

2002

REPORT TO THE
DONOR COMMUNITY

IFC DONOR-SUPPORTED TECHNICAL ASSISTANCE PROGRAMS

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ABOUT THE COVER

This cover is the fifth 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, and edelweiss. This year's cover features the Rosa 'Bonica.'
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IFC's mission 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, and provides technical assistance and advice to governments and businesses. Since its founding in 1956 through the close of the last fiscal year on June 30, 2002, IFC committed more than US\$34 billion of its own funds and arranged US\$21 billion in syndications for 2,825 companies in 140 developing countries. IFC's committed portfolio at the end of FY2002 was US\$15.1 billion for our own account and US\$6.5 billion held for participants in loan syndications.

Message from IFC's Executive Vice President

I am very pleased to be able to present to you this comprehensive report on IFC's donor-supported technical assistance (TA) programs. As in previous years, support from you, our donor partners, was significant—you provided US\$75.3 million in new commitments—and I thank you all for this continuing confidence in our approach to private sector development and poverty reduction.

Since I last wrote to you through this forum, a number of significant changes have taken place in the world business environment.

- The atmosphere for private sector investment worldwide has changed for the worse.
- Private money flows have declined sharply; investors who were keen to expand into emerging markets are now withdrawing.
- Country after country is going through a crisis—Argentina, Brazil, and Turkey are but three examples.

In such an environment the need for all of IFC's services in our developing member countries is higher than ever before. In anticipation of a strong demand, we have reoriented our organization to better offer the entire range of our services—funding, advice, and technical assistance—to all clients. We expect that the reorganization will also enable IFC to deliver even more effectively on its **frontier strategy**, which remains strongly oriented toward frontier markets and frontier sectors. Our TA programs are also focused on these frontiers. The small and medium enterprise (SME) facilities and the Private Enterprise Partnership program operate in some of the poorest countries in the world, while the Technical Assistance Trust Funds (TATF) program is able to provide complementary support for those essential one-off pioneering TA assignments. Some of the numbers from our technical assistance activities in Chapter 2 will illustrate:

- More than 95 percent of the TA assignments funded by the TATF program were in low- and lower-middle income countries.
- More than 55 percent were in high-risk countries.
- More than 15 percent were in countries with a high incidence of poverty.

As mentioned last year, IFC has made **sustainability a corporate priority** because of the fundamental changes that are currently affecting firms, including our clients. The new awareness of the importance of sustainability goes beyond environmental issues, extending to business-community relations, corruption, and corporate governance.



The **business case** is a key tool to help achieve sustainability globally. To develop the business case, we teamed up with SustainAbility of the United Kingdom and the Ethos Institute of Brazil to gather some evidence about why it makes sense to integrate principles of sustainability into one's business. Such evidence was already available for developed countries, and this study focused on gathering it in emerging markets. The effort was funded by a generous donor and has resulted in the publication of a new report in July 2002: *Developing Value: The Business Case for Sustainability in Emerging Markets*. The report is based on 240 case studies of big and small firms in 60 countries on all continents. Its key findings highlight the major business benefits, the ways firms achieved those benefits, and the challenges involved. The report shows that by contributing to social development or environmental improvements, many firms around the world have reduced their costs, increased revenues, found new markets, improved access to capital, addressed risks, or achieved other business benefits. There are good business reasons for doing what they did.

The business case is not always self-evident or universally strong. Where the provision of a public good directly coincides with a firm's private benefit, then that firm will bear the costs since there will be a business case. In some firms where some public goods can be delivered alongside private activity, the business case may not be as clear, or the firm may be too small to carry the often substantial costs.

In the absence of an IFC client firm's willingness to pay for the cost of delivering these "additional" public goods (beyond the benefits accruing from the productive use of capital), either the public goods are forgone or their cost is borne by IFC. IFC is limited in the noncommercial costs it is able to bear by its mandate to operate commercially and by associated profitability objectives.

But IFC's role requires us to reach beyond the core focus on commercially viable investments to engage in selected noncommercial activities when they are important to development. IFC is committed to follow through on this aspect of its role and seeks to work in close collaboration with its donor partners in doing so. Our shareholders and our Board support these partnerships, as evidenced in the budget for FY2003: IFC has allocated from net income US\$26.2 million as its contribution toward technical assistance and advisory work, a vote of confidence to match that given to us by you, our donor partners.

A handwritten signature in dark ink, appearing to read 'Peter Woicke', written in a cursive style.

Peter Woicke
IFC Executive Vice President
September 2002



Future Directions for IFC Technical Assistance

IFC has made sustainability a corporate priority and has thus continued to work with donors to enhance the development impact of its operations and programs.



In FY2002, IFC's Donor Funded Operations providing technical assistance (TA) maintained their steady growth of recent years. Donor countries provided the bulk of these funds, which are complemented by contributions from IFC's own budget resources and staff time and, in some programs, by contributions from other World Bank Group sources.

Focus on Frontier Markets

The global economic slowdown and economic crises in several major markets, combined with a sharp drop in private capital flows and the growing reluctance of many strategic investors, continue to present serious development challenges for our member countries. In this context, IFC's core strategy continues to focus on:

- “Frontier” markets—countries, or sectors within a country, with limited access to capital. Market interventions are in the form of investments, advisory work (such as privatization), project facilities, and TA. IFC relies heavily on technical assistance programs to help in the difficult investment climate.
- High-impact sectors, including domestic financial markets and infrastructure, whose impact generally goes well beyond the investment itself.
- Support for small- and medium-size enterprises (SMEs).

Because of the uncertain business environment, IFC is also giving more emphasis to supporting countries affected by volatile capital flows and to improving its own profitability, which has been under pressure over the past few years on account of several emerging market crises.

Promoting Sustainable Development

IFC has made sustainability a corporate priority and has thus continued to work with donors to enhance the development impact of its operations and programs. IFC is helping its clients to become aware of the opportunities to be gained from pursuing sustainability beyond existing minimum standards. In making the business case for sustainability, IFC seeks to show private firms how they can improve their financial returns while also addressing such important concerns as the environment, business-community relations, corruption, and corporate governance.

Strengthening Partnerships with Donors

IFC continues to expand its partnership with the donor community in helping to promote sustainable practices as a way to leverage its development objectives and in-house expertise. The business case for sustainability is often more difficult to make for firms in developing countries, who risk being left behind in this important area and finding themselves at a competitive disadvantage if they do not adopt sustainable practices. The challenge for IFC is to promote sustainability without departing from our core mandate to follow commercial principles. A strengthened partnership with the donor community helps leverage IFC's work in promoting sustainability in developing countries where the benefits of sustainability are not immediately apparent or where firms are too small to afford the initial costs of incorporating sustainability into their strategic plans and activities. Sustainability and strengthened partnerships were the overriding themes of the IFC Donor Roundtable held in Belgrade in April 2002 and organized by IFC's Trust Funds Department. (p. 8)

Increased Donor Funding for Technical Assistance

In recognition of the growing importance of TA in private sector development, the following donor-funded programs were established during the year.

- **Social and Environmental Facilities.** Three new facilities were recently established in IFC's Environment and Social Development Department:
 - *The Corporate Citizenship Facility* will help firms engage in public goods and community development activities that enhance their development impact beyond the narrow transaction.
 - *The Sustainable Financial Markets Facility* will strengthen the capacity of financial institutions and markets in environmental and social assessment.
 - *The Environmental Opportunities Facility* will help finance projects addressing local, as opposed to global, environmental issues. Projects might be aimed, for example, at reducing pollution or improving the use of scarce resources such as water and energy.
- **IFC-Netherlands Carbon Facility.** The *Netherlands Ministry of Housing, Spatial Planning, and*

Environment recently signed a three-year, €44 million agreement with IFC to develop clean projects in developing countries to help reduce global warming while also providing the Netherlands with credits toward its carbon dioxide reduction target laid out in the Kyoto Protocol.

- **Dutch Partnership Programs.** The *Ministry of Foreign Affairs* and *Ministry of Economic Affairs of the Netherlands* both entered into partnership programs that put all IFC TA programs funded by the ministries under streamlined structures. These facilitate contributions to stand-alone trust funds, various SME facilities, Foreign Investment Advisory Service (FIAS) programs, the Private Enterprise Partnership, and other programs while reducing administrative burdens.
- **Italian TA Trust Fund for the Federal Republic of Yugoslavia.** The *Italian Ministry of Economy and Finance* established this trust fund to finance privatization, financial reform, and foreign investment promotion activities in the Federal Republic of Yugoslavia (Serbia and Montenegro).
- **Bavaria TA Trust Fund.** This trust fund, established by the *State of Bavaria, Germany*, will help finance project development activities in Europe, Latin America, and Asia.

- **Sweden PBS TA Trust Fund.** The *Swedish International Development Cooperation Agency* has established this trust fund to finance TA to prepare the Privredna Banka Sarajevo in Bosnia-Herzegovina for privatization.

Future Programs for Delivering TA

In keeping with IFC's spirit of strengthened partnerships, IFC is working closely with its donor partners to develop a number of TA concepts into implementable programs. These would go beyond discrete TA assignments to become broader-based, multi-year, multi-donor programs or facilities that address technical assistance needs in a more comprehensive and strategic manner and often within a longer-term context. Some of these programs are outlined below:

- **A Global Approach to Financial Markets TA.** This proposed facility aims to strengthen access to and the quality of financial services in developing countries by organizing IFC's current and anticipated financial markets TA and advisory work under three global themes: institution building for mainstream financial banks; diversification into nonbank financial services; and increased financing for SMEs. (p. 27)

- **The Sustainable Mining Facility.** This facility would be a flexible mechanism funded by traditional donor countries as well as private sector companies. It would help junior mining companies in frontier markets at an early stage in the project cycle by working with them in these major areas: advice on environmental and social assessment; capacity building for local communities and local governments; community development plans; sector and feasibility studies; and dissemination of best practices. (p. 49)

Existing Facilities and Programs for Delivering TA

The existing facilities and programs through which IFC delivers donor-funded TA are highlighted below, with further details presented in later chapters. The full operating details are provided in regular reports to program donors.

Technical Assistance Trust Funds Program

The TATF program mobilizes funds from donor governments to finance the hiring of consultants to provide technical assistance to firms and governments in IFC's developing

member countries with a view to promoting private sector growth. The program is currently supported by 40 bilateral trust funds provided by 22 donor government agencies. The program is administered under the articles of individual trust fund agreements negotiated between IFC and each donor agency. The sectoral and geographic coverage of the TATF program reflects IFC's overall strategic priorities as established annually as well as the priorities of individual donors. A number of donor governments have more than one trust fund within the program. Each agreement defines the geographic area or type of technical assistance that may be funded. Under TATF donor agencies work closely with IFC in the selection, approval, and follow-up evaluation of individual TA assignments.

SME Facilities

To support the special needs of small- and medium-size enterprises, IFC manages, on behalf of a broad range of donors, a group of specialized field-based facilities and programs. They offer a variety of important technical assistance and advisory programs and services for SMEs in developing countries with limited access to capital, ranging from the preparation of business plans for

investment projects to broader capacity-building initiatives. These facilities are formed as collaborative ventures between participating donor governments and IFC, usually for a fixed period and subject to review and renewal. Each has its own unique but similar arrangements regarding TA provision, management, and reporting.

Existing and approved facilities and programs include:

- 1986: Africa Project Development Facility (APDF)
- 1988: South Pacific Project Facility (SPPF)
- 1989: African Management Services Company (AMSCO)
- 1997: Mekong Project Development Facility (MPDF)
- 2000: Southeast Europe Enterprise Development (SEED)
- 2000: China Project Development Facility (CPDF)
- 2001: SouthAsia Enterprise Development Facility (SEDF)
- 2002: North Africa Enterprise Development Facility (NAEDF)
- 2002: SME Pilots and Partnerships, Linkages Program, and SME Business Enabling Environment Program

Planned facilities and programs include the Indonesia Enterprise Development Facility.

Private Enterprise Partnership

The Private Enterprise Partnership (the Partnership) is a special IFC program that provides a structured approach for TA in the former Soviet Union. Established in May 2000, the Partnership now serves ten countries: Armenia, Azerbaijan, Belarus, Georgia, the Kyrgyz Republic, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. The Partnership enables IFC to consolidate its TA activities and work closely with its donor partners to promote private sector development in the region.

Foreign Investment Advisory Service

Established by IFC in 1985, the Foreign Investment Advisory Service is operated jointly by IFC and the World Bank, in collaboration with several donor agencies. FIAS provides advice to the governments of developing and transition countries on how they can improve their policies, programs, and institutions to make their countries more attractive to foreign investment. In implementing its activities, FIAS forms project teams made up of IFC and World Bank staff and donor-funded consultants. Since its establishment, FIAS has assisted more than 120 countries.



Meetings with Donors and Consultant Promotional Seminars

During the year IFC staff had several formal and informal meetings with donors and consultants, both individually and in larger groups. Such meetings were intended to maintain close contact with donor agencies by discussing a range of issues, including progress with TA assignments, trust fund utilization, replenishment needs, amendments to trust fund agreements, donor funding priorities, and relationships between IFC and consultants in their countries.

The Annual Donors Breakfast, normally held as part of the World Bank Group/IMF Annual Meetings each year, unfortunately had to be canceled this year in the wake of the September 11 events. However, a Donor Roundtable, organized by the Trust Funds Department, was held in April 2002 in Belgrade, Yugoslavia. (box, this page)

The table of meetings (pp. 90-91) shows the extent of bilateral-IFC donor discussions held throughout the year, many in conjunction with consultant and business group seminars from the donor countries. These seminars provide IFC (and consultants) with an opportunity to develop contacts, to explain the TA programs and IFC's strategies and procedures, and to obtain feedback from participants. Improved contacts with the consultants and business groups are key objectives of these meetings, and they help to promote IFC's collaboration with the private sector in donor countries.

Some of the meetings that took place during the year are highlighted on pages 10-13, including donor meetings held by IFC for donor funded operations.

IFC Donor Roundtable

BELGRADE, APRIL 24–26, 2002

A broad cross-section of donor representatives attended this IFC Donor Roundtable, as did a delegation of IFC staff and management, led by Mrs. Farida Khambata, Vice President Portfolio and Risk Management. Representatives from the European Bank for Reconstruction and Development (EBRD) and the World Bank also attended. The Roundtable provided an opportunity to share with the donors IFC's strategic directions and its activities in different areas (such as TA, SMEs, environment, mining, and financial markets) within the overall context of sustainable development.

The Roundtable's overall theme was partnership. This theme was emphasized by holding the Roundtable in a developing country for the first time, enabling donors to observe first-hand the outcome of IFC-donor collaboration. Donors expressed satisfaction with IFC's strategic directions and the breadth of its operations. While welcoming IFC's increased focus on sustainability, they cautioned that implementing the new approach in developing country firms, particularly SMEs, would be difficult and expensive. They urged greater collaboration and less competition in TA activities between IFC and other multilateral institutions, especially the EBRD, and felt that IFC's private sector approach to development, including linkages to SMEs and sustainability, should be more clearly reflected in the



Country Assistance Strategy and Poverty Reduction Strategy Paper processes.

The donors welcomed IFC's continued efforts to develop a more coordinated and streamlined approach to donor fund-raising and expressed a desire to be involved at the early stages of program development. They called for a full discussion of trust fund management strategies at the next meeting. While generally satisfied with IFC's use of donor trust funds, they saw a need for a more streamlined approval process. They encouraged IFC to continue to seek effective ways of measuring the development impact of TA. They expressed an interest in being involved in the follow-up discussions on the TA topics proposed during the Roundtable. They encouraged IFC, when proposing new TA initiatives, to take into consideration the activities of other international financial institutions and bilateral institutions in the same sector and region, and to undertake appropriate consultations with the host government.

The Roundtable concluded with a visit to Fresh & Co, a fruit juice production company in Subotica, Yugoslavia in which IFC has a US\$7.7 million investment in an expansion project, and for which the Swedish International Development Cooperation Agency had provided the TA. The project sponsor, Mr. Zivojin Djordjevic, conducted a tour of the factory and described the contribution of IFC's investment and Sida's TA to the success of his enterprise.



FY2002 Highlights of Donor and Promotional Meetings:

TATF Program

August 2001 – Washington DC

The IFC Trust Funds Department hosted an informal luncheon for the Washington-based donor counterparts. The luncheon gave IFC and donor representatives an opportunity to discuss recent TA activities at IFC, including the TATF program, SME Facilities, the Private Enterprise Partnership program, proposed new environment facilities, and financial market initiatives, and to update participants on IFC's strategic directions.

September 2001 – Finland, Denmark, the Netherlands, Iceland, and Sweden

A team of IFC staff met with government officials and made presentations at a series of consultant seminars in Finland, Denmark, the Netherlands, Iceland, and Sweden. The consultant seminars were followed by meetings with individual consultants to explore opportunities for working with the IFC.

October 2001 – Bavarian Trust Fund Signing, Munich, Germany

IFC signed an agreement with the State Government of Bavaria, Germany on October 26 to establish a €2.5 million trust fund to help finance private sector growth in developing countries. The agreement marks the first time IFC has established a trust fund with state government authority, rather than a national government or agency. The trust fund will enable businesses in the German state of Bavaria to work closely with IFC in private sector development in emerging markets and developing countries.

October 2001 – Austria, France, Germany, Switzerland, Sweden, the Netherlands, and the United Kingdom

Staff from the Global Financial Markets Group and the Environment and Social Development Department went to Europe to discuss and seek early donor input regarding IFC's proposed Global Microfinance Credit Enhancement Facility, the

Global SME Credit Enhancement Facility and the three social and environment facilities (Corporate Citizenship Facility, Sustainable Financial Markets Facility, and Environment Opportunities Facility).

April 2002 – IFC Donor Roundtable

IFC held a Donor Roundtable in Belgrade, FR Yugoslavia, on April 24-26. (box pp. 8-9)

April 2002 – Bavaria Business Presentation

The Bavaria Ministry of Economic Affairs and the Bavarian Chamber of Industry and Commerce organized a seminar on April 22-23 in Munich. The seminar focused on the opportunities for Bavarian firms and consultants to participate in IFC's investments and technical assistance projects. During the seminar, IFC representatives discussed IFC's work in the southeastern Europe region and the infrastructure sector. In addition, Mr. Norbert Stillfried, Head of the Division for Foreign Economic

Relations in the Bavarian Ministry of Economic Affairs, discussed his ministry's interest in promoting the participation of Bavarian companies and consultants in the work of IFC.

May 2002 – Bavarian Business Delegation

A trade delegation consisting of suppliers and consulting firms, headed by the Finance Minister of the State of Bavaria, visited IFC in May 2002. A reception was hosted by Mr. Peter Woicke in honor of the delegation and was attended by members of the local German community and other international financial institutions. A presentation to the delegation featured IFC's general commercial and development objectives, recent trends, and strategies. The purpose of the delegation's visit to Washington was to strengthen the collaboration between Bavaria's small-and-medium-size businesses and the international financial institutions.



May 2002 – Dutch Visit to IFC

Officials from the Netherlands Ministry of Foreign Affairs visited IFC for its first policy consultation under the recently signed Netherlands-IFC Partnership Program. Under the Partnership Program, the Netherlands Ministry of Foreign Affairs has pledged a total of €11.4 million to fund various programs in CY2002.

May 2002 – United Kingdom, Ireland, and EBRD Donors Meeting

In conjunction with the Trust Fund Director's participation in the EBRD Technical Cooperation donors meeting in Belgrade, IFC staff visited donor counterparts in London and Dublin.

In London, meetings were held with the UK Department for Trade and Industry (DTI) and the UK Department for International Development (DFID). At DTI, IFC staff reviewed the usage to date of the trust fund, and relative priorities were discussed. At DFID, IFC staff made a presentation on IFC's strategic directions focusing particularly on potential opportunities for partnerships between IFC and donor groups.

In Dublin, IFC staff met with officials of Ireland Aid to review the usage of their TA trust fund and to discuss the importance that Ireland Aid places on poverty reduction and the contribution of IFC's private sector work to this goal. In addition, IFC made a presentation to a group of consultants organized by Enterprise Ireland.

At the EBRD Technical Cooperation donors meeting in Belgrade, IFC staff discussed how the two institutions could continue to improve coordination on TA work, particularly in Eastern and Southern Europe and Central Asia. As a follow-up to the Belgrade meeting, a meeting was held in Washington with the EBRD to further strengthen coordination efforts.

June 2002 – Spain, Business Presentation

The General Directorate for International Financing of Spain's Ministry of Economy and Finance, together with Instituto Español de Comercio Exterior, organized a seminar on opportunities for Spanish firms and consultants to participate in IFC's investment and technical assistance projects. During the seminar, a team from IFC discussed IFC's investment program in the

financial, food and agribusiness, and environment sectors, as well as IFC's work in introducing private sector participation in state-owned enterprises. Following the seminar, one-on-one meetings with IFC representatives and Spanish companies were held to explore specific opportunities.

June 2002 – Greece, Business Presentation

The Greek Ministry of Economy and Finance organized seminars in Athens and Thessaloniki on the opportunities for Greek firms and consultants to participate in the World Bank Consultant Trust Funds and IFC technical assistance programs, as well as in IFC's investment activities and the World Bank's lending in the Balkan region. The World Bank and IFC representatives discussed their operational activities and processes. The Minister of Economy and Finance discussed the role of his ministry in supporting cooperation among Greek companies and companies in developing and transition economies. After the seminar, individual meetings were held between Greek companies or consultants and the team from the World Bank and IFC to explore specific opportunities.



June 2002 – Israeli Delegation Meeting

About 20 leading Israeli companies visited IFC during the annual visit of the Israeli Export Institute organized by the Economic and Trade Office of the Embassy of Israel. TATF staff made a presentation on IFC and on the work of the World Bank Group as a whole. After the presentation, separate meetings with different industry specialists in IFC were held to explore specific opportunities.

SME Facilities

December 2001 – China Project Development Facility (CPDF)

CPDF held its inaugural donor meeting in Chengdu, Sichuan Province, in early December 2002. The meeting was attended by representatives from Australia, the United Kingdom, and Switzerland, along with IFC. The donors reviewed and approved CPDF establishment and initial work plans and budgets.

January and June 2002 – Mekong Project Development Facility (MPDF) Annual and Special Donors Meetings

MPDF held three donors meetings in FY2002. On January 18, 2002 the annual donors and advisory board meeting was held in Hanoi to review the results of MPDF operations in CY2001 and the proposed action plan and budget for CY2002. In addition two special donor meetings were held in June 2002, also in Hanoi: the first one to present and discuss the findings of the external evaluation of MPDF, carried out by an independent consultant under the guidance of IFC Operations Evaluation Group; and the second to present possible strategic directions for a next phase of MPDF (“MPDF II”). Donors were generally very pleased with the findings of the evaluation and endorsed the proposed strategic shifts, including in particular a greater focus on capacity building of local consultants and other support institutions and more efforts on improving the regulatory and institutional framework for private enterprise.

June 2002 – South Pacific Project Facility (SPPF) Annual Donors Meeting

At SPPF’s annual donors meeting in Sydney, all donors to the SPPF (*Australia, IFC, Japan, New Zealand, and Asian Development Bank*) and representatives of the Board of Advisors confirmed their interest in and continuing financial support for its activities. They also endorsed the development of a new strategic plan to reflect a shift in the focus of SPPF as it broadens its mandate further into capacity-building work with SMEs in the region.

June 2002 – Southeast Europe Enterprise Development (SEED) Annual Donors Meeting

On June 5-6 SEED held its annual board meeting in Skopje, the FYR of Macedonia, . All donors (*Austria, Canada, Greece, the Netherlands, Norway, Slovenia, Sweden, Switzerland, and the United Kingdom*) were represented. The donors accepted the work plan and budget for FY2003 and endorsed the results of FY2002.

The donors were advised that an independent mid-term review of SEED is scheduled for FY2003, to be conducted by IFC’s Operations Evaluation Group. It was agreed that the OEG terms of reference should

Reducing Emissions:

AN INNOVATIVE CARBON FACILITY

JANUARY 2002 – SIGNING OF THE NETHERLANDS CDM OPERATING AGREEMENT AND A TRUST FUNDS AGREEMENT

The government of the Netherlands has committed to reduce Dutch greenhouse gas emissions by 100 million tons, and will obtain some of those emission reductions through projects in developing countries. In late 2000 the Dutch Ministry of Housing, Spatial Planning and Environment approached IFC to explore whether IFC could assist it in procuring emission reductions under the Clean Development Mechanism (CDM) of the Kyoto Protocol. In January 2002, Minister Pronk, the Minister for Environment and Mr. Wolfensohn, president of the World Bank Group, signed the IFC–Netherlands CDM Operating Agreement and a separate Trust Funds Agreement. The agreements provide for the establishment of the IFC–Netherlands Carbon Facility (INCaF) with €44 million to purchase emission reductions from eligible projects in developing countries and some additional funds to cover IFC's project processing costs. At the time of writing, the facility was processing projects to purchase emission reductions from four projects, including a biogas energy project in Southeast Asia, a biomass cogeneration project in Central America, a switch to cleaner fuels in an industrial project in South America, and a waste-to-energy project in South Asia.

be shared with the donors for comment and that they will accept the OEG report as the mid-term evaluation.

June 2002 – Africa Project Development Facility (APDF) Annual Donors Meeting

APDF held its annual donors meeting in Abidjan, Côte d'Ivoire, on June 10. The meeting was attended by most of the APDF donors, who approved the APDF work plan for FY2003. Also discussed were the operational report and results for FY2002, in which the donors expressed their satisfaction, particularly regarding the new work in SME, consultant and financial institution training, and business linkages.

Private Enterprise Partnership

September 2001 - Signing of Agreement with the Swiss State Secretariat for Economic Affairs (seco)

The Partnership signed a three-year agreement with seco establishing cooperation in Central Asia, Russia, and Ukraine. Representatives from seco visited the Partnership's operations in Moscow in April 2002 for a briefing on results achieved thus far.

January 2002 – Signing of Agreement with Canadian International Development Agency (CIDA)

Following a series of meetings held throughout 2001 and in January 2002, the Private Enterprise Partnership finalized an agreement with CIDA setting out a five year-program of collaboration and providing a flexible framework to develop and launch new initiatives. The Partnership launched the first project included under this new agreement, the Russian Far East Business Development Program, in February 2002.

