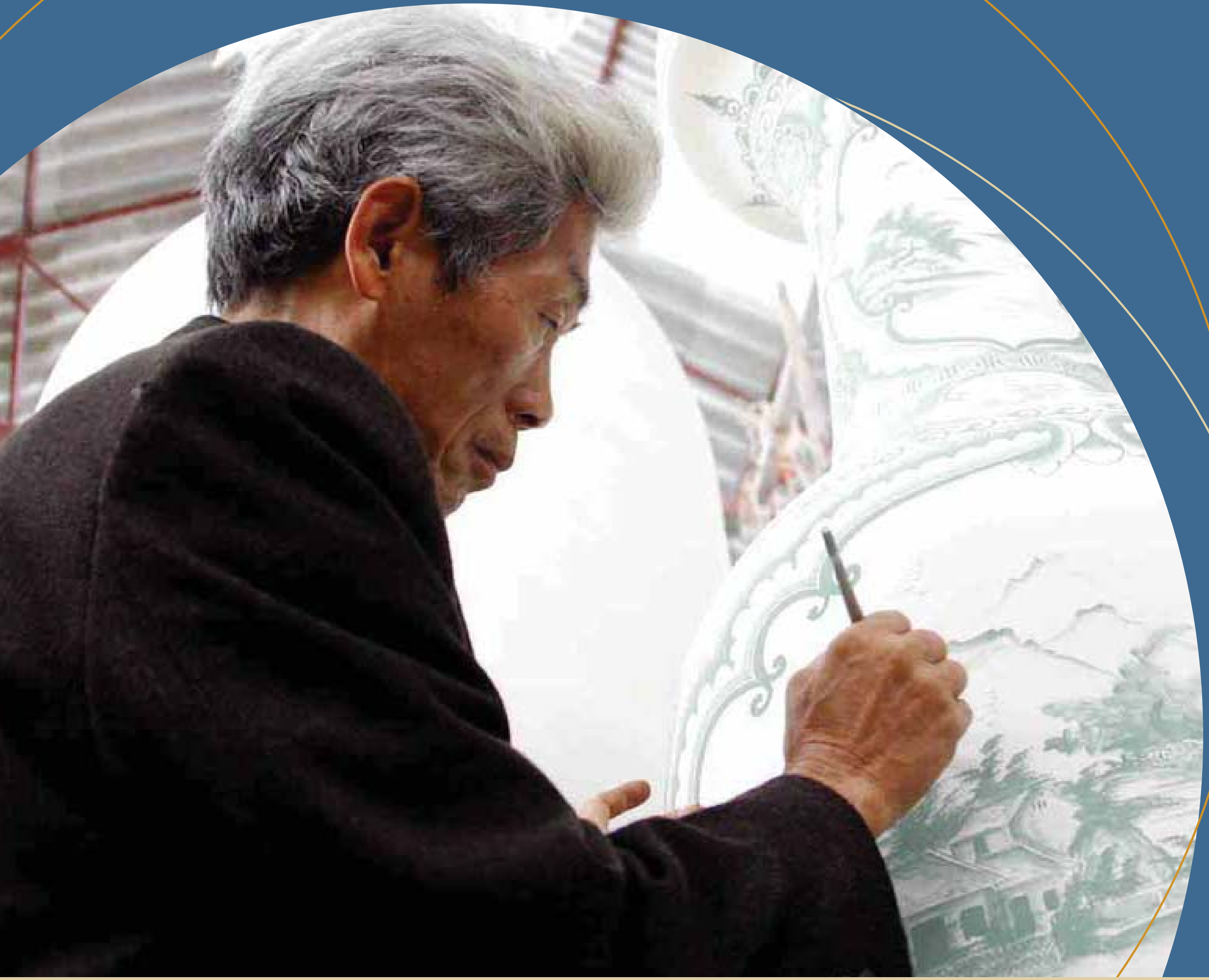

2004 Annual Review

Small Business Activities

SME

INTERNATIONAL FINANCE CORPORATION
WORLD BANK GROUP

Bottom-Up Growth: IFC support for small business

SEED

Serbia and Montenegro: *Sustainable harvesting of indigenous herbs*

PENSA

Indonesia: *Harvesting seaweed for commercial use*

NAED

Morocco: *Artisans at work*

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IMPROVING LIVES BY CREATING OPPORTUNITIES IN SMALL BUSINESS

Cover Photo: The Vietnamese village of Bat Trang is home to a thousand-year-old tradition of high-quality ceramics, housing hundreds of small-scale producers who together sell $40 million of goods each year. But their potential is much higher. IFC's regional SME facility, MPDF, is helping the artisans build a new membership organization offering common support in branding, quality control, and market access—necessary steps on the road to increased sales and employment. *(Photo by Viet Tuan)*

WORLD BANK

Message from James D. Wolfensohn

There is a lack of balance in the world. Its population is in the process of rising from six billion to eight billion, with almost all the increase coming in the poorest countries. The richer nations provide the poorer ones with aid amounting to roughly $60 billion a year, yet spend $350 billion on subsidies and tariffs protecting their own agricultural markets from what should be the poorer ones' leading exports. And foreign direct investment in the poorer countries has dropped to $120 billion a year.

Addressing these important issues will take time, but developing countries need to strengthen the path to development now. If they are to create all the necessary jobs, they must build up the small business sector that is central in their economies.

This is a huge challenge. Some aspects can be met completely by developing countries themselves, others in tandem with the World Bank Group and our partners, or with socially responsible foreign corporations. There is nothing easy about it, but it can be done.

In the last four years we have put a major focus on this work, and I have seen many good models that can be replicated and adopted more widely to generate the needed results. That is what this report is about.

This report focuses on what we can all do together to support the smaller businesses in poor countries that receive little foreign investment. The more of this we do, the more we can contribute in the fight against poverty.

In June of this year, leaders of the world's Group of Eight major industrial democracies held their annual economic summit. For the first time they explicitly asked the World Bank Group and other similar institutions to increase lending and technical assistance programs for SMEs over the next three years, and with clear, results-based objectives. At the same time, the G-8 leaders vowed to increase their focus on market-based microfinance as part of the lead-in to next year's UN-designated International Year of Microcredit.

This welcome trend coincided with others I had seen a few weeks before in Shanghai at the biggest conference on poverty reduction ever held. It was dramatic to see the changes in China, the country that has lifted more people out of poverty than any other in our generation. In preparation for this landmark event, delegates from 17 countries visited IFC's SME facility in China's Sichuan province to learn about its private sector–based approach. The Shanghai conference then culminated in a global poverty reduction learning process—not one about what needs to be done, but one about what works, and how to make it happen more often.

Getting that right will require a focus on the small business sector alongside health, education, environment, economic policy, and others. Only with an integrated, comprehensive effort can we meet our goals and help every person in the world gain a better chance of fulfilling his or her destiny.

