Course Training – 20-30 participants/course – 250-350 RMB per participant, 21 courses held to date.
- Internal Company Training – 50-100 participants/course – 3,000-5,000 RMB per course day, 46 courses held to date.
- Leaders' Dialogue (LD) – 200 Senior Managers/Forum – two LDs held to date, as well as one cooperative forum with partner Basis. Second LD run on cost-recovery basis – approximately 100 tickets sold at 300-800 RMB/ticket.
- Business Edge workbook series: 80,000 printed by a Shanghai publishing firm; sales figures not yet available.

Through this program, six certified local training partners have been developed, of which four are active: Knowledge in Action; Unicorn-Chengdu Chamber of Commerce; Sichuan Basis; and Chengdu Better Training.



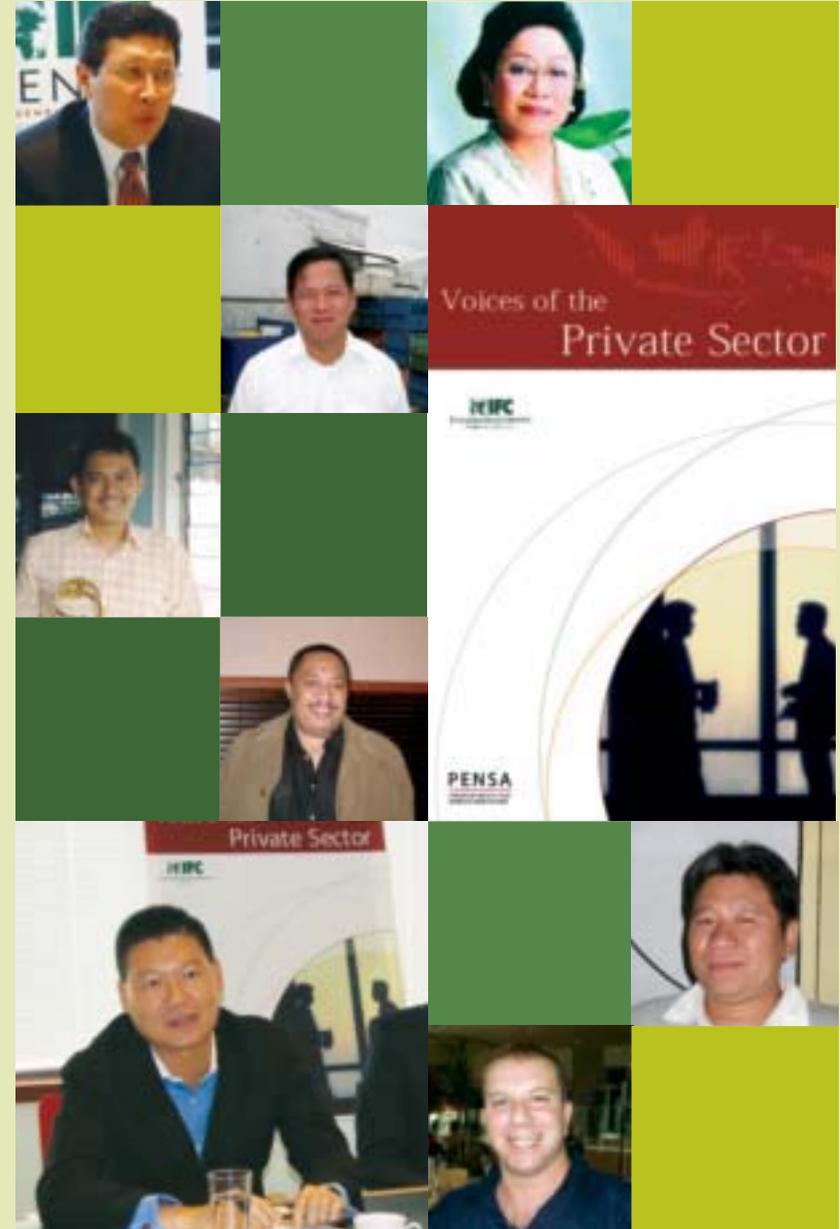
VOICES OF THE PRIVATE SECTOR— INFORMATION FOR CHANGE

PENSA recently released “Voices of the Private Sector,” a publication presenting the “voices” of 19 business men and women from across Indonesia in varied sectors and with diverse company structures. Their thoughts, experiences, and anecdotes tell the story of the day-to-day challenges faced by the Indonesian private sector. It also provides insights into how private sector investment has been affected by issues such as the decentralization process, fiscal uncertainties (tax levies and fees), worsening infrastructure, and growing labor and legal issues.

“All issues are actually quite important, but most urgent to handle is labor regulation and tax system,” said Jaya Sukamto, President Director of Berri Indonesia and one of the “voices” speaking on behalf of the private sector. He pointed out the differences of implementing labor regulations in Indonesia. The current regulation requires companies to provide unreasonable amounts of remuneration and makes it very difficult to lay off workers. This makes contract workers a better option for SMEs, but this is not necessarily better for the workers. As for tax systems, Sukamto said that most tax regulations are unclear and provide gray areas for interpretation.

PENSA strongly believes that these messages can drive Indonesian leaders to prioritize the issues raised by the private sector and promote a multistakeholder partnership between the private sector, labor unions, regulators, and others. We hope that this publication will help Indonesian public policy makers better understand the needs of the private sector. PENSA believes that this study can be a tool to help the new government encourage an improved investment climate as a means for creating jobs. The government can work together with the private sector in developing balanced reforms that can improve the country’s weak business enabling environment and support sustainable growth, but primarily to accelerate job creation in Indonesia.

As part of the effort to create impact and promote Indonesia’s private sector, “Voices” has been used for reference in Metro TV during the “Candidate on Stage” program, distributed to panelists and attendees of the Commission for General Election’s Presidential Candidates Dialogue, and sent to Indonesian leaders in government, businesses and nonprofit organizations. PENSA hopes that by reaching out to diverse leaders, “Voices” will be a valuable source of information for creating a change for the better.



BANGLADESH: Helping the Garment Industry Compete

The garment industry is a cornerstone of the Bangladeshi economy, accounting for 75 percent of total export earnings and employing more than 1.5 million workers, mostly women working in small and medium enterprises. The workers' income raises living standards, including the health care, housing, and education of their children. Attaining competitiveness in international markets is critical, with competition rising from China and other countries that have high labor productivity, and with the phaseout of the Multi Fibre Arrangement, a system of quotas restricting the quantity of textiles and clothing from developing countries into industrialized countries.

IFC's SouthAsia Enterprise Development Facility has helped the country's SME garment manufacturers find new buyers in Canada, which agreed in late 2003 to drop all trade barriers on Bangladeshi apparel imports. SEDF partnered with the Canadian Manufacturers and Exporters Association and the Trade Facilitation Office of Canada to arrange successful trade fairs in Montreal and Toronto. Industry leaders expect garment exports to Canada to double as a result, reaching \$300 million in the coming year.



South Asia

South Asia, led by accelerating growth in India, emerged as one of the fastest growing regions in the world in FY04. The private sector remains at the forefront of this strong performance, as entrepreneurs throughout South Asia strive for international competitiveness and identify new opportunities in the region and beyond. IFC supported this trend with a record level of new investments of \$405.1 million, as well as \$108.5 million in loan syndications. In addition to investment in support of private sector development, IFC has provided technical assistance to help companies improve competitiveness, foster environmental performance, access longer-term funding, and reach new markets.

Small and medium enterprises are a key component of sustainable growth and development. IFC supports local entrepreneurs and their businesses through its regional SME program, the SouthAsia Enterprise Development Facility (SEDF). Based in Dhaka, SEDF was launched in October 2002 to cover Bangladesh, Bhutan, Nepal, and northeast India. SEDF takes a multifaceted approach, working to improve the business-enabling environment, increase access to finance, and make business services for SMEs more widely available (see boxes). As part of its sector-specific approach, SEDF has undertaken value

chain analysis of subsectors such as ready-made garments, light engineering, and agribusiness to identify key issues and areas of intervention to facilitate future growth and development of these subsectors.

One important objective of SEDF is addressing the constraints to finance for smaller businesses. In Bangladesh, SEDF is working with eight partner financial institutions to introduce a range of new products and tools that will increase the quality and quantity of their SME portfolio. Already, 3,000 new small and medium enterprises have access to finance, with five of the financial institutions reporting a \$50 million increase in SME term lending over the past year. SEDF is also working with the Central Bank of Bangladesh to provide training to about a thousand bankers in core risk areas such as credit analysis, asset and liability management, treasury functions, internal controls, and anti-money laundering. These are all issues identified by local bankers and authorities as crucial to the sustainability of the financial sector. In combination with the Netherlands Development Finance Company and IFC's Global Financial Markets group, SEDF also organized workshops on corporate governance with local financial institutions. The resulting recommendations were accepted by the Central Bank and incorporated in recent government legislation.

In consultation with the Office of the Registrar of Joint Stock Companies and Firms (RJSC) in Bangladesh, SEDF produced a registration kit aimed at reducing the regulatory difficulties faced by entrepreneurs during business registration. The kit contains information on how to register, the various forms required for different types of company registration, as well as postregistration statutory requirements. It is available through the RJSC, the SEDF Knowledge Center, and online, and has been published in daily newspapers. In addition, SEDF has provided copies to all the chambers of commerce, associations, and key government ministries and departments for information-sharing purposes. Data received from the RJSC have shown that average total registration time fell from 18.5 days in December 2003 to 16.41 days in March 2004.

This past year, IFC undertook a study on the feasibility of establishing a targeted SME program in Sri Lanka (*Netherlands*). The study consisted of a review of the state of the SME sector in Sri Lanka, including an analysis of donor involvement in SME development, as well as a skills gap analysis of selected financial institutions involved in SME lending. In addition, IFC hosted a seminar in Colombo on best practices in SME financing (*Netherlands*). Based on this work, IFC will launch an SME program for Sri Lanka and the Maldives in 2005, focusing on business environment, access to finance, and specific subsectors such as tourism, agribusiness, and construction.

To promote the sustainable development of the tourism sector in Bhutan, key to the country's development, IFC has undertaken a range of activities. First, FIAS worked with the government to create a legal and regulatory framework for

foreign direct investment. Next, IFC invested in Bhutan Hotels Limited, one of the first foreign investors, which is building a chain of resorts. Now, SEDF is working with the resorts and the local business community to create linkages between the resorts and local SMEs, to spread the benefits of foreign investment.

In India, IFC has initiated a project to support an edible oils company, Ruchi Soya, in managing interrelated aspects of food production safety and quality beyond compliance with IFC policies and guideline requirements (*Sweden*). The project, currently underway, aims to assist the company in identifying, designing, and planning the steps required to ultimately achieve Hazard Analysis and Critical Control Point (HACCP) certification, an internationally recognized food safety system, throughout its plants in India.

A key role that IFC plays is to share global experience and facilitate international business relationships. In April 2004, IFC and FIAS, with the financial support of Switzerland's State Secretariat for Economic Affairs (*seco*), hosted a regional workshop in New Delhi, India, on prospects for special economic zones. The workshop provided a forum for dialogue by bringing together potential investors, developers, business owners from around the world, and policymakers from the region to discuss the prerequisites for attracting private sponsorship and investment in economic zones in the region. Speakers from China, the United Arab Emirates, the Philippines, Mauritius, Kenya, Costa Rica, and the USA joined experts from IFC, FIAS, and the WTO in describing the experience of similar zones elsewhere in the world to offer lessons on best practice, illustrate common problems, and identify mistakes to avoid.

LEVERAGING THE SME TOOLKIT—DHAKA KNOWLEDGE CENTER

In April 2004, SEDF and the Dhaka Chamber of Commerce and Industry (DCCI) opened a Knowledge Center and introduced a Web-based South Asia SME Toolkit in Bangladesh. The Knowledge Center and SME Toolkit aim to support entrepreneurs in establishing and promoting successful and sustainable SMEs. The Knowledge Center provides internet access and a library of business resources for members and will assist the DCCI in expanding its existing training capabilities, particularly related to on-site support and training to SMEs. The SME Toolkit for Bangladesh, available in English and Bengali, is based on a design that has been successfully implemented in a range of countries in Asia, Africa, Europe, and parts of Latin America. The Toolkit will provide small business owners and managers in Bangladesh with an online source of information on several core business areas, including accounting and finance, business planning, human resources, legal and insurance issues, marketing and sales, operations, and technology.

Europe and Central Asia

Central and Eastern Europe

IFC's commitments in Central and Eastern Europe reached a record high in FY04, exceeding \$825 million, with an additional \$68 million syndicated from partner banks. The largest share of this funding, \$486 million, went to Russia, reflecting the country's growth and stability and the Corporation's increasing work with local companies there. IFC also increased commitments to Ukraine to \$57 million, with investments in agribusiness, the financial sector, and general manufacturing. IFC expects that its role in Ukraine will continue to grow in response to an improving investment climate. In the EU Accession countries, IFC is playing a more selective role, as evidenced by its latest investment in the Baltics aimed at deepening its mortgage market through the first cross-border securitizations in the region.

IFC's strategy in Central and Eastern Europe is tailored to meet the unique challenges of the region. IFC's role in the countries that joined the European Union this year—the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia—is changing, as private investment is becoming increasingly available in those countries. IFC continued to support the private sector in Armenia, Belarus, and Georgia through advisory work and investment, with a focus on strengthening small businesses. IFC is focusing on the countries, sectors and projects where its developmental role is crucial and for which private financing remains limited, with an emphasis on socially and environmentally sensitive sectors.

For the countries of the former Soviet Union, the full transformation to a market economy is likely to remain a major challenge in the next few decades. IFC can make a significant contribution toward accelerating this process. In this context, IFC is responding to the recent positive signals from Russia and Ukraine with rigor and speed, focusing on developing efficient capital markets, supporting SMEs through investment and technical assistance, and increasing financing of locally sponsored businesses.



Technical assistance activities are a significant portion of IFC's work in the region, helping to enhance IFC's development impact. Many of these activities are central to building the private sector in emerging economies, beyond what IFC can do through its commercially oriented investing.

IFC supplements its credit lines to local banks for SME finance with tailored technical assistance to strengthen these banks' management, lending practices, and corporate governance. For example, IFC, alongside its \$10 million credit line, assisted UralTransBank in expanding its capacity to lend to SMEs in the Urals region of Russia (*Switzerland*).

To develop non-banking financial services, that are accessible for SMEs such as leasing, IFC provides advice to governments on developing appropriate legislation, shares its expertise with local financial institutions, and provides professional training to the broader business community on using new financial tools. IFC also invests in the sector, having lent to one of Ukraine's first leasing companies, First Lease, and having financed Delta Leasing Far East and leasing operations of Société Générale Vostok in Russia.



Technical assistance plays a key role in IFC's work in the real sector as well. IFC is increasingly focusing on working with local companies. In addition to IFC's financing, the local partners need IFC's guidance on a wide range of issues including operational and management improvements, corporate governance, environmental and social issues, development of supply and distribution links, and reaching new markets. As an example, IFC advised its investment partners, poultry producers in Russia (Stravropolsky Broiler) and Ukraine (Mironovsky) on developing finance and accounting departments and management information systems (*Netherlands and Italy*).

An area of special focus in IFC's technical assistance work, especially in Belarus and Ukraine, is promoting SME policy reform and building the capacity of local business associations to represent the interests of the SME sector and provide needed professional services. In addition, IFC gives advice to national governments on improving business legislation and on the overall investment climate.

IFC is providing technical assistance through a number of programs. In the former Soviet countries of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Russia, Tajikistan, Ukraine, and Uzbekistan—and most recently Mongolia—the Corporation's technical assistance is consolidated under IFC's Private Enterprise Partnership (the Partnership) (see box).

THE PRIVATE ENTERPRISE PARTNERSHIP

The Private Enterprise Partnership is IFC's technical assistance program in the former Soviet Union. IFC established the Partnership in 2000 with a \$4.6 million annual budget through FY06 as a continuation of the technical assistance programs IFC has been carrying out in the region since 1992. IFC's contribution covers the Partnership's fixed costs (program management, accounting, human resources, impact assessment, IT support and overheads). The Partnership's programming activities are funded by donors, who have contributed \$48.5 million since 2000.

The Partnership works with its donor and investment partners to attract private direct investment, promote the growth of SMEs, and improve the business-enabling environment. To achieve these objectives, the Partnership implements programs in four distinct, complementary areas:

- Building supply and distribution chains to link smaller companies to major investors.
- Developing financial markets.
- Improving corporate governance practices and regulations.
- Building business support services and improving the regulatory environment for SMEs.

The Partnership in FY04

- 27 projects in 11 countries – Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Russia, Tajikistan, Ukraine, and Uzbekistan.
- Nine capital city offices and 16 regional offices.
- Over 270 field-based staff, 90 percent of whom are local professionals.
- Funded jointly by IFC and donor governments of *Austria, Canada, Finland, Germany, Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and the United States*.

Highlights of the Partnership's Program in FY04

In FY04 the Partnership expanded its programs to two new countries, Kazakhstan and Mongolia, and is currently implementing 27 projects in 11 countries. Nine of these projects were approved in FY04. In addition, the Partnership completed eight projects during the year in review. Below are some of the highlights of the Partnership's achievements in the past year.

Facilitating Direct Investment

In the forestry sector, the Partnership works with European investors to match them with Russian partners. As a result, Metsaliitto Group, one of the largest forest industrial companies in Europe, recently acquired equity in two Russian companies. Pleased with the quality of its Russian partners, Metsaliitto announced plans to build a sawmill and is considering another one in the St. Petersburg region (*Finland*).

In the Russian leasing sector, the Partnership facilitated several deals worth \$8.5 million between Finnish equipment producers and local leasing companies. Fourteen more transactions worth about \$20.5 million are currently under discussion (*Finland*).

In Tajikistan, the Partnership helped establish and develop SugdAgroServ, a commercial services company wholly owned by 365 farmer-shareholders in the Khojand region. The open joint stock company offers short-term finance and selected marketing and retail services to farm entities, and its activities are already beginning to improve lending and farming practices in the region.



To date, SugdAgroServ has provided finance to 60 farms, directly helping to reduce the poverty levels of some 12,000 people. The Partnership is now working with the company to increase its working capital and shareholder base, allowing it to expand operations and diversify across regions (*Switzerland*).

Matching Local Companies with Business Partners

This year, two of the Russian manufacturers of automotive components with which the Partnership has been working have improved their quality to a level that has enabled them to sign long-term supply contracts worth over \$1 million per year with the Ford assembly plant outside of St. Petersburg. The Russian consultants whom the Partnership trained in this process are already working on quality improvement at more than 10 other Russian manufacturers (*USTDA*).

In Russia's remote region of Magadan, the Partnership has been working on linkages between large mining projects with 46 small businesses, five of which, including a farm in a village of 600 people, have already increased their annual sales by over \$600,000 by improving their operations and becoming suppliers to the region's mining industry (*Canada*).

A leading investor in the Russian information, communications and technology (ICT) sector, IFC launched the ICT Connector Project last year to foster the development of the software export sector in Russia and build business ties with Finnish companies. The Partnership works with Russian ICT companies to help them improve software development processes, strengthen project management, improve certification procedures, and identify business partners and investors. The project has facilitated two commercial contracts between Finnish and Russian companies. More contracts are currently under discussion. In addition, the project through its partner, Finpro, arranged over 40 sessions to match Russian ICT companies with European partners and provided project management training to more than 150 participants from 59 Russian small and medium IT companies (*Finland*).

The Partnership advises Ukrainian farmers on finding new markets, helps them access market information, and links them to processors, wholesalers, and supermarket chains. Nearly 9,500 participants attended 170 training sessions organized by the Partnership's Ukraine Agribusiness Development Project. The Partnership also advised 1,600 farmers on marketing strategies to increase profits at the farm level and gain a stronger position in the market (see box) (*Canada and Sweden*).

Increasing Access to Financing for Small and Medium Enterprises

In Ukraine, the Partnership worked with Ukrsotsbank and Hromada Credit Union to help them develop and expand their rural credit programs. As a result, Hromada started lending to farmers for the first time and its agribusiness portfolio now amounts to \$470,000. Ukrsotsbank's rural credit portfolio increased from \$1.5 million to \$18 million. IFC has also trained and advised farmers and banks on agribusiness risk management and helped both parties understand each other's requirements. The project assisted nearly 400 farmers in the Kherson region in southern Ukraine to obtain over \$3.4 million in loans from local banks (*Canada and Sweden*).