June 2002 – Finnish Delegation Seminar

Mr. Erkii Palmqvist, Deputy Director General of the Finnish Ministry of Trade and Industry, attended the first steering committee meeting of the Partnership's Northwest Russia Leasing Development Project in St. Petersburg in June 2002. Following the committee meeting, Mr. Palmqvist declared the opening of the leasing seminar, organized by the Partnership. The seminar was attended by more than 60 representatives of Russian and Finnish companies.

Foreign Investment Advisory Service

During FY2002, FIAS was in contact with all its donors on a regular basis. Aside from individual visits and contacts, FIAS held its annual meeting of the consultative committee of donors to the FIAS Trust Fund on October 29, 2001, in Paris. At the meeting, FIAS management described its performance during the previous fiscal year and presented a series of new initiatives related to knowledge management, project documentation, and the design of new products focusing on FDI and corporate social responsibility as well as competition policy. Donors welcomed these initiatives and appreciated the availability of more detailed information at the project level.

FIAS's Asia-Pacific Regional Office (APRO) in Sydney has been in contact with its bilateral donors, *Australia* and *New Zealand*, on a number of occasions, including a visit to Canberra in December 2001 by FIAS Manager Joseph Battat and Regional Manager Andrew Proctor. In addition, APRO has provided its donors with a biannual report detailing the current status and expected developments of FIAS activities in the region.



IFC's Technical Assistance Trust Funds Program

TATF acts as an idea incubator, as a front-end for TA programs.



Left: IFC Executive Vice President Peter Woicke and Bavarian State Minister of Finance Dr. Kurt Falthäuser.

Under IFC's Technical Assistance Trust Funds (TATF) program, 137 technical assistance assignments valued at US\$14.9 million were approved in FY2002. Highlights of program activity during the year were:

- **NEW TRUST FUNDS.** Three new trust funds were signed this fiscal year with the *State of Bavaria, Germany*; the *Italian Ministry of Economy and Finance* (trust fund for the Federal Republic of Yugoslavia); and *Swedish International Development Cooperation Agency* (Privredna Banka Sarajevo Trust Fund).
- **RENEWAL OF TRUST FUNDS.** Two existing trust funds—with the *Netherlands Ministry of Economic Affairs* and with the *Netherlands Ministry of Foreign Affairs*—were extended through the signing of a Partnership Arrangement.
- **COUNTRY COVERAGE.** TA work was carried out in more than 60 countries and included individual country, multicountry, and global assignments.
- **POVERTY AND LOW-INCOME FOCUS.** Overall, more than 90 percent of TA assignments were in low- and lower-middle-income countries. Eighteen TA assignments, with a value of US\$2.2 million, were carried out in countries with a high incidence of extreme poverty (more than 25 percent of the population living on less than US\$1 a day).
- **COUNTRY RISK FOCUS.** Eighty-nine TA assignments were carried out in countries with very high country risk ratings.¹
- **CONTRIBUTIONS TO THE PROGRAM.** New commitments of funds by donors to TATF totaled US\$22.9 million in FY2002 compared with US\$14 million in FY2001 (that is an increase of about 65 percent over FY2001). The three new trust funds established this year account for the bulk of the increase: US\$6 million with the *government of Italy*, US\$2.3 million with the *State of Bavaria*, and US\$1.2 million with the *government of Sweden*. In addition, IFC continued its annual contribution of US\$2.0 million to the TATF Program.

¹As defined by the World Bank Development Indicators and *Institutional Investor Magazine*.



IFC's TATF Team

Program Overview

The TATF program was instituted by IFC in 1988 to manage technical assistance programs funded by bilateral and multilateral donors. At the end of FY2002, the program comprised 40 trust funds established through agreements signed between IFC and 22 governments.²

Included in TATF FY2002 cumulative contributions (totaling US\$169 million) is additional funding totaling some US\$7.9 million earmarked for new initiatives approved toward the end of FY2002 or being proposed to the IFC Board. These include two new global initiatives (Global Microfinance Credit Enhancement Facility, US\$1.09 million, and Social and Environment Facilities,³ US\$2.66 million); SME programs, US\$2.69 million; and the Indonesia Enterprise Development Facility, US\$0.87 million. Of the US\$7.9 million, US\$7.3 million was contributed by the *Netherlands Ministry of Foreign Affairs*, and US\$0.6 million by IFC for the Social and Environment Facilities. Thus, total cumulative contributions to the TATF program since its inception amount to some US\$162 million. This total includes contributions made both by donor governments (the largest contributors) and by IFC through its allocations to the IFC TA Fund. (see Cumulative Financial Support tables, pp. 88-89)

² Australia, Austria, Canada, Denmark, Finland, France, State of Bavaria (Germany), Greece, India, Ireland, Israel, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, United Kingdom, and the United States.

³ The Corporate Citizenship Facility, the Sustainable Financial Markets Facility, and the Environmental Opportunities Facility. For details, see Chapter 6.

Trends in TA Assignments

In FY2002 a total of 137 new TA assignments (US\$14.9 million) were approved. A complete listing and description of all the TA assignments approved under the program in FY2002 are presented in Annex 1 to this chapter (p. 32).

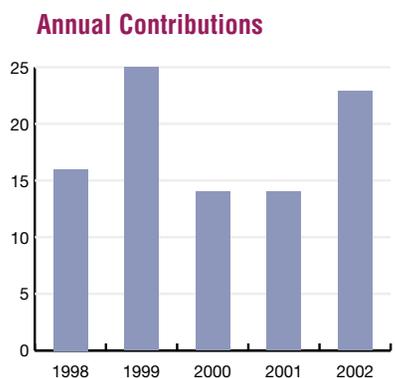
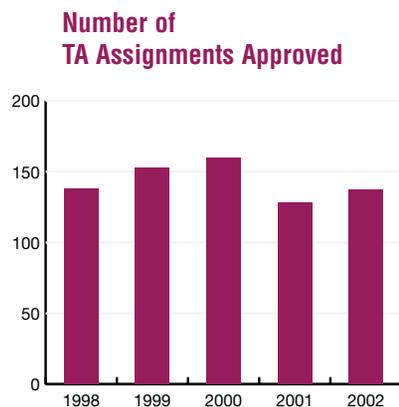
FY2002 saw a modest increase of about seven percent in number and a small decrease in terms of value between FY2001 and FY2002 approval numbers. The average value of TA assignments approved in FY2002 was US\$109,000, compared with an average value of US\$122,000 in FY2001. In FY2001, there were 23 TAs in excess of US\$200,000, compared with 17 in FY2002. The smaller assignments accounted for more than 60 percent of the value of approvals in FY2002, compared with about 55 percent in FY2001.

The IFC Role in the TATF Program

The technical assistance assignments carried out under the TATF program are developed and task-managed by IFC staff. The TA assignments cover a wide range of activities and may be linked directly to a prospective IFC investment project or targeted toward broader groups such as SMEs or government agencies. In all assignments, IFC staff are directly involved in the supervision of TA; the identification, selection and hiring of consultants; the processing of consultant

invoices and expense statements; financial accounts management; and legal clearances. IFC's Trust Funds Department, which has overall responsibility for management of the program, is funded through administrative fees charged to individual trust fund accounts under agreements with donors. Close liaison is maintained between IFC's Trust Funds Department, IFC's Controllers & Budgeting Department, and units of the World Bank responsible for donor-funded programs and trust fund accounting. In addition, IFC and World Bank staff work closely in the design and implementation of many TA assignments, particularly where the TA is related to broader policy dialogue involving a government and the Bank.

TA ASSIGNMENTS APPROVED & CONTRIBUTIONS, FY1998-FY2002



Fiscal Year	1998	1999	2000	2001	2002
TA projects approved	138	153	160	128	137
Value of approvals (US\$ m)	\$21.4	\$19.8	\$20.2	\$15.6	\$14.9
Average TA project value (US\$ m)	\$0.155	\$0.129	\$0.126	\$0.122	\$0.109
Number of large approvals ^a	37	29	26	23	17
Annual contributions (US\$ m)	\$16	\$25	\$14	\$14	\$22.9
Annual disbursements (US\$ m)	\$8.4	\$13.2	\$13.0	\$11.8	\$12.2
Number of main trust funds	27	34	35	37	40

^a Large approvals are defined as those in excess of US\$200,000.

TEN LARGEST RECIPIENT COUNTRIES OF TAs IN FY2002

Recipient Country	Number of TA Approvals	Amount (US\$ Millions)
FR Yugoslavia	16	2.06
Russian Federation	12	1.77
China	11	1.47
Lao People's Democratic Republic	2	0.60
Philippines	2	0.52
Ukraine	4	0.49
Mozambique	2	0.43
Kenya	1	0.40
Bulgaria	2	0.38
Bangladesh	3	0.36

Total annual disbursements in FY2002 were US\$12.2 million, up by about US\$0.4 million from FY2001.

The average size of TA assignments shows a decrease over the last five years. This should, however, be seen in the overall context of donor-funded operations in IFC which have been increasing year-by-year.

TATF acts as an idea incubator, as a front-end for TA programs. After a small number of TA assignments show promise, IFC is able to take that experience and expand it into stand-alone programs. Feasibility studies for SME facilities, trial training programs for financial intermediaries, and community development assignments around mining projects are good examples of this role.

Typically there is a lag between approval of a TA assignment and payments to consultants. In addition, reduced costs of TA assignments and droppages (that is, withdrawal of approved TAs) contribute to disbursement levels being lower than approvals. Annual disbursements are relatively stable, while total approvals have shown a slight decline.

TA assignments were carried out in more than 60 countries in FY2002. The ten countries that were the largest recipients accounted for about 41 percent of the number of assignments and some 57 percent of the value. The Federal Republic of Yugoslavia had a share of 12 percent in numbers and 14 percent in value terms, due in part to the establishment of two trust funds (established by the *governments of Italy and Sweden*) earmarked for TA in that country.

TA in Poorer and Riskier Countries

IFC's strategy for technical assistance is for TA to "lead" investment activities by focusing efforts in countries where the circumstances facing private businesses are more difficult. A relatively high proportion of IFC's TA work is thus undertaken in poor countries with high-risk economies. The table and charts on this page show this clearly. In FY2002, more than 90 percent of IFC's TA assignments (both in number and value) were undertaken in countries classified as being low- or lower-middle income, with about 40 percent in low-income countries. These percentages for TA work were slightly higher than the proportion of IFC investment activity.

A total of 18 assignments worth US\$2.2 million were carried out in nine countries identified by the World Bank as having a high incidence of extreme poverty (more than 25 percent of the population living on less than US\$1 per day). The countries involved were Bangladesh, India, Kenya, Lao People's Democratic Republic, Madagascar,

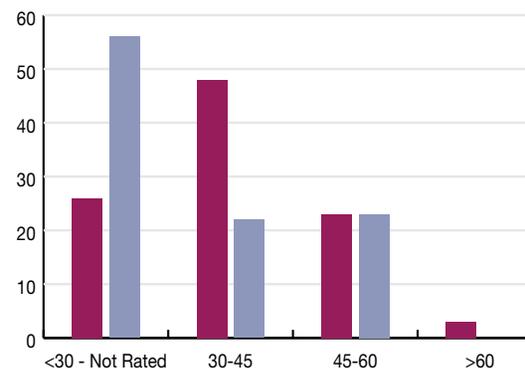
NUMBER (%) OF APPROVALS IN FY2002		
	IFC Investment	IFC TA ^a
Country income		
Low	40 (21%)	46 (40%)
Lower-middle	93 (48%)	60 (52%)
Upper-middle	59 (31%)	9 (8%)
Country risk rating		
<30- Not Rated	50 (26%)	64 (56%)
30-45	92 (48%)	25 (22%)
45-60	44 (23%)	26 (23%)
>60	6 (3%)	0 (0%)

^a Excluding TAs carried out in Global / Multi Regions

Mali, Mozambique, Nigeria, and Pakistan. Private sector-oriented TA in these countries takes on a special significance, given that all except one currently have limited or no access to international financial markets.

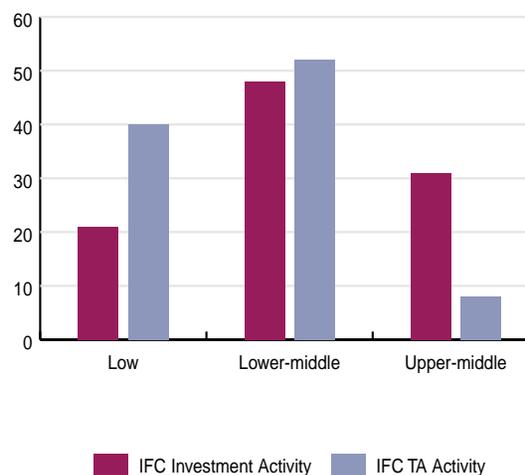
Overall, 56 percent of IFC's TA in FY2002 was carried out in the higher-risk countries, compared with 65 percent in FY2001.

COUNTRY RISK RATING



Source of country income and risk classifications: World Bank Development Indicators and *Institutional Investor Magazine*

COUNTRY INCOME

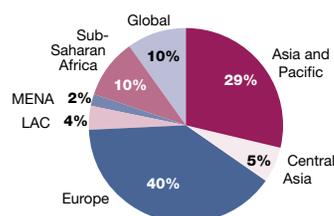


TA Activity by Region

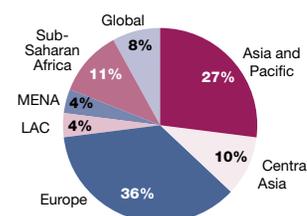
Two regions benefited from substantial increases in TA work compared with FY2001: the Central and Eastern Europe and Asia and Pacific regions, accounting for 63 percent of FY2002 TA approvals. Europe saw a sharp increase in both the number of projects (up 32 percent) and the value (up 28 percent). The large increase was especially visible in Yugoslavia, the largest single beneficiary of TA in FY2002. The Asia and Pacific region experienced a 16 percent increase in funding approvals and a nine percent increase in the number of TAs compared with the previous year, with China being the region's major recipient of TA. Sub-Saharan Africa continued as the third largest recipient with almost the same numbers in both projects and funding as in the previous year. The largest decrease was in Central Asia, where 65 percent less funding was approved and 18 percent fewer projects were implemented. This region remains a very difficult region for business, and the situation was exacerbated by the war in Afghanistan, which had a profound effect on other countries in the region. The Latin America and Caribbean (LAC) region, traditionally a small recipient of TA, saw a decrease in projects. The continuing volatile situation in the West Bank and Gaza had an effect on the use of funds in the Middle East and North Africa (MENA) region.

Highlights of the projects in the different regions follow (details of individual TA projects can be found in Annex to this chapter).

APPROVALS BY VALUE (PERCENT)



APPROVALS BY NUMBER (PERCENT)



TA ACTIVITY BY DONOR COUNTRY AND REGION

Donor Country	Asia and Pacific	Central Asia	Europe	LAC	MENA	Sub-Saharan Africa	Global	Total
Australia	436	-	-	-	-	-	-	436
Austria	-	-	145	-	-	-	-	145
Canada	419	67	219	-	-	29	300	1,034
Denmark	117	-	303	-	30	80	-	530
Finland	119	190	-	-	-	-	-	309
Greece	-	-	560	-	-	-	-	560
IFC TA Fund	299	396	560	151	134	264	170	1,974
Ireland	45	-	-	-	99	-	240	384
Italy	400	-	369	-	-	-	-	769
Japan	1,716	83	-	-	-	-	737	2,536
Luxembourg	-	-	-	-	-	47	-	47
Netherlands	90	-	165	-	-	80	-	335
New Zealand	-	36	-	45	-	-	-	81
Norway	311	-	890	-	-	350	-	1,551
Sweden	60	-	1,630	-	31	636	-	2,357
Switzerland	221	-	330	-	-	50	-	601
United Kingdom	50	70	218	81	-	-	-	419
United States	-	38	509	252	-	-	-	799
TOTAL (US\$ thousands)	4,283	880	5,898	529	294	1,536	1,447	14,867
Number of Approvals	37	14	49	6	5	15	11	137

ASIA AND THE PACIFIC: 37 assignments, US\$4.3 million in funding

Thirteen donors are active in the region. *Japan* is the most active donor (US\$1.72 million) followed by *Australia*, *Canada*, and *Italy* (US\$0.4 million each). Approximately a third of all TA in Asia was devoted to China, including two large corporate governance projects that are being undertaken in collaboration with the China Project Development Facility (CPDF). The financial sector, a key for private sector development, saw substantial TA work on training for banks and insurance companies. An important TA was a large gold and copper mine in Lao PDR, where significant environmental and social issues needed to be addressed; the TA will help the mine operators go beyond the minimum requirements of the World Bank Group guidelines (*Australia, Japan*). Several environmental projects carried out in China, India, and the Philippines sought to ensure that international standards are observed or to develop the capacity and skills of domestic consultants and specialists to undertake environment review and mitigation work. *Denmark, Finland, United Kingdom*

CENTRAL ASIA: 14 assignments, US\$0.9 million in funding

TA activities in this “frontier” region dropped in comparison with FY2001. With the political unrest and the recent change of government in Afghanistan, it became clear that basic economic infrastructure was missing and that significant inputs of TA were required to address the situation. Given the lack of hotels to accommodate visiting aid agencies, international organizations, and potential investors, IFC coordinated a study for hotel development in Kabul (*USTDA, IFC TA Allocation*) and did feasibility work on eco-friendly tourism in Tajikistan and on the potential for developing a new hotel in the capital, Dushanbe (*IFC TA Allocation*). Another study assesses the financial service needs of micro and small entrepreneurs and the feasibility of establishing microfinance institutions, in particular in Tajikistan and the Kyrgyz Republic (*Canada, IFC TA Allocation*). Targeted assistance was given to various SMEs in the Kyrgyz Republic, Tajikistan, and Uzbekistan on, for example, instituting appropriate management information systems to help strengthen operations

(*United Kingdom, IFC TA Allocation*). Another project conducted a market survey and technological review to help Uzbekistan make the transition from being a cash-based society to a credit card payment system (*Finland*). IFC provided strategic advice to the Kyrgyz Government to help create the enabling conditions for greater private investment in the information, communications, and technology sector. *Japan*

EUROPE: 49 assignments, US\$5.9 million in funding

Europe was the largest recipient of TA, with 49 projects reflecting a need for TA in most of the transition economies. Twelve donor countries provided the funding for these TA projects. The four largest donors were *Sweden* (US\$1.63 million), *Norway* (US\$0.89 million), *Greece* (US\$0.56 million) and *IFC TA Allocation* (US\$0.56 million). Yugoslavia this year was the largest recipient overall for funding in Europe through the TATF program, with more than US\$2 million in TA. Most of the 16 Yugoslav TA projects were conducted through the *Swedish* Yugoslavia Trust Fund and supported work in a variety of sectors, including shipbuilding, steel, solid waste services, rubber, and fruit juice. The privatization of municipal solid waste services in Belgrade was supported by experts from *Denmark, Greece, Norway, Sweden, and the IFC TA Allocation*. These experts helped on all aspects of the privatization from determining the optimal structure of the company to the conduct of the competitive international tender process. Russia was another major recipient of TA, with total funding of US\$1.77 million. An innovative TA project assisted a large coal mine and associated power plants in the region of Krasnoyarskugol. Funded by *Norway, the United Kingdom, and IFC TA Allocation*, this TA included environmental, financial, and social audits as well as an analysis of potential trading of greenhouse carbon credit emissions. Other notable TA assignments included a project to help auto component suppliers in Russia improve the quality and quantity of production to international levels (*USTDA*); a potato and dairy production project in Russia (*Canada*); and a fruit farming initiative in Bulgaria to implement a program to support economic fruit production and sustain an indigenous fresh and processed fruit industry in Bulgaria. *Greece*

LATIN AMERICA AND CARIBBEAN: 6 assignments, US\$0.5 million in funding

Examples of TAs undertaken include support for a regional pilot project to promote and develop “cleaner production” investments (more efficient use of materials, energy and water) in Latin America (*USTDA*). Two notable TAs were undertaken in Mexico. The first helped establish a new weather risk management company with the aim of launching weather index insurance products (*United Kingdom*). This would be the first company to systematically sell weather index insurance on a large scale to farmers in Mexico, thus bringing to developing countries an agricultural product that is widely available to other countries. The second TA provided expert advice to the Government of Mexico to assist in the development and implementation of its program to increase private sector involvement in the provision of public services through Public-Private Partnership Projects. *United Kingdom, IFC TA Allocation*

MIDDLE EAST AND NORTH AFRICA: 5 assignments, US\$0.3 million in funding

Five projects were initiated in this region, making it the smallest recipient of IFC TA, a dramatic change from two years ago when the West Bank and Gaza was the largest single recipient of new TA. The continued civil strife in the region made any new TA projects in the West Bank and Gaza impossible despite the need for expert assistance in many parts of the economy. In FY2002, the largest project in the MENA region involved the use of partnerships between the private sector and nongovernmental institutions (NGOs) in Egypt to provide on-the-job training for individuals from impoverished regions of Cairo (*IFC TA Allocation*). Other TAs include a market assessment project for the financial services industry in the Islamic Republic of Iran, the first IFC TATF involvement in that country (*Ireland*), and an insurance industry sector study in Syria. *Sweden*

SUB-SAHARAN AFRICA: 15 assignments, US\$1.5 million in funding

TA work in Sub-Saharan Africa remained at about the same level as FY2001. The single largest project in Africa was in support of the privatization of Petromoc, the national oil and natural gas distribution company in Mozambique (*Norway, IFC TA Allocation*). Other large TA efforts to support privatizations involved Kenya Railways (*Sweden*) and Air Tanzania (*IFC TA Allocation*). TA work to strengthen the important SME sector was supported through the trust funds of *Canada, Denmark, Luxembourg, and Switzerland*.

Other examples of activities in this region include a range of advisory services and training projects with small- and medium-size entrepreneurs, business associations, and NGOs in Mali and Nigeria (*Luxembourg, the Netherlands*); an innovative project assessing the feasibility of constructing a model “eco-village” and the designs for sustainable low-income housing and services in South Africa (*the Netherlands*); a study of the primary and secondary education market in South Africa (*Sweden*); and a market analysis of the information technology and Internet sectors and investment outlook in Côte d’Ivoire, Ghana, Nigeria, and Senegal. *Sweden*

GLOBAL PROJECTS: 11 assignments, US\$1.4 million in funding

Global or multiregional assignments undertaken through funding provided by *Canada, Ireland, Japan, Sweden, and the IFC TA Allocation* accounted for about 10 percent of total TA funding. Activities conducted were often related to technologies that can be applied globally. Examples are analysis of the “business case” for corporate social and environmental sustainability in emerging markets (*Ireland*); assessments of the technology needs of industrial manufacturing companies, and on developing global competitiveness and productivity improvements (*Ireland*); development of tools and mechanisms for mining companies and mining communities in developing countries that would help them to become effective partners in the prevention and treatment of HIV/AIDS (*Canada*); and development of an SME-Toolkit (*Japan*). The objective of the SME-Toolkit is to use technology to bring SMEs information on products and services needed throughout their business development cycle, thereby increasing their productivity, efficiency, and capacity as well as improving their access to capital and new markets.

Types and Sectors of TA Assignments

Consistent with its strategy, the TATF program supported TA assignments with broad-based development impacts. A majority of TA assignments contributed to one or more types of TA; for example, a TA evaluating a specific project risk may also have components that enhance the legislative and regulatory enabling environment for the project or sector or improve the management or environmental capacity of the TA beneficiary.

The main sectors in which IFC TAs were carried out during the year were financial services, manufacturing and industry, and infrastructure (which includes power, telecoms, water, and transport sectors).

There were also a large number of multisector TA assignments.

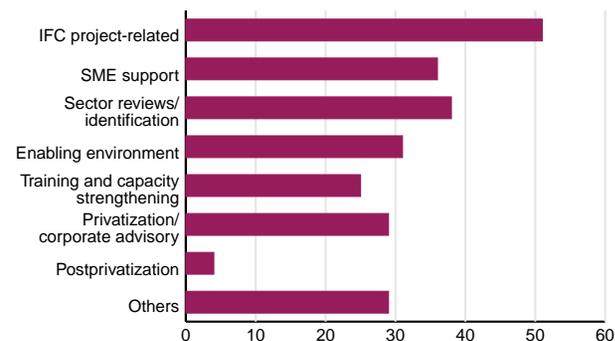
The following paragraphs highlight TA assignments by sector, many of these have been previously noted in the regional review paragraphs.

Type of TA*	Number of Assignments
IFC project-related	51
SME support	36
Sector reviews / identification	38
Enabling environment	31
Training and capacity strengthening	25
Privatization / corporate advisory	29
Postprivatization	4
Others	29

* These categories are not mutually exclusive

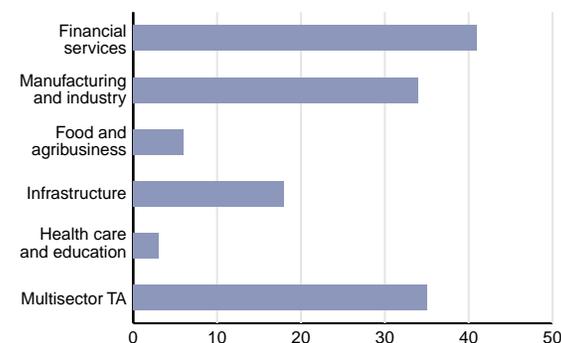
Sector name	Number of Assignments	Amount (US\$)
Financial services	41	3,804,864
Manufacturing and industry	34	3,675,700
Food and agribusiness	6	846,138
Infrastructure	18	2,872,410
Health care and education	3	335,300
Multisector TA	35	3,332,776
Total	137	14,867,188

NUMBER OF ASSIGNMENTS, BY TA TYPE*



* These categories are not mutually exclusive

NUMBER OF ASSIGNMENTS, BY SECTOR



Small- and Medium-sized Enterprises

Small- and medium-sized enterprises are an increasingly recognized source of job creation and in many countries form the bulk of the private sector. Thus, they often represent the foundation of the local economy, serving as the main source of private sector development, and are one of the keys to reducing poverty. In FY2002, 25 percent of TA assignments funded under the IFC TATF program were activities that directly or indirectly focused on SMEs in developing countries. These TAs ranged from fairly small interventions such as US\$8,000 to develop SME financing options in Papua New Guinea to as much as US\$475,000 for the global development of an Internet-based SME-Toolkit technology platform.

This section highlights the TATF activities that support IFC's SME initiatives in developing countries.⁴ These activities are often carried out in conjunction with field-based SME facilities. They cut across the four strategic pillars that the World Bank Group has identified as critical for SME development:

⁴ For more comprehensive information on the World Bank Group's SME-related work, see the separately issued "Report – World Bank Group Review of Small Business Activities" and also Chapter 3.