James D. Wolfensohn
PRESIDENT
World Bank Group

WORLD BANK

Message from Peter Woicke

Governments throughout the developing world look to SMEs to provide the jobs and develop the middle class needed for greater stability. But far too few are seeing sufficient growth in this area.

This is because SMEs present unique challenges: their need for access to capital and capacity building services is great, and they are strongly affected by business climate, infrastructure, and regulatory constraints. IFC addresses these challenges in many different ways every day.

In one country it means training local banks in how to lend to SMEs profitably. In another it involves helping more small and mid-size contractors tap into the procurement opportunities of a large foreign investment project. It also means bringing the voice of small business into the policy debate so that entrepreneurs can see the reform process start to give them a freer hand in creating jobs. These are only some of the examples of IFC's activities to foster SMEs, and this report will give you a good sense of how we go about it and the results that can emerge.

After several years of steadily building expertise in this critical area, we have now mainstreamed the SME function throughout our organization. Our key operational departments now play a role in SME work: financial markets, manufacturing, environmental and social sustainability, the regional and industry departments, and others. They are supported by a central SME Department devoted to knowledge management and promotion of innovation and replication.

With the help of our donor partners, we have built a network of field-based technical assistance facilities working to support SMEs with more than 400 full-time specialists at offices in 37 countries. They are in the unique position of aligning their strategies with those driving our global investment operations, which in turn draw upon the lessons of our nearly $18 billion portfolio. There are also many first-rate external organizations in the field of small business development with whom we partner, thus leveraging our own resources more widely to help developing countries strengthen the smaller firms that are so critical to their economic growth.

How can we tell if it is working? It is working when we see expanding market access and increasing revenues for local SMEs leading to improved living conditions in local communities. It is working when SMEs grow stronger in key business functions such as marketing, finance and accounting, human resource management, and other areas. And it is working when reductions in red tape improve the business climate, for example making it easier for smaller companies to register with the government and become part of the tax-paying formal economy.

We are seeing this happen in many lower-income countries, but there is still much to do. In the coming year we look forward to accelerating these efforts as a key part of the World Bank Group's broader private sector development work, then sharing the resulting lessons widely throughout the development community for others to use as well. We will be making greater efforts to monitor, evaluate, and disseminate the results of our SME work. This is what has been done so successfully in the field of microfinance over the last decade, and it is now the time for something similar with SMEs.

Much attention has been focused on the biggest and smallest companies in the developing world. But the great unfought battle may well be in the "missing middle." With the support of our partners, we have the tools and the experience to help our client countries engage successfully in this challenge.

Peter Woicke
EXECUTIVE VICE PRESIDENT
International Finance Corporation
MANAGING DIRECTOR
World Bank

Our Approach to SME Development

SME development is a core component of IFC's corporate strategy. To help countries spark sustainable growth in this vital area, we use an integrated approach—one that draws on our investment as well as our technical assistance experience, and on the World Bank's expertise in addressing obstacles in local business climates.

We recognize that our work in SME development will reach only a small fraction of those businesses in need of assistance. And those SMEs that do benefit from our efforts represent a varied market ranging from informal, sole entrepreneurs to firms with a few hundred employees struggling to grow within the formal sector.

Faced with this challenge, IFC's role in SME development is to experiment and create models with significant demonstration effect that can be replicated and sustained. We do this by:

Leveraging Core Competencies

IFC helps develop financial markets that serve SMEs by investing in them and improving their systems and resources. We strengthen SMEs and provide them with new market opportunities by linking them to larger investments and preparing them to apply successfully for credit from local financial institutions. We draw on the experience of the World Bank, our partners, and donors to reform local business environments and build the capacity of key institutions.

Long-Term Field Presence

Through our network of 11 field-based project development facilities (PDFs), we maintain a strong presence in low-income countries and regions, one that allows us to work closely with clients on an ongoing basis. Drawing on this local knowledge improves our effectiveness in supporting SMEs and helps us build relationships with local business communities and policymakers.

Integrated Approach

We address SME issues in a holistic way:

- Investing in financial intermediaries and private equity partners with the aim of increasing capital flows
- Developing and enhancing key business skills in SMEs and those institutions that serve them
- Helping to improve the overall business environment and investment climate
- Working through local institutions to educate and advocate for needed policy and regulatory reforms

Sustainability

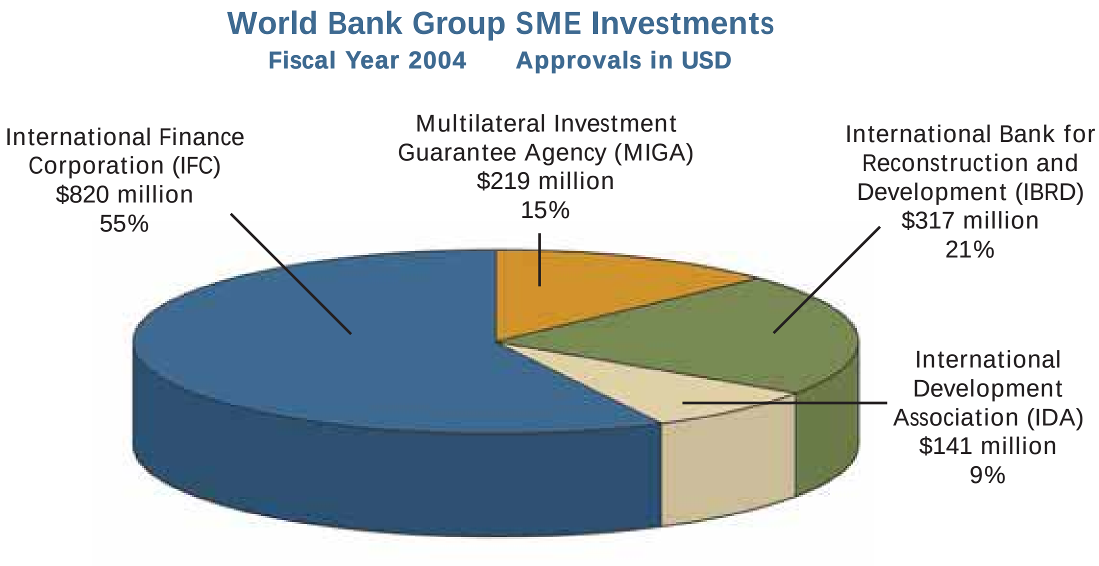
Our SME development work is designed to create long-lasting benefits that continue after funding ends. This includes building institutions that serve SMEs, transferring and upgrading skills, establishing stable supply relationships between SMEs and producers, opening markets, and providing local resources to support SMEs.