This year the Partnership completed its SME Toolkit Project in Ukraine, part of the IFC–World Bank global initiative to provide businesses with accessible resources on products and services they need throughout their business development cycle. The Project involved the development of an Internet portal, www.VlasnaSprava.info —a comprehensive resource for Ukrainian small and medium enterprises seeking finance and business advice. The Web site offers interactive tools for businesses to assess their financing needs and proposes customized solutions, links to lenders with an option to apply for financing on line, and provides business training materials and information on consulting companies. Within a year of its operation, VlasnaSprava became one of the top

REPLICATING SUCCESS TO MAXIMIZE DONOR CONTRIBUTIONS

One key advantage gained by IFC in integrating its technical assistance projects in the former Soviet countries under the management of the Private Enterprise Partnership is the flexibility to replicate successful programs across the region and sectors. This integration has reduced the cost of initiating similar programs, enabled the Partnership to launch new programs more quickly, and leveraged donor contributions more effectively and magnified their impact.

For example, the Partnership drew on its leasing development program in Russia to launch similar initiatives in Central Asia in 2001, later in Azerbaijan and Georgia, and in Ukraine, and Mongolia in FY04. In less than three years, the Partnership has contributed to improving leasing legislation in Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Ukraine, and Uzbekistan.

The Partnership replicated its Ukraine Corporate Governance initiative in Russia and most recently in Georgia, training over 2,400 companies and transferring knowledge to 64 colleges and universities. The Partnership also transferred its corporate governance experience to other sectors. This year it is starting a corporate governance project for the banking sector in Russia and Ukraine.

The Partnership worked with a dozen Russian dairy farms to enable them to become suppliers to a Dutch dairy, Campina. This work laid the foundation for similar projects with Ukrainian farmers supplying tomatoes and fruits to major food processors. In addition, the Partnership used this experience in improving local suppliers for IKEA in the furniture manufacturing sector and for Ford in the automotive sector.

The Partnership carries out regular surveys of the business enabling environment for SMEs in Belarus, Georgia, Tajikistan, Ukraine, and Uzbekistan. To maximize the value of the reports, the Partnership's SME policy projects use survey findings as a basis for working directly with the government, NGOs, and other stakeholders to implement changes to the business environment. As an example, the Partnership's recent work with regulatory agencies in Uzbekistan has resulted in a reduction of annual business inspections from 6.2 to 1.9 per Uzbek firm.

WHAT'S FOR DESSERT? – 'VATTENMELON' FROM UKRAINE!

Sergei Rybalko, a farmer from a small village in the Kherson region in southern Ukraine, could never imagine that the watermelons he grew would sell in Swedish supermarkets. Last summer Sergei shipped his first 100 tons of watermelons to one of the largest fruit and vegetable importers in Sweden, and this year Sergei will triple the supply.

The initial supply contract with Sweden for 100 tons of watermelons worth about \$25,000 is one of the many benefits Sergei has reaped by forming a cooperative with other farmers in late 2001. Although Sergei was very successful at the time, he could see the benefits of cooperation with other small and medium-size farms: for example, the ability to negotiate wholesale prices on inputs, direct connection with the market rather than through middlemen, larger product lots attractive to big buyers, and greater bargaining power. To gain these advantages, Sergei persuaded five other small farmers to join him in forming a marketing cooperative, subsequently named "Pivdenny Soyuz" ("Southern Union").

IFC's Ukraine Agribusiness Project has played an important role in Sergei's success (*Canada and Sweden*). A key aspect of the project's activities is training farmers in contemporary agribusiness practices. The seed for "Pivdenny Soyuz" was sown when Sergei participated in a study tour in Poland organized by the project in 2001. During the tour Sergei was most inspired by observing first hand the work of agricultural cooperatives. Shortly after his return, Sergei requested IFC's project team to help address the legal, financial, and organizational issues involved in setting up the first marketing cooperative in Kherson Oblast.

Sergei and five other farmers, the first members of the Pivdenny Soyuz cooperative, realized almost immediately the benefits of working together. They were able to purchase fertilizer at wholesale prices and reduce costs by 15 percent. With advice and support from IFC, the management of the cooperative conducted comprehensive analyses of the grain and vegetable markets and identifying the best distribution channels and prices for its products. Collectively, the six members of Pivdenny Soyuz represented a significant share of the local vegetable market and were able to influence vegetable produce pricing and find new buyers who had not been interested in working with individual farmers because of high transaction costs of doing so. The success of Pivdenny Soyuz in marketing its products has subsequently attracted 13 more farms as new members of the cooperative.

In August 2002, IFC's Agribusiness Development Project organized a trip to Sweden for some 30 farmers from the Kherson region to promote business ties and showcase best practices in Swedish agribusiness. Drawing on the successful experience of working with Pivdenny Soyuz, in late October 2003, Saba Frukt & Gront, the biggest importer of fruit and vegetables on the Swedish market, initiated further discussions on its future partnership with the cooperative. The result of the negotiations is a new supply contract for onions, sweet peppers, eggplants, tomatoes, melons, and cabbage.



business sites in Ukraine, attracting over 700,000 hits from 79,000 different hosts and 2,500 registered users. In April 2004, VlasnaSprava ranked 21st among Ukraine's most popular business and financial internet portals. Though the project is complete, the Toolkit and its Website will continue to operate; the Partnership supported the creation of a Ukrainian NGO, the Business Technologies Development Center, which inherited the VlasnaSprava.info portal (*Norway and IFC TA Fund*).

In Russia, the Partnership facilitated the creation of the Agri-Industrial Finance Company, the only commercial leasing company in the country that lends to the primary agricultural sector. At the end of 2003, the company's lease portfolio was \$7 million in outstanding and approved leases. In 2004, the company looks to expand its operations in a number of agri-sectors including dairy, grain, and animal husbandry and plans to introduce a lease product specifically focused on smaller-size lease transactions, serving the farming sector. The Partnership continues to provide technical assistance to Russian farms, which are the company's existing and potential clients, on increasing productivity and quality (*Netherlands*).

Building Local Capacity

To improve corporate governance in local enterprises, the Partnership has provided advice and training to over 2,400 companies in Russia, Ukraine, and Georgia, from major corporations in the forestry, telecommunications, and chemical sectors to small and mid-size manufacturers, food processors, and construction companies. To ensure that future managers and lawyers understand the importance of good corporate governance and have the skills to practice it, the Partnership works with 64 universities and colleges in Russia and Ukraine to introduce or improve their corporate governance curricula and train professors. In addition, it conducts public education campaigns to reach the broader shareholder community (*Canada, Netherlands and Switzerland*).

This past year, IFC surveyed corporate governance practices in the Russian and Ukrainian banking sectors. Follow-on technical assistance projects will guide the banks in strengthening their own practices and in evaluating the corporate governance of clients when making financing decisions (*Switzerland*).

In Belarus, the Partnership is working with seven business associations to build their organizational capacity to ensure long-term sustainability and the ability to represent the interests of the private sector effectively in a challenging business environment. Since the Partnership started this work in 2002, the associations have reported a 37 percent increase in annual budget receipts and a 44 percent increase in their membership (*Sweden*).

Improving Regulatory Environment

In December 2003, the Ukrainian Securities and Stock Market State Commission adopted the Ukrainian Corporate Governance Principles, a voluntary code of conduct for Ukrainian companies. The Partnership's Ukraine Corporate Development Project worked closely with the Securities Commission's Special Task Force on corporate governance to draft the principles. In addition, the Partnership advised the Ukrainian Government on 12 pieces of legislation, including the draft Joint Stock Company Law. Three pieces of legislation on issues of information disclosure, boards of directors, and general regulations related to corporate governance have been adopted so far (*Canada and Switzerland*).

The Partnership also contributed to the passage this year of leasing legislation in Azerbaijan and Kazakhstan. In previous years, IFC worked with the parliaments and government agencies of Uzbekistan, Kyrgyzstan, and Tajikistan to create world-standard legislation for leasing. With the enactment of the amendments in Kazakhstan, the entire Central Asia region will have compatible leasing legislations, that will facilitate region-wide investments to benefit all four countries (*Switzerland and USA*).



IFC provides advice to governments on developing appropriate legislation, shares its expertise with local financial institutions, and provides professional training to the broader business community on using new financial tools.



Southern Europe and Central Asia Highlights

During FY04, the region was affected by exciting changes: in many countries, the private sector share of GDP increased, new dynamic local businesses emerged, and interest from foreign investors grew. In FY04, IFC committed \$812 million of its own funds and arranged around \$295 million in syndications.

In the general manufacturing sector, post-privatization restructuring and modernization of previously state-owned enterprises were an important part of the investment and advisory portfolio. In addition, IFC responded to a deep need for public intervention in developing of infrastructure projects in Southern Europe with the creation of the Balkans Infrastructure Development Facility, which will start operating in FY05 (see box).

The investment strategy for financial markets expanded to include regional wholesale approaches with the development of housing finance and leasing, microfinance institutions, and equity funds. Investment teams continued to facilitate financial sector privatization and involvement of strategic foreign investors, and aggressively pursued the Corporation's cornerstone strategy for SMEs and microbusiness development.

IFC's multidimensional approach to technical assistance (TA) in the region played a key role in producing results for clients. Its portfolio included programs to improve the business environment in client countries, promote institutional strengthening, assist SME sector development, build the capacity and expertise of local banks, develop wholesale access to finance, and facilitate the privatization of key industries.

The FY04 active TA portfolio was about \$8 million with more than 30 projects, allocated as follows: 37 percent in financial markets, 22 percent in general manufacturing services, 21 percent in utilities, 13 percent in infrastructure, 4 percent in social sectors, and 3 percent in other sectors. IFC's top client countries were Serbia and Montenegro and countries in Central Asia. In Serbia and Montenegro, over the last two years, IFC has mobilized more than \$4 million in dedicated technical assistance trust funds provided by *Italy* and *Sweden*.

THE BALKANS INFRASTRUCTURE DEVELOPMENT FACILITY

Continuing infrastructure deficiencies remain a key constraint to more rapid private sector development and increased private investments in the Balkan region, which has faced many social, economic, and political challenges in the past decade. The current state of poor and unreliable infrastructure discourages private investors and hinders economic growth. In turn, lower economic growth reduces the availability of public funding to improve infrastructure, which remains in a state of disrepair. Greater private sector involvement in infrastructure growth is necessary to break this cycle. To address this need, IFC is establishing the Balkans Infrastructure Development Facility (BIDFacility) in cooperation with the USAID and European and Nordic donors. The BIDFacility will help public sector entities in the South East Europe region to attract private sector participation and investments in infrastructure, primarily in energy, transport, and water and sanitation sectors. The countries covered by the facility are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Romania, and Serbia and Montenegro. The Facility will be launched in FY05.

Coordinated TA Efforts to Improve the Business Environment

When the National Association of Business Women in Tajikistan (NABWT), an NGO provider of micro credit, asked IFC to help it successfully transform into a commercial microfinance institution with statutory authorization to operate as a deposit-taking institution, IFC launched a two-phase advisory program to help. Phase 1 comprised a study tour to one of the industry's leading microlenders, Aceda Bank, in Cambodia. The training program covered human resource development, marketing of new financial products, and credit, treasury, accounting, payroll, and management information system operations. Phase 2 will consist of regulatory advice and provision of a long-term, on-site expert to help NABWT implement operational and management changes and assist with governance issues. The planned conversion of NABWT to a viable microfinance lender represents the culmination of a comprehensive microfinance advisory initiative launched in partnership with IFC's Global Microfinance Unit and the Private Enterprise Partnership (the Partnership) in Russia in FY03.

With the full cooperation of the National Bank of Tajikistan, the Partnership Microfinance Legal and Regulatory Framework Project set out to identify barriers to microfinance and produce draft legislation to help overcome them. At the same time, IFC oversaw a sector feasibility study designed to identify potential candidates for conversion to regulated microlenders (*Canada*). NABWT was selected to undergo further TA inputs in preparation for conversion, and the legal framework developed through the Framework Project was passed by Parliament in the spring of 2004.

During the Turkish financial crisis of 2001, micro, small and medium-size enterprises were particularly hard hit, and investment flow to this sector remains small. When the Turkish government asked IFC for help to spur development of this important sector, IFC sponsored and organized a microfinance conference that brought together IFIs, leading microfinance practitioners, and regulatory experts to share experiences of microfinance delivery throughout the world. The conference educated potential stakeholders and focused attention on the economic potential of the Turkish micro-entrepreneur. IFC provided technical assistance to the Turkish Government on the drafting of progressive microfinance legislation, and helped authorities modify legislation so that it addressed important microfinance delivery models such as not-for-profit NGO microfinance institutions, non-bank microfinance institutions, and commercial banks that specialize in microfinance.

SOUTHEAST EUROPE ENTERPRISE DEVELOPMENT FACILITY

Created three years ago, SEED has three overarching mandates: to improve SME competitiveness through training and consulting, to develop the pool of local business service providers, and to improve the overall business environment for small and medium enterprises in its target countries.

Existing ties have been strengthened to enable a fully inclusive investment and technical assistance strategy. A clearer set of deliverables to its host countries is now punctuated by an integrated approach to addressing the need to tie technical assistance more closely to IFC's investment work. Going forward, SEED's program will be linked to four major strategic objectives:

- **Access to Finance** – Making alternate financing available and affordable to SMEs
- **Linkages** – Integrating SMEs into the supply chains of large companies, to the benefit of both
- **Business Membership Organizations** – Focusing on establishing sustainable structures that can advocate for business interests, provide networking and market opportunities, and serve as a portal for essential training and consulting services
- **EU Accession/Institutional Development** – Meeting the needs of EU Accession countries by working to develop governmental structures supportive of SMEs.



Institution Building through Training

When the Baku Stock Exchange and State Committee for Securities asked for help to increase its know-how and increase public awareness, IFC provided a comprehensive institutional strengthening program to its employees (*Netherlands*). The program included operational support to management as well as professional development training in the form of simulation exercises for IPOs and their trading cycle; an intensive capital markets seminar for private and public sector companies; in-depth training workshops in capital markets and exchange management; a public seminar for over 60 potential listed companies, related government agencies, and members of the press; and a complete revision of the IPO guidebook on trading regulations and procedures.

Assisting SME Sector Development

In Bosnia, SEED supported the first Business Attitudes Survey, developed by the Employers Confederation of Republika Srpska. The survey identified major impediments to business growth in the country and determined an advocacy agenda for the business confederation. SEED supported this and other business associations throughout the Southern Europe region as part of its long-term commitment to empower SMEs and help promote their collective interests. This year, the confederation successfully launched three legislative initiatives to remove barriers to doing business.

Policymaking in Albania has been greatly hindered by the scarcity of reliable information and statistics on the SME sector, so the Albanian SME Agency asked IFC for help in addressing the problem. Drawing on qualitative and

quantitative analyses of available statistical information, SEED helped to develop an SME Macro Study that provided an overview of SME economic activity in Albania for the period 1998—2001. The study established indicators for monitoring SME performance and the role played by these businesses in economic growth, in addition to their level of compliance with EU standards. It is being used as a tool for policy makers in designing strategies and incentives for SME development.

The international oil and gas industry operating in Kazakhstan is a vital source of revenue for the country, but gaining access to it remains a challenge for many local businesses because they are not certified to operate at international standards of quality and efficiency. IFC designed a program to help local SME vendors achieve internationally recognized ISO 9000 quality certification so that they can bid for contracts from global suppliers (*Netherlands*). In order to prepare for certification, the SMEs in this pilot program are receiving sector specific training in quality procedures, human resource management, policy development, business process flow chart creation, document and information program flow chart creation, and training in problem solving.

In Uzbekistan, IFC oversaw a national study of the SME sector to identify barriers to business development at the company and country level (*Switzerland*). The program is drawing to completion now, after almost two years of implementation, and survey results will be used to improve regulatory, administrative, and economic policies affecting the SME sector.

In its first project in the Serbian IT sector, IFC conducted a survey to collect and evaluate industry data in order to project growth trends over the course of the next three years, identify the current institutional/regulatory barriers to doing business, and identify promising business opportunities. Study results were very encouraging, and IFC hosted a seminar to present the conclusions to invited members of the local Internet and IT community as well as prospective foreign and local investors (*Italy*).

Azerbaijan's SME Linkage Program, which is linked to IFC's proposed investments in the Azeri, Chirag, and Deepwater Gunashli oilfield and the Baku-Tbilisi-Ceyhan pipeline projects, is part of our strategy of working closely with clients and partners to support growing SMEs through linkages to major investments. These kinds of projects have been particularly successful in the extractive industries. The support aims to create more opportunities for small

businesses by expanding local supply and distribution chains, and to assist in sustainable community development efforts. Clients benefit from targeted TA, and the program results in improved access to finance and the creation of local business development service providers.

SEED has been working with the Makstil A.D. Duferco Group, one of Macedonia's largest manufacturing firms with an extensive network of SME suppliers, to help enhance its scrap metal supply chain management. SEED task managers are overseeing a comprehensive program of assistance to benefit Makstil and the SMEs integrated in its value chain so that they can achieve greater social, economic, and environmental impact. The potential of launching an environmentally friendly scrap recycling project is being assessed with the involvement of IFC's environmental specialists. Because the program will provide local scrap metal collectors with tools to heighten their productivity and increase revenue, it is estimated that around some 2,000 to 4,000 people who depend on Makstil's scrap metal business for their livelihood will be positively affected by this program.

Building the Capacity of Local Banks with Training Support and Strategic Pre-Privatization Assistance

Building strong financial intermediaries to the SME sector is a cornerstone of IFC's development approach, and in FY04, SEED oversaw capacity building programs for IFC investees ProCredit Bank (a microfinance institution where loans above \$50,000 to SMEs now make up 23 percent of the portfolio) and National Commercial Bank. In addition, SEED conducted a staff training program for Albania Savings Bank, the country's largest financial institution, and even extended the training to some of its SME borrowers.



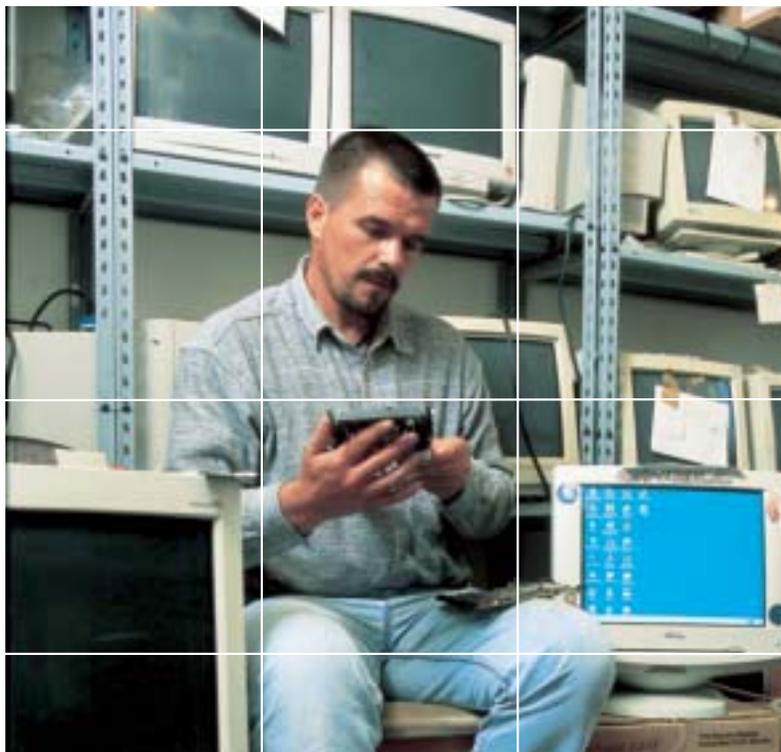
IFC client Neftebank, a regional bank operating in the far western area of Kazakhstan, is an important financial intermediary to local SMEs that serve the oil and gas sector. In order to survive, Neftebank needed help to compete against strong local and foreign banks. IFC created a year-long "twinning program" using in-house advisors from an international bank to implement hands-on training modules for general management, strategic and human resource planning, IT/MIS upgrading, credit review procedures, project management, and customer service (*Netherlands*).

In Serbia and Montenegro, IFC implemented an advisory program to upgrade and eventually privatize Vojvodjanska Banka (*Sweden*). Consistent with its strategy of strengthening financial intermediaries so that they can provide capital to private businesses and individual borrowers, the program will support the bank's expansion and modernization. TA advisors are focusing on the strengthening of credit operations, the upgrading of management information systems, and the establishment of state-of-the-art portfolio management.

IFC's investment strategy for financial markets expanded to include regional wholesale approaches with the development of housing finance and leasing, microfinance institutions and equity funds.

Primary Housing Finance in Southern Europe

Increased access to housing finance helps to reduce poverty because it provides marketable collateral for homeowners and leads to improved living conditions. A key strategy in IFC's approach to housing sector growth is the establishment of primary and secondary housing finance institutions. Funded by *Switzerland*, this program is documenting demand and identifying gaps in current housing finance systems in Croatia, as well as in Bosnia and Herzegovina, Kosovo, FYR Macedonia, and Serbia and Montenegro. IFC will then use the data to create action plans for improving the affordability and availability of housing funds for middle and lower income households and, where feasible, generate business viability plans for primary mortgage finance companies in each study country. The study will also identify operational, legal, and regulatory obstacles and will propose solutions for overcoming them.