- **BUSINESS ENVIRONMENT**—developing business environments through TA that addresses government policies, public and private sector institutions, and physical infrastructure;
- **CAPACITY BUILDING**—building the skills and capabilities of entrepreneurs, financial intermediaries, and SME support agencies;
- **ACCESS TO FINANCE**—developing new or supporting existing financial intermediaries to help address direct financing needs; and
- **ACCESS TO INFORMATION TECHNOLOGY (IT)**—developing IT options for SMEs to build knowledge, open new markets, and find cost-effective financing options.

A balanced and fair business environment is key to the creation and growth of SMEs. IFC's work with SMEs has found that they are at a considerable disadvantage compared with larger companies; rarely are SMEs given equal business opportunities. Good legal and regulatory structures, including modern corporate governance standards, are a necessary but not sufficient condition for the development of the SME sector. The local business community must also have a voice in promoting

business environment reforms at both the national and local level. During the past year, IFC, with the assistance of donors, has supported:

- A forum in Nigeria on competitiveness and private sector growth. *Canada*
- In coordination with the CPDF, IFC is working on corporate governance issues in China. *Italy, Canada*
- A review of the legal and regulatory environment was conducted as part of a leasing market and investment assessment survey in Albania. *Italy*

To better understand the business environment for SMEs, the World Bank Group has developed a country mapping tool. These country maps, sector studies and surveys all involve a wide range of SME stakeholders and will help the Bank Group highlight the importance of the SME sector in the development of Poverty Reduction Strategy Papers and Country Assistance Strategies as well as influence governments to reduce barriers to SME growth. For example, IFC has supported:

- A country mapping study in Papua New Guinea (*Australia*) and the preparation of a country map for Egypt. *IFC TA Allocation*
- In collaboration with the Mekong Project Development Facility, preparation of a major domestic private enterprise study for Vietnam. *Australia*
- A series of annual surveys of the SMEs in the Ukraine. This year the work will also include an in-depth analysis of a particular subsector. *Norway*

SMEs also need substantial direct and indirect TA for capacity building if they are to remain competitive and grow. This work falls into two broad categories: support to local business organizations and local SME service providers; and direct TA for specific businesses in which IFC may invest directly or indirectly through a financial intermediary. Some good examples include:

- In Mali IFC partnered with an international NGO to establish an SME development program. *Luxembourg*
- In Nigeria IFC carried out a business associations' needs assessment, sponsored a workshop to help build strategic alliances



among SMEs, funded more in-depth TA for the strategic development of the Manufacturing Association of Nigeria, and provided TA to a local NGO to strengthen its entrepreneurship program for the informal sector. IFC provided TA to develop designs for sustainable low-income housing and services in South Africa. *Netherlands*

- In China, working with the CPDF in Sichuan Province, IFC provided capacity-building TA to develop some best practice initiatives for the delivery of enterprise-specific assistance to SMEs (*Switzerland*). IFC also helped develop the capacity and skills of local consultants and specialists in Sichuan to undertake environmental review and mitigation work. *Denmark*
- In Papua New Guinea, working with the South Pacific Project Facility, IFC investigated the replicability and expansion options for a successful SME scheme. *Australia*
- In Thailand IFC is investigating options to assist local SMEs in capturing more of the value added in the supply chain of global manufacturing firms with operations in Thailand. *Japan*

Examples of company-specific capacity building for SMEs are:

- Support for Asian wood suppliers to improve their environmental management systems. *Finland*
- Assistance to several Central Asian SMEs to improve their accounting and management information systems. *United Kingdom*
- Assistance to a garment manufacturer in Yugoslavia to help prepare a marketing strategy and business plan for the modernization and expansion of its facilities. *Italy*

Entrepreneurs typically say their top business need is financing. However, many established financial institutions are reluctant to lend to SMEs they do not know, so growth of new SMEs is constrained by a dependence on their own cash flows or less reliable informal sources of capital. To address this financing constraint, IFC and the World Bank are focusing on helping local banks, leasing companies, equity investors, and others see the bottom-line benefits that can come from making SMEs a target market.

- In Bangladesh, in collaboration with the SouthAsia Enterprise Development Facility, IFC is

helping to assess and strengthen SME lending practices in private financial institutions. *Norway*

- In China IFC is working to strengthen a city commercial bank in Chengdu, Sichuan Province, that serves local SMEs. *Norway*
- In the Pacific Islands of the Asia region IFC is investigating the feasibility of establishing a regional credit enhancement facility for risk mitigation in SME lending. *Australia*
- In Papua New Guinea, in collaboration with SPPE, IFC is assessing the availability of indigenous financing for SMEs; IFC is also working with SMEs that have been financed by the PNG Rural Development Bank to assess their current financial situation. *Australia*

In the important area of microfinance, IFC has supported feasibility studies for the creation of microfinance banks in Tajikistan and Afghanistan (*Canada, IFC TA Allocation*). IFC is also providing assistance to the Kyrgyz Republic to develop a legislative framework for microfinance institutions. *IFC TA Allocation*

In the area of access to information technology, IFC is working at both the global (*Japan*) and country or regional level (*Norway, IFC TA*

Allocation). Globally, IFC is developing an Internet platform to be known as the “SME-Toolkit” (www.SME-Toolkit.com), which would be accessible globally. At the country or regional level, IFC plans to develop customized versions of this platform and in the last year, it started work on a version in the Ukraine that will provide e-business tools to SMEs and help connect SMEs to sources of financing (<http://www.sme-toolkit.org.ua>).

Enabling Environment

The enabling environment, or investment climate, for private sector investment is an essential element for economic growth. IFC is continually strengthening its investment, TA, and advisory work to improve the environment for private sector development in member countries.

Many TATF assignments were carried out in various sectors, such as advising governments on changes in and implementation of laws and regulation affecting the investment climate. IFC works closely with the World Bank and the regional development banks to strengthen the overall impact of the international financial institutions in this area.

These assignments also included providing advice to local communities surrounding IFC’s investment projects.

As in previous years and reflecting IFC’s strategic focus, most enabling environment TATF assignments were for the financial sector and for SME development. In addition to that work, a number of TA assignments addressed other business sectors:

- IFC supported capacity building in the Vilabouly district, Savannakhet Province, Lao PDR, where the Sepon gold and copper mine is located. IFC is an investor in the mine, and the TA will provide advisory services to the local authorities and communities on how to manage the environmental and social impact of the mine’s development. *Australia, Japan*
- IFC financed a study to explore investment opportunities in the IT and Internet sectors in Côte d’Ivoire, Ghana, Nigeria, and Senegal (*Sweden*). The TA will assist the governments in developing policies relating to these sectors and in helping their industry associations make appropriate investment decisions. A similar study for East African countries is envisaged.

- IFC supported a conference to promote private sector development and foreign direct investment in the non-oil sectors in Azerbaijan (*Switzerland*). The conference will develop recommendations for the government and the private sector, and IFC will follow up in assisting the government in implementing the work plan and solutions agreed at the conference.
- In Nigeria, IFC organized a forum on competitiveness and private sector growth (*Canada*) and also helped the Support and Training Entrepreneurship Program (STEP), a nongovernmental organization based in Lagos, to prepare a business plan to scale up its assistance to the informal sector in the southern part of Nigeria. *Switzerland*
- In Russia, in collaboration with the Private Enterprise Partnership, IFC supported a pilot project to help develop the automotive component industry (*USTDA*). The TA includes an in-depth market analysis and policy review of the automotive sector that will be used as a basis for policy reform efforts, particularly those targeted at reducing administrative and regulatory barriers to market entry and expansion for both local firms and Western parts manufacturers.

The project also aims to help a targeted group of Russian component suppliers improve their manufacturing processes, product quality, operational efficiencies, and selected management practices. *USTDA*

- IFC supported a Public-Private Partnership (PPP) program, established by the Mexican Government, to increase private sector involvement in providing public infrastructure services and government services. The project will review existing laws and institutional and policy environments, including legislation at the federal and municipal level. The TA will focus on creating an appropriate policy framework, institutional arrangements, and enabling environment to increase private sector investment, and will help identify and develop a few demonstration PPP projects. *United Kingdom, IFC TA Allocation*
- Assistance was provided to help finance the domestic private enterprise study in Vietnam. Private enterprises have been thriving in Vietnam even though state enterprises have long assumed a predominant position. The study is expected to identify constraints that private enterprises face and to advise the government on how to improve assistance to the private enterprises. *Australia*



- IFC also completed a unique study on Sustainability: to identify how corporations in developing countries become financially, socially, and environmentally sustainable (*Ireland*). Similar studies already exist for corporations in developed countries, and the new Report: *Developing Value: The Business Case for Sustainability in Emerging Markets* reveals critical elements of sustainability in IFC's client companies and other corporations in developing countries.

Social Sectors

Improved health and increased human capacity are essential to sustainable development and economic progress. IFC's health sector strategy focuses on reducing poverty through improving the quality and efficiency of health delivery and providing affordable medications to the poor. Examples of TAs undertaken this fiscal year include:

- Provision of advisory services to assist the Romanian Ministry of Health in developing a national strategy for private sector participation in the country's public hospitals and in implementing

10 public-private partnership transactions for public hospitals in Bucharest. *Switzerland*

- A study to identify investment opportunities that may now be financially viable given the broad range of reforms being undertaken in the health sectors in China and Russia. The proposed study is expected to facilitate the development of the private pharmaceutical drug production and distribution systems in the two countries.

Ireland

- In South Africa a market study, undertaken jointly by the Standard Bank of South Africa and IFC, involved the collection and analysis of data regarding the primary and secondary education market. The results of the findings will be used to develop a funding package to support the growth and development of independent primary and secondary schools. *Sweden*
- A study in Russia aims to identify specific investment opportunities in the private higher education and vocational education sector, and to assess the potential for developing the market for student loans. The assistance will also include a conference to discuss issues affecting the private education sector. *Sweden*

Financial Markets

A recent reorganization in IFC has led to the centralization of all of IFC's financial operations under one department, the Global Financial Markets Department. This centralization reflects IFC's strategic emphasis on developing viable financial markets as an essential condition for the growth of the private sector and for sustainable reduction in poverty. The range of financial markets technical assistance (FMTA) spans three broad global themes or program areas:

- Institution building for mainstream financial institutions
- Diversification of financial services for nonbank financial services
- Financial support for SMEs (see box, this page)

These programs reflect IFC's strategic directions for financial sector development and the assistance most needed by IFC's client countries. As of FY2002, a cumulative total of 121 technical assistance projects for financial markets, worth US\$23.4 million, were under way in 77 countries and regions. Diversifying financial services represented the largest program, or 60 percent of total FMTA activities. Key sectors within this program were insurance and pensions (21 percent), securities markets (17 percent), and nonbank finance (mostly leasing, 15 percent). The remaining 40 percent of FMTA activities were about equally divided between the other two programs, institution building and financing for SMEs, although the SME program typically involves institution-building activities for smaller banks, which specifically target SME clients.

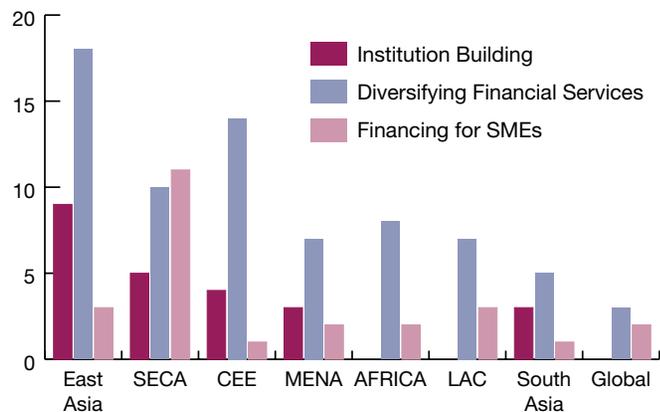
IFC's FMTA programs also operate to varying degrees and with different emphases across regions and sectors. In FY2002 the East Asia region carried out most of the institution building work for banks; the Southern Europe and Central Asia region focused on financing for SMEs, namely in banking, microfinance and leasing; and the Central and Eastern Europe region supported the development of innovative financial services, mostly in leasing and securities markets. These three regions were the recipients of about two-thirds of all financial markets TA activities. The major sectors overall were insurance and pensions and SMEs, with each sector representing 21 percent of total projects, followed closely by banking (20 percent).

Range of FMTA Activities

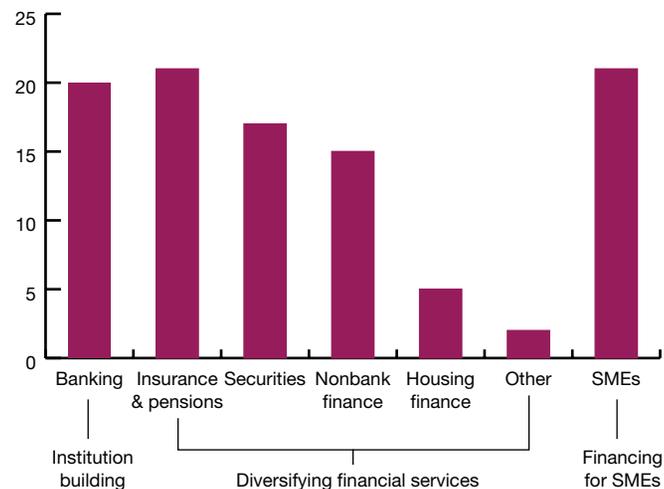
IFC's financial markets technical assistance (FMTA) activities are organized under three global themes, or programs:

- **INSTITUTION BUILDING for mainstream financial institutions such as banks. Projects address core banking operations (credit, asset-liability management, corporate governance). Most projects are institution-specific and linked to an IFC investment, but some are stand-alone and some provide broad-based training to the banking industry.**
- **DIVERSIFYING FINANCIAL SERVICES to support new, nonbank financial services, such as leasing, housing finance, securities markets, insurance, and pensions. This program includes feasibility studies, helping to create enabling business environments, and institution building for specific financial institutions.**
- **PROVIDING FINANCE FOR SMEs has three components: institution building to create profitable SME financiers (that is, supporting IFC investments); strengthening the ability of local training institutes to provide bank training; and developing partnerships with best practice practitioners and providers to replicate successful models worldwide.**

NUMBER OF PROJECTS BY REGION



PERCENTAGE OF PROJECTS BY PROGRAMS AND SECTOR



Within the theme of institution building for mainstream financial institutions, most of IFCs support through the TATF program was either for bank training or for strengthening specific banks in which IFC was investing.

Following are examples of the TATF activities initiated in FY2002 that contributed to the various thematic FMTA programs:

- In China IFC supported a commercial bank training program for the Bank of Shanghai to help introduce international best practices. *Japan*
- In the East Asia region IFC investigated the viability of establishing a bank holding company that would take minority stakes in small local or regional banks. *The Netherlands*
- In the Philippines IFC undertook a study to evaluate the prospects for establishing a rural and small business finance wholesale facility. *The Netherlands*

- In Russia, in collaboration with the Private Enterprise Partnership, IFC provided TA to two commercial banks for training programs to strengthen internal audit and credit officer functions as well as for improving management information systems. *Norway*
- In Sri Lanka IFC is providing TA to the National Development Bank of Sri Lanka to help develop a detailed strategy for transition from a development financial institution to a universal banking institution. *Canada*

In most developing countries the insurance markets and pension systems are inadequate for the needs of the private sector and the public at large, and several TA projects are working to address these shortcomings. These include:

- Capacity-building TA for a major Chinese life insurance company to help it adopt international best practice as the insurance sector opens up to foreign competition. *Switzerland*
- A seminar on insurance and contractual savings in Sri Lanka. *IFC TA Allocation*

- Development of pension-related insurance and annuity sectors in Kazakhstan, and a diagnostic study of the Kyrgyz pension system. *IFC TA Allocation*
- Assessment of the insurance market in the Syrian Arab Republic that will also assess the options for IFC investment. *Sweden*
- A pre-investment study for the introduction of weather index insurance in Mexico. *United Kingdom*

Leasing industries are an important source of financing for capital investments that are often not present in developing countries. Several leasing studies have been carried out in Iran, Albania, Ukraine, and the Middle East and North Africa region (*Denmark, Ireland, Italy, the Netherlands*). Some of these studies are expected to lead to IFC investments.

Housing shortages are another critical problem in developing countries and IFC is increasing its efforts to develop housing finance options. These projects include, for example, a housing finance sector review in Bangladesh (*Sweden, IFC TA Allocation*) and an investigation of low-cost housing services in South Africa. *The Netherlands, IFC TA Allocation*

Effective capital markets are also a necessary condition for a competitive private sector. Examples of TAs undertaken in this area include:

- A regional seminar on capital markets development in Latin America. *IFC TA Allocation*
- A study of the feasibility of creating a money market mutual fund in Madagascar. *IFC TA Allocation*
- A global market survey of private equity and venture capital industries in developing countries. *Japan*
- An evaluation of the readiness of the capital markets to introduce derivatives products in Pakistan. *New Zealand*
- A study investigating the potential for developing a factoring industry in Yugoslavia. *Austria*
- Support for the securities exchange in laying out rules and procedures for creating a more organized over-the-counter bond market and learning how to effectively supervise a bond market in Thailand. *Japan*

- An assessment of the market demand for a plastic card payment system in Uzbekistan. *Finland*

For a summary of the types of activities being undertaken in financial markets in support of SMEs, please refer to the SME section.

Privatization and Postprivatization

The TATF program is of vital importance for IFC's privatization activities. It supports a range of activities helping governments in the complicated process of converting state companies to private entities. It also provides postprivatization support for recently privatized companies. Examples of TAs undertaken include the following:

- The largest privatization project in FY2002 was the assistance provided to Belgrade, the Yugoslav capital, to privatize the municipal solid waste company. All aspects of the privatization were covered, from determining the optimal structure of the company to the conduct of the competitive international tender process. Legal, technical, public information, audit, regulatory, and social experts were also provided for the successful implementation of the project. *Denmark, Greece, Norway, Sweden, IFC TA Allocation*
- The privatization of the Kenya Railways Corporation by the Kenyan government and appointment of technical experts needed to address operational issues, which include inputs on privatization strategy, technical aspects of railway regulation, transaction structuring, and company valuation. *Sweden*
- Another important privatization in Africa was the privatization of Petromoc, the natural gas and oil distribution company in Mozambique. *Norway, IFC TA Allocation*
- The privatization of Air Tanzania, which started in FY2001 (*Denmark*), advanced into a second phase in FY2002 (*IFC TA Allocation*). Transition management consultants were required to develop a business plan and to implement cost-cutting measures.
- IFC assisted the Romanian Ministry of Health in developing a national strategy for private sector participation in the country's public hospitals and in implementing Public-Private Partnership transactions for public hospitals in Bucharest. *Switzerland*

Uganda:

Electricity for Rural Consumers

In Uganda, 90 percent of the rural population has no access to electricity. At the beginning of 2000, the government of Uganda requested assistance from IFC to develop rural electrification projects that could serve as a model for attracting private capital and strategic investors into the business of providing electricity to rural areas.

To this end, IFC supported an assessment of the commercial viability of private rural electrification initiatives in western Uganda. The assessment consisted of three phases: identifying and developing high-impact, high-priority rural electrification projects in collaboration with the Uganda Ministry of Energy, local community leaders, and other stakeholders in Uganda; appraising the first set of projects identified for funding and negotiating concession agreements and required subsidies, if any; and finalizing project design work for the construction of the project.

The initial work concluded that a commercially viable rural electrification system was possible in Bushenyi and Rukungiri districts, some 200 to 250 miles southwest of the capital city of Kampala. The study identified the need for a distribution network to serve commercial trading centers, as well as residential households close to the network. As demand builds, the network will be extended to more residential customers.

The study also identified the need for a small hydroelectric generation plant to ensure a reliable and affordable supply of power to the distribution system. An initial grant was also needed to make the project attractive for private participation.

IFC expects to close the financing for the project, which is contingent on reaching an agreement with the Ugandan authorities on the terms of the power purchase agreement, the amount of grant funding from donor sources for the project, and negotiation of the distribution concession agreement with the Electricity Regulator, which would include the tariff rates to be charged to commercial and residential users for the project's electricity services.

This TA has resulted in substantial progress in laying the groundwork for the participation of the private sector in Uganda's rural electricity sector. The draft power purchase agreement and the concession contract (which provides for the tariff structure and performance standards for the rural distribution company) await the Ugandan government and Electricity Regulator's approval. This project, once completed, will serve as a model for other private rural electrification projects in Africa and other developing regions. *USTDA, IFC TA Allocation*

- A postprivatization project supported a Macedonian textile company in sizing its work force in a humane and socially responsible manner. The project will seek to create new employment opportunities for laid-off workers.
Norway

The Private Sector Advisory Service, a department jointly managed by the World Bank and IFC, not only provides privatization transaction support but also advises on policy and transparency issues and foreign direct investment.

Technology

To increase sustainable economic growth and investments in the information technology sector, IFC conducted several studies, including:

- A study analyzing the market investment outlook for the information technology and Internet sectors in Côte d'Ivoire, Ghana, Nigeria, and Senegal. The study will also focus on identifying specific investments that can be made and will develop policies to improve the enabling environment for the IT and Internet sectors.
Sweden



- A study to assess the opportunities and constraints facing the information, communications, and technology (ICT) sector and a study to develop an action plan for removing the identified bottlenecks to investments in the ICT sector in the Kyrgyz Republic. *Japan*
- Reports on the oil, mining, and ICT sectors. These reports will be used to provide key information and outline possible business opportunities for the ICT sector for foreign investors who will be attending an Investors Forum in September 2002, organized jointly by the World Bank, IFC, and the Government of Mongolia. The report will also address ways to make the ICT sector more attractive to investors in Mongolia. *Norway, Ireland*
- A market study to determine the demand for making payments by plastic card in Uzbekistan and, if the study confirms the demand for such a system, a further study to assess the needed software and hardware for implementing a national plastic card payment system. *Finland*
- Support for the development and initial operation of an Internet-based SME-toolkit which, when operational, will provide Ukrainian SMEs with e-business tools and resources. The toolkit will help Ukrainian SMEs find on-line the financing they need as well as learning resources and local business assistance providers. The toolkit will also provide participating financial institutions with an expanded market base of more qualified applicants who can be served at a lower cost. *Norway*
- The development of an Internet-based platform known as the SME-Toolkit, which would be accessible globally and serve as the foundation for other community or regionally based SME Internet sites. *Japan*

Administrative Updates

Partnership Programs

In FY2002, the Netherlands Ministry of Foreign Affairs and the Netherlands Ministry of Economic Affairs decided to set up separate “Partnership Programs” that bring all of IFC’s technical assistance programs under “umbrella” agreements with streamlined structures and procedures. These Partnership Programs are expected to help reduce donors’ management costs by specifying standardized administrative procedures and providing for regular policy consultations.

The Netherlands Ministry of Foreign Affairs signed the first Partnership Program, on November 29, 2001, with an allocation of €11.4 million for the calendar year 2002. The Partnership Program currently supports 11 current and planned activities, including: Netherlands Technical Assistance Trust Funds, Foreign Investment Advisory Services, African Management Services Company, African Project Development Facility, SouthAsia Enterprise Development Facility, Indonesia Business Support Program, SME Pilots and Partnerships, SME Linkages Program, SME Business Enabling Environment Program, Social and Environmental Facilities, and Global Microfinance Credit Enhancement Facility.

The Netherlands Ministry of Economic Affairs signed the second Partnership Program on April 23, 2002. This Partnership Program includes support to the Netherlands Trust Fund for Emerging Markets and Countries in Transition, and for the Private Enterprise Partnership. A total of €6 million has been made available through the transfer of balances from old agreements as well as additional contributions.

Several other donors have shown an interest in setting up similar partnership programs with IFC.

Chapter 2 Annex 1 TATF: TA Projects Approved for Support in FY2002



Asia & the Pacific Region

Bangladesh

STRENGTHENING SME LENDING PRACTICES OF PRIVATE FINANCIAL INSTITUTIONS. This TA project assignment will assist private sector commercial banks in Bangladesh in strengthening their operations and help them better serve the financing needs of SMEs. The TA will include SME finance diagnostics and skill gap analysis as well as a banking symposium on SME lending. Recommendations that come out of the SME finance seminar will be followed through by IFC's SouthAsia Enterprise Development Facility (SEDF) in the form of concrete bank strengthening work with selected partner private sector financial institutions. (SEDF details, p. 57) *Norway*

REVIEW OF HOUSING FINANCE SECTOR. This assignment consists of an assessment of the housing market focusing on, among other

factors, target income groups, urban versus rural development, and product differentiation; an assessment of the current status and need for legal and regulatory reform highlighting issues that need to be addressed to help the companies grow; and an assessment of the needs of the various income segments and development of housing finance products. *Sweden, IFC TA Allocation*

China

IMPROVING THE INVESTMENT CLIMATE FOR SUSTAINABLE MINING. This TA assignment supports a conference of mining investors held in Xian, Shaanxi Province, China. In addition to presentations, the conference includes a capacity-building program in two areas that need to be addressed to improve the investment climate for sustainable development of mining in China: disclosure of geological information for private investors and environmental management systems for mining projects. *Australia, IFC TA Allocation*

CORPORATE GOVERNANCE CAPACITY-BUILDING PROJECT: SICHUAN PROVINCE. The objectives of this assignment are to extend understanding and adoption of sound corporate governance practices in companies in Sichuan Province, China. The idea is to help ensure longer-term viability and increase the companies' access to investment capital to support future expansions and modernizations. The TA project also addresses development of a Sichuan-based capacity for supporting and applying international standards of corporate governance. *Canada*

SICHUAN ENVIRONMENT CAPACITY-BUILDING PROJECT. This TA supports environmental experts in developing the capacity and skills of domestic consultants and specialists in Sichuan Province to undertake environmental review and mitigation work in accordance with international standards. *Denmark*

DEVELOPMENT RESEARCH COUNCIL: CORPORATE GOVERNANCE DIAGNOSTIC WORK.