Results and Impact

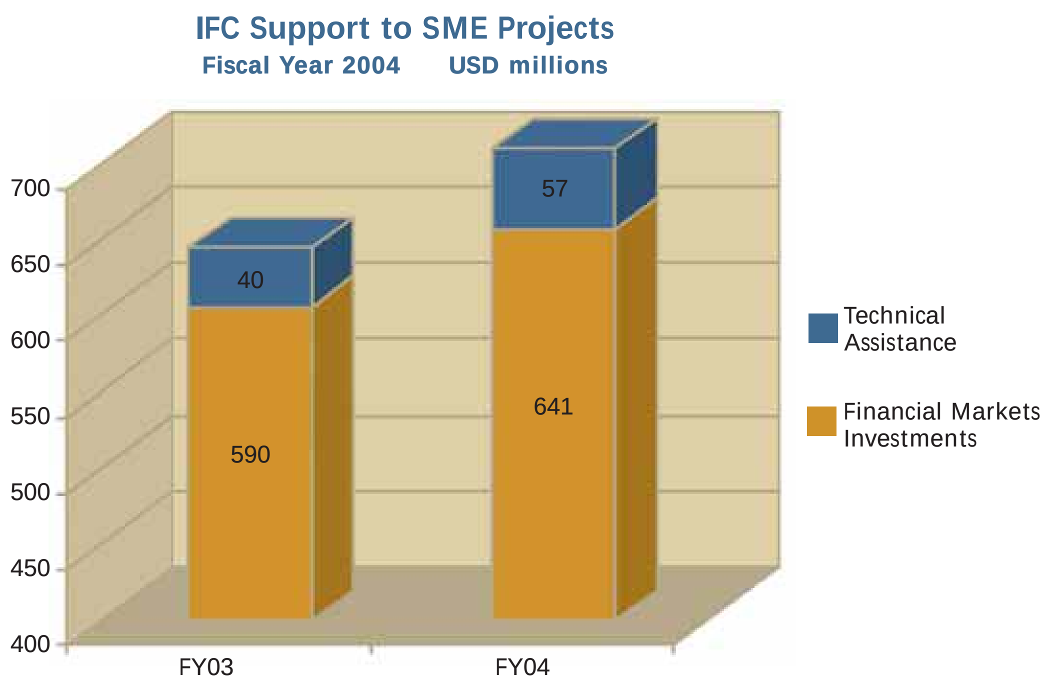
IFC is developing stronger monitoring and evaluation systems to gauge the results and impact of its projects, use the resulting knowledge to improve their quality, and create replicable programs. By sharing this knowledge with our partners, and in turn drawing on their experience, the effectiveness of our SME programs will grow stronger.

RONALDO TOLEDO

Mozambique: *IFC's special combination of investment and technical assistance helps local small business sectors grow. In Mozambique, our Africa Project Development Facility is helping to establish a bakery school for local producers. IFC also provided loan guarantees that allowed a leading local flour miller, Merec Industries, to borrow $3.3 million from local banks to expand production. Combined employment at Merec and the bakeries is currently 250—and growing.*



Note: IFC figures include approvals for all financial markets and direct investment activities. MIGA figures are total amount of investment facilitated under MIGA guarantees to SME projects. These figures include microfinance investments.



Note: Investment figures represent commitments by IFC's financial markets department targeting microenterprises and SMEs. TA figures represent total program spending in which the final beneficiaries are SMEs. FY03 TA figures do not include AMSCO.

Lessons Learned **An evolving list**

Package Approach. The term "SMEs" covers a multitude of enterprises of different types and sizes. How best to support an environment conducive to the entry of new enterprises, facilitate the growth of successful firms and allow the easy exit of those that have not succeeded? This requires a package approach combining investment climate, capacity building and access to finance. Working in one area alone is unlikely to be enough.

Replicating Successes. IFC and its donor partners can never hope to reach more than a small fraction of SMEs though our own investment and advisory activities. Our focus is on identifying approaches that work and can be replicated by others. We must be clear beforehand about what is expected, and then track the outputs and impacts closely.

Commitment. Results have tended to be better when the commitment of partners is clear. This might be demonstrated, for example, by reforms already underway, strong leadership behind change, partners committing resources (such as money and people) to the effort.

Local Presence. Supporting the development of an SME-friendly environment typically involves reforms and interventions at a local level, within a country or region. The best way to do this is to have teams on the ground, comprised mainly of national staff, who have close relationships to local policy makers and local firms. For best results this local capacity needs to be combined with the global expertise afforded by being part of the World Bank Group.

Financing Through Intermediaries. It is generally not cost-effective for IFC to finance SMEs directly. For this reason we provide most of our financing to SMEs through supporting local financial institutions, such as banks, leasing companies, and related infrastructure such as credit bureaus. By building this capacity, more SMEs will be reached and in a more sustainable way.

Wholesale Approach. Similarly, providing advisory services to specific SMEs is less cost-effective than developing the capacity of local business service providers which can reach many more clients with greater efficiency. Nevertheless, it is useful to undertake some direct advisory work in order to hear the "voice" of SMEs directly. Accordingly, the share of IFC's advisory work directly to SMEs is falling and that of capacity building and business environment work is increasing.

The Ecology of Firms

WORLD BANK

By Michael Klein

In market economies, formal and informal SMEs, including farms, account for over 90 percent of all firms. Typically, well over half of the working population, particularly poorer people, draws its income from employment in SMEs. In many economies these firms contribute significantly to innovation. Thus starts the standard case arguing why support for SMEs is important.

While it matters, of course, what size most firms are and where most people work, the more important issue is what firm size distribution is most desirable. Just a few decades ago, one could have argued that in several communist countries most people worked in large firms. Should that have given us reason to support them instead of SMEs? In fact, the fall of communist regimes has demonstrated that market economies need SMEs desperately. They were missing in the transition economies and are currently the fastest growing segment of firms, often with productivity gains outperforming those of larger firms.

Many emerging markets also discriminate against small entrepreneurs. Well-connected large firms may dominate, protected by government. The result tends to be substandard productivity levels and hence low incomes—in large firms, because they are sheltered from competition, in small ones because they are held back. Effective competition, the ability of firms to enter, to grow, and thus to challenge incumbents on a reasonably equal playing field, is key for progress. By the same token, failing incumbents need to be able to exit and not be supported to the detriment of new and better firms. The new World Development Report of the World Bank has set out the evidence.

When markets function reasonably well, there is constant churning among SMEs. Depending on the country, new SMEs amounting to some 5 to 15 percent of all firms enter the market each year. About half of them fail within five years. Good firms become larger. Once large, they tend to thrive for a longer period than smaller ones and to be more productive. Workers earn higher salaries in them, reflecting the higher productivity. SMEs are thus essential, but they are not in and of themselves better than large firms. The key is to have a system where good firms can be established and become large. So far, economic progress is associated with growing average firm size, while an effective interplay of firms of all sizes is needed—an ecology of firms.

The precise patterns of churning and the size distribution of firms vary from country to country, reflecting such factors as different sector composition, government policies, and stages in the business cycle. For example, in radically new industries small firms tend to lead and innovate. This was the case when airplanes were first made and 10,000 small firms produced a multitude of plane models, and when the personal computer was hatched in the proverbial garages of entrepreneurs like Bill Gates. In industries with less radical innovations, large firms may be more innovative.