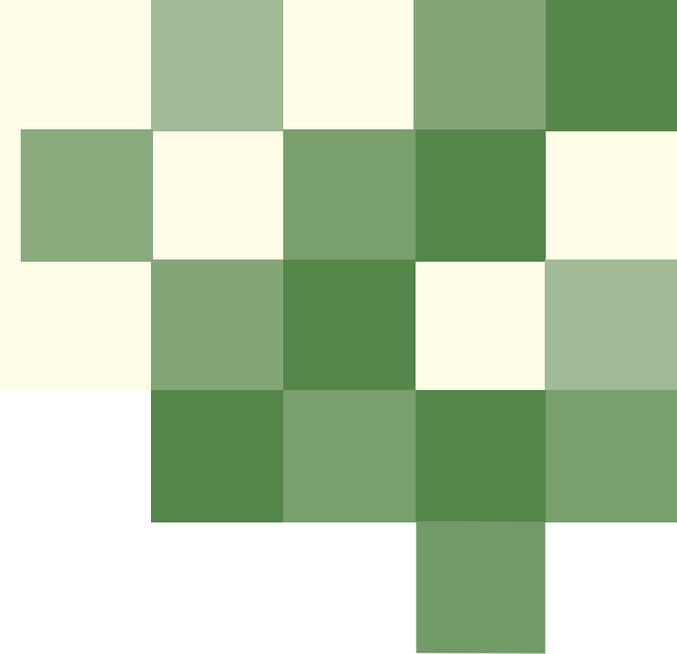


Facilitating Privatizations of Key Industries

IFC recently launched an innovative technical assistance program for Elektronska Industrija (EI), a Serbian manufacturer of consumer electronic products and home appliances (*Italy*). The program is helping EI management prepare for privatization by creating a restructuring plan for its 40 state-owned business units, modernizing those that are able to compete on a commercial basis, and facilitating joint ventures with foreign partners and direct sales to foreign investors. The work will unfold in three phases over a period of 14 months: diagnostic analysis to identify the long-term market and financial prospects of the separate business units; preparation of an overall restructuring strategy and identification of strategic partners and buyers; and finalization of joint venture arrangements and sale or auction preparations with the Serbian Privatization Agency.

When Nafta Industrija Srbije, the state-owned oil and gas utilities conglomerate, asked for help to prepare for possible privatization, IFC stepped in with a TA program that addressed the need for reorganization of the conglomerate in addition to rationalization and modernization of the entire oil and gas industry (*Italy*). The program helped to advance the reform agenda of the Serbian government in the energy sector. The government has begun to take steps to implement the recommendations of the study.

The Government of Uzbekistan needed assistance in developing a strategy to privatize one of its most attractive state-owned assets, Uzbektelecom (UT). IFC responded with an advisory program to create a business plan and financial model that includes a comprehensive pre-privatization strategy that UT can present to the International Financial Institutions and other potential investors (*Japan*). The plan addresses UT's long term operational viability and profitability and develops a realistic investment scenario with financing requirements. The project has important demonstration value to the government as a model for future privatizations of state-owned enterprises in other sectors.



Innovative Approaches to SME Development – Introducing Alternative Dispute Resolution

Because commercial litigation can be an unavoidable consequence of growth for new businesses, time-consuming and expensive court proceedings are an increasing burden to SMEs in Albania, Bosnia, FYR Macedonia, and Serbia and Montenegro. In addition, the high cost of litigation ties up company assets that might otherwise be directed to new business development and operational upgrades. To help SMEs cut through judicial red tape and unlock these assets, SEED is helping to introduce alternative dispute resolution (ADR) mechanisms in the region. Through its ADR mediation pilot project, SEED helped to draft ADR legislation, train participants, and raise awareness on the benefits of using ADR and mediation. In one Bosnian court alone, the ADR pilot project helped to resolve some 20 commercial disputes within one month, releasing approximately \$1 million in assets (*Canada*).

Improving the Environment for FDI

FIAS has been especially active in Southeastern Europe, Russia, and the Caucasus region, particularly in the removal of administrative barriers to investment. Work in these countries is now at the “implementation assistance” stage (i.e., working with counterparts to design concrete reforms to remove the most severe barriers, and using “best practice” examples from around the world). Inspection procedure reforms are underway, drawing on the earlier successes of Latvia and Croatia, in order to reduce the burden on businesses.

FIAS has likewise been active in carrying out reviews of investment legislation, investment incentives, competition policy, and removal of administrative barriers to investment with a capacity-building and self-assessment focus. FIAS has prepared self-assessment tools for monitoring and evaluating resulting reforms, as well as setting up the initial stages of new administrative barrier studies.

FIAS has also worked in collaboration with the Partnership in Russia and SEED in Southeast Europe. FIAS concentrated on advice to the federal/national and regional levels of government, while the Partnership and SEED leveraged their relationships with local governments and business associations. Such collaboration took place in Magadan, Russia, where the municipal government is now working on an Action Plan for reform.

FIAS has been particularly active in Turkey through a multiyear, programmatic approach. This year, FIAS piloted its first Investment Advisory Council Project at the request of the Government of Turkey. FIAS also hosted a seminar on Trade and Investment Policy and Linkages in Central Asia and the Caucasus jointly with the OECD.

Latin America and the Caribbean

In FY04, many countries in the region regained access to international capital markets, especially for short-term funding, on relatively favorable terms. Favorable developments such as low interest rates, high commodity prices, export growth, increased remittances, and improving domestic demand helped stimulate the region's recovery. However, the region continues to face challenges relating to poverty and inequality, reliance on external financing, globalization and competitiveness, and political instability in some countries.

On the investment side, in FY04 IFC refocused on the market's demand for long-term finance, including refinancing. On the non-investment side, IFC continued to provide technical assistance and advisory services to strategically complement its investment activity. In particular, technical assistance has been used to effectively intervene in several areas, such as in the SME sector (including SMEs in indigenous communities), financial markets, the manufacturing, telecommunications and social sectors, as well as in support for sustainability programs.

In line with its strategy of promoting private sector development through support to SMEs, in FY04, IFC established the Latin America and Caribbean Small and Medium Enterprise Facility (LAC SME Facility). Approved by the Board in June 2003, the LAC SME Facility initially covers Peru, Bolivia, Nicaragua, and Honduras and accomplished much during its first year of operations, from building the team and opening offices to launching pilot initiatives and gauging early impact. The Facility's work in each of these countries focuses on four key areas: (i) strengthening SME competitiveness; (ii) simplifying business regulations; (iii) broadening access to finance; and (iv) fostering indigenous and socially responsible enterprises. The Facility embarked on a number of pilot programs, including administrative simplification in the Municipality of La Paz, Bolivia; mapping the microfinance sector in Peru; assessing the strengths and weaknesses of the wood sectors in Bolivia and Nicaragua; and laying the groundwork for developing the Facility's work program in the coming year.



The LAC SME Facility is expected to operate under a five-year cycle with an estimated budget of \$20 million; the Facility has secured funding of \$10 million from IFC and about \$0.34 million from the Dutch government as of June 30, 2004. Additional funding in the amount of \$5 million was secured from the government of Switzerland (seco) in August 2004. Other donors are expected to contribute to the Facility.

LAC SME FACILITY: Bolivia Pilot Examples

Strengthening Competitiveness Program: Under this program, the Facility is building capacity in the wood sector. The project analyzed the sector's potential and identified its major players. As a result of the findings, the facility is pursuing a two-pronged approach to strengthening competitiveness, based on financial access and operational improvement. The Facility is currently working with financial institutions to develop products and services tailored to the sector's needs. Simultaneously, it is designing specific training interventions, such as customer/market segmentation courses, to enhance participants' operational capabilities.

Simplifying Business Regulations Program: In seeking to promote SME growth through simplification of administrative procedures, the Facility prioritizes programs focused at the local level (municipal or state governments), as local governments are generally the first point at which SMEs interact with governments, and are often where SMEs face the highest administrative burden. In La Paz, through close collaboration between the local government and the Facility team, the pilot was able to reduce the number of steps required to register a business by 67 percent, thus reducing the time required by almost 97 percent. As a result, the number of new businesses registered increased significantly in the months following implementation of the changes. Currently, the program is being extended throughout Bolivia, and exploratory studies are underway in other countries in the region.

Broaden Access to Finance: The Facility identified two specific areas for helping increase access to finance: (1) upgrading the capacity of microfinance institutions (MFIs); and (2) developing financial leasing capabilities. In both areas, coordination with the World Bank Group and other institutions will be invaluable for addressing the issues related to the relevant regulatory environment. Work in this area aims to increase the volume and range of financial services for SMEs. In Bolivia, where IFC has invested in four MFIs, the Facility provided technical assistance to extend their outreach to SMEs. Technical assistance included technological upgrading, institutional strengthening, and innovative designs for the MFIs' automatic teller machines (ATMs), which were designed to read fingerprints and operate by voice commands in indigenous languages. These innovations have allowed the ATMs to be used by rural populations with low literacy rates.

Fostering Indigenous and Social Enterprises: The Facility recently completed a pilot match-making program that linked indigenous producer associations in Bolivia with a major international buyer and retailer. After researching local research into producer organizations, the Facility arranged a tour for the buyer to meet with the producers and select products for their upcoming lines. The buyer identified several products for retail, catalog, and Internet sales, and the Facility will assist in providing the technical assistance necessary to develop successful relationships.





IFC continued its housing finance intervention in the region in FY04, including technical assistance to support increased access to housing finance in Central America and Peru (*Italy* and *IFC TA Fund*). In Honduras, Guatemala, and Nicaragua, IFC undertook a market gap analysis that reviewed the status of the housing finance market and identified specific areas to develop a long-term investment program (*Canada* and *IFC TA Fund*). In Costa Rica, El Salvador, and Panama, where there is an evolving primary mortgage market and some secondary mortgage market activity, IFC's technical assistance work focused on building a regional platform to support the development of the primary mortgage market, which would subsequently evolve into a regional secondary mortgage market entity (*Italy* and *IFC TA Fund*). In Peru, the technical assistance helped support Fondo Mivivienda's efforts to develop a vibrant secondary mortgage market and supported specific pilot programs to set up specialized full-service mortgage finance companies dedicated to very low-income borrowers (*Italy* and *IFC TA Fund*). These initiatives complement IFC's investments and the conclusions reached at a roundtable conference held in the region during the year, as well as a broad range of work that IFC supports in the development of local capital markets in the region.

In other areas of the financial sector, IFC assisted the Colombian regulatory authorities in determining the market needs of Colombian Development Finance Corporations and to explore the feasibility of transforming these corporations into modern investment banks (*Spain*). Recognizing the importance of private credit bureaus to facilitate the extension of credit to previously underserved segments of the population, in particular small businesses, IFC initiated a study in Brazil, Bolivia, and Colombia (*Italy*). This initiative is to be expanded

to Trinidad and Tobago, the Dominican Republic, and Nicaragua in the coming year and to other countries in the region in later years. In the Andean region, IFC continues to explore the feasibility of establishing a student loan financing facility with various private banks and universities in the region. To this end, IFC is currently undertaking a study in Peru, with *Swiss* government support, and another study in Bolivia with the support of the *Dutch* government.

The region continued to benefit in FY04 from the Sustainable Business Assistance Program (see chapter 3 for details) under IFC's Sustainability Initiative—one of IFC's core strategic themes. For instance, IFC's investment in Calidra, a lime manufacturer in Mexico, was strengthened by technical assistance funded by the Environmental Opportunities Facility that aimed at testing a pilot system to enhance water recovery from a lime manufacturing plant. Similarly, the Corporate Citizenship Facility helped Marlin, a Guatemalan gold mine that IFC funded with a \$45 million loan, to train the local indigenous communities to develop and manage forest nurseries for reforestation, as well as help identify other markets these nurseries can supply. Metrocentro, a retail firm in El Salvador that is financed by IFC, received technical assistance support from the Italian Government and the CCF to enhance the business skills of its micro and small business tenants (*Italy* and *CCF*). With funding from the Sustainable Financial Market Facility, IFC organized a training seminar for the region's microfinance institutions on environmental and social issues in order to help raise their awareness and promote sustainable ventures in the region.

In the area of public-private partnership, IFC initiated a study in the technology sector in Mexico with the aim of analyzing the rapidly growing e-government sector and investment outlook, and to identify additional areas IFC can support (*Spain*). The study is expected to be completed in 2004. The findings of the study will help IFC identify similar opportunities for intervention in other countries in the region.

FIAS completed 10 advisory projects in Latin America and the Caribbean in FY04 with a strong focus on Central America. Advisory work covered a wide spectrum of subjects constraining private investment, ranging from corporate tax and incentives reform in Costa Rica and Jamaica to corporate social responsibility initiatives in El Salvador, labor skills training programs in Honduras, and competition policy in Nicaragua. FIAS provided an assessment of the respective country's investment climate to the newly elected governments in Guatemala and Grenada to help set reform priorities. In Peru, assistance to the Municipality of Lima on the removal of administrative barriers to investment is now in the implementation stage in collaboration with the newly established SME facility (LACP) and a World Bank competitiveness lending operation. In addition, FIAS cosponsored two regional conferences with IFC representation: one in Central America in collaboration with the World Bank on post-CAFTA challenges, and one jointly with the Corporación Andina de Fomento on administrative barriers to investment in the Andean countries.



Many countries in the LAC region regained access to international capital markets, especially for short-term funding, on relatively favorable terms. Favorable developments such as low interest rates, high commodity prices, export growth, increased remittances, and improving domestic demand helped stimulate the region's recovery.



Middle East and North Africa

In FY04, the Middle East and North Africa (MENA) region experienced tremendous challenges. It was a year of intense activity by IFC in terms of investment operations and technical assistance. New markets were opened, and the year marked first IFC commitments in decades in Afghanistan and Iran. IFC also initiated a program in Iraq, including both investment and technical assistance. IFC has worked to bring the technical assistance work and the investment program under a unified strategy for the MENA region. IFC's integration of the SME Project Development Facilities into the regional departments fundamentally enhanced the coordination of TA and investment work and made the services offered to the private sector far more comprehensive.

The countries in the MENA region have specific needs for development, regardless of the relative wealth or lack thereof in particular countries. In some countries, IFC is not needed for standard financing, but there is a strong demand for our technical know-how. In others, there is demand for both investment and TA. The particular approach taken by IFC toward each country is determined by the specific demand and specific country needs.

In FY04, IFC committed \$236 million in 21 investments in the region. The focus of the investment program was on the financial sector (including micro and small business, and housing); manufacturing (with emphasis on the building materials sector); and oil and gas. Rounding out the sectoral range were investments in infrastructure and information technology. IFC invested in Afghanistan, Algeria, Egypt, Iran, Pakistan, and Tunisia. An example of a groundbreaking IFC investment is the Egyptian Housing Finance Company, where IFC was instrumental in launching the first private sector housing finance institution in the country. IFC also invested in the first microfinance institution in Afghanistan, a critical area at this juncture.

Four TA projects were funded through the Trust Funds Program in the MENA region in FY04: (1) capacity building work for the First Microfinance Bank of Afghanistan (*Norway and IFC TA Fund*) to overcome some of the immediate constraints imposed by the Afghan economic environment; (2) a study on the health care industry of Pakistan (*Japan*); (3) a study on the non-banking financial sector (*Canada*), and (4) a diagnostic review of the FDI environment in Syria to get a basis for providing suggestions for effective economic reform to the Syrian government (*France*).

IFC currently has two facilities providing TA in the region. The first is the North Africa Enterprise Development (NAED) Facility, which provides technical support to SMEs in Algeria, Egypt and Morocco (see box). In addition to support provided by IFC, this initiative has been supported by donor funds from *Belgium, Italy, and Switzerland*. NAED has been working with banks, business associations, and educational institutions to help them build their capacity to work directly with SMEs. This wholesale approach has a much broader reach than a retail approach using direct assistance to SMEs. IFC has worked with banks or microfinance institutions in all three countries to support the development of their SME lending activities. In Algeria, NAED has carried out a study to assess the existing market and regulatory framework for microfinance and is approaching the government with recommendations, including the creation of a best practice microfinance institution. In Morocco, NAED is working with a leading bank to implement a credit rating system for SME lending. In Egypt, NAED is helping a major bank develop its SME finance activities in the country. The facility has provided training modules for various institutions in all three countries and has initiated linkage programs, supported the development of databases, and leveraged investment promotion efforts. This broad range of activities has generated tremendous support from the host countries, and we look forward to continuation and expansion of these programs.

THE NORTH AFRICA ENTERPRISE DEVELOPMENT (NAED) FACILITY

The North Africa Enterprise Development (NAED) Facility is a regional program managed by IFC that provides capacity building and advisory services to support the growth and development of small and medium enterprises (SMEs) in Algeria, Egypt and Morocco. The program was launched in October 2002 and is co-funded by the IFC and bilateral donors, including *Belgium, Italy and Switzerland*.

NAED's main activities include:

1. Improved SME access to finance

- Establishing partnerships with selected banks to improve their capacity to lend effectively to the SME segment, with the objective of increasing the flow of bank credit to SMEs by improving partner bank performance and introducing dedicated SME finance technology and credit rating techniques.
- Supporting the introduction of new financial products relevant to SMEs as well as credit risk mitigation products (e.g., factoring, leasing, credit guarantee schemes, local currency facilities, and credit bureaus).
- Developing SME finance training modules to be delivered through partner banks or selected training institutions.
- Developing the microfinance industry by providing capacity building to existing or new institutions, rating services, and training to managers and loan officers.

2. Access to business services

- Improving access to training, business services, and information.
- Supporting selected training institutions and consulting firms to introduce new products and services targeted to SMEs on a commercial basis.
- Capacity building for selected business and trade associations and chambers of commerce. The focus is on introducing new services for



members (information, trade linkages, business services, IT services) and reinforcing capacity (organization, increase in memberships, and fee and revenue raising).

3. Supply chain management (linkages)

- Improving business supply chain between large firms and related SMEs. This is done both upstream (competitive pricing, quality products, and on-time delivery) and downstream (sales and marketing, effective merchandising, customer service).

4. Business enabling environment

- Advising and assisting governments on SME-related policies and regulatory reform.
- Acting as a catalyst to stimulate the local business environment for SMEs and disseminate economic and sector analysis.



The focus of the investment program was on the financial sector (including micro and small business, and housing); manufacturing (with emphasis on the building materials sector); and oil and gas.

THE PRIVATE ENTERPRISE PARTNERSHIP FOR THE MIDDLE EAST

The Private Enterprise Partnership for the Middle East (PEP-ME) facility is the second regional program managed by IFC. PEP-ME provides capacity building and advisory services to support the private sector development generally in Afghanistan, Iraq, the West Bank and Gaza, and Yemen. The program was approved by the Board in December 2003 and is in the initial stages of implementation.

PEP-ME's main activities include:

1. Business enabling environment

- Raise public awareness of the main constraints to business development and investment.
- Provide advice and assistance on private sector-related policies (e.g., barriers to entry, regulatory issues, access to markets, and procurement)
- Support policy reform for private sector development in close collaboration with the World Bank.
- Work on laws relating to financial markets, company laws, commercial codes, and foreign investment laws.

2. Strengthen financial markets

- Help local financial institutions in the areas of corporate governance, risk management, and credit assessments.
- Support the development of financial institutions such as leasing and mortgage finance companies, and help introduce new financial instruments to new and existing companies.
- Improve SME access to finance.
- Establish partnerships with selected banks to improve their lending capacity for SMEs.
- Develop the microfinance industry and new institutions.
- Support the introduction of new financial products relevant to SMEs.

3. Stimulate the growth of SMEs

- Develop linkages between SMEs and larger companies.
- Provide selected assistance to SMEs in developing project proposals, raising finance, and improving overall management.
- Strengthen the capacity of selected business associations and consulting firms to improve their services to SMEs.

4. Assist in the restructuring and privatization of SOEs

The second TA facility in the region, the Private Enterprise Partnership for the Middle East (PEP-ME), has just been set up (see box). This facility is aimed at providing TA in four challenging countries, which are either in conflict situations or are IDA-eligible: Afghanistan, Iraq, West Bank and Gaza, and Yemen. The four focus areas for PEP-ME are support for SMEs, backing for the financial sector, support for the business enabling environment, and privatization or restructuring of state-owned enterprises. The specific focus for each country will vary according to local circumstances and needs.