This TA effort involves a study of corporate governance in China, to be conducted jointly by the World Bank and IFC. The work has been requested by the government of China. The Chinese counterpart in this TA initiative is the Development Research Council under the State Council (the cabinet). The report will include a review of key legal statutes pertinent to the exercise of corporate governance in China. *Italy*

COMMERCIAL BANKING TRAINING FOR THE BANK OF SHANGHAI. This TA supports experts in conducting of work on the third (and final) stage of a long-term, comprehensive TA initiative to upgrade and strengthen the Bank of Shanghai. The overall TA effort is aimed at helping BOS introduce international banking best practice and to build itself into a model for emulation by other banks in China. This final stage of TA work is focused on training to improve BOS's credit analytical skills as well as its credit policies and procedures. *Japan*

FINANCIAL REVIEW AND ADVISORY SERVICES FOR CHENGDU CITY COMMERCIAL BANK. This TA assignment involves helping Chengdu City Commercial Bank (CCCB) in Sichuan Province to strengthen its financial management capabilities. Activities involve a review of CCCB's financial performance and advisory assistance to improve the bank's credit and risk management policies and procedures. *Norway*

NEW CHINA LIFE INSURANCE COMPANY: CAPACITY-BUILDING PROJECT. This TA project helps New China Life Insurance Company in three main areas: adopting international best practices for financial planning and management control systems; developing and strengthening the company's operational manuals, policies, and guidelines; and training staff in management information skills and tools and in evaluating actuarial risks, managing investment portfolios, and developing front and back office capabilities. *Switzerland*

PROGRAMMATIC ASSISTANCE TO SMEs ON GOOD PRACTICE AND CAPACITY BUILDING. This grant supports the establishment and first year of operation of IFC's China Project Development Facility (CPDF). The facility has two closely linked and complementary programs: Enterprise Level Support and Capacity-Building and Private Sector Policy Work (CPDF details, p. 55). *Switzerland*

BUSINESS ADVISORY SERVICES FOR ENVIRONMENTAL PRODUCTS MANUFACTURER. This TA project provides business advisory services to the management of a company that fabricates specialty environmental equipment in Shenyang, Liaoning Province, China. The firm is an integrated builder, supplier, and operator of water and wastewater treatment systems. TA work includes a thorough review of the company's current business capabilities and practices, an assessment of its markets, analysis of a direction for future growth, and preparation of business and marketing plans. *United Kingdom, IFC TA Allocation*

India

SAFE MANAGEMENT OF AGRO-CHEMICAL PRODUCTS. This TA project will assess the suitability of agrochemicals proposed to be marketed through the proprietary Farm Service Centers being established by a major Indian agribusiness group. The idea is to ensure that the chemicals sold through the centers reflect appropriate range and formulations and to suggest mechanisms to keep the sponsor and local farmers informed as to suitable uses, good practice, and banned and restricted pesticides. The work involves review of existing Indian (national and state) regulations and controls, analysis of regulations and practices, and preparation of a draft pesticide management plan. *Denmark*

STRENGTHENING FINANCE PRACTICES OF SME-ORIENTED BANKS AND FUNDS. This grant supports the cost of retaining banking and fund management experts to advise CEOs of Indian banks and fund management companies on international best practices in SME finance. These financial specialists will take part in a symposium on SME finance covering issues related to banking and equity financing of SMEs. *IFC TA Allocation*

SELF-EMPLOYED WOMEN'S ASSOCIATION: ADVISORY ASSISTANCE. This TA project provides high-level assistance on the organizational and managerial structure of a new Trade Facilitation Center that would commercialize the Self-Employed Women's Association (SEWA), an Indian nongovernmental organization mainly involved in producing embroidery products. The consultant would also provide advice on potential commercialization opportunities for SEWA's salt and gum production activities. *IFC TA Allocation*

Indonesia

STRENGTHENING INSTITUTIONAL CAPACITY OF PT NISP BANK. The objective of the project is to help NISP Bank to become a well-managed commercial bank, through adopting international best practices for its management and corporate governance, and to strengthen its institutional capacity in key areas. These include helping management to review current trends in Indonesia's banking sector, including discussing regulatory changes and issues; helping the bank manage credit risk; and reviewing current corporate governance processes and



identifying areas for improvement. Training for staff will be provided in all these critical functions.

Switzerland

Lao People's Democratic Republic

GOLD AND COPPER MINE PROJECT: MANAGING ENVIRONMENTAL AND SOCIAL IMPACTS. This TA effort aims to create a base for sustainable economic development in a region where a gold and copper mine project is proposed to be located—the country's largest to date. The idea is to help build the administrative capacity of the Vilabouly District and Savannakhet Province decisionmakers and regulators, so that the region will be able to manage impacts from the mine in the mid- to longer term. The main thrusts of the TA assignment will be to build local capacity, establish a community development plan, expand the health system and malaria control, and improve water supply and sanitation. *Australia, Japan*

Mongolia

INDUSTRY PROFILES FOR INVESTORS' FORUM: OIL AND MINING SECTOR AND INFORMATION, COMMUNICATIONS, AND TECHNOLOGY (ICT) SECTOR. This Investor's Forum is supported by the governments of Ireland (oil and mining sector) and Norway (ICT sector). Under these grants, experts from Ireland and Norway, together with local consultants, will work together to prepare two separate sector profiles. These profiles will help support the Investors' Forum being held by the Government of Mongolia in September 2002. The forum is aimed at encouraging discussion on ways to improve the country's investment environment and to attract foreign direct investment. The World Bank is cosponsoring this event. *Ireland, Norway*

Pakistan

FACT-FINDING STUDY ON DEVELOPING DERIVATIVES PRODUCTS AND MARKET. This assignment will assist the Pakistani Securities and Exchange Commission (PSEC) to identify potential derivatives products that may be appropriate risk management or hedging vehicles

for local financial markets and to improve risk management capabilities for local institutions. General recommendations will be provided to the PSEC, for its consideration, about products that might be introduced and areas in which changes may be required in the institutional and regulatory infrastructure in order to support the market for derivatives products. *New Zealand*

Papua New Guinea

ASSISTING INDIGENOUS SME FIRMS ON BUSINESS MANAGEMENT. This TA effort will assist selected indigenous SME operators in identifying current or potential problem areas within their enterprises and putting in place suitable corrective measures on a timely basis. The goal is to help ensure the firms' longer-term viability. Target SME operators involved in this project are to be drawn primarily from among clients of the PNG Rural and Development Bank. *Australia*

COUNTRY MAPPING STUDIES: ASSESSING OPPORTUNITIES FOR SME FIRMS. The assignment is built around IFC's SME country mapping program and guidelines. It will produce a series of brief studies that

identify issues affecting the development and sustainability of SMEs in Papua New Guinea. The idea is to obtain a clearer picture of the domestic business environment for SMEs, including detailed services, needs, and infrastructure gap analysis. *Australia*

STUDY OF AVAILABILITY OF FINANCE FOR SME COMPANIES. This assignment assesses indigenous sources and options for financing available to SMEs, with an aim of identifying and quantifying gaps in availability of financing on suitable terms, such as regional and locational limits and debt security issues. *Australia*

PNG RURAL DEVELOPMENT BANK: RETAIL MANAGEMENT SERVICES INITIATIVE. This TA assignment focuses on strengthening SMEs through use of the retail management services (RMS) approach that has had some success as implemented by the PNG Rural Development Bank. The RMS approach, which borrows heavily from franchising concepts, provides client SMEs with a heavy input of “outside” management assistance and of business operational surveillance, particularly in early years, to

help improve their chances for successful operation. The assignment will assess the opportunities and risks likely to be involved in expanding the RMS approach into a wider market segment. *Australia*

Philippines

PHILIPPINES BANK: CAPACITY BUILDING TO SUPPORT LENDING TO SME CLIENTS. This TA project is designed to assess the strategic plan of the Philippines Bank, which provides services nationwide, and to provide expert commentary on this plan for consideration by management. The aim is to help the bank strengthen itself as an institution and better serve its target market—mainly SMEs. *Japan*

ESTABLISHMENT OF FINANCING ENTITY TO SERVE RURAL AND SMALL BUSINESS COMPANIES. This TA Assignment supports the cost of retaining a consultant to advise IFC, which, along with several other international financial institutions, about the feasibility of establishing a “Finance Wholesale Facility” or bank holding company that would invest in substantial minority stakes in local and regional rural banks in the Philippines. Either



structure would focus on the financing of rural and small businesses. The consultant for this assignment will also work closely with the Central Bank of the Philippines to review and discuss prospects for removing previously identified legal impediments and to ensure the viability of the concept from a legal and regulatory standpoint. *The Netherlands*

Sri Lanka

ADVISORY ASSISTANCE TO NATIONAL DEVELOPMENT BANK. This TA project aims to help the management of the National Development Bank of Sri Lanka to develop a detailed strategy to support the bank’s transition from operating as a development finance institution to offering universal banking services. *Canada*

SUCCESS
STORY

Samoa: Funding CEOs for Samoan Companies

In Samoa, as in many of the Pacific islands, the private sector has not been a successful breeding ground for chief executive officers. This project supports the sourcing, recruitment, installation, and training of Samoan nationals from either Samoa or the Samoan community in New Zealand for three critical private sector Samoan companies at the CEO level. Phase I of the project focused on sourcing and recruitment and was completed successfully. In addition to selecting and recruiting CEOs, the TA has led to a proposal to create a joint venture company in the Pacific to recruit management skills on local terms throughout the Pacific. A second phase may be required to carry out the training and mentoring aspects of the CEO program, and IFC anticipates that an additional small TA will be required to bridge a skills gap with one of the three appointments. *New Zealand*

Vietnam:

Providing More Opportunities for Tertiary Education – the RMIT International University Vietnam (RIUVN)

Thousands of Vietnamese students go abroad every year for tertiary studies, most financed by bilateral aid programs. Responding to this acute shortage of tertiary education in Vietnam, RMIT University, the largest university in Australia, worked with leading universities in Vietnam, offering joint degree programs in engineering and business management. With the government's encouragement of foreign investment in the education sector, RMIT decided to open a campus in Ho Chi Minh City. This is the first Western-style university in Vietnam and will eventually accommodate 12,000 students.

Through the TATF program, two pieces of work facilitated its implementation.

- The people who lived on the planned 60-hectare site needed to be resettled. Resettlement was a relatively new concept in Vietnam, and the RMIT asked for outside help. One TA assignment helped prepare a Resettlement Action Plan for the main campus to mitigate adverse effects of resettlement; maintain or improve the living standards of those affected; provide development opportunities to the directly affected and subsequent host communities; and ensure transparency in the implementation of the resettlement.
- The other TA did a diagnostic review of the legal, business and banking sector environment to prepare for developing a Student Loan Program. More TA work will be needed to develop the program.

Both assignments have been completed successfully. In addition to the direct value to the RIUVN, the features of the resettlement could be replicated in other cities in Vietnam and in other countries. IFC has now invested a total of US\$7.25 million in the RIUVN in support of the first phase, which is estimated to cost US\$33.6 million. The RIUVN opened its City Campus in September 2001 to offer foreign language and IT training as well as selected postgraduate programs. It plans to open its main campus in early 2004. *Australia*

SEMINAR ON INSURANCE AND CONTRACTUAL SAVINGS SECTORS. This grant provides funding for a symposium on the role and prospects for developing two key areas of the country's financial sector institutional infrastructure—insurance and contractual savings. Topics to be addressed include opportunities for growth of the insurance and contractual savings sectors; trends in local and international markets toward consolidation of financial services; and the type of regulatory framework required for building a transparent and sound financial sector. The conference will bring together as participants a range of leading academics, development practitioners, private sector leaders, and public policy experts. *IFC TA Allocation*

ASSISTANCE ON RATIONALIZING AND EXPANDING DAMBULLA DEDICATED ECONOMIC CENTER. The project will develop a business plan for consolidating operations and expanding the range of services offered at the Dambulla Dedicated Economic Center, a wholesale market for fruits and vegetables established in 1999 by the Government of Sri Lanka in the city of Dambulla in the country's Central Province. *Japan*

Thailand

STRENGTHENING SUPPLY CHAIN LINKAGES FOR SME FIRMS. This assignment focuses on identifying opportunities for SMEs in Thailand to capture more value added in the supply chain of global manufacturing firms based in Thailand. The idea is to emphasize pooling of resources of SME companies to make possible technology upgrading, information technology support, and management and technical training. *Japan*

STRENGTHENING MANAGEMENT OF BOND MARKETPLACE (THAI BOND DEALING CENTER). The project will assist a licensed securities exchange in Thailand—the Thai Bond Dealing Center—in laying out rules and procedures for creating a more organized over-the-counter bond market and in developing skills to supervise the activities of the operation more effectively. *Japan*

Vietnam

STUDY OF BUSINESS ENVIRONMENT FOR DOMESTIC PRIVATE ENTERPRISE. This study addresses key aspects of the business climate, including prospects for growth and investment in the domestic private

sector in Vietnam, along with review of relevant government policies and main constraints to private sector activity. *Australia*

Asia Region

ENVIRONMENTAL MANAGEMENT SYSTEMS: TRAINING FOR FINANCIAL FIRMS AND WOOD PRODUCTS MANUFACTURERS IN SME SECTOR. This TA assignment assists manufacturers in the wood products sector and the financial institutions that lend to them in developing environmental management systems for their manufacturing and lending operations, respectively. A key objective of the project is to help staff of the lending institutions develop appropriate tools for evaluating the environmental and social performance of their wood sector clients and suppliers and to train staff in applying these tools to lending transactions. *Finland*

East Asia and Pacific

STUDY ON SETTING UP CREDIT ENHANCEMENT FACILITY FOR PACIFIC REGION. This TA project will assess the financial and legal feasibility of offering a range of new risk mitigation products focused on lending to the region's SME sector.

This work contributes to a pilot initiative by IFC to help extend financing denominated in local currency to SMEs via in-country intermediaries. *Australia*

East Asia Regional

STUDY ON HOLDING COMPANY FOR SECOND-TIER BANKS. This allocation supports a study on the feasibility of, and interest of relevant institutions in, establishment of a bank holding company that would invest in minority stakes in small local and regional banks and possibly microbanks as well. The banks targeted for possible participation are those that provide financial services to SMEs in rural and semi-rural areas. *The Netherlands*

Central Asia Region

Afghanistan

FEASIBILITY STUDY FOR ESTABLISHING A MICROFINANCE INSTITUTION. This allocation supports an assessment of the financial service needs of micro and small entrepreneurs in Afghanistan and the feasibility of setting up one or more microfinance institutions to serve these businesses. *IFC TA Allocation*

STUDY OF HOTEL DEVELOPMENT OPPORTUNITIES. This TA assignment will study the environment for developing the hotel sector in Afghanistan, particularly in the country's capital, Kabul. The study will address market factors, current supply and condition of facilities, environment (including identification of constraints), capabilities of the construction industry, infrastructure, and legal and regulatory framework. The project will also attempt to identify potential strategic partners for hotel investments. *USTDA, IFC TA Allocation*

Kazakhstan and Kyrgyz Republic

STRENGTHENING INSURANCE SECTOR: ANNUITY AND PENSION-RELATED INSTITUTIONS. This TA project will identify specific potential business opportunities in the areas of pensions and insurance. It will promote dialogue with the governments of Kazakhstan and the Kyrgyz Republic regarding these industries and provide recommendations on establishing a legal and regulatory framework to create a favorable environment for developing these components of the countries' financial sector infrastructure. *IFC TA Allocation*

Kyrgyz Republic

EXPERT ASSISTANCE ON LEGISLATIVE FRAMEWORK FOR MICROFINANCE INSTITUTIONS. This assignment will provide expert assistance to the government of the Kyrgyz Republic on developing an effective legislative framework for microfinance lending in the country. The aim is to support the growth of the Kyrgyz microfinance market on a commercial basis while fostering further innovation. *IFC TA Allocation*

BUSINESS ENVIRONMENT FOR INFORMATION, COMMUNICATION, AND TECHNOLOGY COMPANIES. This TA project involves conducting a fact-finding study of the business environment for the information, communications, and technology (ICT) sector in the Kyrgyz Republic and providing strategic advice to the Government on creating the enabling conditions for greater private investment in the sector. The study focuses on three main areas: the specific constraints to private investment in the ICT companies in the Kyrgyz Republic; steps the Government can take to remove these constraints and to promote investment; and opportunities to interest foreign investment partners in this sector. *Japan*

Tajikistan

FEASIBILITY STUDY FOR THE CREATION OF A MICRO-FINANCE INSTITUTION. This TA project will assess the feasibility of providing microfinance services to Tajikistan, with a focus on the largely underserved population of the Ferghana Valley. The overall strategy is to establish a specialized micro-finance bank designed to operate on sound commercial principles. *Canada, IFC TA Allocation*

ASSISTANCE IN DEVELOPING TOURISM SECTOR. This TA project helps the government of Tajikistan in assessing the market for developing its first four-star international hotel, in Dushanbe, and evaluating the feasibility of establishing one or more eco-friendly tourism resorts in northern Tajikistan. This TA effort also will help the government formulate detailed business plans and strategy and potentially put together an investor group and management teams. *IFC TA Allocation*

LEGAL ASSISTANCE ON PAMIR ENERGY PROJECT (PHASE II). This allocation supports the continuation of services of legal experts to advise the government of Tajikistan on development of the Pamir Energy



Company (PECO). Among other noteworthy features, the PECO initiative demonstrates how public-private partnerships can efficiently provide basic public services to poor and remote areas that normally would not be served by private sector providers. *IFC TA Allocation*

Central Asia Region

ACCOUNTING AND MIS SUPPORT TO SELECTED SMEs (PHASE II). This assignment assists current and potential IFC SME clients by providing advice and operational help on appropriate accounting and management information systems (MIS) to help them strengthen their operations. The assignment is a follow-up to the MIS accounting TA (Phase I) supported by the *Dutch Trust Fund*. Initial companies targeted for assistance are in the Kyrgyz Republic, Tajikistan, and Uzbekistan. *United Kingdom, IFC TA Allocation*

Europe Region

Albania

LEASING MARKET AND INVESTMENT ASSESSMENT STUDY. This TA assignment will assess the market potential for leasing in Albania. It will survey the legal and regulatory environment for the leasing industry and recommend to the government for its consideration steps regarding legislation and regulation of the sector that could encourage its development. The feasibility of setting up a leasing company at this time will also be explored. *Italy*

Azerbaijan

FOREIGN DIRECT INVESTMENT CONFERENCE. This allocation helps to fund a conference on foreign direct investment in Azerbaijan. The conference is intended to help the government of Azerbaijan promote its privatization program to foreign direct investors, to help increase FDI flows to Azerbaijan, and to build on the conference as a starting point for a coordinated effort by the government and the business community to consult on private sector development issues in the future. *Switzerland, IFC TA Allocation*

Bosnia and Herzegovina

“WILLINGNESS TO PAY” AND “ABILITY TO PAY” STUDIES FOR REGIONAL WATER SUPPLY PROJECT. This TA project involves conducting studies on customers’ ability and willingness to pay higher prices in order to secure a more reliable and safer source of water. The prospective investment project involves an Austrian company interested in setting up a build-operate-transfer bulk-water supply project in Bosnia-Herzegovina that would provide water supply services to several communities in the Zenica-Doboj and Middle Bosnia cantons. *Austria*

Bulgaria

TECHNICAL SUPPORT FOR STRENGTHENING DECIDUOUS FRUIT FARMING (PHASE II). This TA assignment focuses on implementing a program of technical assistance to support economical fruit production (mainly peaches and apricots) and to sustain indigenous fresh and processed fruit industries in Bulgaria. Initially this program will support a nucleus of out-growers supplying Florina, a newly established processor of pure fruit juices. It will then be expanded to other growers

and processors in the sector through direct assistance, promotion of growers associations, and demonstration effect. *Greece*

ASSISTANCE ON MARKETING AND BUSINESS PLANNING FOR FURNITURE MANUFACTURERS. This TA project helps three Bulgarian furniture manufacturers in developing business plans for modernizing and expanding operations. A key aim of the TA work is to help the three firms diversify their sales away from relying on a single buyer through identifying new export markets and developing strategies for entering these new markets. *Sweden*

Croatia

FEASIBILITY STUDY FOR EXPANDING SHIPYARD. This assignment consists of a study of a Croatian shipyard—currently a state-owned enterprise—with the aim of identifying the possibilities and conditions of privatization and restructuring of the shipyard so that it can compete profitably in the international marketplace. In particular, the consultant will conduct a technical analysis for a prospective strategic investor, itself a successful medium-size shipyard. *IFC TA Allocation*

Lithuania

INTRODUCING DOMESTIC FIRMS INTO SUPPLY CHAINS OF EUROPEAN MANUFACTURERS.

This TA project aims to help promote the integration of Lithuanian manufacturing companies into the supply chain of European producers. Sectors addressed by the study include machine building, instrument making, metal products, machinery, equipment, electronics, electrotechnics, and transport. *Sweden*

Macedonia, Former Yugoslav Republic of

PREPARATORY WORK ON LISTING A MACEDONIAN COMPANY ON THE ATHENS STOCK EXCHANGE. This TA project will conduct financial and marketing due diligence and prepare other listing particulars of a Macedonian company so that it can be listed on one of the five component markets of the Athens Stock Exchange. The company, which is engaged in extraction, processing, and trading of Sivec white marble and products, is a major earner of foreign exchange, and its listing on the Greek Market for Emerging Capital Markets would give it access to EU capital markets to help meet its future funding needs. *Greece*

SUCCESS
STORY

Croatia:

Developing the Factoring Industry

Intermarket, an Austrian factoring company, asked IFC for help in conducting a feasibility study for factoring company in Croatia. IFC decided to help the Croatian government in identifying regulatory and legislative issues that inhibit the development of the factoring industry in Croatia and drafting needed amendments to the legislative and regulatory framework to solve some of the problems that came to light.

IFC presented and discussed the consultant's findings with the Croatian Ministry of Finance and the National Bank of Croatia. Based on these discussions, the National Bank of Croatia issued a regulatory decree reducing the starting capital requirements for factoring from US\$10.5 million to US\$2 million, in line with international factoring associations. A new ruling allows other financial institutions, such as leasing companies, to establish factoring operations, thus opening the sector up further. *Austria*

CORPORATE CITIZENSHIP INITIATIVE FOR TETEKs A.D.

The principal objective of this assistance is to help Teteks A.D., a leading Macedonian textile company, to implement a Corporate Citizenship Initiative (CCI) that will enable the company to “right size” its work force in a humane and socially responsible manner. Specifically the TA will help the company to develop and adopt operating policies and procedures for the CCI (which seeks to create job opportunities for Teteks A.D.’s laid-off employees); develop the institutional capacity of the banking institution managing the Teteks CCI program; and train former employees of Teteks A.D. who wish to establish viable microenterprises. *Norway*

Moldova

STUDY OF GARMENT SECTOR. This assignment will study the garment sector in Moldova, to identify individual enterprises with potential for growth and commercial viability and with the management, skills, and financial potential to receive further investment or technical assistance. *Sweden, IFC TA Allocation*

Poland

STUDY OF CONSTRAINTS TO DEVELOPMENT OF EFFECTIVE CAPITAL MARKETS. This assignment will assess practices of Polish business in the areas of transparency, treatment of minority shareholders, and internal governance, and compare these practices with those prevailing in other major emerging markets and with European Union standards. The results of the assignment are expected to be considered as input to the Corporate Governance Code of Good Practice being proposed by the Warsaw Stock Exchange. *The Netherlands*

Romania

PUBLIC-PRIVATE HEALTHCARE PARTNERSHIP PROGRAM. This TA supports specialized health consultants in assessing the physical and operational aspects of selected public hospitals in Bucharest and in helping define the responsibilities and performance obligations for private sector partners. IFC is helping the Romanian Ministry of Health develop a national strategy for private sector participation in providing health care services (particularly in currently public hospitals). It is

envisaged that this advisory effort could result in implementation of up to 10 public-private partnership transactions involving public hospitals in Bucharest. *Switzerland*

Russian Federation

TECHNICAL CAPACITY BUILDING FOR DMITROV POTATO AND DAIRY FARMERS. This TA, in association with the Canadian-Russian Joint Venture DokaGene, will help farms in the Dmitrov district of Moscow Region to improve their production of dairy products and potatoes. *Canada*

PROJECT FOR DEVELOPMENT OF THE FURNITURE MANUFACTURER SECTOR. The goal of this TA assignment is to help ensure the sustainable growth of two Russian furniture manufacturers, Domostroitel and Styling. Responding to requests from the companies, IFC has engaged consultants to help the companies improve the energy efficiency and environmental conditions of their operations and to identify potential new market opportunities so that they can diversify their customer base away from reliance on a sole buyer. *Norway, IFC TA Allocation*

CARBON TRADING FOR COAL-FIRED GENERATING PLANTS.