Government policies also matter. They may restrict the ability of firms to grow by reducing access to finance or by making it costly to expand the workforce. They may affect incentives to integrate across the value chain depending on taxation and so on.

And the moral is—rewarding firms for being small is not the point of SME policies and support schemes. Creating a functioning ecology of firms is—where new ones can emerge, where existing ones can grow, where large and small can contract and work with each other depending on the requirements of the sector.

Michael Klein is Vice President for Private Sector Development, World Bank–International Finance Corporation (IFC), and Chief Economist, IFC.

Highlights of the Year

SME development reached a new level on the international agenda when, at their annual economic summit, leaders of the **Group of Eight (G-8)** major industrialized democracies for the first time asked the World Bank Group and other multilateral development banks to enhance their lending and technical assistance programs in this field. The G-8 heads of state asked the institutions to quickly set three-year plans in SME development with clear, results-based objectives.

Leveraging IFC's existing expertise, experience, and financial resources, a new **Private Enterprise Partnership for the Middle East** (PEP-ME) was created in part to work closely with new and existing SME financing vehicles in the region. IFC also approved a loan of $70 million for the new **Iraq Small Business Financing Facility** to provide funding for micro and small businesses through financial intermediaries.

The launch of PEP-ME raised **IFC's number of project development facilities to 11.** Others for **eastern Indonesia** and **Latin America and the Caribbean** also opened during the year.

A new joint **pilot program for African micro/SME development** between the World Bank Group's concessionary lending unit, the International Development Association (IDA), and IFC began with a $32 million project in Nigeria, followed by others for Kenya ($22 million) and Uganda ($16 million).

Several **other African SME initiatives were launched:** in Madagascar, a new SME Solution Center to improve local entrepreneurs' access to financing, information, and technical assistance, with more to follow across the sub-Sahara region; an investment of up to $7 million in equity in three funds with Business Partners International of South Africa that will leverage up to $35 million in funding for SMEs; and a $12 million combined investment/technical assistance program for Mozambique.

The **Capacity Building Facility** (CBF), IFC's grant-making arm supporting innovative pilots and partnerships in SME development, built its portfolio to $23.4 million, supporting 117 projects. Programs for improving SME access to finance account for the biggest share of CBF projects—nearly 40 percent.

As part of the World Bank Group's increasing emphasis on improving local investment climates, IFC's project development facilities collaborated closely on **business environment** issues with the World Bank private sector development teams in approximately 15 countries. In Bangladesh, for example, the Investment Climate Assessment conducted by the World Bank, the SouthAsia Enterprise Development Facility (SEDF), and the Bangladesh Enterprise Institute (BEI) identified constraints to business growth and specific requests for support from the private sector, such as assistance to promote regional and bilateral free trade agreements.

Program Overview

IFC's years of experience investing and working in the developing world create opportunities to reach SMEs in many innovative ways. The following pages highlight examples of our programs that leverage IFC's key strengths, including:

Financial Markets Development. Accessing finance is a critical issue for many SMEs. Our experience in creating and strengthening financial institutions through a combination of investments and technical assistance has given us an in-depth understanding of how financial intermediaries function in their markets. This gives us an edge when developing programs that increase the availability of financing to SMEs.

Linkages. Large IFC investment projects have greater impact when they are integrated with local communities and businesses. When IFC and its clients create opportunities for local firms to supply goods and services, contribute to community development projects, and support improvements in infrastructure, everyone benefits.

Strong Field Presence. The regional offices and the project development facilities provide a window to local private sectors. IFC knows the situation on the ground and knows the players, both in business and government. This first-hand knowledge is crucial for designing and delivering effective programs, especially in frontier regions.

Continuous Learning. With hundreds of programs active around the world each year, IFC continues to enhance and leverage its efforts to capture and disseminate good practices and evaluate the impact of our programs.

These strengths—depth of experience in financial markets development, the ability to link SMEs to large investment projects, our strong local presence, and ability to learn from experience—have made it possible to reach SMEs in new and creative ways. And as a learning organization, IFC continuously builds on this experience and seeks new approaches to accomplish its mission.

WILLA SHALIT

Bolivia: *SMEs often have strong products, but weak marketing capacity. Improving the latter can increase sales, salaries, and jobs. These women living in extreme poverty outside La Paz now sell hand-knit goods to US buyers through an initiative of IFC's new Latin America and Caribbean SME Facility. Scarves are sold for $40 apiece through Eziba (www.eziba.com), a socially responsible retailer based in Massachusetts.*

PEDF

Papua New Guinea: *IFC puts a major emphasis on building local banks' small business lending skills. Our Pacific Enterprise Development Facility is helping Papua New Guinea's largest financial institution, Bank South Pacific, adopt new credit risk assessment techniques proven in other markets. These will enable it to make smaller loans than before, including many in rural areas long dominated by informal moneylenders whose exorbitant interest rates stifle entrepreneurship and help keep people poor.*

Role of the SME Department

A joint initiative of IFC and the World Bank, the SME Department provides support services for IFC's many different SME-related activities. They include:

Shaping IFC's SME Strategies. The SME Department is working closely with regional departments as they develop their strategies for SMEs, particularly through technical assistance. The Department continues to provide input when new SME initiatives are developed, and improves systems that provide management with critical information.

Sharing Ideas on "What Works." IFC has learned many valuable lessons in promoting SME development. Drawing from these lessons when designing new projects will make them more effective and less costly, thereby increasing the overall impact of IFC's programs. The SME Department leads this effort by capturing best practices, experience, and knowledge from all its technical assistance work and making it available internally and externally.
This includes:

- Consolidating and strengthening its monitoring and evaluation methods
- Documenting lessons learned and preparing illustrative case studies
- Participating in networks such as the International Financial Institutions (IFI) working group and the Committee of Donor Agencies for Small Enterprise Development

Providing Expertise. The SME Department identifies and makes expertise available for SME programs from both in-house and external sources. The regional departments rely on our support when launching new facilities and developing programs that focus on financial markets development, improving the business enabling environment, and providing business development services for SMEs.

TED POLLETT

TED POLLETT

***Linkages:** The people of Azerbaijan (top) and Georgia (bottom) have high expectations for a large Caspian Sea oil pipeline that IFC financed this year. Part of our challenge is helping them see direct benefits in the form of new opportunities for local small businesses. For this reason, IFC has launched a linkage program in both countries, plus Turkey, where the pipeline terminates* (see p. 16).

Developing Financial Markets

In almost every part of the world, limited access to finance is one of the biggest obstacles to private sector growth. This is especially true for smaller firms, which have minimal influence on policy reform.