A good example of the type of TA that IFC can provide is the work of PEP-ME, which initiated an assignment to help the banking sector of Iraq. IFC conducted a workshop to introduce state-of-the-art banking practices in Iraq, where access has been highly constrained by its recent legacy of successive wars and international economic sanctions. The PEP-ME workshop is a first but crucial step in IFC's strategy of upgrading the technical and managerial capacity of the Iraqi financial sector to reinvigorate private sector development and job creation. The workshop included a training program designed for senior managers of private sector and public sector banks, including heads of risk management units, retail banking, marketing and auditing offices. The five modules of the workshop were presented in Arabic and addressed topics such as credit risk management, asset-liability management, strategic planning, foreign risk management, and marketing.

PEP-ME has also prepared a country program for Afghanistan. The program will focus on building capacity in local companies in the construction and agribusiness sector, two critical sectors for the country's economy. Furthermore, the program will address the issue of access to finance for local companies through establishing a leasing industry as well as providing training to local commercial banks. Strengthening of management skills in local companies is another critical area that will be addressed. The business enabling environment will be strengthened through support to local business associations and the insurance industry. Finally, gender awareness will be incorporated in the program components.

In addition, IFC is currently working on setting up the Iraq Small Business Financing Facility (ISBFF), which will have both TA and investment components. The Facility is being established to address the need for financing for micro and small businesses in Iraq. The project will work directly with Iraqi private sector banks to help them provide financing to these businesses. These banks

have suffered from years of economic sanctions and wars. They need help with building their capacity to make credit decisions and to manage a portfolio of investments. IFC will work with them to build their institutional capacity and will provide the funding to on-lend to the private sector. Donor funds have been provided for both components. The investment component consists of \$75 million in financing from IFC (\$50 million) and donors (\$15 million from the UK DFID, and \$10 million from the US Treasury). The donor funds have been earmarked for a first loss on the facility. The TA component will be completely financed by donors and eventually will total \$30 million to pay for technical partners to help build the capacity and skills of the banks in lending to SMEs. For the TA, Japan has committed \$10 million, Spain \$5 million, and IFC has pledged an additional \$1 million. The first participating financial institution has been identified, and IFC support has initiated such activities as bringing the bank's financial statements up to international standards and arranging training.

IFC plans to approach its Board of Directors and the donor community with a proposal to merge the two MENA facilities, covering all countries from Morocco in the west to Pakistan in the east. If approved, the new facility would cover the entire region, supporting private sector development generally. The SME sector would be a strong pillar of the work. IFC believes that the flexibility provided by the merged facilities would allow for a greater impact for overall private sector development in the region.

FIAS assisted an American Bar Association team in drafting a new Investment Act for Afghanistan. The draft Act submitted to the Cabinet embodies most of the principles espoused by FIAS. Further, FIAS accepted an invitation to prepare a review of the Afghan Investment Act for inclusion in a paper that was presented by the World Bank at an Afghanistan Trade and Investment workshop conducted by the donor community at the time of the World Bank Group-IMF Joint Annual Meetings in Dubai in 2003.

In the Middle East, FIAS provided advisory assistance in close collaboration with IFC and the World Bank operations in order to encourage foreign investment and make more substantive contributions to sustainable development and poverty reduction. During the year, FIAS projects in the region included a review of the investment law of Syria and an assessment of Malta's incentive provisions in comparison with EU rules and international best practice.

Global

Making a worldwide impact

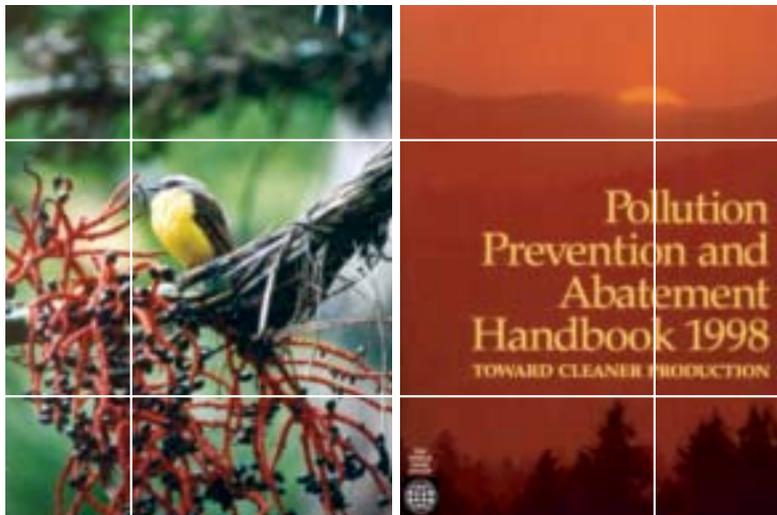
While the majority of IFC's individual TA activities are carried out in specific countries, a number of activities are global or regional in nature. The SME Department coordinates and disseminates lessons learned from the regional SME facilities to be applied globally. The Technical Assistance Trust Funds (TATF) program, Foreign Investment Advisory Service (FIAS), the three facilities of the Sustainable Business Assistance Program (SBAP), and the Capacity Building Facility (CBF) are global in their activities (see Chapter 3 for a more detailed description of the global programs). In addition, some TA assignments are global in approach, and their results are often applied at the country or investment project level.

One example of TATF funding of a global initiative is the update of the Pollution Prevention and Abatement Handbook. The World Bank Group plus a diverse external community, including other public and private international financial

institutions, regulators, industries, consultants, academics, and commercial banks, use these environmental, health & safety guidelines. An update was required for various reasons, and IFC took a leadership role throughout the update process. Five donors (*Canada, Denmark, Italy, Norway and Sweden*) have contributed \$1.5 million through the TATF program to this vital update, which will result in a new set of guidelines, to be made available online, with more explicit objectives of the guidelines and methods of application.

Another global assignment is the SME Management Training Implementation (Business Edge) & Trainer Development/Certification Program. This assignment is to assist a consortium of IFC-managed project development facilities to implement three key objectives of a broader strategy to transform a successful pilot management-training program for small and medium-size enterprises for worldwide use (*Australia and IFC TA Fund*).

IFC's Global Credit Bureau program seeks to establish private credit bureaus to facilitate the extension of credit to previously underserved segments, in particular small businesses (*Australia, Italy, New Zealand, Norway, and IFC TA Fund*). The program operates in East Asia, Africa, and Latin America and the Caribbean.



Lessons learned from the regional SME facilities are applied globally. TA assignments are global in approach, and their results are often applied at the country or investment project level.

Another project in the financial markets sector was the assignment to strengthen financial institutions in Asia. The Asian crisis had revealed the critical importance of strong corporate governance and institutional capacity more generally for achieving sustainable financial systems that can support economic growth, avoid crises, and help reduce poverty. A program was set up to help strengthen the corporate governance and institutional capacity of selected financial institutions in the East Asia region (*Netherlands*).

The vision of the SME Toolkit (www.smetoolkit.org) is to leverage the latest information and communication technologies to help small and medium enterprises in emerging markets learn and implement sustainable business management practices (*Japan*). The project has received resoundingly positive feedback from SME end-users, business development service providers, and more than 50 current and prospective private sector and NGO partners. Technology enhancements and expansion were implemented in FY04 through the *IFC TA Fund*.

DevCo

In June 2003, a Memorandum of Understanding was signed between IFC and the UK Government's Department for International Development (DFID) to establish DevCo, a multidonor facility to support IFC's privatization advisory work in infrastructure. DFID has agreed to contribute \$10 million over three years (FY04-FY06), and the Netherlands Ministry of Foreign Affairs has agreed in principle to make a \$1 million contribution to DevCo in FY05. In addition, IFC has also agreed to contribute \$0.75 million to DevCo over three years (FY04-FY06). The facility has been established under the umbrella of a broader portfolio of work being developed in association with the Private Infrastructure Development Group (PIDG) a group of like-minded donors seeking to increase private sector investment in the infrastructure of developing countries. Other donors, both PIDG and non-PIDG, are also expected to contribute.

DevCo supports the development and implementation of infrastructure transactions in the following sectors and countries:

- Sectors - water, electricity, sanitation, telecommunications/ICT, and transport at both the municipal or national level in developing countries, as well as other services such as housing, solid waste handling, and other physical infrastructure services.
- Countries - the lowest three categories of Part 1 of the DAC list of aid recipients: 1) Least Developed Countries, 2) Other Low Income Countries, and 3) Lower Middle Income Countries and Territories.

In its first year, DevCo has helped IFC expand its level of activities in poorer countries through the provision of additional resources to support the specialized outside consultants (legal, technical, environmental, social, auditing) that governments could not fund for use in IFC-led mandates. In addition, the facility has provided funding for IFC's project development efforts in DevCo's target countries and sectors. Since June 2003, three IFC mandates have received DevCo funding: 1) Madagascar Airports; 2) Tamatave Port (Madagascar), and 3) Moatize Coal Mine (Mozambique). In addition, ten potential mandates have been identified using DevCo's project development resources.

3



CHAPTER THREE:

Donor Funded Operations – Global Programs

Technical Assistance Trust Funds Program

Outline

In 1988, IFC initiated a global program to provide technical assistance (TA) funded by bilateral and multilateral donors. The Technical Assistance Trust Funds (TATF) program now has a total of 44 active funding agreements from 24 donor countries/regions, in addition to IFC as a donor. Besides providing funding to many one-time TA projects, TATF provides IFC with the ability to pilot ideas and initiate activities. For example, the TATF program supported TA in Afghanistan and West Bank and Gaza in the past, and in FY04 IFC decided to launch the Private Enterprise Partnership for the Middle East, which will take up TA initiatives in systematic ways with support from the donors.

New Donor

A new Trust Fund agreement was signed this fiscal year with the Wallonia regional government of Belgium for an initial contribution of €1 million to be used to promote the development of the private sector, benefiting primarily the Democratic Republic of Congo, the Republic of Congo, Rwanda, and Burundi, but also other Sub-Saharan African countries.

Country Coverage and Low-Income and Risk Focus

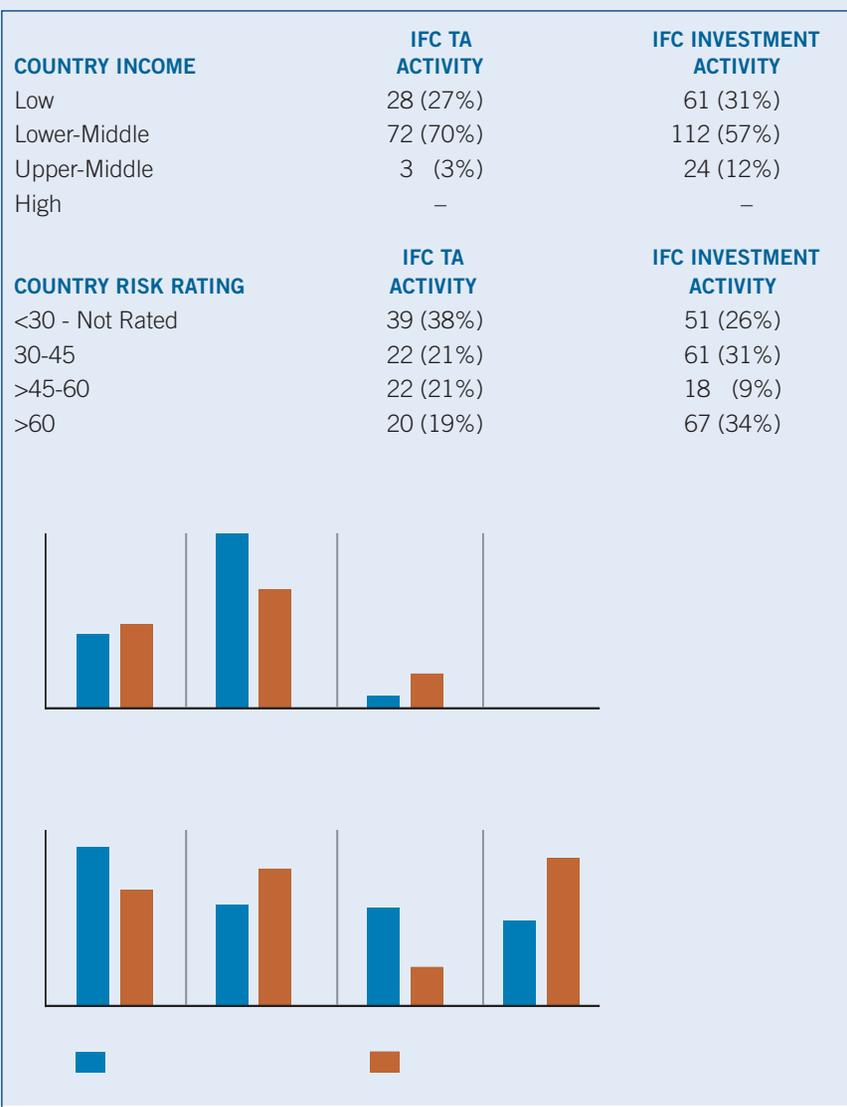
TA was carried out in 79 countries; of the TA assignments approved in FY04, 100 (97 percent) were in low- and lower-middle-income countries. Sixty-one (59 percent) of them were in countries with very high risk ratings.

IFC's TATF Program helped 79 countries in FY04; besides providing funding to many one-time TA projects, TATF provides IFC with the ability to pilot ideas and initiate activities.



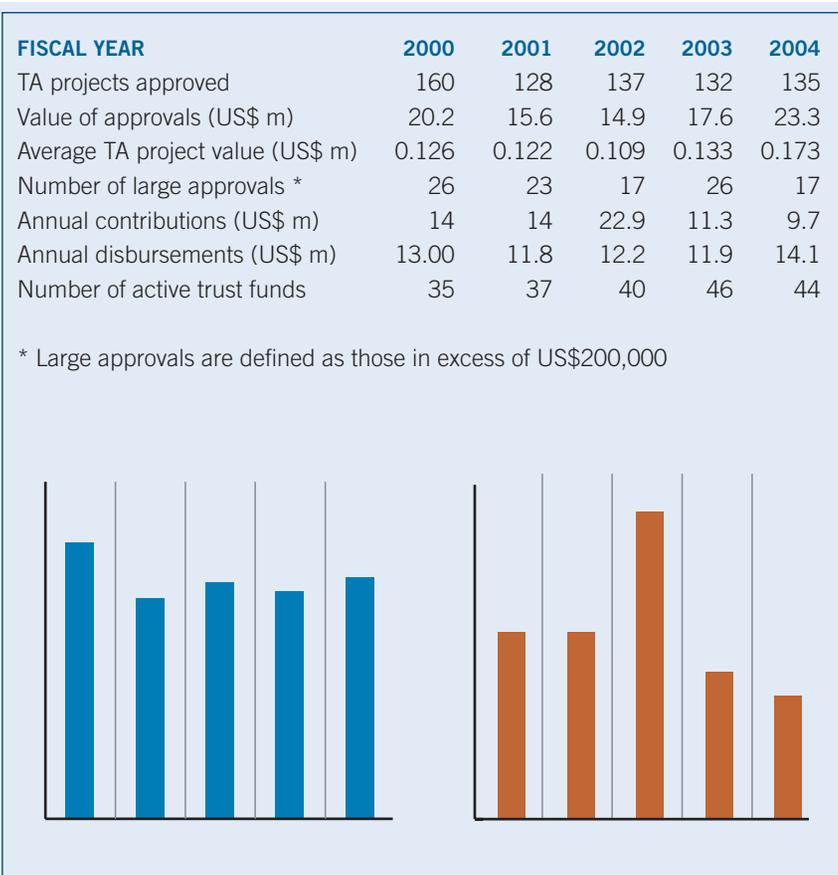
TA in Poorer and Riskier Countries

TA continues to focus more in the low-income countries and those with higher country-risk ratings, particularly compared to IFC's investment activities. These TA projects often enable IFC to undertake investments in these countries at a later date.



Trends

The number of approved TA projects has been steady in the last few years. The record value of approvals is due largely to a few fairly large, stand-alone projects. Donor contributions to TATF have declined in the past few years, partly reflecting donors' increased contributions to other IFC TA programs.

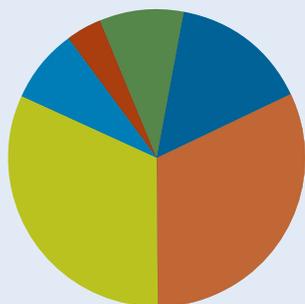


Largest Recipient Countries of TA in FY04

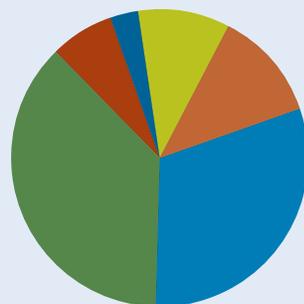
China, Serbia and Montenegro, and Russia continued to be among the top four recipients of TATF-funded projects. Tajikistan became the third largest recipient because of one large TA for a microfinance bank. Ukraine, Vietnam, and Afghanistan remained on the list of top ten recipients for TATF funding for the second year in a row.



RECIPIENT COUNTRY	APPROVAL AMT (USD EQUIV.)	NO. OF PROJECTS
China	3,967,700	19
Serbia and Montenegro	2,411,300	11
Tajikistan	2,043,573	2
Russian Federation	1,378,688	12
Philippines	870,000	7
Mongolia	769,000	3
Ukraine	564,500	6
Vietnam	405,000	3
Afghanistan	400,000	2
El Salvador	390,000	2



A = Sub-Saharan Africa 15%
 B = Asia & the Pacific 32%
 C = Europe & Central Asia 33%
 D = Latin America & the Caribbean 8%
 E = Middle East & North Africa 4%
 F = Global 9%



A = Sub-Saharan Africa 12%
 B = Asia & the Pacific 31%
 C = Europe & Central Asia 37%
 D = Latin America & the Caribbean 7%
 E = Middle East & North Africa 3%
 F = Global 10%



TA Activity by Region

Asia and the Pacific and Europe and Central Asia continued to be the top regions in terms of volume. These regions combined received more than 65 percent of TATF funding, both in volume and in number of approvals. In absolute terms, the volume and the numbers of approvals for Sub-Saharan Africa increased. Since the Africa Project Development Facility is active in Sub-Saharan Africa, the level of TA activity in the region is often affected by how actively IFC is pursuing non-SME-related TA. The situation is similar to that in the Middle East and North Africa, where the North Africa Enterprise Development Facility is active. The launch of the Private Enterprise Partnership for the Middle East will stimulate TA activity in the region.

TA ACTIVITY BY DONOR COUNTRY AND REGION (\$'000S)

DONOR	SUB-SAHARAN AFRICA	ASIA & THE PACIFIC	EUROPE & CENTRAL ASIA	LATIN AMERICA & THE CARIBBEAN	MIDDLE EAST & NORTH AFRICA	GLOBAL	TOTAL
Australia	-	341	-	-	-	150	491
Austria	-	-	100	-	-	-	100
Canada	180	225	2,382	-	33	250	3,070
Denmark	-	345	190	-	-	305	840
Finland	300	1,100	90	-	-	-	1,490
France	-	-	-	-	83	-	83
Germany	-	-	-	62	-	-	62
Greece	-	-	81	-	-	-	81
IFC TA Fund	250	1,407	640	240	150	300	2,987
Ireland	100	399	-	-	-	-	499
Israel	-	-	111	-	-	-	111
Italy	135	220	2,476	885	-	250	3,966
Japan	-	820	320	-	130	42	1,312
Netherlands	309	506	131	53	-	39	1,038
New Zealand	-	40	-	-	-	-	40
Norway	630	444	122	-	250	400	1,846
Spain	-	-	477	210	-	-	687
Sweden	538	1,000	417	140	-	500	2,595
Switzerland	350	411	1,097	80	-	-	1,938
United Kingdom	-	-	100	-	-	-	100
TOTAL (\$ thousands)	2,792	7,258	8,734	1,670	646	2,236	23,336
Percent	12%	31%	37%	7%	3%	10%	100%
Number of Approvals	20	43	44	11	5	12	135
Percent	15%	32%	33%	8%	4%	9%	100%

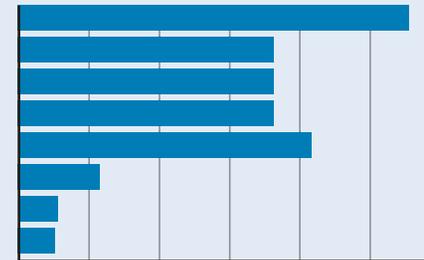
Types and Sectors of TA Assignments

The TATF program supported TA assignments that correspond to IFC's strategies, including SMEs, financial markets, and infrastructure.