This assignment will assess the greenhouse gas (GHG) emissions from three generating plants associated with a proposed IFC coal mine investment in the Krasnoyarsk Region, Russia, and determine the potential reductions of GHG emissions that may be achievable through improved plant efficiency. The assessment will include an overall environmental audit of the three plants, including evaluation of current emission levels for all pollutants, identification and preliminary costing of investments to increase efficiency and reduce emissions, and preparation of a prefeasibility study addressing potential for carbon emissions trading. *Norway*

NBD BANK RE-ENGINEERING PROGRAM. The project involves the provision of technical assistance to a commercial bank in Nizhniy Novgorod to enable the bank to improve its internal audit function and management information systems utilization. *Norway*

CENTER-INVEST RE-ENGINEERING PROGRAM. This allocation supports specialists to help a commercial bank

in Rostov (in Russia's southern region) to improve the profitability of its operations, train credit officers, and strengthen its internal audit functions. The assistance is provided by a shadow CEO with support from one or more consultants on a short-term basis. *Norway*

STUDY OF INVESTMENT OPPORTUNITIES IN THE PRIVATE EDUCATION SECTOR. This assignment will conduct a baseline survey of private sector higher education in the Russian Federation. The survey seeks to identify specific areas in which the provision of technical assistance can improve the development of educational opportunities; the survey may lead to potential investment opportunities. *Sweden*

DEVELOPMENT OF LOCAL FORESTRY OPERATIONS IN NORTHWEST RUSSIA (PHASE I). The initial phase of this TA initiative focuses on helping local forestry operators (logging and transportation companies, other service providers) in Leningrad Oblast to improve their business practices and implement sustainable forestry methods, ultimately enabling operators to raise outside financing so that they have resources to upgrade their assets. *Sweden*

FINANCIAL, ENVIRONMENTAL, AND SOCIAL AUDIT AND ACTION PLAN FOR COAL COMPANY. This TA assignment will help a major coal company prepare an environmental and social action plan that meets World Bank Group standards. The assignment also provides capacity-building services to the company's local environmental and social staff on the implementation of the plan. In addition, this assignment will provide for an international accounting standards (IAS) audit and assist the company in the development of an accounting system consistent with IAS. The TA will also provide an external validation of the company's cost structure, planned rehabilitation, and expansion of its facilities. *United Kingdom, IFC TA Allocation*

FEASIBILITY STUDY FOR AGRIBUSINESS COMPANY. This TA project will assist a diversified Russian agribusiness company (Agros) in preparing a feasibility study for an investment program designed to streamline its poultry operations; enhance efficiencies along the integration chain, particularly in livestock performance and in slaughterhouses; improve sanitary standards; and increase output. *United Kingdom*

DEVELOPMENT OF AUTOMOTIVE COMPONENTS SUPPLIERS PROJECT. This project supports an effort to strengthen the capabilities of a group of automotive components suppliers in Russia, through a TA program that focuses on improving their manufacturing, quality control, operational efficiencies, management, financial, and corporate governance practices. A separate part of the overall TA program will address the administrative and regulatory barriers to market entry and expansion both for local firms and for Western component manufacturers. *USTDA*

Turkey

FOREIGN DIRECT INVESTMENT CONFERENCE. IFC assisted the government of Turkey in organizing and conducting a two-day conference to identify ways to attract foreign direct investment and to draw up and implement a work plan for increasing FDI flows to Turkey. The conference, held in Istanbul in mid-2001, was attended by approximately 200 participants from a cross-section of relevant areas in government and the local and foreign business community. This was an IFC-led World Bank Group sponsored conference in partnership with the Government of Turkey. *IFC TA Allocation*

Ukraine

TECHNICAL OPERATIONAL ASSISTANCE FOR LEASING COMPANY. This assignment supports technical assistance in several areas to a start-up leasing company. These areas include work on integrating information technology into the firm's back office operations, developing new products, implementing a leasing-oriented accounting system that meets international accounting standards, training management, and conducting a market survey for leasing in Ukraine. *The Netherlands*

SME-FINANCE TOOLKIT. This allocation supports the development and initial operating costs of an Internet-based SME toolkit in Ukraine. The toolkit provides Ukrainian SMEs with the following e-business tools and resources: Learning Center; Interactive Toolbox; Financial Services ("Get Financing") Center; "Expert" and Resource Center; Community Business Forums; and News and Events. *Norway, IFC TA Allocation*

SME SECTORAL SURVEY. This assignment is a continuation of an annual survey of the SME sector in Ukraine. Surveys and analytic work on the country's SME sector had

Kazakhstan:

Best Practice in Hazardous Waste Disposal

Ispat-Karmet is the largest producer and exporter of steel in Kazakhstan. IFC, together with the European Bank for Reconstruction and Development, provided loans to

Ispat-Karmet during its privatization. These loans were targeted at modernizing the plants and implementing significant environmental upgrades; the goal was to reduce air pollution from key units and to improve worker safety. During due diligence, the steel plant was found to have significant polychlorinated biphenyl (PCB) oil problems inherited from the Soviet era. Although Kazakhstan has not developed a specific regulation for phasing out PCB oils, both the European Union and the United States have strict regulations to avoid the risks of dioxin formation during accidental fires or final disposal of the oils.

This TA assignment helped Ispat-Karmet define the PCB oil problem, develop a local treatment alternative to the expensive international options for PCB destruction, and develop detailed procedures that will allow Ispat-Karmet to eliminate its PCB oil problem without having to export the oils before destruction. The delivery of this assistance under IFC's support and supervision provided Ispat-Karmet an important opportunity to take part in, and benefit from, the best environmental practices in hazardous waste disposal technology. *Denmark*



earlier been conducted in two successive years through grants from the government of *Norway*. The current grant extends this analysis by producing a detailed report on the competitiveness of and investment potential for a specific manufacturing sector. This grant will support the production and distribution of at least two SME-related reports and includes design, development, and testing of research methodologies and tools; conduct of field work; expert interviews; data collection; analysis; and publication and distribution of the report. *Norway*

Yugoslavia, Federal Republic of

EXPERT ASSISTANCE ON PRIVATIZATION OF MUNICIPAL SOLID WASTE COMPANY "GRADSKA CISTOCA." As lead transaction advisor for the privatization of Belgrade's solid waste services, IFC will be responsible for all aspects of the privatization, from determining the optimal structure of the transaction to conducting a competitive international tender process. Funding from the governments of *Denmark*, *Norway*, *Greece*, and *Sweden* and the *IFC TA Allocation* helped support this component. *Denmark* and the *IFC TA Allocation* supported the cost of technical and demand

specialists in performing an operational and environmental due diligence of the solid waste services, carry out a demand study for solid wastes services in the metropolitan area, advise on the options for introducing private sector participation, assist in defining the service obligation of the private operators, and provide advice during the conduct of the tender process. *Norway* supports the cost of an expert on social standards and related factors regarding urban slums and informally populated areas. This expert will perform an analysis of the extent of slums and informal areas in metropolitan Belgrade, evaluate the specific situation of solid waste services in such areas, and identify the needs of the population living in these areas in terms of solid waste service. *Greece* supported the component of the TA project that conducted opinion surveys and focus groups on the concerns and attitudes of Belgrade residents and consumers about the existing solid waste collection services. This component assessed their willingness to pay, the affordability of improved services, and the possibility of private sector participation. Consultants retained through the *Swedish* allocation will address two key areas: providing advice on all regulatory aspects of the transaction,

including assistance in setting up a contract management unit at the city level to monitor the performance of the private operator(s); and providing advice on tax and accounting issues related to the transaction. *Denmark, Greece, Norway, Sweden, and IFC TA Allocation*

FEASIBILITY STUDY FOR COMMERCIAL COMPLEX. This TA project involves carrying out a technical review and market feasibility assessment of a proposal by an existing domestic company to extend its operations by establishing a “hypermarket” and a shopping mall in Nis, Yugoslavia. The study will also look at risk factors, current and projected competition, and prospective requirements for expert advisory services that may be required in the course of developing and implementing the investment project. *Italy*

BUSINESS PLAN AND MARKETING STRATEGY FOR GARMENT MANUFACTURER. This TA assignment will help a local clothing company, which makes and merchandises medium- to high-quality garments, to prepare a feasibility study and business plan in support of a planned expansion and modernization of the firm’s manufacturing facilities and a strengthening of its

retail distribution network. The assignment will also help the company identify potential strategic partners who can contribute know-how on clothing design and increase export potential. *Italy*

PROJECT COORDINATOR FOR SPECIAL TECHNICAL ASSISTANCE FACILITY. This TA assignment supports the cost of retaining a project coordinator to manage the Italy/IFC Trust Fund Facility for Yugoslavia, established in November 2001. The coordinator’s duties include identifying potential TA opportunities; managing the selection, contractual, and financial aspects of retaining consultants to undertake individual assignments funded through the facility; coordinating consultant activities during the period of the work; ensuring the quality of work products; and monitoring and reporting on the implementation of the program. *Italy*

EXPERT ASSISTANCE ON FINANCE AND ACCOUNTING FOR FRUIT PROCESSOR. This TA assignment involves hiring a financial advisor for a limited period to help a juice producer in FR Yugoslavia to establish effective finance and accounting departments. This expert will train the company’s accounting and finance staff and help the

company hire and train a permanent local chief financial officer. *Sweden*

SURVEY OF COMPANIES IN LIGHT ENGINEERING AND MECHANICAL INDUSTRIES SECTOR. The aim of this TA assignment is to improve the competitiveness of the country’s light engineering companies and to identify and help develop selected firms in the sector so that they can attract investments to support efficiency improvements, introduce new products, and retrofit machinery. *Sweden*

ASSISTANCE ON BUSINESS AND INVESTMENT PLANNING FOR GARMENT MANUFACTURERS. This TA assignment will help two clothing manufacturers in Yugoslavia prepare business plans required in order for them to be able to attract foreign investment needed to upgrade their operations. *Sweden*

TA COORDINATOR FOR SPECIAL TRUST FUNDS FACILITY. This allocation supports extension of the contract of the coordinator of the Sida/Yugoslavia Trust Fund Facility, which has been assisting SMEs in the country in upgrading operations and standards in order to attract foreign investors. *Sweden*



INDUSTRIAL RUBBER PRODUCTS STUDY. The assignment will identify the major companies in Yugoslavia that produce industrial rubber products and evaluate their product range, comparative competitive advantages, economy of production, technical capabilities, and potential for attracting strategic partners. *Sweden*

TECHNICAL AND FEASIBILITY STUDY OF SHIPYARD PROJECTS. This grant supports experts in conducting of a study of two shipyards in northern Serbia that may have potential to be developed as investment projects. The assignment is expected to provide technical and market assessment, including financial feasibility and comparative advantage. *Sweden*

APPOINTMENT OF PROJECT COORDINATOR FOR ASSESSMENT OF TARGETED KEY INDUSTRIES. This grant supports the cost of conducting a preliminary scoping study and needs assessment in three industries important to growth in

Yugoslavia's economy (garment-making, food and food processing, and pharmaceuticals). It also provides for appointment of a project coordinator to work with other consultants in conducting in-depth sector analyses. *Sweden*

FEASIBILITY STUDY AND BUSINESS PLAN FOR SPECIALTY STEEL PRODUCTS MANUFACTURER. This TA assignment involves carrying out a technical, market, and commercial assessment of a company manufacturing steel and stainless steel industrial specialty products (such as industrial gas cylinders). Working with the sponsor, consultants will develop a comprehensive business plan to be used as a tool for decision-making on next steps. *Sweden*

STUDY OF MODERNIZATION OPTIONS FOR LIGHT ENGINEERING PRODUCTS COMPANIES. This grant supports a technical, market, and commercial assessment of two firms that manufacture or assemble light engineering products (such as packaging materials). The companies are contemplating plant modernization and business expansion. *Sweden*

EXPERT ASSISTANCE ON PROMOTING THE FACTORING INDUSTRY. This TA assignment will

evaluate the environment for, and feasibility of, developing the factoring industry in Yugoslavia. This analysis is to be used by IFC in its discussions with the government on regulatory issues, as well as by an Austrian factoring company interested in expanding its operations into Yugoslavia (box, p. 39). *Austria*

Central and Eastern Europe

TEST PROJECT FOR REPORTING ON SUSTAINABILITY. This TA project will implement, on a pilot basis, sustainability reporting guidelines that supplement the financial reports issued by private companies with information on the firms' economic, environmental, and social performance, using a standard evaluation and reporting format. Two IFC clients are collaborating in this pilot initiative, which also brings together in this exploratory effort IFC, the Global Reporting Initiative—an outgrowth of work by CERES (Coalition for Environmentally Responsible Economies) and UNEP (United Nations Environmental Programme)—and the Central European University (Department of Environmental Science and Policy). *IFC TA Allocation*

Latin America and the Caribbean

Colombia

STUDY OF POULTRY GROWING AND PROCESSING COMPANIES. This TA assignment consists of a technical and commercial review of targeted poultry products companies, with the intention of preparing a feasibility study and assisting the companies to improve their profitability. Included in the assignment are analysis, review, and recommendations for a broad range of organizational, market, operational, and logistic factors. *New Zealand*

Dominican Republic

REGIONAL CAPITAL MARKETS DEVELOPMENT SEMINAR. This grant supports a regional capital markets seminar to be held in Santo Domingo, the Dominican capital. The Dominican Republic's Central Bank and the Bolsa de Valores de Santo Domingo (Stock Exchange) are cosponsoring this TA project. Private and public sector officials from Latin American and Caribbean countries who are active senior players in different areas of capital markets activities will participate in discussions. The seminar is intended to help foster regional cooperation and may

lead to specific Country Action Plans by the World Bank Group to develop securities markets in the Dominican Republic and other countries represented at the seminar. *IFC TA Allocation*

Mexico

PREINVESTMENT STUDY OF WEATHER INDEX INSURANCE. This TA assignment will prepare an investment project that would establish a new Mexican weather risk management company that would offer weather index insurance products. This company would be the first to systematically sell weather index insurance on a large scale to Mexican farmers. *United Kingdom*

PUBLIC-PRIVATE PARTNERSHIPS. This project provides technical assistance to the government of Mexico to help develop and implement its program to increase private sector involvement in the provision of public services through Public-Private Partnerships projects. This TA assignment will initially focus on creating the right policy framework, institutional arrangements, and enabling environment for a few demonstration projects. The implementation of various pilot

PPP projects will be undertaken in a second phase. *United Kingdom, IFC TA Allocation*

Central America Region

PILOT WORK ON PROMOTING “CLEANER PRODUCTION” INVESTMENTS. This TA supports preliminary work on an IFC pilot project to promote knowledge and adoption of cleaner production (CP) approaches by companies in countries with developing economies. Through this TA assignment, an initial CP diagnostic review of some 20 selected companies will be undertaken. Factors of interest include energy supply sources, operational efficiency, air pollution emissions, water use and nature of effluents, and efficient use of raw materials. Among other potential forums, IFC will share findings at regional conferences and CP seminars. *USTDA*

Middle East and North Africa Region

Egypt

COUNTRY MAPPING OF SME SECTOR. This project supports a review of the SME sector in Egypt to determine key constraints regarding

access to capital encountered by SME borrowers and to identify possible program activities that the World Bank Group and external partners could pursue to address these constraints. *IFC TA Allocation*

PARTNERSHIPS FOR COMMUNITY DEVELOPMENT (PILOT PHASE). The project aims at using partnerships between private businesses and nongovernmental organizations in Egypt to train individuals from poor areas of Cairo in skills demanded by the market. This is the first program in Egypt to engage major industrial firms in providing and covering the cost of on-the-job training in cooperation with the NGO community. The project also hopes to establish a model of business-NGO partnership that can be replicated in other countries with developing economies. *IFC TA Allocation*

Iran, Islamic Republic of

MARKET ASSESSMENT OF FINANCIAL SERVICES SECTOR. This project will provide an analysis of the current financial services market in Iran. The report will highlight aspects of the legal and regulatory framework that encourage or impede the development of the financial

services market and identify the role institutions such as IFC can play in facilitating the development of the country’s financial services sector. *Ireland*

Syrian Arab Republic

ASSESSMENT OF ENVIRONMENT FOR ESTABLISHING INSURANCE SECTOR VENTURES. This TA work consists of a survey of the potential market for life and nonlife insurance in Syria. It involves a review and appraisal of the existing insurance market, with particular attention to legal, regulatory, tax, and institutional factors. The idea is to obtain a clearer picture of the prospects for creating a viable insurance company in Syria that would offer both life and nonlife insurance coverage. *Sweden*

Sub-Saharan Africa

Kenya

KENYA RAILWAYS: EXPERT ASSISTANCE ON PRIVATIZATION. In its role as lead transaction advisor to the Government of Kenya in privatizing the national railway system, IFC must supplement its own expertise by retaining outside

experts to work on the various disciplines involved in this complex undertaking. This allocation supports the cost of retaining technical experts to address operational issues, which include inputs on privatization strategy, technical aspects of railway regulation, transaction structuring, and company valuation. *Sweden*

Madagascar

CREATION OF A MONEY MARKET MUTUAL FUND. This TA project aims to strengthen the capabilities of the Bank of Africa Madagascar, a commercial bank. This assistance will enable the bank managers to assess existing legislation to determine how best they can protect mutual fund investors and to evaluate the feasibility of establishing a new money market fund. The thinking is that this new fund could later be expanded to an equity mutual fund for shares and other commercial tradable securities. *IFC TA Allocation*

Mali

PROGRAM TO DEVELOP SUSTAINABLE SMEs IN POOR URBAN COMMUNITIES. The TA will establish the economic and financial viability of community-oriented projects sponsored by the

International Consortium for Technology and Its Applications (ICTA), a nonprofit organization incorporated in Washington, D.C. ICTA projects would be linked in an overall framework aimed at fostering sustainable development in poor urban communities. Individual projects would be organized as profitable private ventures with a focus on education, health, food, housing, and ultimately the provision of basic infrastructure. *Luxembourg*

Mozambique

ADVISORY ASSISTANCE ON PRIVATIZATION OF THE NATIONAL OIL AND GAS DISTRIBUTION COMPANY (PETROMOC). As lead advisor to the privatization process for Petromoc, the national oil and gas distribution company in Mozambique, IFC is coordinating industry experts to assess the future of the sector, particularly regarding servicing rural areas and small cities. This assignment will design and implement a divestiture strategy consistent with both commercial and developmental goals; propose alternatives to deal with environmental issues related to the existing facilities; and enhance regulation and monitoring of the sector. *Norway, IFC TA Allocation*

Nigeria

TECHNICAL SUPPORT FOR FORUM ON COMPETITIVENESS AND PRIVATE SECTOR GROWTH. This TA assignment facilitated and provided quality assurance and technical input for structuring a Forum on “Competitiveness and Private Sector Growth” and conducting follow-up activities. This conference was held in Abuja, Nigeria, in July 2002. The goal was to help effectively organize working groups and define productive procedures and agenda areas for the forum, with a view to ensuring that its outputs would contribute to a richer and more productive policy dialogue between the Government of Nigeria and the World Bank and IFC with regard to an upcoming Private Sector Development operation. *Canada*

NEEDS ASSESSMENT AND WORKSHOP FOR NIGERIAN BUSINESS ASSOCIATION. This TA project will carry out a needs assessment of several business associations in Nigeria. A workshop with the associations was conducted, providing a forum to discuss issues affecting their performance (such as how to build strategic alliances to lobby common issues) and to share information on modern types of membership serv-

ices based on best practices. Through this TA project, one or two associations may be identified as potential local partners and recipients of technical assistance from IFC, which could lead to designing pan-association TA activities to address needs shared by all associations. *Denmark*

ENTREPRENEURSHIP PROGRAM FOR THE INFORMAL SECTOR. This allocation provides funding for TA services to help the Support and Training Entrepreneurship Program (STEP), a nongovernmental organization based in Lagos, to prepare a business plan refocusing and scaling up its assistance activities for the informal sector in the southern part of Nigeria. *Switzerland*

South Africa

TECHNICAL DESIGNS FOR SUSTAINABLE LOW-INCOME HOUSING AND SERVICES. These allocations support the cost of retaining an expert to prepare detailed technical designs for the construction of a model “eco-village” that is to comprise 150 affordable houses for rural farm workers, along with facilities and associated urban services (roads, sanitation, water, energy, storm water drainage, and landscaping). *The Netherlands, IFC TA Allocation*

MARKET OVERVIEW OF PRIMARY AND SECONDARY EDUCATION. This TA project will carry out a market study of the primary and secondary education market in South Africa, with particular focus on independent (private) schools. The study is a joint effort among IFC, the Standard Bank of South Africa (SBSA), and the Independent Schools Association of Southern Africa. The findings of the TA assignment will provide key inputs for the development of an IFC/SBSA financing package to support the growth and development of independent primary and secondary schools. *Sweden*

Tanzania, United Republic of

PRIVATIZATION OF AIR TANZANIA: TRANSITION MANAGEMENT SUPPORT (PHASE II). This TA assignment focuses on providing transition management support to facilitate short-term stabilization initiatives required as part of the overall privatization effort for Air Tanzania Corporation, the country's national airline. This TA project also will help the airline augment its management processes and implement specific steps required to reduce operating costs. These steps include developing a business

plan, adopting cost-cutting measures, and improving management information systems. *IFC TA Allocation*

Uganda

RURAL ELECTRIFICATION PROJECT (PHASE III). This TA assignment provides assistance to the Uganda Rural Electrification Company, LTD, to negotiate operating licenses and a power purchase agreement for the combined rural generation and electric distribution project in the Bushenyi and Rukungiri districts of Uganda. *IFC TA Allocation*

Western Africa Region

STUDY OF THE INFORMATION TECHNOLOGY AND INTERNET SECTORS. This TA assignment will analyze the market and opportunities for investment projects in the information technology and Internet sectors in four selected countries in the West Africa region (Côte d'Ivoire, Ghana, Nigeria, and Senegal). The idea is to highlight types of projects that could provide positive economic and developmental impact in these countries. In addition, the project will provide information to assist governments of the target countries to develop a policy and legal

SUCCESS
STORY

Africa Region:

Better Corporate Governance in Nine African Countries

Developing countries as well as local and international investors now increasingly recognize that corporate governance is an essential tool for economic growth and prosperity. Macroeconomic difficulties in the past were exacerbated by inadequate corporate governance stemming from weak regulatory and legal systems, inconsistent auditing standards, poor banking practices, unregulated capital markets, inefficient boards of directors, and failure to recognize the rights of minority shareholders. To compete globally and attract investments, companies all over the world must be perceived to be properly governed. Corporate governance requires transparency, accountability, probity, and respect for the rights of all shareholders. To that end, IFC, with the help of AMSCO, conducted a program to improve the institutional capacity and corporate governance in nine African countries—Côte d'Ivoire, Ghana, Mali, Mozambique, Senegal, Tanzania, Uganda, Zambia, and Zimbabwe. Better corporate governance has helped to build good practices and to create shareholder value through the preparation of tailored corporate governance manuals, workshops, and training. The IFC program has proven to be a very useful tool to help build consensus on this often overlooked component of the development equation in developing countries. Corporate governance is a long-term process that is implemented step by step, and it will continue to receive IFC's attention and support. *Denmark, Norway, Switzerland*

Corporate governance TAs that have been undertaken recently in other countries, include Armenia, Poland, and Ukraine (see p. 66) (*The Netherlands, United Kingdom*) and China. *Canada, Italy, IFC TA Allocation*

environment favorable to promoting investments in the IT and Internet industries. This assignment will also be used to attempt to identify possible co-investors in these sectors. *Sweden*

Global / Multi-Region

HIV/AIDS TOOLKIT FOR MINING COMPANIES. IFC is working on developing tools and mechanisms to help mining companies and mining communities in developing countries to become effective partners in the prevention and treatment of HIV/AIDS, both among the mining work force and in communities dependent on the mines. This grant covers the cost of experts to assist in this effort. The aim is to identify, evaluate, and disseminate selected examples of public-private partnership approaches to HIV/AIDS prevention and treatment in the mining sector that have been shown to be workable and cost effective. *Canada*

MULTILATERAL DEVELOPMENT BANKS: ASSESSMENT OF INVESTMENT EVALUATION PRACTICES. This grant supports an assessment of the current status and quality of the evaluation practices used by multilateral development banks (MDBs) for individual private sector investment operations, and of

their related synthesis reporting. The assessment will determine the extent to which the banks are following the good practice standards that they have jointly developed and to which participating members in the Evaluation Cooperation Group (ECG) subscribe. Core MDBs participating in the ECG are EBRD, the World Bank Group, EIB, IADB, AfDB and ADB. *IFC TA Allocation*

WEATHER RISK MANAGEMENT: GUIDELINES FOR LEGAL AGREEMENTS AND INVOLVEMENT. This TA project will provide legal advice on IFC participation in the Global Weather Risk Facility and will develop a legal template to help guide IFC's involvement regarding legal relationships and the managing of liabilities in the weather risk management sector. In particular, the assignment involves drafting a legal opinion that addresses the participation agreement IFC intends to sign with Aquila, the global market maker of weather derivatives, and elaborates on legal guidelines and principles governing IFC's role in the weather risk management area. *IFC TA Allocation*

CONFERENCE ON GOOD LABOR PRACTICES. This TA project involves holding a conference on good labor practices, sponsored and

funded by IFC. Participants include selected IFC clients, who will help to develop an IFC labor strategy with the objectives of promoting good labor practices among IFC clients and of forming a network of stakeholders and other interested parties (including other international financial institutions, civil society groups, and governments) to work together on promoting good labor practices in countries with developing and transition economies. In taking this approach to developing good labor standards, the thinking is that IFC's clients, as a group, represent a unique resource and can be a most knowledgeable and useful source of support for developing and implementing a sound labor strategy to underpin sustainable development. *IFC TA Allocation*

TRANSFER OF TECHNOLOGY KNOW-HOW FOR MANUFACTURING FIRMS. The aim of this TA project is to determine the technology required by industrial manufacturing companies in Bulgaria, China, and Romania to help them make productivity improvements and develop global competitiveness. The assignment will also identify effective delivery mechanisms for technology transfer, including usefulness of an independent e-marketplace. *Ireland*

PHARMACEUTICAL SECTOR INVESTMENT OPPORTUNITIES. This TA project will provide an overview of the pharmaceutical sector in China and Russia, with special emphasis on identifying investment opportunities. *Ireland*

STUDY ON CORPORATE SUSTAINABILITY IN EMERGING MARKETS (PART II). In collaboration with two consulting firms, SustainAbility of the United Kingdom and the Ethos Institute of Brazil, this initiative will analyze the business case for pursuing corporate social and environmental sustainability in emerging markets. The analysis will be based on case studies drawn from a wide variety of companies in IFC's own project portfolio, as well as a substantial number of external case studies and research. While SustainAbility has conducted comparable studies for companies in developed countries, this is the first time that this framework will be applied to companies in emerging markets. The results of this study are made available through the publication of a new report in July 2002: *Developing Value: The Business Case for Sustainability in Emerging Markets. Ireland*

Sustainable Mining and Local Development Facility

"I believe the number one challenge facing every mining company in the emerging markets today is local community development. I believe the number one challenge for the World Bank Group—if we are going to stay in extractive industries—is community development."

Peter Woicke, IFC Executive Vice President.

TA in the mining sector has in past years been mainly been used for studies of specific regions or countries or for work on preparing investment projects. Increasingly, however, TA work focused on the mining sector has begun to mirror IFC's focus on sustainable development.

Mining operations, whether new or expansions of existing mines, have a broad range of economic, environmental, and social effects, that are felt most immediately by local communities. In addition to changes in the physical environment, the social and cultural fabric of these communities can be dramatically affected.

In response to this challenge, the World Bank Group is discussing with donors the need to establish a facility fully dedicated to sustainable mining and local development, with an aim to promoting and implementing best practice to address impacts on the local communities. The facility would be funded by private and public sector donors, and work with private mining operators, government authorities, and local communities. It is anticipated that services provided by the facility would include environment assessments and management plans, social assessments and community development plans, capacity building for local communities and junior mining companies, and dissemination of best practice and lessons learned on sustainable mining. The size of the facility and its detailed governance structure—including a supervisory board—are being discussed with prospective donors and private sector companies.