Financing constraints include:

- High interest rates combined with short loan periods and excessive collateral requirements
- Poor risk assessment by financial institutions, including the widespread use of asset-based, rather than cash flow-based, credit analysis
- Lack of information on potential borrowers
- Few non-bank financing options, such as leasing or factoring

These and other barriers are part of the overall financing environment—including regulatory, institutional, and market factors—influencing the relationship between suppliers and users of financing.

Developing financial markets is one of IFC's core strengths. This year, IFC committed $641 million in financial markets investments targeting SMEs, up from $590 million the year before. These investments were in microfinance institutions, leasing companies, banks, and credit bureaus—in some cases creating new financial intermediaries. At the same time, our technical assistance programs in the sector, totaling $33 million for SME programs this year, build and strengthen financial institutions, improve the policy environment for financial markets, and provide financial management training to SMEs. Over three quarters of these programs are in frontier countries.

Our approach to financial markets development is multifaceted. We address the supply of financing through investments, and also use technical assistance to make their operations more efficient and improve the regulatory environment. We also conduct public education campaigns to inform policy makers and the wider public on how financial markets work, especially when introducing a new financial instrument to a country, such as leasing.

Private Equity Funds

IFC has a large exposure to SMEs via investments in private equity funds managed by groups that specialize in building the value of their investee firms—and have the track record to prove it. Some of these funds specialize in SMEs, while others have a general focus but include SMEs among their investments.

IFC has invested in approximately 100 private equity funds which have together funded over 1,000 companies. Of these, about half are SMEs with an enterprise value of below $4 million. Approximately 10 percent have enterprise values below $500,000.

SEED

FYR Macedonia: *SEAF's early-stage investment in a newspaper publisher netted large returns.*

Among the many funds we support, IFC has made significant investments in two managed by organizations that specialize in SMEs: Small Enterprise Assistance Funds (SEAF), based in Washington, DC, and Aureos, based in London. IFC supports SEAF with commitments of $17 million in five funds and Aureos with commitments of $22.7 million in five funds.

Another initiative in Africa is also beginning with a leading South African SME risk capital finance specialist, Business Partners. A new fund management operation, Business Partners International, will take its commercially viable business model to other African countries, beginning with Madagascar in tandem with a new IFC-funded SME Solution Center. It is a model that involves providing SMEs with integrated packages of financing, technical assistance, and market information. The financing comes in a variety of forms, including equity, quasi-equity, and partially secured loans with royalty payments attached. Each investment is structured to meet the financing needs of the entrepreneur, the risk profile of the investment, and the cash flows of the investee.

Microfinance

IFC's most effective way of reaching the smallest businesses is to help build commercially viable microfinance institutions (MFIs). That's why our investments in commercial MFIs that give the poor access to essential financial services are up from about $67 million two years ago to over $245 million today, and are set to keep growing.

These institutions finance creditworthy low-income entrepreneurs—many of them women—who otherwise would have no access to mainstream banks. As of December 2003, the combined outstanding loan portfolio of IFC's investee MFIs exceeded $1.2 billion, with many offering not just loans but also savings, insurance, home improvement loans, and other key services needed by the poor.

We often provide technical assistance alongside these investments, committing $16 million of it this year. TA is used to:

- Support the launch of new commercial MFIs and build staff and management skills of existing ones
- Help NGOs transform into for-profit microlenders, and microfinance institutions expand into SME lending
- Support government efforts to build financial sector supervisory capabilities
- Develop more supportive legal and regulatory framework for microfinance

IFC encourages market-priced microfinance products rather than subsidized lending. This market focus leads to more financially sustainable institutions that can in turn offer their clients better access to financial services.

This year, for example, some of Mexico's poorest people benefited from our work helping a leading local MFI raise funds from local institutional investors. We partially guaranteed a 500 million peso (approximately $43 million) bond issue offered by Financiera Compartamos, a commercial institution with small loans to 250,000 borrowers, mostly rural women in poorer states such as Oaxaca and Chiapas. This increase in capital will help fund Compartamos' planned drive to reach a million small-scale borrowers by 2008.

Scaling Up Microfinance

IFC has helped some of the world's top commercial microfinance networks structure and attract partners for a new series of integrated investment/technical assistance vehicles. This approach has allowed us to support the launch or expansion of approximately 35 commercial microfinance institutions (MFIs). It has made available $147 million in new investment and considerable additional technical assistance grants, scaling up institutions that fuel the business operations of more than 1 million low-income entrepreneurs. Among them are:

Internationale Micro Investitionen (www.imi-ag.de): An $80 million German-based investment company established in 1999 that now has a portfolio of 18 commercial micro and small business finance institutions. Of these, 10 are in emerging Europe, five in Latin America and the Caribbean, and three in Africa. The combined outstanding loan portfolio stands at $864 million.

ShoreCap (www.shorebankcorp.com): A $25 million investment company for micro and small business finance institutions in Central and Eastern Europe, Asia, and Africa launched in 2003 by an affiliate of a $1.3 billion-asset U.S.-based bank holding company, ShoreBank Corp.

AfriCap (www.africapfund.com): A Senegal-based $15 million fund for MFIs in Africa, bringing together a wide range of bilateral donors, international financial institutions, and private foundations.

FMBA

Access to Capital: *The First MicroFinance Bank of Afghanistan opened in May 2004 with IFC as a 17% shareholder.*

SME Banking

IFC uses both investments and technical assistance to help build local financial intermediaries' ability and willingness to lend to SMEs. Investments made by IFC in financial intermediaries focusing on SME lending have included equity investments, loans, revolving credit lines, and risk mitigation facilities.

Last year IFC also provided $15 million in technical assistance to the banking sector (excluding microfinance), representing 33 percent of all financial market TA programs. Of this, $9 million specially targets SMEs. More than half of all the banking technical assistance—60 percent—is provided in frontier countries, such as Azerbaijan, which received more than $2 million in assistance. These projects include bank training in areas such as risk assessment, portfolio management, marketing, and human resources, thereby increasing their capacity to serve small businesses; and consulting services that help with strategy, project and process design and ensure senior management's commitment to SME clients.

MICHAEL WILD

Cambodia: *Bankers gain new skills at a bank training institute launched this year with support from IFC's Mekong Private Sector Development Facility. Adopting a commercial model MPDF first used in Vietnam, it brings high-demand courses into an environment that until now has lacked high-quality bank training.*

Linked to these efforts is IFC's work on legislative and regulatory changes that improve the environment for SME banking, for example by improving the reliability of secured financing systems or facilitating repossession of collateralized assets. IFC is also supporting the development of better credit bureaus through the Global Credit Bureau program, which is supported through contributions by Italy, Norway, New Zealand, Australia, and IFC. It has provided targeted technical assistance programs in over 30 countries, resulting in new or improved credit bureaus in six countries.