NUMBER OF ASSIGNMENTS, BY TA TYPE

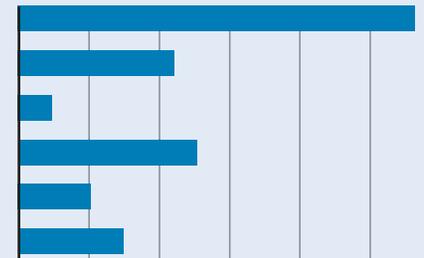
TYPE OF TA *	NUMBER OF ASSIGNMENTS
IFC Project-Related	54
SME Support	34
Sector Reviews/Project Identification	34
Enabling Environment	34
Training and Capacity Strengthening	41
Privatization/Corporate Advisory	12
Post Privatization	5
Others	5

* These categories are not mutually exclusive.



NUMBER OF ASSIGNMENTS AND APPROVAL AMOUNTS, BY SECTOR

SECTOR NAME	NUMBER	AMOUNT (US\$)
Financial Services	58	11,573,373
Manufacturing & Industry	22	3,649,924
Food & Agribusiness	6	511,000
Infrastructure	24	4,158,460
Health Care & Education	10	890,000
Multisector TA	15	2,553,300
TOTAL	135	23,336,057



Foreign Investment Advisory Service

Introduction

The Foreign Investment Advisory Service (FIAS) helps developing country governments design initiatives to attract and retain foreign direct investment (FDI) and maximize its impact on poverty reduction. Since its founding in 1985, FIAS has advised more than 130 countries in almost 600 projects.

As part of the World Bank Group's Investment Climate Department of the Private Sector Development Vice-Presidency, FIAS is a joint service of the IFC and the World Bank. FIAS is supported by the expertise and resources of the entire Bank Group, which includes the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID), in designing coordinated assistance packages for client countries.

FIAS develops long-term strategies that are customized to fit each client country's needs and objectives. Its specialists identify practices that impede productive FDI, design financially and politically practical plans of action, and support their clients through all phases of transition and implementation. FIAS has increasingly collaborated with other multinational institutions, as well as with the IFC project development facilities (PDFs), to ensure that our clients are provided appropriate technical assistance in the implementation process. Progress is constantly monitored and evaluated for effectiveness.

FIAS creates successful government partnerships that derive from:

- worldwide best practice expertise
- comprehensive regional and subject-related research
- extensive communication with government officials
- expedient responses to critical issues
- committed governments and FIAS staff.

In FY04, FIAS completed a record 60 projects: 15 projects in Sub-Saharan Africa, with Botswana and Seychelles as first-time clients; 17 projects in Europe and Central Asia; 16 projects in East Asia and the Pacific, five of them in the Pacific; 10 projects in Latin America and the Caribbean, with Grenada as a first-time client; and two projects in the Middle East and North Africa, with Malta and Syria as first-time clients. Thirty-five of these projects were conducted in frontier countries.

Over the past fiscal year, FIAS received positive reviews from two independent evaluations: IFC's Operations Evaluation Group's evaluation of IFC's investment climate activities, and PDP Australia Pty. Ltd.'s evaluation of FIAS' Asia Pacific Regional Office. FIAS also received extremely positive feedback from clients in the independently administered IFC Client Survey.



Services

FIAS offers a comprehensive range of services tailored to governments' needs to help them attract and retain FDI and to maximize its development impact. FIAS has further developed its latest service products in the areas of competition policy and corporate social responsibility, and continues to offer assistance in its long-established products. These include:

Investment Climate Diagnostics

FIAS performs diagnostic studies to identify a country's main policy impediments to productive foreign direct investment. Issues typically identified include:

- prohibitions on foreign investment in many sectors or locations
- restrictions on the share of foreign ownership in the equity of domestic companies
- difficult administrative approval processes
- restrictions on repatriation of dividends and capital
- taxes
- the character and function of legal systems
- inability to gain access to land
- problems employing technical and managerial staff.

FDI Policies for Attracting Investors

The rules of the game are critical to attracting worthwhile investments. FIAS reviews a country's policy, legal, and regulatory environment and recommends and helps to implement changes in areas such as project screening, capital restrictions and repatriation, access to land, contract enforcement and collateral, tax administration, and investment protection under national laws and international conventions.

Administrative Barriers

FIAS helps countries remove bureaucratic barriers that slow, and often deter, the establishment and subsequent operation of businesses. FIAS assists governments in identifying and eliminating counterproductive activities such as inconsistent implementation of laws and regulations, procedural delays, and overlapping and/or conflicting government roles.

Investment Promotion

Investment promotion is a mechanism to influence investor perception and affect the amount and kind of investments that a country receives. FIAS helps countries create promotion institutions to identify competitive advantages, manage investment policy, and target specific opportunities. Promotional activities include planning public image campaigns, marketing investment opportunities, and helping potential and existing investors to set up and operate in the country.

Sector-Focused Solutions

For industries with high growth potential, FIAS helps governments design policies and programs that foster investment, productivity, competition, corporate social responsibility, and positive spillovers and linkages between foreign-owned and domestic companies. FIAS' programs create efficient public-private partnerships that involve conducting market research on potential buyers and their needs, selecting and benchmarking committed suppliers, training, and monitoring progress. Industries covered include agro processing (including forestry), apparel, electronics, retail, and tourism.

Competition Policy

FIAS assesses a country's constraints to competitive market structures and helps to design a legal and institutional framework to reduce barriers to entry and exit, improve competitive advantage in key strategic sectors, and deter collusive behaviors and the abuse of market power. Countries must develop an adequate competition policy framework to create, and capitalize on existing, advantages in the global marketplace in order to reduce investor risks and enhance the developmental impact of the investments.

Corporate Social Responsibility

Many countries specialize in industry sectors (e.g. apparel, footwear, electronics, oil, gas, and mining) where consumers and investors increasingly consider poor labor, environmental, human rights and gender standards as key risk issues. FIAS works with governments to design approaches that maximize synergies between public sector inspectorates and supply chain monitoring and inspection procedures regarding Corporate Social Responsibility issues.

Sustainable Business Assistance Program

IFC's mission is to promote sustainable private sector investment in developing countries and economies in transition. To help achieve this, IFC finances or advises on projects that are financially and commercially viable, economically beneficial, environmentally sound, and socially responsible. Through this approach IFC can contribute to sustainability and be an active force for change in developing countries. Increasingly, IFC sees its role in providing guidance and leadership to help shape sustainable outcomes from private sector activities as being key to achieving its mission.

IFC continues to provide significant environmental and social value-added to its clients. Its contribution ranges from improvements in the efficiency of energy and material use to the establishment of SME linkage programs. IFC clients increasingly recognize the significant opportunities or risks they face in relation to environmental and social performance of their products or operations. The demand for assistance in these areas has risen steadily in recent years. There is a need to offer dedicated services in these areas to its clients, and in July 2002, IFC established the Sustainable Business Assistance Program (SBAP) to address this demand.

SBAP comprises three donor-funded facilities focused on helping reduce poverty and improve governance through environmentally and socially sustainable private sector development. Together, the three facilities enable IFC to promote corporate social responsibility in IFC client companies (Corporate Citizenship Facility); enhance the environmental and social impact of financial intermediaries (Sustainable Financial Markets Facility); and finance innovative projects that promote local environmental benefits (Environmental Opportunities Facility). All three are multiyear, donor-funded operations located in and managed by IFC's Environment and Social Development Department. Together, they represent a key instrument used by IFC to ensure that the commercial, environmental, and social benefits of sustainable corporate behavior and innovation are passed on to the private sector in emerging market economies. Together, all three SBAP facilities offer IFC a comprehensive means of making selective, strategic interventions in key parts of the market where sustainable business practices offer potentially significant benefits.

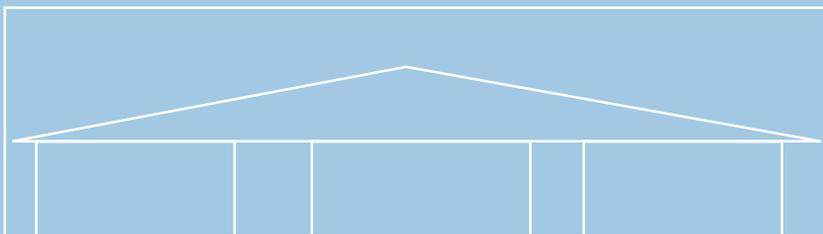


ENVIRONMENTAL BUSINESS FINANCE PROGRAM

Small and medium enterprises (SMEs) that help create a large share of new jobs in emerging economies are the primary employer of indigenous people and women and make a significant contribution to a country's GDP. Yet the SME sector is the least served by the financial services industry. This is particularly evident for environmental SMEs, because they are often engaged in activities that are considered to be outside the mainstream. To address these challenges, IFC and the Global Environment Facility (GEF) are working together to find innovative ways to support activities that benefit the global environment.

The Environmental Business Finance Program (EBFP) is an IFC initiative with \$20 million in funding from the GEF which aims to create a sustainable market of viable SMEs that benefit the global environment. These goals are achieved by supporting the three pillars of SME development: access to financing, increased capacity, and development of an enabling environment for such activities. EBFP provides technical assistance grants to SMEs through financial intermediaries. By supporting the economic development of SMEs that benefit the environment, the EBFP directly contributes to the Millennium Development Goals of ensuring environmental sustainability and developing a global partnership for development.

Through the EBFP, financial intermediaries (FIs) will better understand and control the risks associated with environmental SME finance. The EBFP also aims to demonstrate that providing financing to the environmental SME market on commercial terms can be profitable. Once profitability has been demonstrated, it is expected that market forces will further drive the development of a sustainable environmental SME market without EBFP support.



Of the \$20 million in financing for the EBFP, \$10 million is being used to support the TA Program and \$10 million is being allocated to the financing facility. The EBFP management team hopes to attract an additional \$10 million in funding from other donors, and to leverage these funds to a total program size of \$100 million, including funds from local and international financial institutions and the SMEs themselves.

The EBFP will support activities that mitigate climate change, conserve biodiversity, prevent land degradation and eliminate persistent organic pollutants. Specific examples include:

Renewable Energy

- Solar home systems
- Micro-hydro/run-of-the-river
- Wind pumps

Energy Efficiency

- Energy savings companies
- Eco-homes
- Efficient appliances

Biodiversity

- Eco-tourism
- Certified fishing
- Non-timber forest products
- Sustainable forestry
- Sustainable agriculture
- Reforestation

EBFP expects to reach between 500 and 1,000 environmental SMEs in 30 to 40 countries: full-scale country programs targeting several GEF-eligible sectors, small country programs targeting specific sectors, and stand-alone projects focused on one or two high-impact activities or geographical areas.

Please visit www.ifc.org/ebfp for further information.

CORPORATE CITIZENSHIP FACILITY (CCF): Helps IFC clients respond to rapidly changing expectations about environmental and social performance (variously defined as corporate citizenship or corporate social responsibility) in their businesses. These expectations now affect most sectors and scales of business activity in emerging markets and are having direct and immediate effects on business competitiveness, markets and market access, and brand equity. CCF support is available to clients who wish to go beyond compliance with IFC requirements because they see business opportunities. CCF aims to provide catalytic technical assistance, and in all cases cost-sharing with sponsors is required. CCF support focuses on labor practices (including human rights aspects), communities and other stakeholders (including transparency and credibility issues), and environmental stewardship (particularly around natural resources management).

Examples of CCF projects approved in FY04 include:

- **Community Development around a Kenyan Soda Mine:** CCF is working with a Kenyan soda mine and local communities to formalize a development plan that identifies community needs, sets targets, and communicates outcomes to help manage community expectations.
- **Stakeholder Consultation in Russia:** CCF is helping an IFC sponsor, Komi Aluminium, to build the capacity of local communities to engage in discussions related to the design, implementation, and development of a major aluminum project that will impact 100,000 inhabitants.
- **Sustainable Oil Palm in Indonesia:** CCF is assisting an IFC sponsor in diversifying rural livelihoods in Kalimantan to reduce risk from price fluctuations in oil palm through (1) a microfinance facility for supporting fertilizer application and developing alternative agriculture; (2) support for alternative commercial agricultural activities; and (3) supply chain development.

SUSTAINABLE FINANCIAL MARKETS FACILITY (SFMF): IFC's investments in the financial sector now represent about 35 percent of its portfolio and 40 percent of annual approvals. Financial intermediary projects present a unique opportunity for a broader development impact, and ensuring the sustainability of financial markets is therefore of increasing importance. The SFMF works with the financial sector in developing countries to enhance the environmental and social impact of IFC's intermediaries, help the financial sector use sustainability as a tool to build better and more competitive businesses, and increase environmentally and socially responsible investment in developing countries.

Highlights of SFMF's activities in FY04 include:

- **Center for Sustainability Investing in Africa:** SFMF provided a grant to the African Institute of Corporate Citizenship in South Africa to establish a new Center for Sustainability Investing through which it will deliver training and technical assistance to the banking sector. The Center is expected to be self-sustaining by the end of the grant period.
- **New Competitive Business Advantage (CBA) Program:** SFMF's popular CBA training program for emerging market financial institutions, traditionally for IFC clients, will now be offered to non-IFC clients and made more market oriented. It will be regionally targeted and delivered jointly with regional partners by local trainers with a view to developing local capacity to run the program with minimal IFC input.
- **Private Equity Funds Program:** SFMF developed and piloted a new training course in Beijing, China specifically geared to private equity funds. The course combines environmental, social, and corporate governance content. The course will be rolled out several times a year in key capital cities.



IFC's mission is to promote sustainable private sector investment
in developing countries and economies in transition.

ENVIRONMENTAL OPPORTUNITIES FACILITY (EOF): Provides catalytic project development funding and flexible investment financing for innovative projects that address primarily local environmental issues. Target sectors include environmental infrastructure services (e.g., clean water supply), pollution abatement services, and improvements in the sustainable use of resources. The facility aims to overcome the barriers to investments in these sectors and move projects toward commercial viability. In this way, EOF will give IFC the ability to “push the market” toward adopting new business models and technologies that address the most immediate environmental problems of those living in developing countries, especially the poor. EOF provides project preparation grants and investment funding to projects that offer innovative private sector solutions to local environmental issues such as clean water supply or air pollution. Eligible projects can either produce goods or services with significant environmental benefits or increase the sustainability of resource use through eco-efficiency improvements.

EOF's FY04 highlights include the following projects:

- **TurboTech, India (Equity):** TurboTech Precision Engineering Private Limited designs turbo machinery employing local Indian talent and has launched a range of innovative turbines in India for combined heat and power applications. Its flagship energy conservation (steam) turbine can replace a pressure reduction valve in a saturated steam system and generate electricity inexpensively. EOF's investment will strengthen TurboTech's manufacturing capabilities, extend its national marketing and service reach, and partially finance the beta-testing of a new low-cost gas turbine. The small size and low price of the turbines will help introduce cogeneration to thousands of Indian industries.
- **Ecomex (Grant):** Ecomex sells compressed natural gas (CNG) and CNG-fueled microbuses in Mexico City, which is conducting trials to identify suitable vehicles for its transportation corridors. EOF would support the trial operation of two CNG buses to be supplied by two Chinese manufacturers. The introduction of CNG buses would reduce emissions of pollutants and greenhouse gases from conventional diesel and alternative fuel buses.
- **Ignite Innovations Incorporated (Equity):** A small US start-up firm emerging from a Stanford Business School course in socially responsible investing aims to supply the poorest markets across the world with goods providing strong environmental and social benefits. EOF's investment will help fund, through a joint venture with a prominent Indian entrepreneur, the manufacture and market launch of Ignite's first product: an innovative, low-cost solar LED light that will reduce indoor air pollution for users of fuel-burning lanterns.



Capacity Building Facility

IFC's Capacity Building Facility (CBF) supports projects that create opportunity and break down barriers for small and medium enterprises (SMEs), while also enhancing investment opportunities for the Corporation. Established in 2000 with the creation of the Small and Medium Enterprise Department, CBF was envisioned as a way to enhance the effectiveness of IFC's SME work. IFC contributes \$7.1 million annually to CBF to pursue SME development through grants for innovative pilots and partnerships with best practice organizations.

Today, less than four years since its inception, CBF has approved 117 projects with \$23.3 million in grant funding, including 18 new approvals in FY04. In addition, CBF has 13 projects totaling \$2.1 million that were approved but not yet committed for FY04. These projects have:

- supported numerous IFC investment opportunities with critical SME components
- broadened the service offerings of the project development facilities (PDFs)
- strengthened relationships with world-class partners
- facilitated creation of new initiatives like the Strengthening Grassroots Business Organizations Initiative (SGBI)

CBF supports projects and intermediaries through focused TA that increases SMEs' access to capital, forms links to large firms and markets, provides better access to business services and information, and improves the business environment. An emphasis on innovation and best practice coupled with an openness to learning from external partners continues to characterize CBF.

CBF's Main Areas of Focus

LINKAGES. Since its formation less than two years ago, the Linkages Unit of the SME Department has increased the impact of selected IFC investments by giving SMEs and local communities the opportunity to participate in these projects. Linkage projects achieve this by improving local technical and business skills, facilitating access to finance, strengthening local supply and distribution networks, and supporting community development projects.

Since inception, IFC's linkage programs have been implemented in 14 countries and are linked to over \$1 billion in IFC investments. Today, about a dozen projects are being actively implemented and some 30 new projects are under development. CBF has contributed \$4.7 million to linkage programs, which leveraged contributions of over \$10 million from private sponsors and other sources.



SMALL BUSINESS FINANCE. CBF's work with banks focuses on reducing risk and transaction costs in SME lending, such as credit scoring. CBF provided seed money to develop bank training programs in Africa and is currently reviewing a proposal to strengthen and standardize the bank training materials developed by the Mekong Private Sector Development Facility's (MPDF) Bank Training Center. FY04 also marks CBF's first leasing initiative, as it is supporting the Central Asia Leasing Facility and the development of a leasing manual.

MICROFINANCE. CBF has funded \$5.72 million in microfinance projects. Capacity building initiatives help MFIs attain full commercial sustainability through the improvement of internal systems, establishment of risk management systems, and development of new products to meet customer needs.

BUSINESS SERVICES. Small business owners need more than cash to help their businesses survive and thrive. In response, CBF funds consultant capacity building, training, mentoring, and entrepreneurship services. Increasingly, CBF is focusing on supporting service providers whose primary clients are SMEs and who develop products and services that they can sell in a sustainable manner.

NGO COMMERCIALIZATION. Best-practice NGOs and social enterprises that work with disadvantaged communities have made a huge difference in the lives of their beneficiaries. Marketing, strategic planning, and product design training to these NGOs enables them to become high-quality suppliers of international commercial buyers, thereby reducing their dependence on donors.

BUSINESS ASSOCIATIONS. Empowering local business membership organizations supports the reform process and reduces government red tape. CBF has facilitated the development of a network of PDFs, World Bank, and IFC staff, together with best practice partners including the Confederation of Danish Industries and Canadian Manufacturers & Exporters, to learn from one another.

REVISITING PAST TA PROJECT

Mozal: IFC's Linkages Program

In Mozambique, the Mozal aluminum smelter, which generated 55 percent of the nation's exports in 2001, opened the door for increased opportunities for SMEs and positively impacted the local community.

IFC invested approximately \$133 million in Mozal, and in parallel, CBF provided a grant for the SME Empowerment Linkages Program (SMEELP), which provided contract opportunities for local small businesses. The program identified high-potential SMEs and provided training and mentoring so that they could win and successfully deliver on contracts. As a result, 15 local SMEs won 27 contracts valued at over \$5 million, all of which were successfully delivered. Based on its success, SMEELP was replicated at another smelter construction project in South Africa.

Mozlink, the Mozal Linkages Program, is the continuation of the SMEELP supplier program and was supported by a second and third CBF grant totaling \$880,000. The program includes technical assistance to two local financial institutions, Novobanco and Gapi, so they can develop and offer financing products needed by the linked SMEs. A local consultant capacity building program was also introduced to train local consultants in the technical areas that SMEs need in order to deliver on Mozal contracts.

The project has also leveraged the Mozal Community Development Trust (MCDT), a Mozal-funded trust, with a \$305,000 grant from CBF. This financial support has enabled MCDT to expand its training to new entrepreneurs and farmers, to build a new secondary school serving 700 pupils (potential Mozal employees), and to build a new laboratory for a local health clinic.