In FY2002, \$1.2 million in TATF funding was approved for five TA projects in the mining sector. Significantly, four of these were oriented toward sustainable development activities: financing of a conference in China aimed at improving the investment climate for sustainable mining (*Australia, IFC TA Allocation*); support for a coal company in Russia to bring its operations into compliance with national Russian Federation requirements and with World Bank Group environmental, safety, and social standards (*United Kingdom, IFC TA Allocation*); development of a "toolkit" to help identify, evaluate, and disseminate successful examples of public-private partnership approaches to HIV/AIDS prevention and treatment in the mining sector (*Canada*); and a range of programs for a gold and copper mining investment in Lao People's Democratic Republic, that include capacity building, management of environmental and social effects, protecting biodiversity, and support for social infrastructure and related services. *Australia, Japan*

ASSISTANCE IN SETTING UP WEB-BASED BUSINESS "TOOLKIT" FOR SME FIRMS. This TA project supports expertise to assist in creating a Web platform—the "SME-Toolkit" (www.SME-Toolkit.com)—that can be accessed by World Bank Group users and independently by external users. The objective of the SME-Toolkit is to use technology to bring to SMEs information on products and services needed throughout their business development and operations cycle. *Japan*

TRANSLATION AND PRINTING OF IFC'S ANNUAL REPORT FOR FY2001 INTO JAPANESE. This allocation supports the translation of IFC's FY01 Annual Report into Japanese. The aim is to help the Government of Japan—one of IFC's principal stakeholders—to better understand IFC's activities and to give other Japanese decisionmakers and the public access to current, detailed information on IFC's business activities and contribution to development. *Japan*

MARKET SURVEY FOR PRIVATE EQUITY AND VENTURE CAPITAL INDUSTRIES. This TA assignment supports a study of the developmentally important private equity and venture capital markets in emerging markets. These markets are often used

by international financial institutions, including IFC, as mechanisms to promote private sector economic development. In identifying suitable firms for financing, fund managers face a complex decisionmaking environment. This TA assignment will undertake a detailed and comprehensive analysis of a range of equity and venture capital markets, with an aim to better understanding them and providing operating funds on a more effective basis. *Japan*

TRANSLATION INTO JAPANESE OF IFC'S "LESSONS OF EXPERIENCE" REPORT NO. 8: "THE ENVIRONMENTAL AND SOCIAL CHALLENGES OF PRIVATE SECTOR PROJECTS: IFC'S EXPERIENCE." This allocation supports translation and dissemination of Volume 8 in IFC's "Lessons of Experience" studies, which analyze IFC's work program. These reports, which look at IFC's operating experience from a variety of perspectives, are a useful tool for understanding and strengthening market-oriented solutions in countries with developing and transition economies. The translation and dissemination work aims to provide decisionmakers, potential new stakeholders, and the general public in Japan with a better picture of IFC's work program and its contribution to economic development. *Japan*

Chapter 2 Annex 2 TATF Consultant Services

Overview of FY2002 Activities

During FY2002 IFC's Trust Funds Department awarded 154 contracts to consulting firms and individual contractors to carry out technical assistance assignments under the TATF program. Of these, 63 were for individuals (total value US\$1.5 million; average value US\$23,400), and 91 were for consulting firms (total value US\$8.9 million; average value US\$97,500). In addition, the Department processed expense claims totaling over US\$12.0 million.

Since its inception the TATF Consultant Services team has been responsible for initiating contracts and processing financial transactions for TA assignments financed through the TATF program. This includes the administrative handling of each contract throughout its life. IFC focuses strongly on management of client relationships with consultancies working for IFC and with the IFC investment specialists who coordinate implementation of TA assignments. In addition, the Consultant Services team ensures that the terms and the processing of contracts comply with World Bank Group policies and with donor agreements and project work plans approved by donors.

The TATF Consultant Services team members help the IFC staff who manage individual TA projects by providing information on relevant guidelines and restrictions; advice on the search, selection, and hiring of consultants on World Bank Group procurement and travel policies and procedures; advice on business benefits and services for which consultants may be eligible—information that is also provided by the team to consultancies retained through the Trust Funds program; and advice on anticipating and handling logistical and other contract-related matters. The team also provides consultants with information and advice on how they can effectively handle their administrative and performance responsibilities required by the contract on an as-needed basis.

Procurement Guidelines

In April 2002 the World Bank Group's Operations Policy and Country Services Department issued revised guidelines for the selection and use of consultants for operational purposes. This document covers a range of World Bank Group programs, including all trust funds executed by the Bank and IFC. In this context, the new guidelines define the specific roles and responsibilities of staff who manage TA assignments, and others involved in consultant selection are also more clearly identified to strengthen the procurement processes within the World Bank Group.

The Guidelines on selection of consultants reflect the needs of a particular project or task manager and the requirements of a given trust fund. The IFC staff who initiate and manage donor-funded TA work are encouraged to expand their search for consultants as widely as possible—within the criteria specified in the

respective donor agreements and the project work plan—in order to encourage adequate competition. The IFC Trust Funds Department has been working with donors to find ways to expand procurement opportunities for consultants, including the placing of formal requests for proposals on websites of donor trade offices and ministries.

Consultant Hiring Overview

IFC's initial contact with a consultant may take place weeks or months before an assignment begins. Once project funding is secured, a standard consulting contract can usually be generated within two to three weeks. Different contracting processes are used for individuals and firms.

IFC's Human Resources and Administration Department issues all appointment letters to individuals, who are hired as international short-term consultants. A contract is issued upon receipt of a request and

relevant supporting documents from the TATF Consultant Services team for the hire of an individual. Supporting documents required include the submission of a curriculum-vitae and the terms of reference prepared by the IFC task manager.

During the assignment, a short-term consultant is considered to be a World Bank Group staff member and is subject to certain rules (such as confidentiality and avoiding conflicts of interest), restrictions (such as not being allowed to work for the Bank Group for more than 190 days in a given fiscal year) and privileges (immunities).

The World Bank Corporate Procurement Department issues contracts for firms upon submission of a contract request package by the TATF Consultant Services team. In contrast to the treatment of appointment for short-term consultant appointments, no World Bank Group benefits or special privileges are extended to team members engaged by the contracted firm, these individuals remain employees or subcontractors of the firm and are not considered to be employees of IFC. However, the same rules on confidentiality and conflicts of interest do apply to contracts with firms.

What Is DACON?

DACON is a consultant registration database for consulting firms that is managed by the World Bank Group and Inter-American Development Bank. It is a tool for Bank borrowers, beneficiaries, and staff to assist in shortlisting and longlisting firms for projects. It is not necessary to register with DACON to be considered for an assignment with IFC TATF or any other World Bank Group unit. It is also important to note that registration in the DACON system is not an endorsement by the World Bank Group of the information or qualifications provided by firms. DACON is not the equivalent of “vendor registration” with the World Bank Group’s Corporate Procurement Department. A separate registration process is required for vendor registration (see next box). For more information about DACON, please visit www.dgmarket.com/dacon/.

What Is Vendor Registration?

The World Bank Corporate Procurement Department verifies the qualifications of all firms providing services to the World Bank Group. Eligible firms are registered as vendors if they demonstrate that they are incorporated or registered as a company; operate with a positive operating income; provide evidence of insurance coverages; have client references; are legally able to conduct business in their country; and have more than one business client (not more than 20 percent of its total revenue can be derived from World Bank contracts). The vendor application process is now web-based, and in June 2002 the application process was streamlined and enhanced.

Vendor Kiosk Enhancements

World Bank Group Corporate Procurement and Accounts Payable launched a Vendor Kiosk in August 2001. The system was enhanced in June 2002 to improve vendor and customer service. Of interest to consulting firms are:

- **The on-line vendor registration application, information, and service desk**
- **A service to update existing records for vendors already contracted with the Bank Group**
- **The basic terms and conditions used in standard consulting services contracts**
- **A query function to check on invoice status and payment history**

To use these services and for more information on working with the World Bank Group, visit info.worldbank.org/vendorkiosk/.

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

IFC-Managed SME Facilities

3

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



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

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

African Management Services Company

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

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

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

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

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

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

Africa Project Development Facility

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

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

Recent activities have included:

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

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

China Project Development Facility

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

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

Access to Finance

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



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

Capacity Building

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

Business Enabling Environment

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

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

Mekong Project Development Facility

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

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

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

Company Advisory Assistance

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

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

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

Business Support Services Development

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



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

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

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

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

SouthAsia Enterprise Development Facility

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

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

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

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

Southeast Europe Enterprise Development

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

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

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

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

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

Investment Services

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

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

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

Environmental and Social Overview of SMEs

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

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

Capacity Building

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

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

management information firms, and general consultants).

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

Business Enabling Environment

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

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

South Pacific Project Facility

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

SPPF’s activities include:

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



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

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

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

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



IFC's Private Enterprise Partnership

*Building Partnerships
for Sustainable
Economic Growth*

4

IFC's Private Enterprise Partnership is: Ten years of IFC's hands-on investment and technical assistance experience in the former Soviet Union. Serving: Armenia, Azerbaijan, Belarus, Georgia, the Kyrgyz Republic, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Funded jointly by donor governments (Canada, Finland, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and the United States) and IFC.



The Private Enterprise Partnership (the Partnership) is the technical assistance arm of IFC in the former Soviet Union.¹ Established in May 2000, the Partnership builds on IFC's ten years of advisory and investment experience in the former Soviet Union. With the creation of the Partnership, IFC has consolidated and expanded its technical assistance programs in the region and more closely integrated them with IFC's investment program. IFC's Technical assistance activities in the region date back to 1992.

With support from donors, the Partnership works with private companies and governments to assist them to:

- Attract private direct investment
- Stimulate the growth of SMEs
- Improve the business enabling environment

To achieve these objectives, the Partnership implements programs in four distinct, complementary areas:

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

¹ The Partnership is also known as "PEP" in other parts of the Report. For a copy of the Partnership's Annual Report, contact the Director (see Directory for details) or go to www.IFC.org/pep

The Partnership's Funding

The Partnership is funded jointly by donor governments and IFC. IFC has committed US\$12.6 million for the period July 1, 2000, to June 30, 2003. In October 2002 the Partnership will seek additional IFC funding for future operations. IFC's contribution covers the overall management of the Partnership, allowing it to spend the vast majority (95 percent) of the donor funding directly on the technical assistance initiatives. In addition to funding, IFC contributes substantial time and expertise of IFC investment, technical, and other staff.

Donor contributions (not including those contributions received before the creation of the Partnership) currently amount to US\$34 million over the full life of the Partnership's projects. The Partnership has received the vast majority of its donor funding (US\$28 million) directly from bilateral donor agencies. About 11 percent of the Partnership's funding (US\$4 million) has been channeled through IFC's *TATF Program*. In addition to contributions from bilateral donor agencies, the Partnership has received more than US\$2 million in cash and in-kind contributions from other government institutions and private sector companies.

The Partnership thanks its current donor partners—*Canada, Finland, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and the United States*—for their generous support.

A Year in Review: the Partnership's Programs

The Partnership is currently implementing 24 projects in six countries. Fifteen of these projects were launched in FY2002. In addition, the Partnership completed two programs this fiscal year. The following is an overview of the Partnership's activities in FY2002 structured by program areas.

Developing Financial Markets

To help the post-Soviet economies build healthy financial markets and increase financing options available to local businesses, particularly start-ups and SMEs, the Partnership develops leasing markets and strengthens the banking sector.

Leasing

In 1997, when IFC began the Leasing Development Program in Russia, very few local people knew what leasing was. Today, the size of the Russian leasing market will approach US\$2.4 billion by the end of 2002. IFC's Russia Leasing Development Group, with funding from *Canada and the United Kingdom*, has played a major role in the leasing sector's growth in Russia. Key contributions include drafting and advocating passage of the amendments to the Tax Code provisions on leasing (passed in August 2001) and to the Law on Leasing (passed in January 2002).

Donor Agreements HIGHLIGHTS

Before the Partnership was created, IFC received donor funding for discrete, free-standing technical assistance initiatives. With the establishment of the Partnership, donors have been able to enter into multiyear funding framework agreements with IFC. Multiyear agreements between the donors and the Partnership are structured according to regional or country focus and programmatic activities.

To-date, a number of such long-term agreements have been signed:

- **A five-year general agreement for technical assistance with the *Canadian International Development Agency (CIDA)*, covering Russia over five years and Ukraine over three years, with total funding of CAD 8.8 million.**
- **A three-year agreement with the *State Secretariat for Economic Affairs of Switzerland (seco)* for a portfolio of projects in Russia, Ukraine, and Central Asia totaling US\$7.1 million.**
- **An open-ended agreement with the *Government of the Netherlands* for Russia and Ukraine with an initial contribution of NLG 5 million through *Senter* and a subsequent contribution of €5.3 million through the *Ministry of Economic Affairs*.**
- **A three-year agreement for Ukraine with the *Swedish International Development Cooperation Agency (Sida)* totaling US\$1.6 million.**
- **A three-year agreement for Russia with the *Ministry of Foreign Affairs of Finland* totaling US\$980,000.**



To build local expertise, the Leasing Development Group trained thousands of leasing professionals, potential lessees, and government officials across 35 of the 89 regions of Russia. The team created the industry's leading periodical, *Leasing-Courier*, and a website—both unique sources of practical and analytical information on leasing in Russia. The *Leasing-Courier*, a bimonthly journal, reaches subscribers in 79 regions of Russia, and the leasing website (www.ifc.org/russianleasing) attracts about 10,000 visits each month.

IFC has complemented the Partnership's technical assistance work with investment, approving US\$19 million of its own resources and mobilizing US\$45 million from Western co-investors for three Russian leasing companies.

To intensify its work in the Russian regions, the Partnership launched leasing projects in the Urals region (*United Kingdom-TATF Program*), and in Northwest Russia (*Finland*).

The expertise gained by the Russia Leasing Development Program gave a quick start to the Partnership's Central Asia Leasing Development Project (*Switzerland, seco*). Launched in October 2001, the project has developed and submitted legislative amendments for consideration by the governments and lawmakers in the Kyrgyz Republic, Tajikistan, and Uzbekistan. The Kyrgyz Law on Leasing passed in June 2002, laying the foundation for the industry's development (box, p. 71). The Uzbek law was passed in August 2002. The Russia program also supported IFC's Armenia and Georgia offices in drafting leasing legislation. The legislation for both countries were passed in Spring 2002.

Banking

In the banking sector, IFC's strategy has been to combine investment with customized technical assistance to private medium-size banks. In the spring of 2002, the Partnership launched a technical assistance project with Center-Invest bank in Rostov-on-Don to complement a US\$2 million loan from IFC. The objective of this TA is to help strengthen Center-Invest's management and operations, particularly in the areas of corporate organization, business development strategy, internal audit, and asset and liability management practices. *Norway-TATF Program*

In March 2002, the Partnership launched another program with NBD Bank, based in Nizhny Novgorod. The bank recently received a US\$2.5 million loan from IFC. The Partnership's technical assistance program to the bank will focus on improving its internal audit function and the use of management information systems. *Norway-TATF Program*

These programs build on the Partnership's bank re-engineering program to Moscow-based Probusinessbank. The two-year technical assistance to Probusinessbank has helped the bank develop and implement a growth strategy based on expanding its lending to SMEs, increasing its assets by 27 percent and helping it attract more than US\$20 million in financing, including a US\$5 million subordinated loan from IFC. *United Kingdom-TATF Program*

Belarus:

Advocates Ensure Local Businesses Have a Voice

Belarus has one of the most challenging business development climates in Central and Eastern Europe. IFC's Partnership works with local business associations to help them become effective advocates for SMEs in this difficult setting.

Building Supply and Distribution Chains

To promote increased investment in post-Soviet markets and to bring the benefits of direct investment to local communities, IFC's Private Enterprise Partnership works to build local companies into competitive and responsible business partners and links them into the supply and distribution chains of major companies. Currently, IFC's Partnership is working with suppliers in the agribusiness, mining, forestry, furniture manufacturing, and automotive sectors in Russia, Ukraine, and Central Asia.

In June 2002, IFC's Board of Directors approved IFC financing of US\$3 million to help create the Agro-industrial Finance Company (AFC)—the first private financial institution to serve Russian primary agriculture. IFC's partners, Rabobank and the Netherlands Development Finance Company will provide an additional US\$6 million through IFC's syndicated loan program. AFC will finance agricultural enterprises that have supply contracts with major food processors in Russia. This project developed from the *Dutch-TATF Program* that worked with a dozen Russian farms, to help them become suppliers to the Dutch dairy processor Campina. Once AFC is operational, the Partnership, with funding from the Government of the Netherlands, will assist potential clients of AFC with financial management and consult with them on agricultural, management, and technology issues.



In the town of Gomel, in southeastern Belarus, local government bodies established a sales tax of €100 per month for individual entrepreneurs selling fur hats. This sum amounted to about 78 percent of the average monthly income of these entrepreneurs. For most of the fur hat traders in Gomel, this tax threatened their businesses.

With IFC's advice and legal expertise, the Council of Market Entrepreneurs began a campaign to reduce this tax, sending letters to officials at all levels of government – from the city and regional administrations all the way to the Belarusian Ministry of Trade. To gain extensive coverage of this issue in the regional and national media outlets, the Council also organized a vigorous media campaign, with IFC's support.

As a result, the Ministry of Trade lowered the tax on hats to €35 per month or about 27 percent of the average monthly income of a hat trader. And this victory helped the Council of Market Entrepreneurs to attract 200 new members.

The Council of Market Entrepreneurs is one of the 18 business associations IFC works with across Belarus to create strong advocates for SMEs. In addition to providing advice on organizing advocacy and media campaigns, the Partnership's Business Development project, funded by the *United States (USAID)*, trains and advises the business associations on a range of modern business support services, from developing business plans to using public relations techniques in product marketing. The project has guided the associations in the introduction of their business support services for SMEs on a sustainable, fee-for-service basis.

Since IFC began working with Belarusian business associations, their membership base has increased 60% (from 10,600 to 17,100 members) and their client base has doubled (from 6,950 to 14,000 clients). This ensures the associations' sustainable future growth based on increasing membership and business service fees.



In the forestry sector the Partnership is working with nine wood-harvesting companies in Northwest Russia to introduce sustainable and environmentally sound production practices, help them develop business plans and investment proposals, and match them with foreign investors. As a result of this work, funded by the *Finnish government and Finnish investors*, two of the participating companies have signed investment agreements with large investors, and others have established direct partnerships with the leading forest industry companies in Finland and Sweden. Currently the Partnership is working with several foreign investors to establish wood-processing facilities in Northwest Russia.

The Partnership is working with Russian furniture manufacturers, who are suppliers to IKEA, to introduce the modern technologies needed to meet IKEA's strict environmental standards for production to ensure that these companies remain within IKEA's global supplier network (*Norway-TATF Program*). The Partnership also works with IKEA's suppliers to help them develop new products using waste wood, to diversify their revenue, and to find new partners.

Still in its first year, the Partnership's Ukraine Agribusiness Development Program set up demonstration fields, provided hands-on training to 800 family farms in growing new crops and employing modern agricultural production

technologies, and then linked them into the supply chains of food processors in southern Ukraine (*Canada and Sweden*). The Partnership also advises Ukrainian farmers on developing business plans and organizing their financial records to help them access financing.

In 2002, the Partnership started three new projects in Russia to expand the benefits of IFC's investments. In Magadan (Russian Far East), the Partnership is working with SMEs to help them become suppliers to the mining industry, starting with Julietta Mine in Magadan—a joint US\$45 million investment by Canadian Bema Gold Corporation, IFC, and Standard Bank London & Bayerische Hypo-und Vereinsbank. *Canada (CIDA) and Bema Gold*

Eight time zones west of Magadan, IFC approved a US\$100 million loan to support the development of Ford's assembly plant outside St. Petersburg. The Partnership is working with Russian makers of auto components to build them into competitive and reliable suppliers to the Ford's assembly plant and to other automakers as well. *USTDA-TATF Program*

In Tajikistan, IFC is pioneering innovative approaches to improve cotton production and empower poverty-stricken cotton farmers to take control of their commercial activity and diversify production. *Switzerland (seco)*

Improving Corporate Governance

To improve the overall investment climate in post-Soviet economies, the Partnership works with private companies and governments to strengthen corporate governance practices and regulations. These activities are designed in close collaboration with the World Bank and in the context of the work of the Corporate Governance Forum.

Currently the Partnership is implementing the Corporate Governance Program in Russia (*the Netherlands, Switzerland*) and the Corporate Development Program in Ukraine (*Canada, Switzerland*). In the fall of 2001 the Partnership completed Corporate Governance projects in Armenia (*the Netherlands-TATF Program*) and Ukraine. *Canada, Japan, the Netherlands, the United Kingdom-TATF Program*.

In Ukraine, the Partnership worked side by side with 67 individual enterprises to revise their corporate documents, restructure their corporate organization, organize shareholders' meetings, and hold orientation sessions for the board of directors. The companies already attracted US\$5 million in investment, with another US\$20 million under negotiations. In addition to customized company-level consultations, the Partnership has trained representatives from about 13 percent of Ukraine's active corporations and provided more than 5,000 consultations to companies and government officials.

To ensure that future managers and lawyers understand the importance of good corporate governance and have the skills to practice it, the

Partnership trained more than 300 professors and introduced corporate governance topics into the curriculum of 23 universities across Ukraine, schools that now teach 3,500 students a year about corporate governance. The Partnership also designed and introduced corporate governance courses at the Law School of Yerevan State University in Armenia.

On the national level the Partnership worked with Armenian government officials and lawmakers to draft the Law on Joint Stock Companies and the Law on Limited Liability Companies, both of which passed in the fall of 2001. The Partnership advised Russia's Federal Commission on the Securities Market in developing the Code of Corporate Conduct, adopted in April 2002. In Ukraine the Partnership has contributed to six pieces of legislation regulating a number of corporate matters from issuing securities to holding a general shareholders' meeting.

Improving Support Services and Business Environment for SMEs

To build an environment conducive to the growth of SMEs, the Partnership develops local business support services and works directly with national governments to improve policies and legislation affecting the SME sector.

To help improve SME access to professional business support services in Uzbekistan, the Partnership organized a pilot training program for Uzbek consultants (*Switzerland, seco*). In September 2001, a group of seven Uzbek



Transparent Practices Revive a Business on the Brink of Bankruptcy

Trucking enterprise #2005, based in Kharkiv in eastern Ukraine, was privatized in 1997. The manager of the company ignored basic corporate governance requirements. Not a single shareholders' meeting was held in the first two years. The enterprise's management was under investigation for stealing from the enterprise. By 1999 employees had not been paid for months, and the enterprise was on the verge of bankruptcy.

It was at this point that Alexander Khruchyov, the enterprise's chief engineer, came to IFC's Corporate Governance Project in Ukraine (Canada and Japan, the Netherlands, the United Kingdom-TATF Program). He needed help in organizing a first shareholders' meeting and drafting the company's corporate documents. At the meeting, despite fierce opposition from management, Mr. Khruchyov presented his program for revitalizing the enterprise and nominated himself to the company's board. The shareholders elected Mr. Khruchyov by an overwhelming majority and adopted the new charter and by-laws.

In early 2000, Mr. Khruchyov began to turn things around. In consultation with IFC, Mr. Khruchyov set up new management boards, introduced new services, and restructured the company, selling idle assets and setting up a subsidiary enterprise. As a result, during 2001 the enterprise resumed the payment of salaries, almost completely eliminated its wage arrears, and grew its business.

consultants participated in a three-week in-class and hands-on internship within the Ukraine Consulting Network—11 self-sustaining companies established and mentored by IFC (*United Kingdom, United States*). The consultants improved their technical skills in market research and marketing, financial analysis, and modern business-plan writing. Uzbek consultants also learned from their Ukrainian counterparts how to manage a consulting business more effectively, build and maintain client relationships, create more effective client proposals and contracts, and promote their services through public relations campaigns. A second group of Uzbek consultants will participate in a similar program in mid-2002.

In March 2002 the Partnership, in cooperation with the World Bank Group's SME Department, began developing a pilot Internet portal to improve SME access to financing and business support services (*Norway-TATF Program*). The portal will link SMEs to banks, leasing companies, and investment firms and offer on-line applications for credit. To help SMEs improve the quality of their loan applications, the portal will offer interactive learning tools for enterprises to conduct basic financial self-assessments and online resources to strengthen their management and financial skills. Additionally, the portal will link SMEs to local business service providers, such as consulting firms and management training companies.

IFC has conducted annual surveys of SMEs in Ukraine since 1996 (*Norway-TATF Program*). These surveys have proven to be a successful tool in influencing SME policies. The Partnership widely

publicizes the findings of the surveys and relies on them in its work with the government officials and lawmakers to help remove the barriers to SME development. IFC has contributed to introducing or amending 26 pieces of legislation that helped reduce the number of government inspections of SMEs from an average of 76 a year to 14 and the number of business activities requiring licensing from more than 100 to 64. Drawing on its experience in Ukraine, in March 2002 the Partnership launched an SME survey in Uzbekistan. *Switzerland (seco)*

In Belarus, the Partnership works with 18 business associations to build their capacity to provide quality information and consulting services to SMEs. The Partnership's SME Development project in Belarus has trained and advised these business associations on a range of modern business support services, from developing business plans to using public relations techniques in product marketing (*United States*). The Partnership has helped the associations provide their business support services on a sustainable, fee-for-service basis. In addition, the Partnership works with Belarus business associations to help them become more effective advocates for SMEs by helping organize advocacy and media campaigns and by building their legal skills. Since IFC began working with Belarusian business associations, their membership base has increased by 60 percent, from 10,600 to 17,100 members, and their client base has doubled, from 6,950 to 14,000 clients. Increasing membership and service fees ensure the associations' sustainable growth.