Complementing these efforts, IFC provides advisory services that help banks learn to serve SMEs profitably. Our North Africa Enterprise Development facility is helping Egypt's leading private financial institution, Commercial International Bank, develop retail and small and medium enterprise finance operations. Such projects can be a "win-win" solution for all—opening up new access to capital for smaller firms that contributes to job creation and economic growth, while also helping commercial banks diversify their product portfolio and find profitable new lines of business.

New Lending in Bangladesh

Description	December 2002	December 2003	Change
Number of SME Clients	3,383	9,438	179% increase
SME Portfolio (USD)	$135 million	$187 million	38% increase
Loan Processing Cycle	29 days	26 days	11% decrease
Dedicated SME Staff	56	137	145% increase

SEDF

Bangladesh: *In addition to general bank training, the SouthAsia Enterprise Development Facility provides customized technical assistance and advisory services to financial sector clients committed to increasing their SME loan portfolios. This has helped boost SME lending volumes and shorten processing times. The table above demonstrates improvements in the first four financial institutions assisted by SEDF.*

Leasing

In emerging economies, SME sector development is often hindered by the lack of access to long-term finance required for capital investment. The development of leasing as a complementary tool to bank loans provides an alternative solution which can significantly expand access to capital for these businesses. Among its many benefits:

- Leasing can function in places where capital markets are less developed.
- Security arrangements are simpler—security is provided by the leased asset itself.
- Little cash is required, allowing the lessee to conserve cash or use it as working capital.
- Tax incentives often make it possible for SMEs to reduce income before taxes.
- Leasing promotes investment in capital equipment, increases competition in the financial sector, and facilitates the transfer of new technology.

IFC has been very active in leasing, both as an investor and as a technical assistance implementer. In the last 30 years, IFC has committed over $850 million in 177 leasing projects. In 25 countries, IFC invested in the first leasing companies established. We also provide important technical assistance to help establish the appropriate business environment, legislation, and awareness for successful leasing operations.

Currently, IFC manages over $7 million in leasing-related technical assistance, primarily in frontier countries.

KAMILA AZIZOVA

Uzbekistan: *New equipment acquired with a $20,000 lease from Zomin-Invest, the country's first fully private leasing company, allowed this Uzbek food processing company to increase production and create eight new jobs. Started in September 2003 under the improved conditions that a Swiss/IFC Central Asia leasing project helped create, Zomin-Invest has already extended more than $1.3 million in leases.*

Rapid Results

Passage of new leasing laws has prompted dramatic results in countries where smaller companies traditionally have little access to capital. They show how badly local markets yearn for practical new financing options.

IFC's project development facilities play an important role by first helping put good leasing legislation in place, then building the leasing market. With the help of SEED, IFC's regional SME assistance program in the Balkans, Serbia and Montenegro passed a series of new laws related to leasing in May 2003. Since then, nine new leasing companies have opened for business. They expect to issue $170 million in leases this year, roughly half of all SME finance in the country. SEED also helped form the Association of Leasing Companies in Serbia (ALCS), which is taking over key segments of the leasing development work, fully funded by member contributions.

In Uzbekistan, there are now 23 leasing companies financing SMEs, more than twice the number that existed at the start of a Central Asia leasing project that our Private Enterprise Partnership executes with Swiss funding. In Kazakhstan, the market quadrupled in 2003, with six new lessors opening after the tax laws were amended. Leasing deals grew from $57 million to $89 million within three months of the introduction of new legislation, and the average deal size fell from $190,000 to under $90,000, bringing leasing within reach of more SMEs.

Linkages

IFC's investments bring benefits to developing countries that go beyond financing—a transfer of skills and technology, increased employment and exports, good environmental, health, safety and corporate governance practices, and more.

Linkage programs are key tools in enhancing this overall development impact. Linkage work is designed around an IFC investment to increase local SMEs' participation in the project and bring additional benefits to the surrounding communities. At the same time, these programs may reduce costs to the investor and enhance its ability to be a responsible corporate citizen. Linkage programs achieve these objectives by:

- Improving local SMEs' technical and business skills, thus qualifying them for contracts to sell higher-quality goods and services that generate sustainable new sources of income
- Facilitating access to finance for local suppliers
- Strengthening local supply and distribution networks
- Supporting community development projects with health, education, and infrastructure programs.
- Focusing on frontier countries and regions where fewer alternatives exist for local enterprises.

Countries covered by active projects include Mozambique, Nigeria, Chad, Zambia, Azerbaijan, Georgia, Kazakhstan, Turkey (in the poorer northeast), El Salvador, Peru, and impoverished areas of Brazil.

Since inception, our linkage programs have been implemented in 14 countries, tied to more than $1 billion in IFC investments, with about a dozen projects under active implementation and many more under development. We have leveraged our own $4.7 million in linkage technical assistance with contributions of more than $12 million from private sponsors and other sources.

ODEBRECHT

Subcontracting: *More than 7,000 SMEs subcontract with Odebrecht, a top international engineering and construction firm headquartered in Brazil. But virtually none can get the bank loans or management training they need to grow. IFC is lending Odebrecht $25 million so it can increase its advances that allow SMEs to fulfill their contracts. It is expected that over 1,000 such advances will be extended during the seven-year period of IFC financing. A capacity building program is also being developed to improve the SMEs' business productivity, management, and ability to meet occupational health and safety standards.*

ROB WRIGHT

Agribusiness: *South Africa's Illovo Group is one of the world's leading sugar producers. APDF is helping 5,000 local small-scale sugar cane growers increase their sales to its Tanzanian arm, Kilombero Sugar Co. Ltd.*

Illovo's $65 million investment in the former state-owned mill complex has given farmers in this isolated area a major new market and source of technical advice. APDF is coordinating a new multidonor program to strengthen their producer groups and improve local roads, bridges, and farm credit. Kilombero now pays the farmers and the local trucking companies they use a total of $8 million a year.

SME Linkage Projects: Highlights of IFC's Portfolio

IFC has a growing portfolio of technical assistance and capacity building projects that help increase the benefits of major investments to local communities. Some examples include:

Project	Related IFC Investment	Description and Key Results
ACG/BTC Pipeline **Countries:** Azerbaijan, Georgia, Turkey **Sponsor:** BP	$310 million	Capacity building of potential oil and gas sector SME suppliers; other components for access to capital and community development. **Results include:** ■ TA to 30 SMEs in Azerbaijan receiving $50 million in new contracts. ■ Business services support in Azerbaijan and Turkey. ■ Microfinance development in Turkey. ■ Technology business incubator in Georgia.
Automotive Component Supplier Development **Country:** Russia **Sponsor:** Ford Motor Co.	None	Strengthening local consultants and auto parts suppliers so they can win contracts from Ford's Russian assembly plant and other firms. **Results include:** ■ TA helped improve operations of five companies whose revenues have grown by $1.5 million.
Chad-Cameroon Petroleum Development and Pipeline **Country:** Chad **Sponsor:** ExxonMobil	$200 million	Increased access to finance for local firms, capacity building of local consultants, SMEs and agribusinesses. **Results include:** ■ Creation of Chad's first commercial microfinance institution, FINADEV, resulting in over 3,500 loans to date. ■ 156 farmers received TA; seven new enterprises/producer groups created. ■ $60,000 in microcredit disbursed. ■ 211 entrepreneurs received business training; 23 others assisted in business planning; and 13 gained new access to credit.
Mozal Aluminum Smelter **Country:** Mozambique **Sponsor:** BHP Billiton	$133 million	TA, mentorship, and access to finance for local suppliers; financial institution strengthening; train the trainers program for consultant development, community development. **Results include:** ■ $126,000 in new working capital loans to SMEs. ■ 100 entrepreneurs attended workshops; 35 master trainers formed; six SMEs received business planning TA. ■ Secondary school extension so graduates are eligible to work at Mozal; health clinic; training to subsistence farmers. ■ $5 million in new SME supplier contracts.
Minera Yanacocha **Country:** Peru **Sponsor:** Newmont Mining Co.	$142 million	Capacity building and access to finance for existing and potential SME suppliers, including agribusiness, construction, light manufacturing, artisans. **Results include:** ■ 16 SMEs completed Total Quality Management training. ■ $500,000 in new SME supplier contracts.

ABIGAIL TAMA KLOE

Chad: *The $3.7 billion Chad-Cameroon Petroleum Development and Pipeline project is one of Africa's largest foreign investments. IFC is helping increase the local benefits in Chad by supporting the launch of a new microfinance bank, Finadev.*

Linkages in Azerbaijan/Georgia/Turkey


TED POLLETT

***Azerbaijan:** Local women earn new income by selling handmade work gloves to ACG and other area companies. As part of its commitment to social responsibility, the pipeline company has provided training, financing, and design specifications to the women, who produce high-quality gloves and other worker apparel from their homes.*

This year IFC played a key role in mobilizing $2.4 billion in financing for the Azeri-Chirag-Deepwater (ACG) Phase 1 oil field, a large-scale reserve in the Caspian Sea off Azerbaijan, and the related Baku-Tbilisi-Ceyhan (BTC) pipeline that will carry its oil through Azerbaijan and Georgia to the Mediterranean coast of Turkey.

Local SMEs have many business opportunities with the BP-led operating consortium and others involved in this large project. But to take advantage of them, they need to improve the quality of their goods and services—often requiring additional financing. To support them, IFC is working with stakeholders such as BP, Statoil of Norway, the German development agency GTZ, and the Baku Enterprise Center in a new linkages program which:

- Provides technical assistance to targeted service and supply companies
- Builds capacity of local business service providers
- Develops new financial products

In Azerbaijan, specialized technical assistance is being delivered to 30 potential SME suppliers, including catering firms, personal protective equipment makers, and others. Similar efforts are underway in Turkey.

Also under development are pilot supplier financing schemes in Azerbaijan's metal fabrication, organic fertilizer, lubricants, and drilling sectors, and work to strengthen supply chain links between grape and wine producers in Georgia. IFC and Switzerland's State Secretariat for Economic Affairs (seco) are also teaming to bring their successful experience in Central Asian leasing *(see p. 13)* to Azerbaijan, focusing early efforts on improving the legal environment for the industry and raising awareness of the benefits of leasing among private enterprises, financial institutions, and government authorities.

Although still at an early stage, the linkages program has supported firms that won $50 million in contracts in 2004. It is also triggering change in stakeholder mindsets—slowly winning support for the importance of using local goods and services wherever possible.

It is not easy. Procurement decisions are usually time-sensitive, and local SMEs are often overlooked, underestimated, and assumed to be outmatched by foreign firms when it comes to on-time delivery of high-quality products. But IFC is committed to helping this landmark investment project create lasting benefits for local communities. The goal: to help create a culture change where local small-scale suppliers get a better chance to build stable, long-term relationships with BP and the other large companies involved in the Caspian oil projects.


TED POLLETT

***Helping the Homeless:** Sangachal, Azerbaijan is the starting point for a major Caspian Sea oil pipeline—and a temporary base for many homeless people, including these widows living in an abandoned rail car. The ACG project's community investment program is working to improve their access to water and sanitation.*

Linkages in Peru

High in the Peruvian Andes lies the world's biggest gold mine, the $1.6 billion Minera Yanacocha project owned by Newmont Mining Co. of the U.S., Compania Buenaventura de Minas of Peru, and IFC. Its owners are committed to promoting sustainable development throughout the region, and support a wide range of initiatives that benefit the local community.

IFC contributed up to $1.5 million to the program, funding linkage projects that help the nearby city of Cajamarca develop a diversified economic base beyond the operations of the mine. These efforts complement the many community development programs that Yanacocha has long funded. One component of IFC's program has been a Total Quality Management course for 18 local SMEs, focusing on practical ways to raise their safety, environmental, and business practices to international standards. This improves their chances both of winning new supply contracts with Minera Yanacocha and of diversifying into other markets. For wider impact, IFC has also organized group marketing events where smaller firms present their product lines to not just the mine, but a wide range of large government agencies and private enterprises. These have generated $1.7 million in new sales to date.

ROB WRIGHT

Peru: *Training local artisans to make jewelry for the tourist market is just one way the world's largest gold mine, Minera Yanacocha in Peru, builds strong ties with the local community.*

Another training program builds local agribusinesses' skills in areas such as quality assurance, pricing structures, and technological know-how. This program has doubled participants' revenues and helped create about 40 new jobs. Local ceramicists and weavers receive technical training to upgrade their design proficiency and production capacity and access new domestic and international markets. Additional work is underway to help local SMEs improve their business and financial planning skills so they can qualify for new loans from area banks.

Partner organizations such as the Swiss business community's nonprofit development arm Swisscontact and the U.S. groups TechnoServe and Aid to Artisans are responsible for implementing the various elements of the IFC program in their areas of expertise. At the same time, Yanacocha is sponsoring related programs to help Cajamarca build other high-potential industries, such as gold and silver jewelry-making and tourism.

DEEMA FAKHOURY

Inside the Mine: *Pouring molten gold at Yanacocha*

To keep up the momentum for the long term, Yanacocha works with IFC and the local community to create a new foundation that will move these and other projects forward. Its grant-making will be based on strong market principles, including sustainability and local ownership.

IFC's Project Development Facilities

Our Window on Local Business

IFC and its donor partners currently fund 11 Project Development Facilities (PDFs) around the globe, with combined annual spending of over $50 million and more than 400 full-time staff. These PDFs are strategically placed to serve countries and regions where there is momentum for reform. Further focus is applied through subsector-specific projects offering the greatest growth potential for SMEs.