Portfolio Analysis

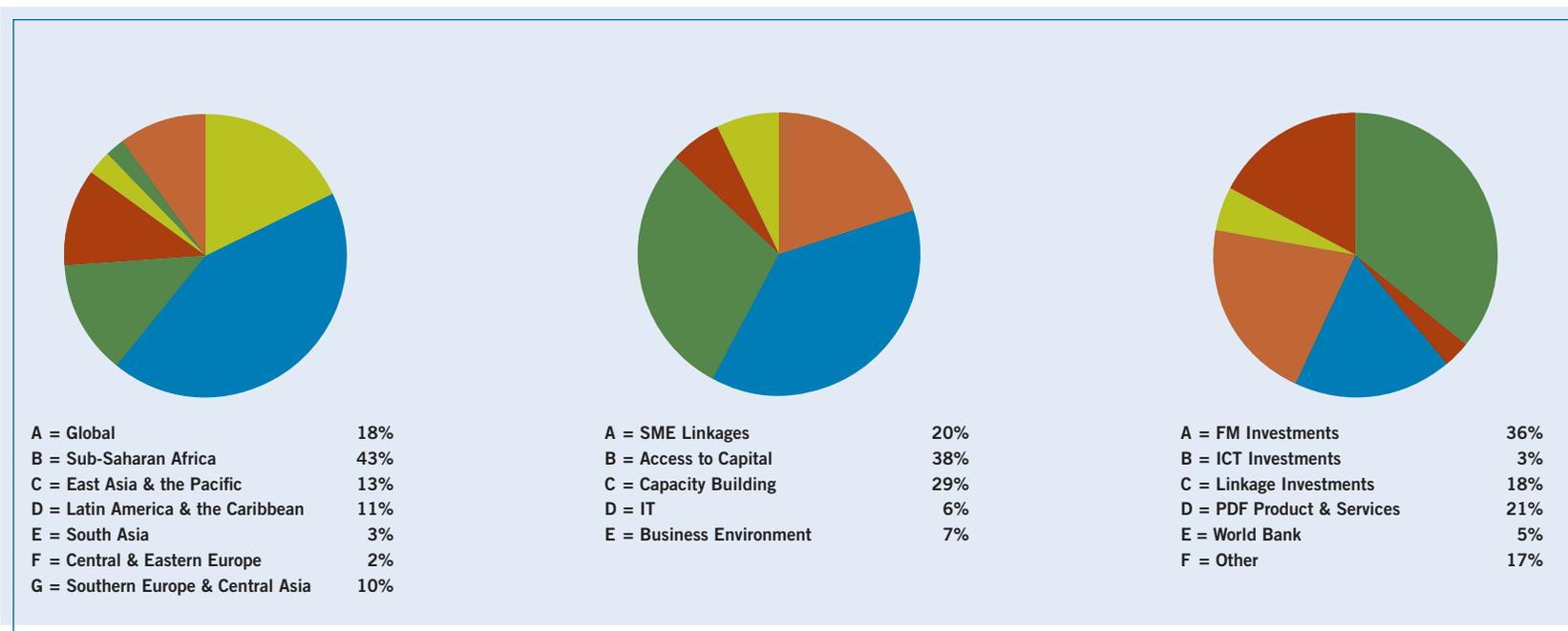
CBF focuses on projects in financial markets (38 percent of total funding), capacity building (29 percent), and linkages (20 percent). These support IFC's financial markets investments, PDFs, or innovative projects such as the SGBI or the Hotel e-marketplace.

Thirty-nine percent of CBF funds support IFC investments and enhance their impact on SMEs, primarily through financial markets and linkages. CBF funds are often provided in parallel to IFC investments; however, many projects prepare the groundwork for a potential investment.

Twenty-one percent of CBF projects support IFC's PDFs. CBF now requires that projects sponsored by a PDF be replicated throughout the rest of the PDF network. For example, CBF funded the development of a consultant development tool at CPDF that is now being considered for replication as a tool throughout the PDF network.

Funding levels also reflect an emphasis on Sub-Saharan Africa (43 percent of funding) and low income countries (83 percent of projects are in IDA-eligible countries), where the challenges facing SMEs remain significant and where SMEs dominate the private sector.

Some 35 percent of CBF projects link IFC to best practice partners that are expanding their work into new regions, typically in the area of finance. Another 18 percent are large linkage projects where IFC has developed a comprehensive partnership with the project sponsor, who typically contributes significantly to the project.



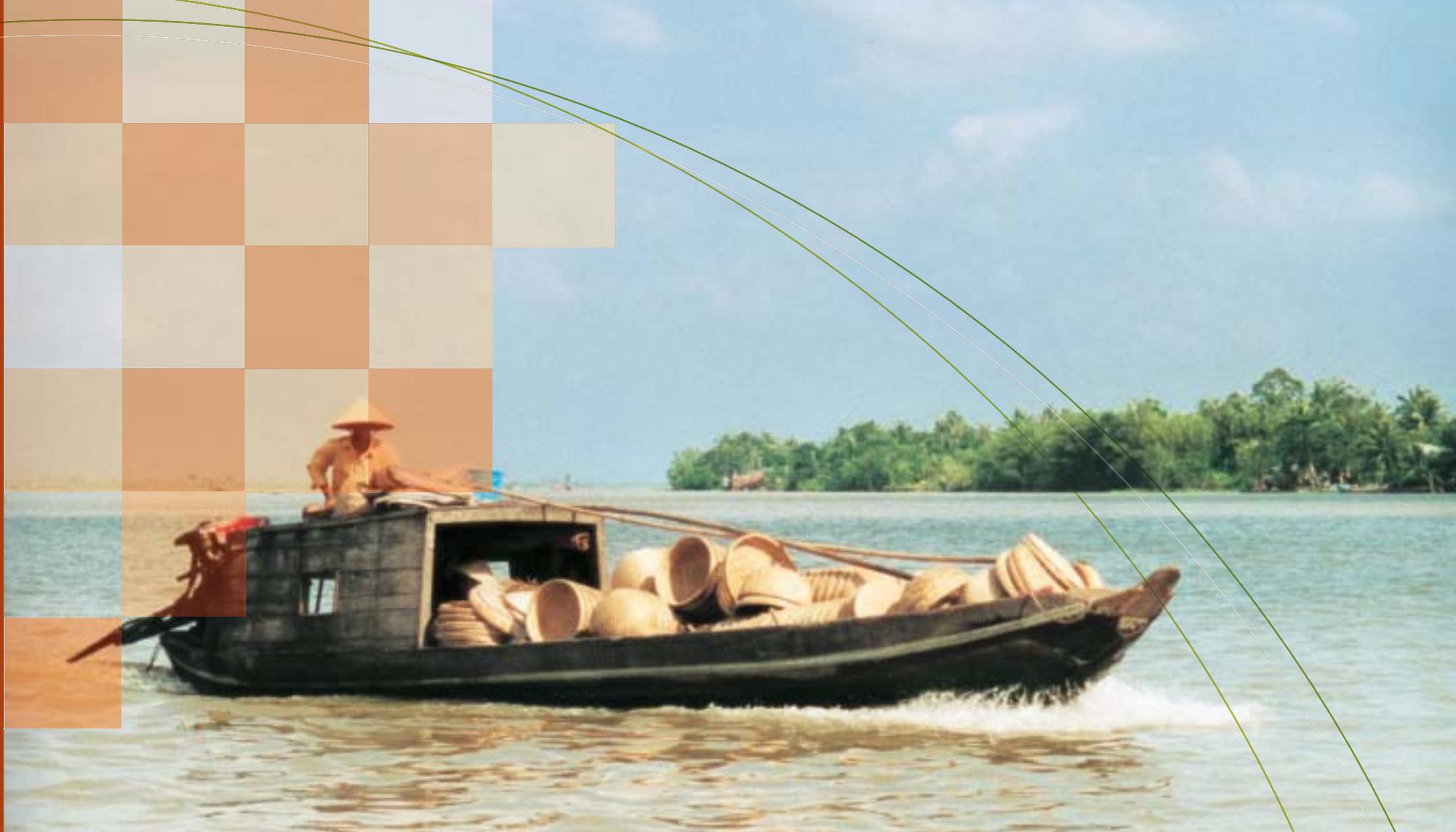
Global Lessons

As CBF begins to exit its initial projects, accomplishments to date reveal a record of success. Some of the key lessons are:

- International providers of services should be focused on transferring skills and products to lower-cost local service providers rather than on providing services directly. This not only saves valuable resources but contributes to the transfer of skills to developing countries.
- Standardizing project materials, methodologies, terms of reference, and reports for similar activities reduces costs and allows for better comparisons among projects. This “packaging” facilitates replication and scaling-up of high-quality products.
- Linking TA and investments allows IFC’s technical assistance work to tap into IFC’s extensive sectoral expertise.
- Business service providers are more likely to utilize best practices when technical expertise is provided together with funding.
- Developing sustainable funding sources (such as corporate sponsors) and focusing on higher value-added services contribute to the sustainability of business service providers.
- Results from projects undertaken to date also suggest that business association projects should be closely related to general investment climate initiatives and the work of the World Bank.



IFC’s Capacity Building Facility (CBF) supports projects that create opportunity and break down barriers for small and medium enterprises (SMEs), while also enhancing investment opportunities for the Corporation.



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- CBF Capacity Building Facility
- CCF Corporate Citizenship Facility
- EOF Environmental Opportunities Facility
- FIAS Foreign Investment Advisory Service
- PEP Private Enterprise Partnership
- SFMF Sustainable Financial Markets Facility
- TATF Technical Assistance Trust Funds program

Note: Projects implemented through the regional Facilities are not included in the Annex. Donors are not separately identified for multidonor facilities.

Technical Assistance and Advisory Projects

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
SUB-SAHARAN AFRICA			
Regional			
Africa Bank Training Consortium	To develop bank training centers in five African countries supported by European and U.S. bank training institutions.		CBF
Business Development Services	To support and develop the business development service programs to help increase the productivity of small firms in Kenya and Madagascar.	Netherlands	TATF
Center for Sustainability Investing in Africa	To promote environmentally and socially sustainable lending and investment in the private financial sector.	Norway	SFMF
Entrepreneurship Program: Capacity Building	To conduct an impact analysis and organize training for advisors, local trainers, and coaches in the support and training entrepreneurship program.	Netherlands	TATF
Glass Packaging and Tableware: Sector Study	To prepare an in-depth analysis and diagnostic study of the glass industry and prepare a strategy for modernization.	Sweden	TATF
HIV/AIDS Workplace Training	To assist the pilot phase of the HIV/AIDS workplace training initiative and to train local trainers to deliver the training.	Netherlands	TATF
Horus Investments in Microfinance	To offer training to staff of microfinance institutions in Benin, Chad, and Togo and select university graduates.		CBF
Investment Climate, Regional Integration	To assess the investment climate and prospects for regional integration of eight West African Economic and Monetary Union countries.		FIAS
Investment Opportunities in IT and Internet Sectors	To analyze the information technology market and the investment outlook in eastern and southern Africa.	Finland	TATF

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Telecommunications Network: Feasibility Study	To assess the viability of a long-distance telecommunications network.	Sweden	TATF
Angola Banking: Postconflict Support	To help the Enterprise Bank of Angola build capacity to operate in a postconflict environment.	Norway	TATF
Botswana Administrative Barriers to Investments	To review the commercial legal framework, administrative and registration costs, and barriers to investment.		FIAS
Burkina Faso Diagnostic and Competition Policy	To advise on competition policy and related investment.		FIAS
Gambia, The Investment Climate	To study the country's investment climate.		FIAS
Ghana Private School Association	To provide business planning and training to private primary and secondary schools.		CBF
Sustainable Agribusiness Commodities	To help an agricultural commodities merchandiser develop sustainable timber certification protocols for harvesters.	Norway	CCF
Guinea-Bissau Tax System Review	To review and recommend improvements of the tax and incentive systems.		FIAS
Kenya Administrative Barriers to Investments	To study administrative barriers to investment.		FIAS

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Cooperative Bank	To build the bank's capacity in corporate governance, systems, and marketing.		CBF
Honey: Fair Trade Certification	To help a cooperative develop fair trade markets for honey.	Norway	CCF
Investment Policy	To review the country's legal framework for business.		FIAS
Magadi Soda Community Development	To assess needs and provide capacity building or community development around the Magadi soda mine site.	Norway	CCF
Lesotho			
Administrative Barriers to Investments	To help design a computerized company registry and reform the licensing system for private enterprises.		FIAS
Madagascar			
Leasing Services Support	To review the potential to expand financial leasing operations and draft new laws and to conduct leasing benefits awareness seminars.	Italy	TATF
SME Support Center	To establish an SME Solutions Center and develop an information package and French language training tools.		CBF
Mali			
Entrepreneurship: Endeavor II	To help roll out a successful entrepreneurship promotion model to South Africa.		CBF
Microbusinesses: Trickle-Up	To set up community-based funds and training to help extremely poor people establish microbusinesses.		CBF
Mauritius			
Water and Sanitation: Transaction Advisory Mandate	To advise on private sector participation in water and sanitation services.	IFC TA Fund	TATF
Mozambique			
Capital Markets Development Study	To help enable individuals and institutions to acquire the government's stake in the Southern Africa Regional Gas Project.	Switzerland	TATF

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Carbon Finance: Feasibility Study	To examine the feasibility of using natural gas and carbon finance in the electricity, industrial, transport, and domestic sectors.	Norway	TATF
Tourism Investment Program	To implement and complete a new tourism policy and strategy, and to identify investment projects and associated tourism circuits, fostering the establishment of SME support programs.	Netherlands	TATF
Nigeria			
Administrative Barriers to Investments and Promotion Strategy	To assist in the reform of business registration as part of a micro, small, and medium enterprise program.		FIAS
Bond Markets Development Program	To advise the country's securities commission and stock exchange on developing the local bond market.	Canada IFC TA Fund	TATF
Power Generation and Distribution	To provide technical, commercial, environmental, investment banking, and legal services to develop private power generation and distribution.	Ireland	TATF
Senegal			
Private Power Project	To help the government review the legal structure for an independent power plant.	Switzerland IFC TA Fund	TATF
Seychelles			
Investment Climate	To review the environment for domestic and foreign direct investment.		FIAS
Sierra Leone			
Postconflict Investment Climate	To review the country's investment climate and make recommendations for a post-conflict environment.		FIAS
South Africa			
Forest Products: Export Market Assessment	To assess the export market for a forest products company and prepare a strategy for the country's forest products sector.	Canada	TATF
Forest Products: Revenue Streams	To help a forest products company develop new revenue streams from its timber and land holdings.	Norway	EOF

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Municipal Finance Company	To help establish an institution providing finance and advisory and capacity building services for municipal infrastructure in Africa.	Norway	TATF
Sustainable Mining	To run an executive development course on competitiveness and corporate social responsibility.	Netherlands	CCF
Tanzania			
Agriculture Promotion	To improve opportunities for local growers to supply a sugar company and help replicate the model within Africa.		CBF
Competition Policy	To analyze the relationship between productivity, competitiveness, economic growth, and poverty reduction.		FIAS
Irrigation Foot Pumps	To provide the technical capacity to develop a distribution chain.	Netherlands Norway	EOF
Uganda			
Administrative Barriers to Investments	To review the administrative barriers to investment, with a focus on key export-oriented sectors.		FIAS
Uganda Village Phone	To establish village phone microenterprises in rural areas.		CBF
Zambia			
Administrative Barriers to Investments	To help the government reform administrative barriers to increase investment and business activity.		FIAS
Investment Policy: Law	To assist the Zambia Investment Center's efforts to amend the Investment Act and reintroduce investment incentives.		FIAS
East Asia and the Pacific			
Regional			
Bank South Pacific	To expand services and financing to small businesses through improved systems and data scoring.		CBF

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Encouraging Cross Border South-South Trade	To identify weaknesses in current practices and provide specific training to bring the practices to international standards, and to enhance trade finance practices among banks in Southeast Asia and promote regional growth through south-south trade.	Switzerland	TATF
General Manufacturing and Services Projects: Needs Assessment and Diagnostic Studies	To assess the viability of links between manufacturers and local small and medium businesses.	Japan	TATF
Investment Opportunities Survey	To analyze the business process outsourcing (BPO) market and its regional investment outlook. The TA will also provide information to assist governments of the target countries in developing policies to the BPO sector.	Ireland	TATF
Linkages	To examine the impact of investment policies on links between foreign investors and domestic businesses, especially small and microenterprises.		FIAS
Pacific Islands Investment Policy	Two projects: to assess screening practices and approvals mechanisms used by Pacific countries and their impact on foreign investment, and to review the progress made by these countries on investment policies that comply with APEC principles.		FIAS
Cambodia			
Investment Policy: Law	To help the government prepare implementing regulations.		FIAS
Marketing Plan	To provide training and help develop a marketing plan for silk crafts production and a restaurant operation.		CBF
Private Sector Forum	To improve government-private sector dialogue and monitor progress on issues raised by the private sector to improve the investment climate and stimulate private sector development in the country.	Australia	Regional Program
China			
Automotive Industry: Sector Study	To assess the automotive market, including major players and potential investments.	Sweden IFC TA Fund	TATF
Banking: Corporate Governance	To strengthen the corporate governance of Lotus Bank to support its growth in retail and SME finance.	Ireland IFC TA Fund	TATF
Bond Market Development Program	To help develop a credit rating culture to support the development of the local nongovernmental bond market.	Canada IFC TA Fund	TATF

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Business Planning and Capacity Building	To help Minsheng Shipping Company plan an expansion of its business and improve its financial management standards.	Norway	TATF
Evaluations and IT Systems Development	To help the National Council for Social Security Funds evaluate its liquid assets and formulate policies for investment and information technology.	Ireland IFC TA Fund	TATF
Financial Audit Assistance	To help two private universities carry out an audit based on international accounting standards and to institute proper accounting standards to meet these standards.	Sweden IFC TA Fund	TATF
Glass Industry Transformation	To develop a strategy for the country's float glass sector.	Sweden IFC TA Fund	TATF
Leasing Company	To help the New Century Finance Leasing Company strengthen capacity and compliance with international standards and best practices.	Netherlands	TATF
IT Sector: Strategic Overview and Market Analysis	To help develop the IT sector and highlight the types of projects that could result in positive economic and developmental impacts while at the same time being commercially viable.	Sweden	TATF
Mining Supplier Development Program	To facilitate local suppliers for the mining operations of Sino Gold and develop other sectors for economic growth after mine closure.		CBF
Paper Mill Wastewater Treatment Technology	To develop commercial pilots of a technology to treat the wastewater from straw pulp plants, a major source of pollution.	IFC	EOF
Pharmaceutical Industry: Sector Study	To review the pharmaceuticals industry in Sichuan province and its role in the local economy.	Sweden	TATF
Promotion Strategy	To discuss the environment for foreign direct investment with government officials from northeast China.		FIAS
Pulp and Paper Industry Development	To prepare a development and financing plan for the nonwood pulp and paper industry.	Finland	TATF
Strategic Business Development	To help a metal technology company prepare a business plan and institute processes to facilitate the preparation of consolidated baseline financial statements in accordance to International Financial Reporting Standards.	Denmark IFC TA Fund	TATF
Fiji			
Banking: Management Program	To provide mentoring for the staff of Fiji Development Bank on processes and procedural changes.	Australia	TATF
Investment Policy	To assist with policy and legislative recommendations on foreign investment.		FIAS

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Marshall Islands Investment Policy	To help the government review and update its policy on foreign direct investment.		FIAS
Mongolia Leasing Development Project	To develop the capacity of the government's leasing agency, building opportunities for local and foreign leasing investments, and educating private enterprises, financial institutions, and regulatory bodies in leasing.	Japan IFC TA Fund	PEP / TATF
Mining Sector: Scope Study	To help strengthen small and medium enterprises working with the mining sector.	Ireland	TATF
Papua New Guinea Investment Climate	To review the environment for foreign direct investment and recommend improvements.		FIAS
Philippines Assessment of Stock Exchange	To provide an independent assessment of the Philippine Stock Exchange and provide general recommendations on how to improve its performance.	Italy	TATF
Banking: Institutional Strengthening Program	To help Banco de Oro improve its credit risk management, corporate governance, and policies on money laundering.	Canada IFC TA Fund	TATF
Electricity: Private Sector Participation	To help the government achieve complete village electrification by 2006 and increase private sector participation in power generation in non-grid areas.	Norway IFC TA Fund	TATF
Fixed Income Exchange Board	To help Philippine Dealing and Securities Holding, Inc., set up infrastructure for the local bond market.	Italy	TATF
Microenterprise Bank Philippines	To strengthen the bank's sustainability through recruitment and training of loan officers, new management systems, and enhanced monitoring of loans.		CBF
Mining: Consensus Building	To raise stakeholders' awareness of the potential economic contribution of mining operations.	IFC TA Fund	TATF