Central Asia

CENTRAL ASIA LEASING DEVELOPMENT PROJECT. The Partnership draws on its leasing development program in Russia to build competitive leasing industries in the Kyrgyz Republic, Tajikistan, and Uzbekistan in order to increase financing options available to local businesses. The project provides training for leasing companies, banks, and potential leasing clients on the fundamentals of leasing operations and on conducting financial and risk analysis when making investment decisions. In addition, the project works with national governments to improve the legal framework for leasing operations. *Switzerland*

Tajikistan

FARMER OWNERSHIP MODEL. The goal of the project is to reduce poverty among cotton farmers in

Tajikistan by improving their production and strengthening their direct links to the market. To achieve this goal the Partnership—in cooperation with IFC's Southern Europe and Central Asia Department and with financing from IFC, Switzerland (seco), and the farmers—has established a private company completely owned by Tajik cotton farmers. The company will supply its member farmers with crop inputs and provide marketing services. The Partnership is providing technical assistance to the company on its daily operations and training farmers in modern production practices to improve yields and quality of cotton and to diversify their crop base. *Switzerland*

Uzbekistan

SME SURVEY. To identify key impediments to business development at both the company and country level, the Partnership is conducting a comprehensive national study of the

SME sector in Uzbekistan. The Partnership will draw on the results of the survey to work with the government to improve regulatory, administrative, and economic policies affecting the SME sector. This survey is based on the methodology developed in Ukraine, where the annual SME survey has proved to be an effective instrument in improving the regulatory and administrative environment for SMEs. *Switzerland*

SME CONSULTANTS' TRAINING. To improve SMEs' access to professional business support services in Uzbekistan, the Partnership organizes training programs for Uzbek consultants to improve their consulting skills and expand their range of services on a sustainable commercial basis. These training programs include hands-on internships within the Ukraine Consulting Network—11 sustainable companies established and mentored by IFC throughout Ukraine. *Switzerland*



Russia

NORTHWEST RUSSIA LEASING PROJECT. The Partnership opened a regional office in St. Petersburg to intensify its leasing development work in northwest Russia. The project will also build links between Russian leasing companies and Finnish exporters. *Finland*

MEDIUM-SIZE BANK RE-ENGINEERING PROGRAM. To strengthen the banking sector in Russia, IFC combines investment with customized technical assistance programs. The Partnership works with medium-sized banks to help them restructure their organization and operations, improve their procedures and policies, enhance their information management systems, and expand their lending practices to SMEs. Currently, the Partnership is implementing the following projects in the banking sector:

- **NBD BANK RE-ENGINEERING PROGRAM.** This program complements IFC's US\$2.5 million loan to NBD, a Nizhny Novgorod-based bank, and aims to improve the bank's internal audit function and the use of management information systems. *Norway-TATF Program*
- **CENTER-INVEST RE-ENGINEERING PROGRAM.** This program complements IFC's US\$2 million loan to Center-Invest, a bank in Rostov-on-Don, and aims to strengthen the bank's management and operations, particularly in such areas as corporate organization, internal audit, and asset liability management practices. *Norway-TATF Program*

DEVELOPMENT OF AUTOMOTIVE COMPONENT SUPPLIERS PROJECT. The Partnership is working with selected Russian manufacturers of automotive components to improve their manufacturing processes, product quality, and management practices to help these companies become suppliers to foreign auto producers. The project is also assisting foreign

component producers to establish production in Russia. The initial phase of this project complements an approved IFC US\$100 million loan to Ford Motor Company's assembly plant outside St. Petersburg. *USTDA-TATF Program*

PROJECT FOR DEVELOPMENT OF THE FURNITURE MANUFACTURING SECTOR. To introduce environmentally efficient production technologies into Russia's furniture manufacturing sector and to lay the groundwork for increased investment in the sector, IFC is partnering with IKEA, a Swedish home furnishings retailer, to upgrade the management practices and production technologies of Russian furniture makers. In the project's pilot phase, the Partnership is working with selected Russian IKEA suppliers to demonstrate the profitability of investing in energy-efficient technologies and to help them develop and market new products manufactured from waste wood. Together with IKEA, the Partnership is developing a financing mechanism to fund IKEA's suppliers and other furniture makers. *Norway and IFC TA Allocation-TATF Program*



BUSINESS DEVELOPMENT IN RUSSIA'S FAR EAST. To promote business development in Russia's Far East, the Partnership is working with SMEs to help them become suppliers to the mining industry, starting with the Bema Gold / IFC investment in the Julietta mine in Magadan. The program also works with the private sector and government officials to improve the business enabling environment in the Magadan region. *Canada*

STUDY OF INVESTMENT OPPORTUNITIES IN THE PRIVATE EDUCATION SECTOR. To promote increased investment in the private education sector, the Partnership is conducting a survey to profile educational institutions for potential IFC and private investment. The survey will also identify specific areas in which technical assistance can contribute significantly to the development of the sector. *Sweden-TATF Program*

TECHNICAL CAPACITY BUILDING FOR DMITROV POTATO AND DAIRY FARMERS. This project works with Russian farms to increase the production and quality levels of their milk and potatoes through modern technologies and proper crop rotation methods. The project is implemented in partnership with a Canadian-

Russian joint venture that produces and will supply the farms with high-grade, virus-free seed potatoes. This partnership with the joint venture will enable Russian farms to improve production and become suppliers to major food processors. *Canada-TATF Program*

Ukraine

CORPORATE DEVELOPMENT PROJECT. Building on its Corporate Governance Project in Ukraine, the Partnership expands its advice to local companies to address a broader set of issues that hinder Ukrainian companies seeking outside investment. In addition to corporate governance, the Partnership advises companies on financial management, asset management, and investor strategies to help them become viable businesses able to attract outside investment. This project continues to work with government officials on legislative reform and with educational institutions to improve postsecondary programs on corporate governance. *Canada, Switzerland*

SME FINANCE TOOLKIT. In cooperation with the World Bank Group's SME Department, the Partnership is developing a pilot Internet portal that will provide new resources to help Ukrainian SMEs become

Kyrgyz Republic:

Laying the Foundation for the Leasing Sector

Until recently the only forms of financing available to Kyrgyz businesses were bank loans. But with bank collateral requirements of more than 150 percent of the loan amount, bank financing has been out of reach for most start-ups and small companies. SMEs are crucial to the Kyrgyz economy, as they employ about 60 percent of the working population and constitute 36 percent of the gross domestic product. However, severe inaccessibility to capital has constrained their potential growth.

To increase SME access to financing for capital investment, the Partnership's Central Asia Leasing Project is working to build alternative financial markets, such as leasing (*Switzerland, seco*). Leasing is traditionally more accessible to start-ups and small businesses, as it provides access to equipment for a relatively small up-front investment and does not require collateral. To lay the foundation for the growth of the competitive leasing industry in the Kyrgyz Republic, the project worked closely with the National Bank of the Kyrgyz Republic to draft a leasing law. The Kyrgyz Government approved the draft legislation in the fall of 2001 and presented it to Parliament for consideration. On June 13, 2002, the Kyrgyz Parliament adopted the Law on Leasing, incorporating 90 percent of the project's recommendations.

The Partnership's Central Asia Leasing Project has also worked with government officials, lawmakers, and the private sector to develop leasing legislation in Uzbekistan and Tajikistan.



creditworthy businesses and gain access to financing. The portal will offer online interactive learning tools for enterprises to improve their management and finance skills and will link SMEs to local business service providers, such as consulting firms and management training companies, and to financial service providers, such as banks, leasing companies, and investment firms. *Norway and IFC TA Allocation-TATF Program*

SME SURVEY AND SECTORAL ANALYSIS. To monitor the progress and gauge trends in the SME sector's development and identify the main obstacles, IFC has conducted annual surveys of the state of SMEs in Ukraine since 1996. The Partnership draws on the results of the surveys to work with the national government to help remove legal and administrative constraints to SME development. The Partnership is extending the methodology of the SME survey to analyze other sectors that have high growth potential. The survey of other sectors includes both an overview of the regulatory environment and a complete value chain analysis. *Norway-TATF Program*



The Foreign Investment Advisory Service Program

5

FIAS has a strong record of putting forth recommendations that client countries recognize as valuable – and act on.



The Foreign Investment Advisory Service Program (FIAS) helps the governments in developing countries improve the foreign direct investment (FDI) environment of their countries. FIAS advises on laws, policies, incentives, institutions, and strategies. It helps countries increase the amount of investment they receive and the benefits this investment produces.

Since its founding in 1985, FIAS has assisted more than 120 countries—many of them on a continuing basis over the years. Its broad experience has helped it identify the essential attributes of a sound investment environment. Its staff tailors this knowledge to the circumstances of client countries to help them reach their potential for attracting FDI.

FIAS works only at the request of the client government, on topics identified and agreed to by both parties. This approach ensures the relevance of the assistance and lays the basis for active partnership. FIAS offers much more than one-way advice and written reports: through interactive workshops and roundtable meetings that often include business executives and other stakeholders, it helps clients chart technically and politically practical paths to change.

FIAS has the unique strength of being a joint service of two of the world's largest multilateral development institutions: the International Finance Corporation and the World Bank. FIAS staff can—and do—call on the expertise of the entire Bank Group (which also includes the Multilateral Investment Guarantee Agency, or MIGA, and the International Center for Settlement of Investment Disputes) in designing coordinated assistance packages for client countries.

Advisory Services

FIAS offers a comprehensive range of services to help the client government attract FDI. Terms of reference for each assistance project are tailored to meet the client's specific needs at the time. Some common topics for assistance follow.

Diagnostics

FIAS undertakes diagnostic studies to identify a country's main policy impediments to productive foreign direct investment. The 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 functioning of legal systems; and problems foreign firms have in gaining access to land and bringing in technical and managerial staff.

Legal and Regulatory Environment

In any country, the rules of the game are critical to attracting worthwhile investments. FIAS can review a country's legal and regulatory environment and recommend measures in areas such as screening procedures, restrictions on the percentage of shares owned by foreigners, currency convertibility, access to land, and investment protection under national laws and international conventions.

Administrative Barriers

One important tool the FIAS has developed is its "Roadmap" analysis of bureaucratic barriers that snarl and slow both investment and subsequent production. These detailed flowcharts pinpoint problems that will enable the governments to identify and eliminate counterproductive procedures and streamline the necessary regulations that remain.

Investment Incentives

In a competitive world, countries often grant benefits to entice investors. FIAS can analyze incentives to ensure they are competitive and cost effective.

Investment Promotion

Effective investment promotion can influence investor decisions and affect the amount and kind of investments a country receives. Efficient agencies are needed to attract FDI and help manage investment policy. FIAS helps client countries design promotion institutions, adapting models that have proven effective elsewhere. It also helps these agencies formulate promotion strategies that identify competitive advantages and target specific opportunities. Strategies can be conceived on national, regional, or sectoral levels.

Building Linkages

The benefits of FDI are often enhanced by increasing business links with local companies. FIAS can help clients design programs that foster supply and other relationships between foreign-owned and domestic companies.

Foreign Direct Investment Data Systems

Government agencies require accurate data about investment flows—for their own use and to provide information to the marketplace. FIAS can help design nonintrusive systems for collecting data on direct investment, including measuring the impact of investments on key variables such as job creation and export growth.

Working with FIAS

An advisory project begins with a high-level request from a potential client government, FIAS management's agreement to do the work, and mutual agreement on the terms of reference. Assignments typically take three to six months to complete. FIAS may communicate its recommendations in a written report or by other means, such as a workshop. Whatever the vehicle, FIAS delivers assistance in a timely, practical, and nonbureaucratic style.

The advice that FIAS gives is confidential to its government clients, who are under no compulsion to accept that advice. Confidentiality helps establish a relation of trust in which FIAS can provide a frank assessment of a country's strengths and weaknesses for attracting foreign investment. FIAS has a strong record of putting forth recommendations that client countries recognize as valuable—and act on. Reforms suggested by FIAS have contributed to the success that many of its client countries have achieved in attracting more foreign investment.

The IFC and the World Bank contribute roughly 35 to 40 percent of the funding needed to cover FIAS's annual costs. The rest comes through donations from more than a dozen bilateral and multilateral sources and from fees paid by the governments for which FIAS works.



Regional Reports

Africa

FIAS conducted 15 advisory projects in Sub-Saharan Africa during FY2002, reflecting both the strong interest of these countries in attracting FDI and continuing high demand for FIAS services in this region. While assistance continued to focus on traditional products such as administrative barriers studies (Guinea Bissau, Nigeria) and reviews of Investment Laws (Southern African Development Community, Mauritania, Democratic Republic of Congo), attention also increasingly focused on two new areas: the implementation of action plans, and the impact of FDI on the host economy.

Over the past few years, several African governments have adopted action plans aimed at streamlining the administrative procedures that existing and potential investors face when they establish and operate an establishment in the country. FIAS has been assisting them in their implementation efforts, most notably by conducting surveys of the private sector. These surveys have been useful in identifying and quantifying the main administrative barriers to investment; providing benchmarks and performance indicators of the

reforms over time, across countries, or both; and stimulating dialogue between the public sector and the business community.

The second new area of assistance has been to examine more closely the impact of FDI in some countries. At the request of the Tanzanian government, FIAS assessed the relationship between competition policy and anticompetitive practices with regard to FDI. Increased FDI flows can lead to benefits for the host economy, which are reflected through economic growth, poverty reduction, and technology transfers from multinational companies, and these benefits are generally magnified in a competitive environment. Recommendations were developed to reduce barriers to entry and to improve competition in key strategic sectors, as well as to adopt a more appropriate legal and institutional framework.

FIAS was asked to assess Equatorial Guinea's investment climate, with an emphasis on how the recent FDI inflows in the oil sector can be used to benefit the local economy, especially the labor force. Corporate responsibility and the links between the multinationals and the government as well as the local private sector were discussed in the light of recent international best practices.

Asia and the Pacific

Advisory assistance was provided at a number of different levels in Asia and the Pacific: regional forums, national governments, and subnational governments. The existence of an FIAS office in the region (located in Sydney) allows responsive service to clients' requests in a region remote from Washington. The topics addressed vary but fall within the general parameters of policy reform initiatives, the implementation of reform, and general administration of policy—and the investment promotion and institutional aspects that accompany each. Within these main areas, the administration of policy and the relationship between national and subnational promotional agencies are both assuming increased importance.

The assistance provided ranged from the detailed and specific, such as improvements in elements of the export environment—and incentives regimes—for export-oriented foreign investment companies (recently, for example, in Fiji and Samoa) to the more general, such as the organization of subregional roundtables for senior policymakers and private sector representatives on key FDI policy issues (most recently, for South Asia, in Dhaka). The scale of FIAS inputs varies from a few days spent on a



desk review of draft legislation (recently for Indonesia on a draft investment law and for the Philippines on incentives legislation) to several weeks, spread out over more than a year, for some implementation projects.

Europe and Central Asia

FIAS continues to be very active in Europe and Central Asia, carrying out reviews of investment legislation, investment incentives, and removal of administrative barriers to investment. FIAS has been particularly active in Southeastern Europe, Russia, the Baltics, and the Caucasus region. Having carried out 11 studies of administrative barriers to investment in Europe and Central Asia, FIAS is now preparing self-assessment tools for monitoring and evaluating the resulting reforms, as well as setting up the initial stages of new administrative barriers studies. These self-assessment tools are currently being piloted in Bosnia, Bulgaria, Croatia, Latvia, and FYR Macedonia.

Client governments that are engaged in administrative and regulatory reform can now compare their progress over time and between countries using standard surveys of the business community. The surveys cover the costs and time requirements businesses experience during standard investment procedures as well as costs and time spent on such matters as company registration, business licensing, getting access to land, construction permits, paying taxes, customs procedures, product certification, and various government inspections. FIAS continues to work closely with client governments to develop a constructive dialogue between the government and investors, prioritizing the reform agenda; to develop workable reform strategies; to assess the impact of reforms on the business environment; to determine which reforms are working well and which are not; and to make the necessary adjustments to ensure that each country's overall reform program is having the desired effect both on investment levels and on positive FDI spillover benefits throughout the economy.

Middle East

During the 1990s the countries of the Middle East generally failed to participate in the global boom of FDI flows. Many of the region's governments recognize that their countries have been left behind in the economic globalization process and are now keen on catching up. This has resulted in several initiatives and activities geared toward making their economies more open and attractive to foreign investors, and FIAS is assisting many of its regional clients in this process. Gulf states, such as Saudi Arabia and Kuwait, are actively developing a more liberal legal environment, combined with the creation of a corresponding institutional framework. Other countries, such as Turkey, are seeking FIAS advice on concrete measures and institutional structures for facilitating the entry of FDI to improve the integration of their economies into the global marketplace and establishing public and private sector dialogue.



Latin America and the Caribbean

FIAS continues to meet a broad spectrum of assistance demand, driven by the different needs of larger South American economies as well as the smaller, export-oriented economies of Central America and the Caribbean. The new government in the Dominican Republic approached FIAS to assist in a review of its FDI strategy to avoid the loss of FDI

operations to neighboring countries. FIAS also assisted the government of Panama, in collaboration with IFC and MIGA, to structure a new free zone around a previous U.S. military base. Venezuela, despite its political instability, recognized the danger that convoluted administrative procedures pose to its competitive position, and FIAS assisted with an administrative barriers study. In addition, FIAS assisted countries involved in drafting new legislation

related to private investment. FIAS assistance was quick and flexible and provided timely recommendations for improving this planned legislation.

An interesting feature of FIAS's work in the region is a growing recognition by most governments there that they need to strengthen their international competitiveness in order to establish a vibrant private sector as a cornerstone of their economic development strategies. An increasing number of countries have expressed interest in sophisticated and forward-looking assistance: FIAS is currently in discussions with the government of El Salvador for assistance tailored to strengthening the private sector's corporate social responsibility initiatives in order to improve the social and environmental conditions in the country. In Nicaragua, FIAS is likely to provide assistance on improving the country's competition policy framework to enhance the competitiveness of Nicaraguan investments in the global economy and to facilitate the diffusion of international best practices in the domestic economy.



Promoting Environmental and Social Sustainability in Partnership with Donors



By proactively identifying opportunities to “do more good,” IFC can enhance the long-term development impact of its activities.

Donor support has been instrumental in helping IFC in promoting improved environmental and social performance in the private sector. Donors have engaged at the project level as well as in broader strategic programs, providing assistance for activities ranging from environmental risk assessment to cutting-edge environmental and social sustainability initiatives. The level of donor support for these activities has increased steadily in recent years. Highlights for FY2002 include:

- Donor support through the Technical Assistance Trust Funds program for 25 TA approvals requiring assistance to address environmental or social issues.
- The launching of three new donor-supported environmental and social development facilities focusing on corporate citizenship, sustainable financial markets, and projects with local environmental benefits.
- The establishment of a new initiative to reduce greenhouse gas emissions, the IFC-Netherlands Carbon Facility (INCaF).
- Continued support from the Global Environmental Facility (GEF) for projects mitigating climate change and protecting biodiversity.

The context for these donor-funded activities, which are described below, is IFC’s pursuit of sustainability as a key strategic objective. Sustainability means that projects are evaluated for economic and financial viability as well as for environmental and social contributions. IFC will of course maintain its “do no harm” approach to environmental and social issues, but by proactively identifying opportunities to “do more good,” IFC can enhance the long-term development impact of its activities.

IFC looks first for situations where improved environmental and social performance contributes to better financial results through increased revenues, cost savings, risk reduction, lower capital costs, or enhanced brand value. A new report published in July 2002, *Developing Value: The Business Case for Sustainability in Emerging Markets*, presents concrete examples as well as a framework for achieving success across the “triple bottom line.” This report was generously supported by Ireland through the TATF program and was co-published with SustainAbility, a UK consultancy, and the Ethos Institute of Brazil.

IFC sees selected opportunities where environmental and social performance can be significantly enhanced through targeted use of donor funding. These opportunities arise in IFC’s do-no-harm activities, such as improved environmental management systems, and particularly in do-more-good initiatives, such as corporate citizenship and environmental investments. Tasks such as distilling lessons learned into manuals on good practice, developing training materials, and testing innovative approaches cannot be charged to individual projects or sponsors and

thus merit support through donor financing. Indeed, IFC’s diverse constituents expect the Corporation to reach beyond its core focus on commercially viable investments into broader areas such as capacity building and project preparation, and donor funding makes such activities possible.

Together, donors and IFC are adding considerable value. Donor funding enhances the sustainability of individual investments and encourages broader private sector practices in developing countries that are environmentally and socially sustainable. Donor funding also allows IFC to expand its investment activities into sectors with a strong development impact, such as renewable energy, sustainable agriculture, and eco-tourism. In this way, donor funding helps IFC to “push the market” toward new practices and behaviors that benefit the environment and local communities.

FY2002 ENVIRONMENTAL TATF APPROVALS

Donors supported 25 new TATF approvals with specific environmental benefits in FY2002. The table below presents these assignments organized by the type of activity being undertaken.

Country or Region	Objective (funding source)
Sustainability	
Worldwide	Analyze the business case for corporate social and environmental sustainability in emerging markets. <i>Ireland</i>
Central and Eastern Europe	Set up pilot for global sustainability reporting guidelines. <i>IFC TA Allocation</i>
South Africa	Complete technical designs for a model “eco-village” of affordable housing for rural farm workers. <i>IFC TA Allocation</i>
Innovative Environmental Finance Mechanisms	
Latin America and Caribbean	Develop and promote “cleaner production” investments. <i>USTDA</i>
Russian Federation	Explore potential for carbon emissions trading for three coal-fired generating plants. <i>Norway</i>
Environmental Capacity Building of Financial Intermediaries	
China	Develop capacity and skills of domestic specialists to undertake environmental reviews and mitigation work in Sichuan Province. <i>Denmark</i>
Developing Businesses Providing Environmental Services	
China	Provide business advisory services to a supplier, builder, and operator of water and wastewater treatment services. <i>United Kingdom, IFC TA Allocation</i>
Yugoslavia	Support environmentally sound privatization of Belgrade’s Municipal solid waste services. <i>Denmark, Greece, Sweden, Norway, IFC TA Allocation.</i>
Environmental Management and Risk Mitigation	
Asia region	Develop environmental management systems for SME manufacturers and lenders. <i>Finland</i>
China	Improve the investment climate for sustainable development of mining in China. <i>Australia, IFC TA Allocation</i>
Colombia	Promote environmentally sustainable poultry production. <i>New Zealand</i>
India	Review pesticides and agrochemicals under distribution and prepare a draft pesticide management plan for use by client and other private sector companies. <i>Denmark</i>
Lao People’s Democratic Republic	Improve environmental and social management for a gold and copper mine. <i>Australia, Japan</i>
Mozambique	Provide advisory services for the environmentally and socially sound privatization of the national oil and gas distribution company. <i>Norway, IFC TA Allocation</i>
Russian Federation	Develop an environmental and social audit and action plan for a coal company. <i>United Kingdom</i>
Russian Federation	Support the sustainable growth of two furniture manufacturers. <i>Norway, IFC TA Allocation</i>

Three New Social and Environmental Facilities

Three new social and environmental facilities began operations on July 1, 2002, in an effort to expand IFC's support for environmental and social sustainability. The facilities address three key do-more-good areas of IFC's work:

- Mainstream, project-related work—the Corporate Citizenship Facility
- Capacity building in financial markets—the Sustainable Financial Markets Facility
- Environmental projects and project components—the Environmental Opportunities Facility

IFC has pursued several initiatives in each of these areas over the last 5–10 years but has now reached the point where demand for its services substantially exceeds the capacity to deliver. The facilities will allow IFC to respond to growing expectations from the private sector and demand from IFC clients in a more coordinated and focused manner. The facilities will work closely with other parts of the World Bank Group, such as the SME Department, and with external partner organizations to learn from past experiences and to maximize dissemination of best practices.

In June 2002 IFC committed a total of US\$10 million to these facilities over five fiscal years, the initial duration of the facilities. IFC must raise an additional US\$45 million from donors to complete the funding for these initiatives. The Government of the Netherlands has approved initial core funding for the facilities. IFC is in active discussions with several other potential donors and would welcome the opportunity to explore support from additional donors.

Corporate Citizenship Facility (CCF)

The CCF provides guidance and support to the private sector in emerging markets in the areas of corporate social responsibility and environmental stewardship. The CCF will implement its objectives through three programs.

The Environmental Stewardship Program will help the private sector address a range of environmental challenges at project, strategic, and sectoral levels and will demonstrate how proactive engagement in these areas can stimulate more cost-efficient and cost-effective production and more sustainable use of resources.



The Engaging with Communities and Other Stakeholders Program will help businesses, communities, and other stakeholders work together in the complex areas of social and community development, equity, and transparency. An overarching component of this program is strengthening the role of consultation and participation in the development process. The program will focus on ways in which communities can be empowered to benefit from private sector activities, how revenue management and distribution on large projects can be used to promote local economic development, and how supply chains and trading networks can be developed to spread opportunities and benefits beyond individual projects and to reduce poverty in marginalized groups.

The Employment and Employees Program will promote good and innovative employment practices to bring positive benefits to both employees and employers. It will focus on specific issues such as employee health (particularly the effects of HIV/AIDS), training, education, and ownership opportunities, as well as ways in which the private sector can promote and disseminate good practices.

Sustainable Financial Markets Facility (SFMF)

The SFMF aims to:

- Enhance the environmental and social impact of financial intermediaries (FIs) operating in developing countries and transitional economies;
- Strengthen the competitiveness of FIs by improving their capacity to manage environmental risk and the opportunities arising from increased sustainability; and
- Have a strategic impact on the sustainability agenda of the broader financial community.

SFMF is organized around three distinct programs. The Responsible Institutions Program addresses the needs of the banking, leasing, insurance, and microfinance sectors. The Sustainable Inward Investment Program focuses on private equity and venture capital funds. The Strategic Market

Development Program undertakes strategic initiatives aimed at creating incentives and know-how within the broader financial sector. This includes work with rating agencies, central banks, stock exchanges, business schools, local consulting and professional services firms, and industry initiatives and voluntary codes of practice.

SFMF's products and services under these programs include:

- Training courses and workshops
- Business advisory and support services
- Technical assistance for project development and implementation
- Market intelligence and information resources
- Strategic partnerships and business networks
- Support and input to voluntary industry initiatives and codes of practice

Environmental Opportunities Facility (EOF)

The EOF supports private sector ventures that have a strong potential to increase environmental sustainability but must overcome the uncertainty associated with new markets, new technologies, and new ways of doing business. The EOF will focus on innovative solutions to *local* environmental issues, such as clean water supply or air pollution. (For efforts directed to global environmental issues, please see the discussion below on IFC's activities with the Global Environmental Facility.) The EOF will work closely with selected partner organizations to identify and implement projects.

The EOF will provide two types of catalytic support to environmental projects: project preparation grants, and flexible investment financing. The EOF gives priority to projects that need extra assistance in the development phase, after which they are likely to be financed on commercial terms by IFC or other market-rate investors. (This funding is similar to that available through the TATF program but with a specific focus on environmental projects.) The EOF seeks to leverage its investment funding with cofinancing from project sponsors and other sources.

IFC–Netherlands Carbon Facility

What is the facility? The IFC-Netherlands Carbon Facility (INCaF) is an arrangement under which the IFC will purchase greenhouse gas (GHG) emission reductions on behalf of the Government of the Netherlands using the “Clean Development Mechanism” of the Kyoto Protocol. The Netherlands will use these emission reductions to help meet its commitments under the Kyoto Protocol. The Netherlands has allocated €44 million for this facility over the next three years. The facility will provide additional revenues to eligible projects that generate emission reductions in developing countries.

What are GHG emission reductions? GHG emission reductions are created when a project reduces or avoids the emission of greenhouse gases, such as carbon dioxide or methane, compared with the emissions that would have been expected under a “business as usual” scenario. That is, the project is measured against a baseline of expected GHG emissions to determine the extent of its impact.

What types of projects are potentially eligible? The facility has a particular interest in financing projects of the following types (in order of preference):

- renewable energy projects (such as biomass, wind, geothermal) that displace use of fossil fuels;
- energy efficiency projects, supply side or demand side, that reduce consumption of fossil fuels;
- recovery and utilization of methane from, for example, waste landfills and coal mines; and
- conversions from fuels with greater to lesser GHG intensity (such as from coal to natural gas).

What type of funding will the facility provide? If a project is approved, the facility will make payments to the project over a period of 7–14 years upon periodic (perhaps annual) certification of actual GHG emission reductions. In return for these payments, the Netherlands will receive certified emission reductions that can be used to meet its obligations under the Kyoto Protocol. The facility *may* make limited advance payments for reductions but only under unusual circumstances.

What are the benefits of the facility? The facility will contribute to the development of an important new market for environmental services. Host countries will gain access to efficient, clean technologies at a lower cost and will achieve more environmentally sustainable economic growth. Companies receiving payment from the facility for GHG emission reductions will enjoy a direct financial benefit in the form of a future stream of income that otherwise might not be available.

Two main types of projects are eligible for EOF support:

- Projects that produce goods or services with specific environmental benefits. Priority sectors include environmental services (such as clean drinking water, wastewater treatment, and the recycling or disposal of solid waste) and pollution reduction or abatement (including industrial air or water emissions and indoor air pollution). If other funding cannot be found, the EOF will also consider funding projects in sustainable resource use (such as organic farming or certified sustainable forestry) and sustainable energy (including renewable energy and energy efficiency).
- Projects that promote eco-efficiency through cleaner production and pollution abatement.

Special Initiatives

IFC also undertakes special initiatives, such as identifying projects that can reduce greenhouse gas (GHG) emissions under the Kyoto Protocol. A new activity in this sector is the IFC-Netherlands Carbon Facility, under which IFC will purchase GHG emission reductions for the benefit of the Government of the Netherlands (box, this page). Although this is *not* a typical donor-funded activity—IFC is arranging the purchase of environmental assets by a bilateral agency on a cost-recovery basis—it is noted here due to the innovative relationship between IFC and a key donor country.

Global Environment Facility (GEF)

The Global Environment Facility is a multilateral source of funding for projects in developing countries that contribute to global environmental objectives, such as the conservation and sustainable use of biological diversity (biodiversity) and the mitigation of climate change through reduced greenhouse gas emissions (<http://gefweb.org>). IFC's GEF activities aim to catalyze, appraise, and execute innovative private sector projects that support these objectives. Since 1995 IFC has undertaken 13 projects with funding of US\$125 million from the GEF. IFC has used GEF funding in a flexible manner, ranging from competitively awarded grants to partial risk guarantees.

Concessional resources provided by the GEF enable the private sector to explore new technologies and new business models that are not yet commercially proven, such as using solar photovoltaic energy to provide off-grid power. The aim is to accelerate market acceptance of these businesses and further IFC's objective of supporting sustainable private sector development. The advantages to the GEF of working through IFC include direct access to the capital, technology, and management skills available in the private sector. And by working directly with the private sector, IFC's GEF projects typically provide high leverage for GEF funding and a strong potential for replication.

IFC recognizes the challenge of using concessional funding from the GEF appropriately and efficiently in market-based projects. To that end, IFC employs a strategy of matching the type of support to the obstacles blocking achievement of GEF's objectives. This strategy calls for IFC to use financing instruments other than grants, such as low-interest loans, guarantees, or contingent investments, whenever possible; to focus on near-commercial projects, because that is where the private sector and IFC operate most effectively; and to minimize use of GEF resources and maximize leveraging of other funding sources, particularly cofinancing from IFC and private sector capital.

A selection of IFC's active GEF projects are summarized in the table on the next page.



GEF-SUPPORTED INITIATIVES

Project	Description	GEF Funding (millions US\$)
Climate Change		
Hungary Energy Efficiency Cofinancing Program	Catalyzes loans for energy-efficiency improvements from local financial intermediaries by using partial risk guarantees and targeted grants	5.7*
Efficient Lighting Initiative	Stimulates demand and supply for energy-efficient lighting in seven countries through a variety of market-building techniques	15.0
Photovoltaic Market Transformation Initiative	Expands use of photovoltaics (solar power) by providing concessional financing of various types to private sector companies and financial intermediaries in India, Kenya, and Morocco	30.0
Solar Development Group	Supports off-grid photovoltaic solar power through a combination investment fund and technical assistance facility	10.0*
Biodiversity		
Terra Capital Fund	Assists a private equity fund investing in ventures with biodiversity benefits such as sustainable agriculture and nontimber forest products	5.0*
Multisectoral		
Small and Medium Enterprise Program	Lends money at concessional rates to intermediaries (including companies, banks, and NGOs) that in turn invest in small- and medium-size enterprises with climate change and biodiversity benefits	20.8

* These projects also have mainstream IFC financing.

IFC is currently preparing several additional GEF projects. Projects addressing climate change include:

- CEPALCO Distributed Generation PV Power Plant (Philippines), which will use on-grid photovoltaic power in conjunction with hydropower
- Commercializing Energy Efficiency Finance, which extends the Hungary Energy Efficiency Cofinancing Program to five other countries in Central and Eastern Europe
- Fuel Cell Cofinancing Facility, which will promote the use of stationary fuel cells for distributed electricity generation

Projects addressing the loss of biodiversity include:

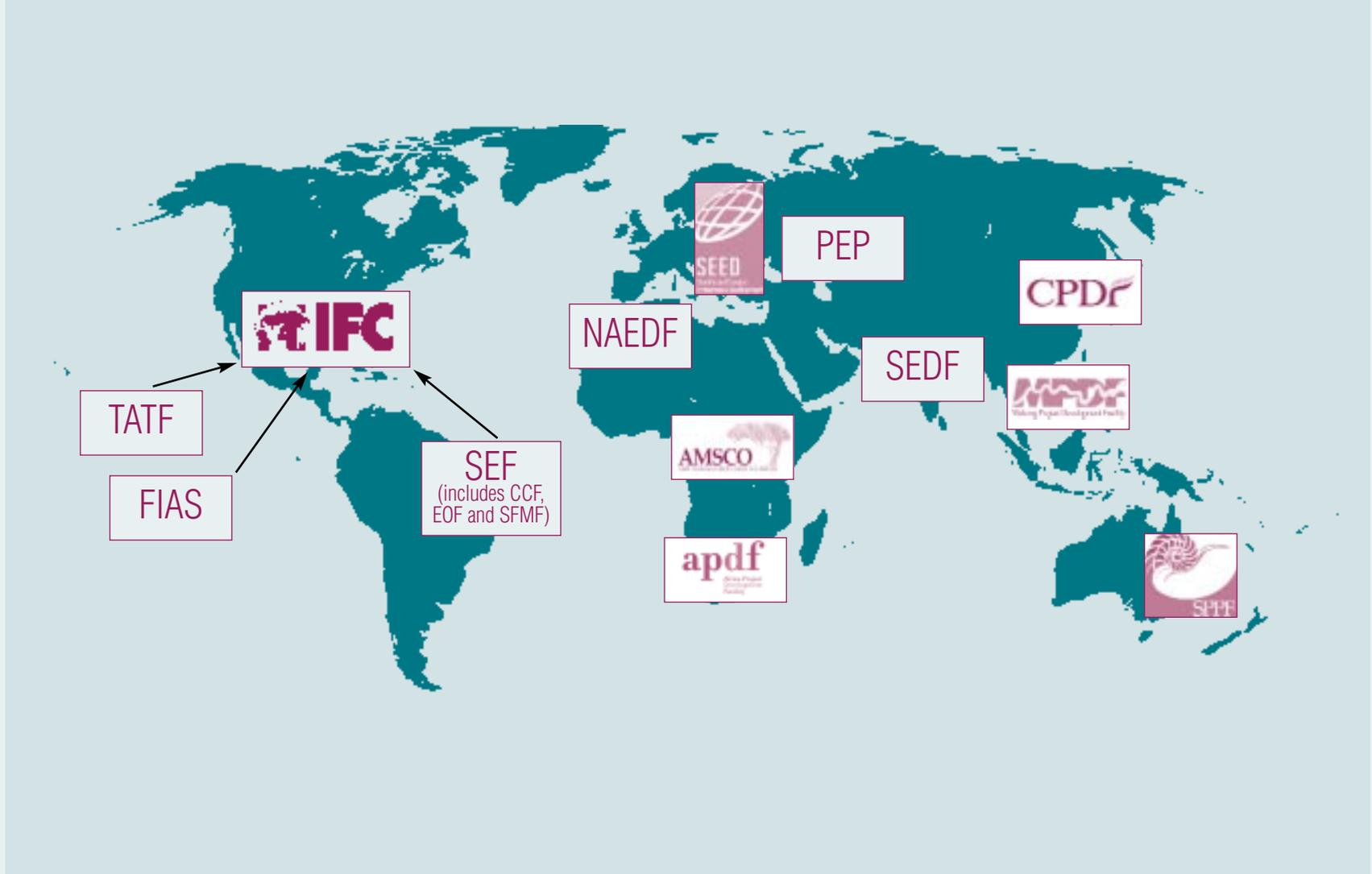
- Eco-Enterprises Fund (Latin America), an innovative fund investing in small- and medium-size companies with environmental and social benefits
- Komodo National Park (Indonesia), a collaborative effort to provide sustainable park management and tourism development for a threatened area
- Asian Conservation Foundation (Philippines), a partnership with a local investment company using local NGOs to help conserve threatened marine areas
- Kijani Biodiversity Initiative, which seeks to conserve biodiversity in Africa by catalyzing private sector investment in biodiversity-related businesses

Annexes

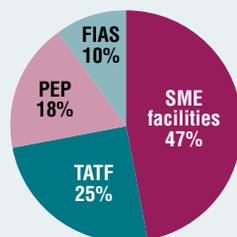
IFC DONOR-SUPPORTED TECHNICAL ASSISTANCE PROGRAMS:

Activity / DFO	Purpose / Strategy	Inception Date
IFC Technical Assistance Trust Funds (TATF) Program	To develop TA projects to help strengthen the business environment in client countries, focusing on TAs to promote private sector growth.	1988
African Management Services Co. (AMSCO)	To assist SMEs with substantial African ownership to become more sustainable and competitive in national and international markets	1989
Africa Project Development Facility (APDF)	To respond to the need for project preparation and assistance for African entrepreneurs	1986
China Project Development Facility (CPDF)	To support the development of private SMEs in the interior of China, with an initial focus on Sichuan Province	2000
Mekong Project Development Facility (MPDF)	To foster growth in the number and size of domestic private firms in the Mekong region	1996
SouthAsia Enterprise Development Facility (SEDF)	To increase the number and growth rates of SMEs in Bangladesh, Bhutan, and Nepal	2000
Southeast Europe Enterprise Development (SEED)	To help support the development of the private sector in Albania, Bosnia, FYR Macedonia, and to the extent possible, in Kosovo.	2000
South Pacific Project Facility (SPPF)	To assist and accelerate the development of productive, self-sustaining SMEs in Pacific Island countries	1985
North Africa Enterprise Development Facility (NAEDF)	To support the development of markets and institutions that are key to SME growth in (initially) Algeria, Egypt and Morocco	Approved by IFC Board in May 2002.
Private Enterprise Partnership (The Partnership, or PEP)	To expand IFC TA in the region via the development of SMEs and the promotion of foreign direct investment.	In operation since 1987. The Partnership was formally created in May 2000.
Foreign Investment Advisory Services (FIAS)	To assist governments to improve their policies, regulations and institutions in order to attract more and more beneficial foreign direct investment.	1985
Corporate Citizenship Facility (CCF)	To support best environmental and social practices in individual businesses in developing countries and actively disseminate those practices throughout the private sector in emerging markets.	Operational July 1, 2002
Environmental Opportunities Facility (EOF)	To provide project preparation support and seed financing for projects addressing local environmental issues.	Operational July 1, 2002
Sustainable Financial Markets Facility (SFMF)	To enhance the environmental and social impact of IFC's funding via financial intermediaries and to support the competitiveness of FIs, by improving their capacity to manage environmental risk.	Operational July 1, 2002

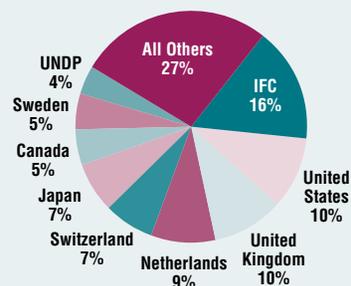
IFC DONOR-SUPPORTED TECHNICAL ASSISTANCE PROGRAMS:



**CUMULATIVE
FINANCIAL
SUPPORT
BY PROGRAM
(PERCENT)**



**CUMULATIVE
FINANCIAL
SUPPORT
BY DONOR
(PERCENT)**



Left: IFC Executive Vice President Peter Woicke, Bavarian State Minister of Finance Dr. Kurt Faltlhauser and Director of the Munich and Oberbayern Chamber of Industry and Commerce Dr. Reinhard Doerfler.

**IFC DONOR-SUPPORTED TECHNICAL ASSISTANCE PROGRAMS
CUMULATIVE FINANCIAL SUPPORT IN US\$ MILLIONS EQUIVALENT UP TO JUNE 30, 2002**

Donor	TATF	SME facilities	FIAS	PEP	TOTAL
I. IFC Donor Community					
African Development Bank	-	13.50	-	-	13.50
ADB	-	0.75	-	-	0.75
EBRD	-	1.22	-	-	1.22
European Community	3.50	0.90	-	-	4.40
Inter-American Devt Bank	-	3.40	-	-	3.40
UNDP	1.14	15.84	8.43	-	25.41
Australia	4.37	9.51	2.80	-	16.68
Austria	1.05	2.30	-	-	3.35
Belgium	-	2.51	0.17	-	2.68
Canada	7.37	11.72	1.65	15.00	35.74
Denmark	5.02	13.62	-	-	18.64
Finland	4.28	8.08	0.47	1.10	13.93
France	1.88	10.64	0.79	-	13.31
Germany	2.23	6.77	-	-	9.00
Greece	1.85	0.25	-	-	2.10
India #	-	-	-	-	-
Ireland	2.03	1.52	0.15	-	3.70
Israel	0.90	-	-	-	0.90
Italy	18.72	2.78	0.57	-	22.07
Japan	29.84	12.92	3.56	-	46.32
Luxembourg	0.50	-	0.52	-	1.02
Mexico	-	0.50	-	-	0.50
The Netherlands	26.49*	24.74	2.34	6.28	59.85
New Zealand	1.49	1.87	0.91	-	4.27
Norway	6.04	11.93	0.29	0.01	18.27
Poland	-	0.50	-	-	0.50
Portugal	-	4.84	0.25	-	5.09
Slovenia	-	0.45	-	-	0.45
Spain	0.85	-	0.30	-	1.15
Sweden	13.21	16.04	2.42	2.17	33.84
Switzerland	13.77	24.67	2.52	5.70	46.66
United Kingdom	7.25	19.56	2.12	36.67	65.60
United States	6.37	20.00	3.74	38.39	68.50
ICDS	-	2.65	-	-	2.65
Caribbean Devt Bank	-	0.10	-	-	0.10
Others	-	2.83	-	-	2.83
	160.15	248.91	34.00	105.32	548.38
II. World Bank Group					
IBRD	-	5.85	9.02	-	14.87
IFC	9.37*	65.11	19.22	12.60	106.30
MIGA	-	-	2.91	-	2.91
	9.37	70.96	31.15	12.60	124.08
GRAND TOTAL	169.52	319.87	65.15	117.92	672.46

Notes:

Indicates contribution-in-kind.

* Includes funding of US\$7.97 million for new programs (social & environmental, SME and financial markets) established in late FY2002.

TATF includes one-time funding for specific projects (excluding EC/IFC equity line of ECU 5 million).

SME facilities comprise AMSCO, APDF, BAS, CPDF, SEDF, ESSA, MPDF, NAEDF, PBAS, SEED and SPPF.

FIAS is a joint service supported by IFC and the World Bank.

PEP is the Private Enterprise Partnership; this column (formerly titled as FSU) refers to all of IFC's privatization activities and technical assistance in the former Soviet Union.

SME FACILITIES: IFC DONOR-SUPPORTED TECHNICAL ASSISTANCE PROGRAMS

CUMULATIVE FINANCIAL SUPPORT IN US\$ MILLIONS EQUIVALENT UP TO JUNE 30, 2002

Donor	APDF	AMSCO	BAS ¹	CPDF	SEDF	ESSA ¹	MPDF	NAEDF ²	PBAS ¹	SEED	SPPF	TOTAL
I. IFC Donor Community												
African Development Bank	8.00	5.50	-	-	-	-	-	-	-	-	-	13.50
ADB	-	-	-	-	-	-	0.75	-	-	-	-	0.75
EBRD	-	-	-	-	-	-	-	-	1.22	-	-	1.22
European Community	-	-	-	-	-	-	-	-	0.90	-	-	0.90
Inter-American Devt Bank	-	-	3.40	-	-	-	-	-	-	-	-	3.40
UNDP	10.00	4.84	1.00	-	-	-	-	-	-	-	-	15.84
Australia	-	-	-	1.48	-	-	2.90	-	-	-	5.13	9.51
Austria	-	-	-	-	-	-	-	-	-	2.30	-	2.30
Belgium	2.20	0.31	-	-	-	-	-	-	-	-	-	2.51
Canada	2.50	-	2.50	-	-	1.94	1.91	-	0.73	1.37	0.77	11.72
Denmark	7.60	5.64	-	-	-	-	-	-	0.38	-	-	13.62
Finland	2.20	2.62	-	-	-	-	3.26	-	-	-	-	8.08
France	6.00	1.66	-	-	-	-	-	2.98	-	-	-	10.64
Germany	3.15	1.02	2.60	-	-	-	-	-	-	-	-	6.77
Greece	-	-	-	-	-	-	-	-	-	0.25	-	0.25
India #	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	1.50	-	-	-	-	-	-	0.02	-	-	1.52
Israel	-	-	-	-	-	-	-	-	-	-	-	-
Italy	1.00	1.00	-	-	-	-	-	-	0.78	-	-	2.78
Japan	4.00	-	0.80	-	-	-	1.53	-	0.45	-	6.14	12.92
Luxembourg	-	-	-	-	-	-	-	-	-	-	-	-
Mexico	-	-	0.50	-	-	-	-	-	-	-	-	0.50
Netherlands	7.71	7.63	0.63	0.90	1.52	-	-	-	1.35	5.00	-	24.74
New Zealand	-	-	-	-	-	-	-	-	-	-	1.87	1.87
Norway	5.36	0.35	-	-	-	-	2.92	-	0.10	3.20	-	11.93
Poland	-	-	-	-	-	-	-	-	0.50	-	-	0.50
Portugal	1.90	2.94	-	-	-	-	-	-	-	-	-	4.84
Slovenia	-	-	-	-	-	-	-	-	-	0.45	-	0.45
Spain	-	-	-	-	-	-	-	-	-	-	-	-
Sweden	5.43	4.86	0.41	-	-	-	1.91	-	0.62	2.81	-	16.04
Switzerland	7.30	4.27	-	2.33	-	-	3.16	3.31	0.30	4.00	-	24.67
United Kingdom	3.72	3.42	0.20	3.17	5.34	-	2.32	-	0.50	0.89	-	19.56
United States	11.50	2.70	2.80	-	-	-	-	-	3.00	-	-	20.00
ICDS	-	2.65	-	-	-	-	-	-	-	-	-	2.65
Caribbean Devt Bank	-	-	0.10	-	-	-	-	-	-	-	-	0.10
Others	-	0.62	-	-	-	-	-	-	1.31	-	0.90	2.83
	89.57	53.53	14.94	7.88	6.86	1.94	20.66	6.29	12.16	20.27	14.81	248.91
II. World Bank Group												
IBRD	-	5.85	-	-	-	-	-	-	-	-	-	5.85
IFC	23.60	4.26	4.20	5.00	5.00	0.60	4.00	5.00	3.00	6.00	4.45	65.11
MIGA	-	-	-	-	-	-	-	-	-	-	-	-
	23.60	10.11	4.20	5.00	5.00	0.60	4.00	5.00	3.00	6.00	4.45	70.96
GRAND TOTAL	113.17	63.64	19.14	12.88	11.86	2.54	24.66	11.29	15.16	26.27	19.26	319.87

Notes:

Indicates contribution-in-kind.

¹BAS, established in 1981 & closed during FY97; PBAS, established in 1991 & closed during June 1996; ESSA, established in 1994 & closed at end of January 2002.

²NAEDF was approved by the Board of Directors of IFC in May 2002.

FY2002 DONOR AND PROMOTIONAL MEETINGS

Month	Country	Location	Government	Consultants	Month	Country	Location	Government	Consultants	
February	Iceland	Washington, DC	X		May	Norway	Washington, DC	X		
	Japan	Washington, DC	X			Switzerland	Bern	X		
	MPDF Annual Donors Meeting	Hanoi	X			United Kingdom	Washington, DC			X
	Sweden	Washington, DC		X		Australia	Washington, DC			X
	United Kingdom	Washington, DC		X		Denmark	Washington, DC	X		X
	Australia	Washington, DC	X	X		Denmark	Copenhagen	X		
	Austria	Washington, DC		X		Belgium	Washington, DC	X		
	Denmark	Washington, DC		X		EBRD Donors Meeting	Bucharest	X		
	European Commission	Washington, DC	X			Finland	Washington, DC			X
	Finland	Washington, DC	X			Germany (State of Bavaria)	Washington, DC	X		X
	Finland	Moscow	X			Ireland	Dublin	X		X
	Finland	Helsinki	X			Netherlands	Washington, DC	X		
	Germany	Bonn	X			New Zealand	Washington, DC	X		
	Germany (State of Bavaria)	Washington, DC	X			Singapore	Singapore	X		
	India	Washington, DC	X	X		Switzerland	Washington, DC	X		
	Netherlands	Washington, DC		X		United Kingdom	London	X		
	Sweden	Washington, DC				United Kingdom	Washington, DC			X
	United Kingdom	Washington, DC				June	APDF/AMSCO Annual Donors Meeting	Abidjan	X	
United States	Washington, DC	X		Australia	Washington, DC		X		X	
United States	Moscow	X		Canada	Washington, DC				X	
March	IBRD Donor Forum	Washington, DC	X		EBRD		Washington, DC	X		
	European Commission	Brussels	X		Finland		Washington, DC	X		
	Netherlands	Washington, DC		X	Finland		Helsinki	X		
	Spain	Washington, DC		X	France		Paris	X		
	United Kingdom	Washington, DC	X		Germany (State of Bavaria)		Washington, DC			X
April	Australia	Washington, DC	X		Greece		Athens, Thessaloniki	X		X
	Austria	Vienna	X		Ireland		Dublin	X		
	Belgium	Brussels	X		Ireland		Washington, DC			X
	Canada	Washington, DC	X		Israel		Washington, DC	X		X
	Denmark	Washington, DC	X	X	Korea		Washington, DC	X		
	Finland	Washington, DC	X		MPDF Special Donors Meeting		Hanoi	X		
	Germany	Bonn, Frankfurt	X	X	Netherlands		Washington, DC	X		X
	Germany	Munich	X	X	SEED Annual Donors Meeting		Skopje	X		
	Germany	Washington, DC	X		Spain		Madrid	X		X
	IFC Donor Roundtable	Belgrade	X		Spain		Washington, DC			X
	Ireland	Washington, DC	X	X	SPPF Annual Donors Meeting	Sydney	X			
	Netherlands	The Hague	X		Switzerland	Washington, DC	X			

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Glossary

ADB	Asian Development Bank	IFC	International Finance Corporation
AfDB	African Development Bank	INCaF	IFC-Netherlands Carbon Facility
AMSCO	African Management Services Company	IT	Information technology
APDF	Africa Project Development Facility	LAC	Latin America and the Caribbean
BAS	Business Advisory Service for the Caribbean and Central America	MENA	Middle East and North Africa
CCF	Corporate Citizenship Facility	MIGA	Multilateral Investment Guarantee Agency
CEE	Central and Eastern Europe	MIS	management information systems
CEO	chief executive officer	MPDF	Mekong Project Development Facility
CIDA	Canadian International Development Agency	NAEDF	North Africa Enterprise Development Facility
CP	cleaner production	NGO	nongovernmental organization
CPDF	China Project Development Facility	NLG	Netherlands guilder
CV	curriculum vitae	PBAS	Polish Business Advisory Service
CY	calendar year	PCB	polychlorinated biphenyl
DACON	World Bank Group's registry of consultants	PEP	Private Enterprise Partnership
DANIDA	Danish International Development Agency	PDF	project development facility
DFID	UK Department for International Development	PDR	People's Democratic Republic
DTI	UK Department of Trade and Industry	PNG	Papua New Guinea
EBRD	European Bank for Reconstruction and Development	RIUVN	RMIT International University Vietnam
ECG	Evaluation Cooperation Group	SAS	Sudg Agro Serv
EIB	European Investment Bank	SECA	Southern Europe and Central Asia
EOF	Environmental Opportunities Facility	seco	State Secretariat for Economic Affairs of Switzerland
EU	European Union	SEED	Southeast Europe Enterprise Development
FI	financial institutions	SEDF	SouthAsia Enterprise Development Facility
FDI	foreign direct investment	SFMF	Sustainable Financial Markets Facility
FIAS	Foreign Investment Advisory Service	Sida	Swedish International Development Cooperation Agency
FMTA	IFC Financial Markets Technical Assistance	SME	Small-and medium-sized enterprise
FR	Federal Republic	SPPF	South Pacific Project Facility
FY	fiscal year	TA	technical assistance
FYR	Former Yugoslav Republic	TATF	Technical Assistance Trust Funds program
GEF	Global Environment Facility	UNDP	United Nations Development Programme
GHG	greenhouse gas	UNEP	United Nations Environment Programme
IADB	Inter-American Development Bank	USAID	United States Agency for International Development
IAS	International Accounting Standards	USTDA	United States Trade and Development Agency
IBRD	International Bank for Reconstruction and Development	VROM	Dutch Ministry of Housing, Spatial Planning and Environment
ICT	information, communication, and technology	\$	US\$
		€	EURO

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