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Samoa Lending and Credit Appraisal Enhancement	To help draft new credit procedures for the National Bank of Samoa Ltd and to assist with the training of its staff.	New Zealand	TATF
Solomon Islands Credit Union Revitalization	To analyze credit unions and savings clubs and identify changes necessary for a sustainable revival of the credit union movement.	Australia	TATF
Thailand Bond Market Development Project	To help the Thai Bond Dealing Center implement market surveillance and self-regulatory functions.	IFC TA Fund	TATF
Timor-Leste Investment Policy and Promotion	Two projects: to review draft investment legislation, and to evaluate a proposal for an investment promotion agency.		FIAS
Vietnam Business Forum	To finance activities of the Vietnam Business Forum that promote dialogue between the government and the business community to improve its investment climate and private sector development within the country.	Canada	Regional Program
Consumer and Small Business Banking	To help Sacom Bank expand operations in retail and small business finance.	Switzerland	TATF
Credit Bureau Program	To help develop credit reporting to extend credit to underserved segments of the population, in particular small businesses.	Australia	TATF
Housing Finance, Privatization Assistance	To analyze the housing finance market and help the Central Bank of Vietnam privatize the Housing Bank of Mekong Delta.	Denmark	TATF
Investment Policy: Law	To support creation of a Unified Law on Foreign and Domestic Investment.		FIAS
South Asia			
Bangladesh Feasibility Study and Business Plan	To assist the developer of a low-cost device for purifying household drinking water.	Netherlands IFC	EOF

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Bhutan Institutional Development	To support the government's efforts to attract and manage foreign direct investment.		FIAS
India Food Production and Safety Management	To improve food safety and quality management and implement a Hazard Analysis and Critical Control Point food safety management system.	Sweden	TATF
SME Sector: Global Business School Network	To determine the educational needs of the SME sector and develop relevant business training.	Netherlands	TATF
Special Economic Zones	To facilitate public and private sector discussion on special economic zones.	Switzerland	TATF/FIAS
Sri Lanka Competition Policy	To analyze the relationship between productivity, competitiveness, economic growth, and poverty reduction, and review the state of competition.		FIAS
SME Programs	To develop SME initiatives and consider establishing a project office in the country to carry out and manage these activities.	Netherlands	TATF
Europe and Central Asia			
Regional Central Asia Leasing Facility	To assist leasing companies that are candidates for investment through the facility.		CBF
Commercialization of Energy Efficiency Finance	To help implement energy-efficient projects through market evaluation and promotion of related service companies.	Finland	TATF
Glass Container Manufacturing: Strategic Assessment	To assess the glass container industry in Ukraine and Russia and promote its sustainable development.	Switzerland	TATF
Hazard Analysis Critical Control Point Training	To provide training in food safety management to agribusiness consultants and public health officials from Albania, Bosnia and Herzegovina, and Serbia and Montenegro.	Greece	TATF
Housing Finance Analysis	To document housing finance systems, capital markets, and related laws in Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan and aid in the development of a long-term business strategic plan.	Switzerland	TATF

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Housing Finance Institutions: Feasibility Study	To assess housing finance systems, capital markets, and the legal framework in the Balkan region and assist in the development of a long-term business strategic plan.	Spain IFC TA Fund	TATF
Albania Administrative Barriers to Investments	To help the government reduce administrative barriers to investment.		FIAS
Armenia Gold Jewelry Project: Feasibility Study	To advise the Yerevan Jewelry Company on global best practice and competitiveness in the international market.	Israel	TATF
Bosnia and Herzegovina Banking: Legal Advisory	To help implement a merger of Union Banka and other state-owned banks.	Austria IFC TA Fund	TATF
Herbal Development Initiative	To help develop associations that can enhance the herbal sector's sustainability.	Netherlands Norway IFC	CCF
Bulgaria Administrative Barriers to Investments	To help review administrative procedures for doing business.		FIAS
Croatia Administrative Barriers to Investments	To help the government implement the findings of a 2002 study.		FIAS
Czech Republic Supplier Support Program	To complete the training of local SME specialists and help fund their training and coaching of domestic enterprises.	IFC TA Fund	TATF
Georgia Administrative Barriers to Investments	Two projects: to help the government design its investment climate program, and to implement recommendations of a study on administrative barriers.		FIAS

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Kazakhstan Oil and Gas Supplier Development	To help develop suppliers around the Karachaganak oil and gas field project.		CBF
Quality Management, Certification and Business Services to Local SMEs	To help local SMEs become eligible suppliers to international consortia operating in joint ventures with the government.	Netherlands	TATF
Latvia Administrative Barriers to Investments	To analyze the impact of reforms to remove administrative barriers to investment.		FIAS
Macedonia, FYR of Administrative Barriers to Investments	To provide recommendations on the government's capacity for business environment reform.		FIAS
Moldova Investment Policy: Law	To review the draft law on foreign investment and discuss recommendations with government officials.		FIAS
Russian Federation A Chance to Work	To promote corporate social responsibility and to provide Russia's disadvantaged youth with opportunities to improve their lives.	IFC TA Fund	PEP / TATF
Administrative Barriers to Investments	Three projects to make recommendations for removing administrative barriers to investment in the Kaliningrad, Perm, and Tomsk oblasts.		FIAS
Bank Capacity Building	To help UralTransBank introduce international practices in credit procedures and corporate governance.	Switzerland	TATF
Banking Sector: Corporate Governance	To improve the internal governance of Russian banks and their credit assessment of corporate clients.	Switzerland	PEP
Commercial Bank: Technical Assistance	To help Sibacademank introduce international practices in credit procedures and risk management.	Norway	TATF
Environmental, Health and Safety Study	To assist Volga and North Western Shipping Companies understand environmental, health, and safety problems at their ship repair and maintenance yards and recommend suitable options.	Netherlands	TATF

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Higher Education: Strategic Business Plan	To assist four private higher education institutions in strategic planning and capital investment plans.	Israel IFC TA Fund	TATF
Investors: Diagnostic	To survey potential investors in three Russian regions.		FIAS
Leasing: Northwest Russia	To develop leasing in northwest Russia and help Swedish companies establish commercial links with Russian businesses.	Sweden	PEP
Local Community Capacity Building	To build stakeholders' capacity to engage in discussions about development.	Italy	CCF
Microfinance Institution: Feasibility Study	To assess the feasibility of transforming a noncommercial financial institution to a specialized microfinance bank in the Samara region.	Denmark	TATF
Primary Mortgage Market Development	To help meet the demand for mortgages, particularly in regions outside the capital.	Switzerland IFC	PEP
Retail Lending Development	To help Bank Vozrozhdenie strengthen its practices in credit procedures and risk management and develop its retail lending.	Canada IFC TA Fund	TATF
Social and Environmental Management	To help Novatek, a private gas company, bring monitoring of its social and environmental performance into line with international standards and to develop a coherent, effective, and documented approach to its existing programs for local indigenous groups.	Denmark	TATF
Steel Sector: Market Assessment	To analyze the demand characteristics for various types of the steel pipe market and to help IFC consider financing the modernization of steel pipe producers, which would foster the development of Russian steel pipe sector.	United Kingdom	TATF
Telecom Regulatory Body	To review the regulatory environment for telecommunications and determine steps for setting up and funding an independent regulator.	Sweden	TATF
Waste Gas Utilization: Feasibility Study	To test the viability of capturing gas wasted in the process of extracting oil and recovering gas from low-pressure wells.	Germany	PEP
Serbia and Montenegro			
Administrative Barriers to Investments	To analyze and make recommendations for removing administrative barriers to investment.		FIAS
Business School: Feasibility Study	To prepare a market survey and feasibility study for a new business school.	Italy	TATF

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Cogeneration of Heat and Electricity	To identify potential for cogeneration power within existing electric power production plants, industrial sites, and district heating systems.	Italy	TATF
Foreign Direct Investment: Strategy	To assess the investment environment and advise on improvements to attract foreign direct investment.		FIAS
Pipeline: Development Strategy	To help develop the country's energy sector and launch the development of the Constanza-Pancevo-Omisalj-Trieste pipeline.	Italy	TATF
Poultry Company: Corporate Reorganization Study	To help a poultry breeding company restructure its operations to meet international meat industry norms, maximize efficiency and productivity, and reduce production costs.	Italy	TATF
Privatization Agency	To assist the capital market center in the country's privatization agency in dealing with the States Share Fund sale program. The TA will also help identify and correct potential weaknesses in delivering this program	Italy	TATF
Restructuring Program: Elektronska Industrija	To help the country's privatization agency restructure state-owned companies prior to privatization and to assess plans for establishing an industrial district, a multifunction logistic center, and a trade village.	Italy	TATF
Water and Sanitation: Private Sector Participation	To foster private sector participation in the water supply and sanitation sector.	Italy Sweden IFC TA Fund	TATF
Tajikistan			
Banking: Sustainability	To help ensure the First MicroFinance Bank of Tajikistan's long-run sustainability and commercial viability in order to provide microfinance services to the previously underserved target population.	Canada	TATF
Microfinance: Institutional Transformation	To help an NGO transform itself into a commercially viable microfinance bank and to create a legal structure appropriate to a commercial entity, and build institutional capacity.	Canada	TATF
SME Policy Phase II	To improve regulatory procedures for SMEs and launch an information campaign for entrepreneurs.	Switzerland	PEP
Turkey			
Competition Policy	To conduct presentations on investment climate and competition policy to the country's competition board.		FIAS
Investment Advisory Council	Two projects to help the government establish an investment advisory council, composed of international executives, that will support investment climate reforms based on international best practice.		FIAS

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Ukraine			
Accounting and MIS Diagnosis	To help Nova Liniya assess its finance and accounting functions and to set up a new management information system.	Italy	TATF
Banking Sector: Corporate Governance	To improve the internal corporate governance of banks and improve their credit assessment of corporate clients.	Switzerland	PEP
Banking Sector Corporate Governance Project	To assess how banks follow corporate governance best practices.	Switzerland	PEP / TATF
Leasing Development	To create a suitable legislative environment for leasing and develop the capacity of the agency supervising the sector.	Netherlands	PEP
Poultry Producer: Food Safety and Quality Management System and Accounting and Finance	To help Mironovsky Khleboprodukt, a poultry producer, manage its production safety and quality, and to help expand and modernize its finance and accounting departments.	Italy Sweden	TATF
SME Policy Development	To monitor the regulatory environment for SMEs and promote a consolidated law on permits for business start-up and expansion.	Norway IFC TA Fund	TATF
Uzbekistan			
Garment Manufacturing: Market Survey	To assess the production machinery, market conditions, and technological requirements of an expanding garment manufacturer.	Switzerland	TATF
Privatization: Business Plan Development	To help Uzbektelecom prepare a business plan to prepare for privatization.	Japan	TATF
SME Policy Phase III	To continue development of regulatory policy and increase entrepreneurs' access to information.	Switzerland	PEP
Latin America and the Caribbean			
Regional			
Business Environments	To identify and assess constraints in the business environments of certain Caribbean countries.		FIAS
Credit Bureau Program	To help develop private credit bureaus that will extend credit to underserved segments of the population, in particular small businesses.	Italy	TATF

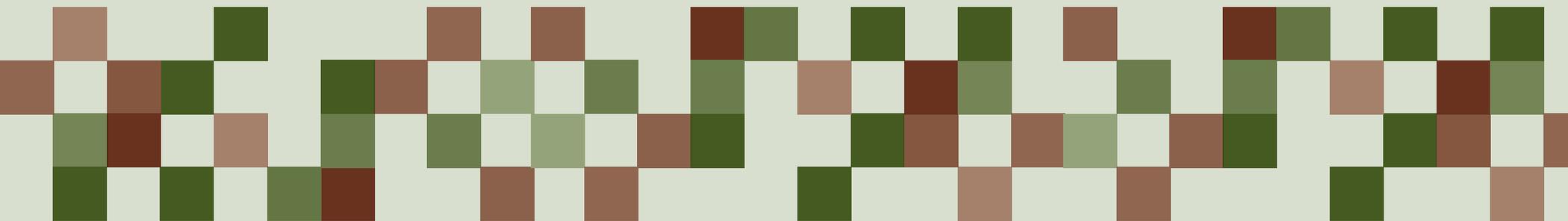
PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Life Insurance for Disabled Persons	To assess the technical and financial viability of establishing a life insurance company for the disabled.	IFC TA Fund	TATF
Precious Woods	To help a Brazilian-based forest products company develop new revenue streams from its timber and land holdings.	IFC	EOF
Regional Housing Finance Facility	To analyze housing finance markets and potential for mortgage lending in Costa Rica, El Salvador, and Panama.	Italy IFC TA Fund	TATF
Bolivia			
Labor Market Study	To review the country's labor market and determine the most important needs for higher education.	Netherlands	TATF
Llama Fiber, Prodem Foundation	To support the infrastructure needs of small producers of llama fiber and provide training on quality issues.		CBF
Microfinance: Prodem FFP	To provide funding to a rural microfinance institution to improve financial services for clients.		CBF
Colombia			
Development Finance: Feasibility Study	To study the market needs and develop a viable blueprint to transform development finance companies into modern investment banks.	Spain	TATF
Costa Rica			
Investment Taxation and Incentives	To review the corporate income tax and incentive system to help the government structure a reform proposal.		FIAS
Ecuador			
Sustainable Supply Chains	To develop supply chains in the banana industry that are environmentally sustainable and socially equitable.	IFC	CCF
Wastewater Treatment	To help Procesadora Nacional de Alimentos C.A. broaden its technical knowledge of secondary wastewater treatment and treated effluent management options.	Germany	TATF
El Salvador			
Business Development Support for Retailers	To support business school development to address the needs of local communities.	Norway	CCF

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Coffee and Apparel: Corporate Social Responsibility	To assess corporate social responsibility initiatives in the coffee and apparel industries and design policy tools to strengthen these initiatives.		FIAS
Faculty Development Program	To implement training courses that address the needs of entrepreneurs and introduce a curriculum for university-level students and adults to encourage and prepare them to be entrepreneurs.	Italy	TATF
Global Home Township Program: Feasibility Study	To analyze the potential for the Global Home Township (GHT) program. The GHT is an integrative and community approach to providing increased access to housing and social services.	Sweden	TATF
Grenada			
Investment Climate	To help Grenada Industrial Development Corporation assess the country's investment climate.		FIAS
Guatemala			
Investment Climate	To assess the country's investment climate for discussion with the new government.		FIAS
Mining: Community Development	To establish community-run tree nurseries to supply mine reforestation needs.	Norway	CCF
Guyana			
Investment Policy	To review the country's investment code, comparing it with international good practice.		FIAS
Honduras			
Linkages	To help the government strengthen the framework for labor training.		FIAS
Jamaica			
Investment Taxation and Incentives	To help the government evaluate options for a more appropriate and attractive incentives and tax package.		FIAS
Sustainable Conch Farming	To help develop sustainable conch farming and economies of scale in marketing.	Netherlands IFC	EOF

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Mexico			
Compressed Natural Gas Buses	To support a pilot project using compressed natural gas for commuter buses in Mexico City.	IFC	EOF
E-Government Study	To improve the competitiveness of e-government technology companies.	Spain	TATF
Water Recycling for Lime Plant	To assess the technical and commercial viability of an innovative system to recover water vapor.	IFC	EOF
Nicaragua			
Competition Policy	To analyze constraints to competition in key industries and help design a related policy framework.		FIAS
Peru			
Administrative Barriers, Municipal	To assess administrative procedures at the municipal level in Lima and help improve the local business environment.		FIAS
Student Loan Program Market Study	To study the potential of establishing a pilot student financing facility with local banks and top private universities.	Switzerland	TATF
Middle East and North Africa			
Afghanistan			
Bank Capacity Building	To help the First Microfinance Bank of Afghanistan build capacity by funding key management positions to develop best practice in its operations and to introduce solid management and operating policies and procedures in accordance with Afghan law.	Norway IFC TA Fund	TATF
Investment Policy: Law	To review the country's investment law for a discussion of trade and investment.		FIAS
Egypt, Arab Republic of			
Banking: Sustainable Business Practice	To train bankers in sustainable business practices.		SFMM

PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Iraq Capacity Building	To sponsor capacity building programs for Iraqi businesswomen.		FIAS
Pakistan Administrative Barriers to Investments	To prepare a private sector development strategy for the Northwest Frontier province.		FIAS
Health Sector: Feasibility Study	To study the country's private health care industry and to assess the market for general and specialized services, including hospital-based and ambulatory care, imaging diagnostic and laboratory services.	Japan	TATF
Nonbanking Financial Companies: Investment Analysis	To analyze the competitive positions of the country's leasing companies and investment banks and to strengthen the financial infrastructure.	Canada	TATF
Textile Manufacturer: Wastewater Treatment	To help optimize a wastewater treatment facility.	Norway	EOF
Syrian Arab Republic FDI Environment: Diagnostic Review	To examine the legal, policy, and institutional framework for attracting foreign direct investment.	France	TATF
Investment Policy: Law	To review investment legislation to make it more conducive to attracting foreign direct investment.		FIAS
Tunisia Environmental and Social Assessment	To assess the portfolio of the Tuninvest Fund and identify opportunities to improve sustainable practices.	Norway	SFMF
Global Competitive Business Advantage Workshops	To provide an introduction to sustainable banking and environmental risk management; workshops in Africa, Europe and Central Asia, and Latin America.	Netherlands Norway IFC	SFMF
Drinking Water Purification	To help expand a business that retails potable water through franchises and sells water purification equipment and services to communities.	Netherlands	EOF

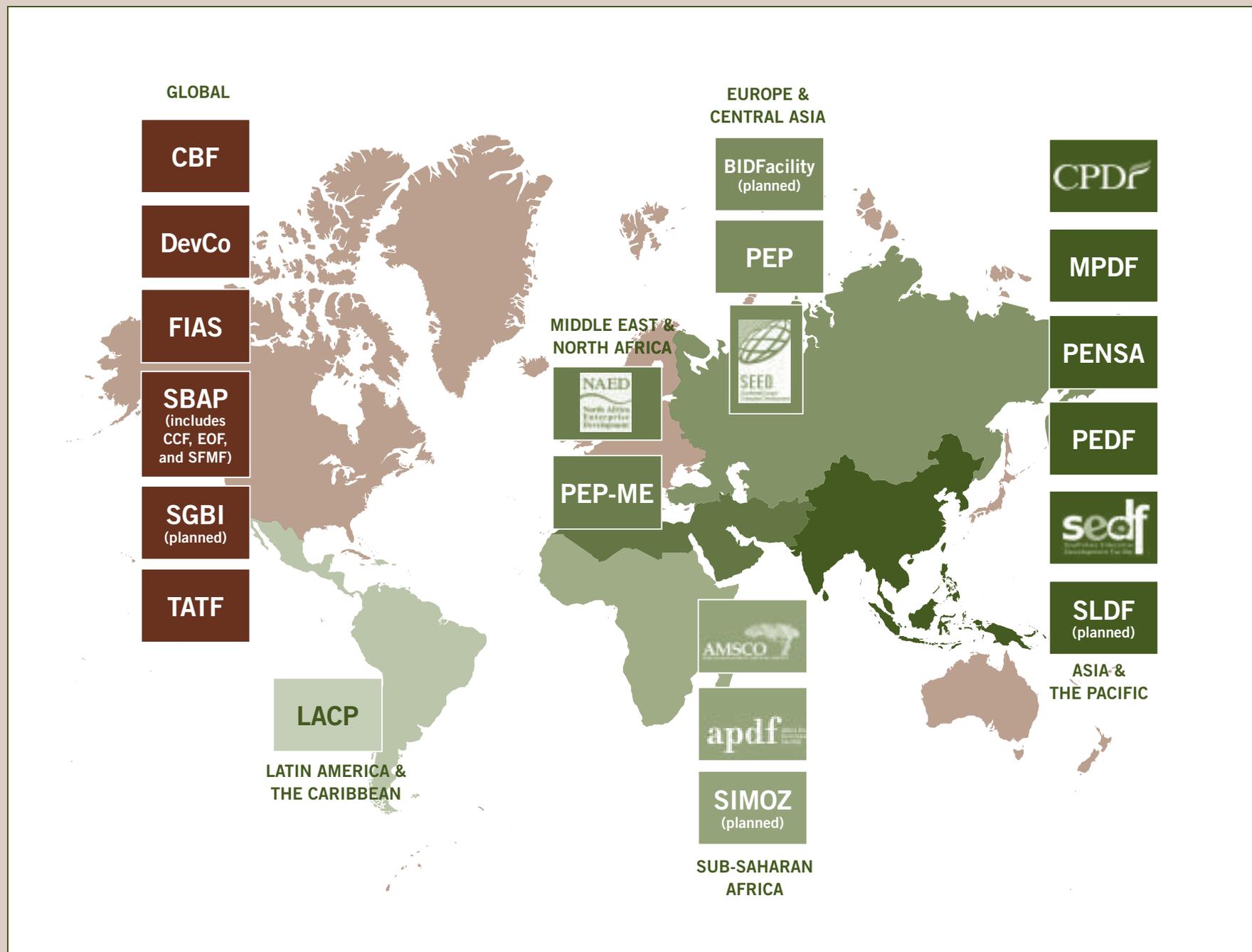
PROJECT	PROJECT DESCRIPTION	DONOR	PROGRAM
Environmental, Health and Safety Guidelines Update	To help update Part II of the Pollution Prevention and Abatement Handbook and the IFC Environmental Guidelines.	Canada Denmark Italy, Norway Sweden	TATF
Global Credit Bureau Program	To help develop private credit bureaus that will extend credit to underserved segments of the population, in particular small businesses.	Norway	TATF
Human Rights Compliance Assessment Tool	To develop an interactive computer program giving companies specific guidance on how to comply with human rights.	Denmark	TATF
Livestock Welfare: Good Practices	To support the development of livestock welfare principles for IFC investments.	Netherlands Norway IFC	CCF
SME Banking: Impact Assessment	To create best practice in impact assessment for SME banking.	Netherlands	TATF
SME Capacity Building: Shorecap Exchange	To build the capacity of microfinance institutions and small business banks.		CBF
SME Management Training	To transform a successful pilot management training program (Business Edge) for SMEs into a core IFC business development product suitable for implementation in multiple countries and regions.	Australia IFC TA Fund	TATF
SME Toolkit	To leverage information and communication technologies to help SMEs in emerging markets learn and implement sustainable business management practices.	IFC TA Fund	TATF
World Hotel Links.com	To facilitate the extension of an online guesthouse booking service to markets worldwide.		CBF



IFC Donor-Supported Technical Assistance Programs: Purpose/Strategy

ACTIVITY /DFO	PURPOSE/STRATEGY	INCEPTION DATE
FIAS	To provide advisory services on improving the FDI environment in emerging markets.	1985
APDF	To respond to the need for project preparation and assistance for African entrepreneurs.	1986
TATF	To develop TA projects to help strengthen the business environment in all IFC client countries, focusing on TAs to promote private sector growth.	1988
AMSCO	Through the ATMS Project, to assist SMEs with substantial African ownership in becoming more sustainable and competitive in national and international markets	1989
PEDF	To assist and accelerate the development of productive, self-sustaining SMEs in Pacific Island countries.	1990
MPDF	To foster growth in the number and size of domestic private firms in the Mekong region.	1996
PEP	To provide focused technical assistance, with the goal of helping build successful private businesses in the former Soviet Union.	In operation since 1997. The Partnership was formally created in May 2000
CPDF	To support the development of private SMEs in the interior of China, with an initial focus on Sichuan province.	2000
SEED	To help support the development of the private sector in Albania, Bosnia, FYR Macedonia, Kosovo, Serbia and Montenegro.	2000
CCF	To demonstrate the business case for progressive approaches to corporate citizenship and to leverage the potential of IFC investments to catalyze improved environmental and social performance.	2002
EOF	To provide catalytic project development funding and flexible investment financing for innovative projects that address primarily local environmental issues.	2002
SFMM	To enhance the environmental and social impact of financial intermediaries operating in developing markets and to have a strategic impact on the sustainability agenda of the broader financial community.	2002
NAED	To support the development of markets and institutions that are key to SME growth in (initially) Algeria, Egypt, and Morocco. To develop SME finance instruments and expertise, improve the business and regulatory environment, and provide support for intermediary organizations.	2002
SEDF	To increase the number and growth rates of SMEs in Bangladesh, Bhutan, and Nepal.	2002
CBF	To fund partnerships and programs that support the four core pillars of the WBG SME strategy.	2002
PENSA	To support the increased flow of capital to SMEs via strengthening SME banks, creating new SME financial products, and identifying and preparing projects for follow-on IFC investment. To support linkage programs related to IFC investments and to work with IBRD on improvements in the business enabling environment.	2003
LACP	To promote private sector development through SMEs in selected countries in Latin America with the aim of fostering job creation and reducing poverty in the host countries. The target countries for this program are Peru, Bolivia, Honduras, and Nicaragua.	2003
DevCo	To set in place sustainable contractual agreements in which infrastructure services are privately provided, with an emphasis on the provision of services to those that currently do not enjoy access.	2003
ISBFF	To enable participating financial institutions to upgrade management skills, loan underwriting procedures and management information systems, and supervision and other systems to meet the needs of the micro and small business finance market in Iraq.	2003
PEP- ME	To provide technical assistance to support private sector development in, initially, Afghanistan, Iraq, West Bank and Gaza, and Yemen.	2004
PLANNED		
BIDFacility	To help the public sector in Southeast Europe increase private participation and investment in infrastructure that contributes to economic development.	2005
SGBI	To strengthen and expand support for Grassroots Business Organizations by the World Bank Group and others.	2005
SLDF	To expand the South Asia SME Development Program from Bangladesh (SEDF) to Sri Lanka and the Maldives.	2005
SIM0Z	To finance small and medium enterprises on a commercial basis and provide technical assistance to investee companies and outside service providers in Mozambique.	2005

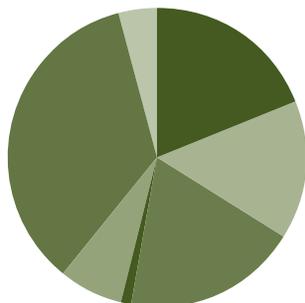
IFC Donor-Supported Technical Assistance Programs: Locations



IFC Donor-Supported Technical Assistance Programs

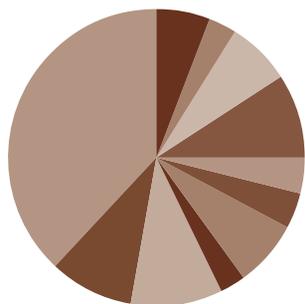
Cumulative Financial Commitments in \$ millions equivalent up to June 30, 2004

CUMULATIVE FINANCIAL SUPPORT BY PROGRAM



A = Sub-Saharan Africa	19%
B = Asian & the Pacific	15%
C = Europe & Central Asia	19%
D = Latin America & the Caribbean	1%
E = Middle East & North Africa	7%
F = Global	35%
G = Closed Facilities	4%

CUMULATIVE FINANCIAL SUPPORT BY DONOR



A = Canada	6%
B = Italy	3%
C = Japan	7%
D = Netherlands	9%
E = Norway	4%
F = Sweden	4%
G = Switzerland	7%
H = UNDP	3%
I = United Kingdom	10%
J = United States	9%
K = Others	38%

DONOR	TATF	FIAS	SBAP	CBF	DevCo ¹	SGBI ¹	SME INITIATIVES	REGIONAL ² FACILITIES	TOTAL
IFC Donor Community									
African Development Bank	-	-	-	-	-	-	-	12.06	12.06
ADB	-	-	-	-	-	-	-	1.50	1.50
EBRD	-	-	-	-	-	-	-	1.22	1.22
European Community	3.50	-	-	-	-	-	-	12.83	16.33
Inter-American Devt Bank	-	-	-	-	-	-	-	3.40	3.40
UNDP	1.14	8.43	-	-	-	-	-	15.69	25.26
Australia	4.74	2.91	-	-	-	-	-	13.18	20.83
Austria	1.05	-	1.20	-	-	-	-	3.28	5.53
Belgium	1.20	0.17	-	-	-	-	-	3.11	4.48
Canada	9.49	1.65	-	-	-	-	-	40.60	51.74
Denmark	5.64	-	-	-	-	-	-	14.58	20.22
Finland	5.71	0.47	-	-	-	-	-	10.95	17.13
France	1.88	0.79	-	-	-	-	-	7.16	9.83
Germany	3.62	-	-	-	-	-	-	6.73	10.35
Greece	1.85	-	-	-	-	-	-	0.25	2.10
India #	-	-	-	-	-	-	-	-	-
Ireland	2.48	0.56	-	-	-	-	-	1.52	4.56
Israel	0.90	-	-	-	-	-	-	-	0.90
Italy	17.22	0.57	1.50	-	-	-	-	4.54	23.83
Japan	32.76	3.56	-	-	-	-	-	24.42	60.74
Luxembourg	1.52	1.02	-	-	-	-	-	-	2.54
Mexico	-	-	-	-	-	-	-	0.50	0.50
Netherlands	23.69	2.74	8.00	-	-	-	5.20	42.06	81.69
New Zealand	1.49	0.96	-	-	-	-	-	2.37	4.82
Norway	7.79	0.79	0.95	-	-	-	0.90	22.58	33.01
Poland	-	-	-	-	-	-	-	0.50	0.50
Portugal	-	0.25	-	-	-	-	-	4.84	5.09
Slovenia	-	-	-	-	-	-	-	0.20	0.20
South Africa	0.20	-	-	-	-	-	-	-	0.20
Spain	2.85	0.30	-	-	-	-	-	5.00	8.15
Sweden	14.06	2.42	-	-	-	-	0.56	19.94	36.98
Switzerland	13.77	3.68	1.50	-	-	-	-	49.84	68.79
United Kingdom	7.25	2.54	-	-	10.00	-	-	69.65	89.44
United States	7.25	3.74	-	-	-	-	-	74.67	85.66
ICDS	-	-	-	-	-	-	-	2.65	2.65
Caribbean Devt Bank	-	-	-	-	-	-	-	0.10	0.10
Others	0.65	-	-	-	-	-	-	2.81	3.46
	173.70	37.55	13.15	-	10.00	-	6.66	474.73	715.79
World Bank Group*									
IBRD	-	11.19	-	-	-	0.43	-	5.85	17.47
IFC	14.36	23.30	10.00	28.31	0.75	0.99	0.70	116.15	194.56
MIGA	-	2.91	-	-	-	-	-	-	2.91
	14.36	37.40	10.00	28.31	0.75	1.42	0.70	122.00	214.94
GRAND TOTAL	188.06	74.95	23.15	28.31	10.75	1.42	7.36	596.73	930.73

CBF refers to the SME Capacity Building Facility to fund pilots and partnerships, and programs that support the WBG SME strategy. DevCo Advisory supports privatization transactions in infrastructure in least developed and low income countries. FIAS is a joint service supported by IFC and the World Bank. SBAP (formerly know as SEF) comprises CCF, EOF, and SFMF. SME Initiatives comprise various initiatives. SGBI is a joint initiative supported by IFC and the World Bank. TATF includes one-time funding for specific projects (excluding EC/IFC equity line of ECU 5 million).

Note 1 - New donor-funded programs include DevCo and SGBI.
Note 2 - see next page for further details.

Indicates contribution-in-kind from EximBank, India.
* Includes contribution-in-kind from IBRD, IFC and MIGA.

Regional Facilities: IFC Donor-Supported Technical Assistance Programs

Cumulative Financial Commitments in \$ millions equivalent up to June 30, 2004

DONOR	SUB-SAHARAN AFRICA		ASIA & THE PACIFIC						EUROPE & CENTRAL ASIA		LAC	MENA			CLOSED PDFs ³	TOTAL
	APDF	AMSCO	CPDF	MPDF	PEDF	PENSA ¹	SEDF	OTHER ²	PEP	SEED	LACP	NAED	PEP-ME	ISBFF		
IFC Donor Community																
African Development Bank	8.06	4.00	-	-	-	-	-	-	-	-	-	-	-	-	-	12.06
ADB	-	-	-	0.75	-	-	0.75	-	-	-	-	-	-	-	-	1.50
EBRD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.22	1.22
European Community	-	-	-	-	-	-	11.93	-	-	-	-	-	-	-	0.90	12.83
Inter-American Devt Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.40	3.40
UNDP	10.00	4.69	-	-	-	-	-	-	-	-	-	-	-	-	1.00	15.69
Australia	-	-	1.48	3.30	5.01	2.77	-	0.62	-	-	-	-	-	-	-	13.18
Austria	-	-	-	-	-	-	-	-	1.01	2.27	-	-	-	-	-	3.28
Belgium	2.20	0.31	-	-	-	-	-	-	-	-	-	0.60	-	-	-	3.11
Canada	2.50	-	-	4.75	0.77	3.72	5.96	0.23	16.14	1.36	-	-	-	-	5.17	40.60
Denmark	8.56	5.64	-	-	-	-	-	-	-	-	-	-	-	-	0.38	14.58
Finland	2.20	2.62	-	3.26	-	-	-	-	2.87	-	-	-	-	-	-	10.95
France	5.50	1.66	-	-	-	-	-	-	-	-	-	-	-	-	-	7.16
Germany	3.11	1.02	-	-	-	-	-	-	-	-	-	-	-	-	2.60	6.73
Greece	-	-	-	-	-	-	-	-	-	0.25	-	-	-	-	-	0.25
India #	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	1.50	-	-	-	-	-	-	-	-	-	-	-	-	0.02	1.52
Israel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Italy	1.00	1.00	-	-	-	-	-	-	-	-	-	1.76	-	-	0.78	4.54
Japan	4.00	-	-	2.03	6.64	0.50	-	-	-	-	-	-	-	10.00	1.25	24.42
Luxembourg	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mexico	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.50	0.50
Netherlands	9.26	7.09	1.07	0.57	-	1.87	2.03	-	12.85	5.00	0.34	-	-	-	1.98	42.06
New Zealand	-	-	-	0.58	1.79	-	-	-	-	-	-	-	-	-	-	2.37
Norway	6.07	0.85	-	5.09	-	-	7.25	-	0.02	3.20	-	-	-	-	0.10	22.58
Poland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.50	0.50
Portugal	1.90	2.94	-	-	-	-	-	-	-	-	-	-	-	-	-	4.84
Slovenia	-	-	-	-	-	-	-	-	-	0.20	-	-	-	-	-	0.20
South Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spain	-	-	-	-	-	-	-	-	-	-	-	-	-	5.00	-	5.00
Sweden	5.37	3.66	-	4.53	-	-	-	-	3.14	2.21	-	-	-	-	1.03	19.94
Switzerland	7.30	3.27	2.33	6.87	-	3.73	-	-	18.58	4.00	-	3.46	-	-	0.30	49.84
United Kingdom	3.77	3.26	3.36	4.97	-	-	6.02	-	36.67	0.90	-	-	-	15.00	0.70	69.65
United States	11.50	2.70	-	-	-	-	-	-	39.67	-	-	-	-	10.00	5.80	74.67
ICDS	-	2.65	-	-	-	-	-	-	-	-	-	-	-	-	-	2.65
Caribbean Devt Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.10	0.10
Others	-	0.62	-	-	0.88	-	-	-	-	-	-	-	-	-	1.31	2.81
	92.30	49.48	8.24	36.70	15.09	12.59	33.94	0.85	130.95	19.39	0.34	5.82	-	40.00	29.04	474.73
World Bank Group*																
IBRD	-	5.85	-	-	-	-	-	-	-	-	-	-	-	-	-	5.85
IFC	23.10	8.07	5.00	9.00	4.41	5.00	5.00	-	17.77	6.00	10.00	5.00	10.00	-	7.80	116.15
MIGA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	23.10	13.92	5.00	9.00	4.41	5.00	5.00	-	17.77	6.00	10.00	5.00	10.00	-	7.80	122.00
GRAND TOTAL	115.40	63.40	13.24	45.70	19.50	17.59	38.94	0.85	148.72	25.39	10.34	10.82	10.00	40.00	36.84	596.73

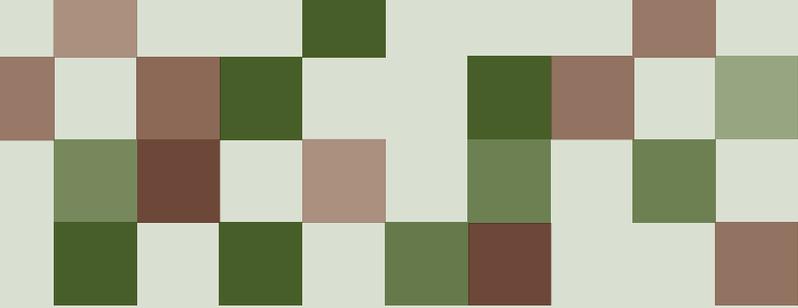
Note 1 - **PENSA** formerly known as **IEDF**.

Note 2 - **Other** refers to two special one-time funding projects carried out in East Asia.

Note 3 - **Closed PDFs** comprise **BAS**, established in 1981 & closed during FY97; **PBAS**, established in 1991 & closed during June 1996; and **ESSA**, established in 1994 & closed in January 2002.

Indicates contribution-in-kind from EximBank, India.

* Includes contribution-in-kind from IBRD, IFC and MIGA.



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SUSTAINABLE BUSINESS ASSISTANCE PROGRAM

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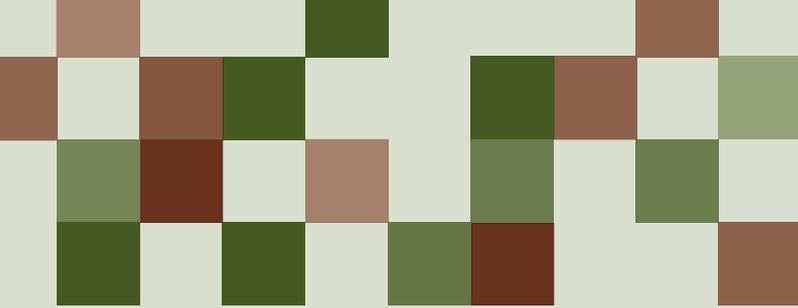
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Glossary

ADB	Asian Development Bank	FSU	former Soviet Union	PENSA	Program for Eastern Indonesia SME Assistance
AfDB	African Development Bank	FTIB	Fiji Trade and Investment Bureau	PEP	Private Enterprise Partnership
AMSCO	African Management Services Company	FY	fiscal year	PEP-ME	Private Enterprise Partnership for the Middle East
APDF	Africa Project Development Facility	FYR	former Yugoslav Republic	PIDG	Private Infrastructure Development Group
AusAID	Australian Agency for International Development	GEF	Global Environment Facility	PSD	Private Sector Development
BAS	Business Advisory Service for the Caribbean and Central America	IADB	Inter-American Development Bank	PSF	Private Sector Forum
BIDFacility	Balkans Infrastructure Development Facility	IAS	International Accounting Standards	RJSC	Registrar of Joint Stock Companies and Firms
CBA	Competitive Business Advantage	IBRD	International Bank for Reconstruction and Development	SBAP	Sustainable Business Assistance Program
CBF	Capacity Building Facility	ICDS	Industry Council for Development Service	SECA	Southern Europe and Central Asia
CCF	Corporate Citizenship Facility	ICSID	International Centre for Settlement of Investment Disputes	seco	State Secretariat for Economic Affairs of Switzerland
CDB	Caribbean Development Bank	ICT	information and communications technology	SEED	Southeast Europe Enterprise Development facility
CEE	Central and Eastern Europe	IDA	International Development Association	SEDF	SouthAsia Enterprise Development Facility
CIDA	Canadian International Development Agency	IEDF	Indonesia Enterprise Development Facility	SEF	Social and Environmental Facility
CPDF	China Project Development Facility	IFC	International Finance Corporation	SFMF	Sustainable Financial Markets Facility
DAC	Development Assistance Committee	IFI	international financial institution	SGBI	Strengthening Grassroots Business Organizations Initiative
DevCo	Infrastructure Development Collaboration Partnership facility	IMF	International Monetary Fund	Sida	Swedish International Development Cooperation Agency
DFID	Department for International Development (UK)	IPA	Investment Promotion Agency	SIMOZ	Mozambique SME Initiative
DFO	Donor Funded Operations	ISBFF	Iraq Small Business Financing Facility	SLDF	Sri Lanka Maldives SME Development Facility
DTI	Department of Trade and Industry (UK)	LAC	Latin America and the Caribbean	SME	small and medium enterprise
EAP	East Asia and the Pacific	MDBs	multilateral development banks	SPPF	South Pacific Project Facility
EBFP	Environmental Business Finance Program	MENA	Middle East and North Africa	TA	Technical Assistance
EBRD	European Bank for Reconstruction and Development	MFB	Micro Finance Bank	TATF	Technical Assistance Trust Funds program
EC	European Commission	MFI	Micro Finance Institution	TF	Trust Fund
EOF	Environmental Opportunities Facility	MIGA	Multilateral Investment Guarantee Agency	UNDP	United Nations Development Programme
ESSA	Enterprise Support Service for Africa	MIS	management information systems	UNEP	United Nations Environment Programme
EU	European Union	MPDF	Mekong Private Sector Development Facility	USAID	United States Agency for International Development
EXIM	Export-Import Bank of India	MSME	Micro Small and Medium Enterprises	USTDA	United States Trade and Development Agency
FDI	foreign direct investment	NAED	North Africa Enterprise Development facility	WAEMU	West African Economic and Monetary Union
FI	financial intermediaries	NGO	nongovernmental organization	\$	US\$
FIAS	Foreign Investment Advisory Service	NORAD	Norwegian Agency for Development Cooperation	€	Euro
FM	financial markets	OECD	Organization for Economic Cooperation and Development		
FMAS	Financial Markets Advisory Services	PBAS	Polish Business Advisory Service		
FMTAAS	Funding Mechanism for Technical Assistance and Advisory Services	PDF	project development facility		
		PEDF	Pacific Enterprise Development Facility		

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