In January 2004, IFC's regional departments took over direct management of the PDFs. This allows for stronger strategic planning and program delivery, combining the local market knowledge and delivery capacity on the ground with the global industry knowledge of IFC as a whole. The SME Department works closely with the PDFs, providing guidance on good practices and lessons learned, access to technical expertise, and leadership in project monitoring, evaluation, and impact measurement, as well as facilitating ongoing networking among donors, NGOs, and others active in SME development.

A Growing Network

Africa Project Development Facility and the African Management Services Company
- Sub-Saharan Africa

China Project Development Facility
- Sichuan province

Latin America & the Caribbean SME Facility
- Bolivia
- Honduras
- Nicaragua
- Peru

Mekong Private Sector Development Facility
- Cambodia
- Laos
- Vietnam

North Africa Enterprise Development
- Algeria
- Egypt (Arab Republic of)
- Morocco

Pacific Enterprise Development Facility
- Pacific islands

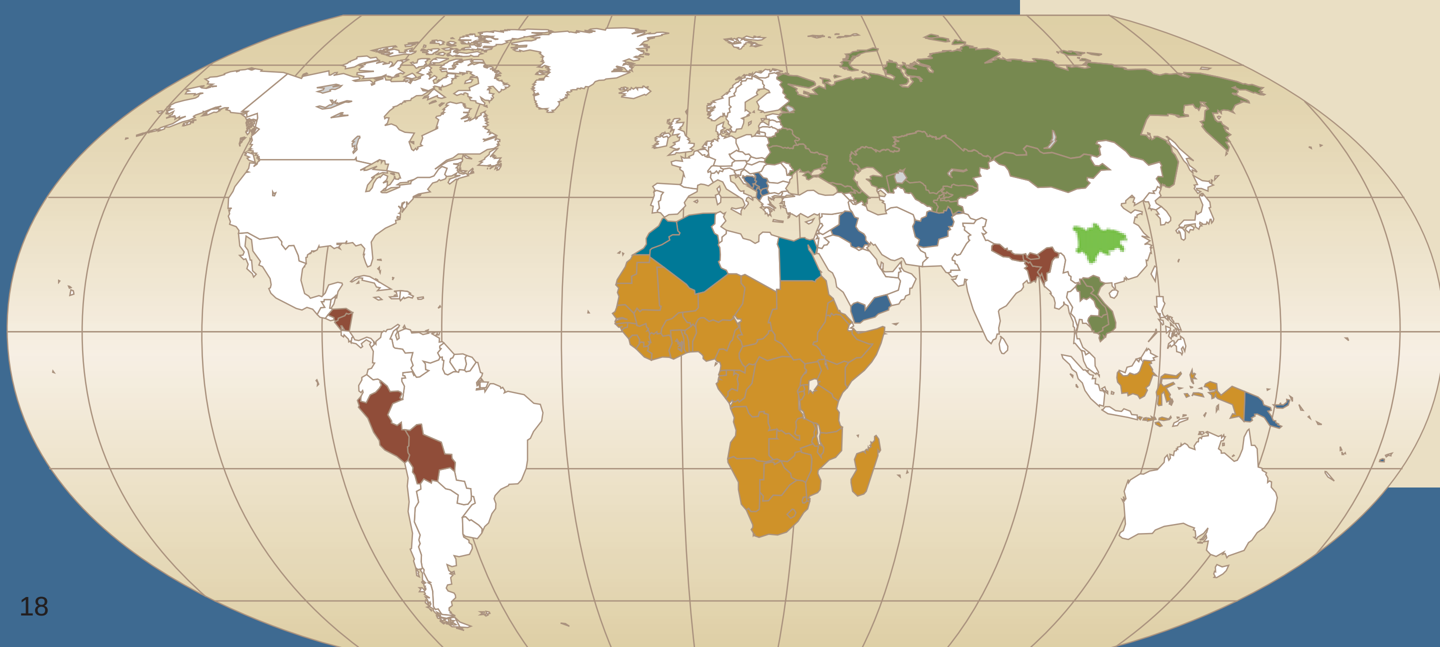
Private Enterprise Partnership
- Armenia
- Azerbaijan
- Belarus
- Georgia
- Kazakhstan
- Kyrgyz Republic
- Mongolia
- Russia
- Tajikistan
- Ukraine
- Uzbekistan

Private Enterprise Partnership—Middle East
- Afghanistan
- Iraq
- West Bank & Gaza
- Yemen (Republic of)

Program for Eastern Indonesia SME Assistance
- Eastern Indonesia:
- Kalimantan, Sulawesi, Papua (Irian Jaya), Bali

SouthAsia Enterprise Development Facility
- Bangladesh
- Bhutan
- Nepal
- Northeast India

Southeast Europe Enterprise Development
- Albania
- Bosnia and Herzegovina
- FYR Macedonia
- Kosovo
- Serbia and Montenegro



Building Business Service Providers

SMEs need access to affordable services such as business planning, accounting, legal advice, and market information. IFC helps local providers of business services grow stronger, rather than offer these services directly.

PDFs increase the availability of high-quality business services for smaller firms through:

Training: PDFs follow a train-the-trainer approach. In partnership with local training and academic institutions, they design new courses and materials and offer them to SMEs. These programs, which usually focus on building general management and technical skills, provide SMEs with local sources of specialized training which leads to new business opportunities. In Bangladesh, SEDF is working with a local engineering university to update the skills of SMEs in the vital garment sector. This sector provides 1.5 million jobs but is threatened by strong competition in international markets.

Building Consultant Capacity: PDFs are building stronger local markets for effective SME-oriented consulting services. APDF, for example, has trained and accredited local consultants in Cameroon, Senegal, Guinea, Mali, and other African countries on business diagnostics, business plan writing, project structuring, and other key services geared to meet the needs of local SMEs. In Vietnam, MPDF teamed with London-based Accenture Development Partners, GTZ of Germany, and others to study why existing consultant services are rarely used by SMEs. It then designed a new 21-module training course that helps local management consultants better serve the SME market.

Building Capacity of Business Associations: Local business associations have great potential as channels of SME development. But often these associations either cater only to large firms or have chronic financial and management weaknesses that keep them from attracting more SME members. The PDFs help these groups improve their management, marketing, and strategic planning so they can sell new services and become more sustainable. In the Balkans, Southeast Europe Enterprise Development (SEED) works with 11 such groups in four countries that have 1,500 members, including the Albanian Construction Association, which has achieved a 16 percent increase in membership, and Macedonia's Mushroom Growers and Beekeepers associations. Both now have new databases, training courses, and marketing materials.

ROB WRIGHT

Transferring Good Models: *Small-scale farmers in Kenya collect payments from HoneyCare, a socially responsible SME that APDF is assisting as part of IFC's new Grassroots Business initiative* (see p. 27)*. By training the farmers in commercial beekeeping and buying their honey at a guaranteed price, HoneyCare can double its suppliers' incomes. To widen the impact, IFC is helping HoneyCare take its expertise to business associations in FYR Macedonia that are building a beekeeping industry there.*

Focus on Key Sectors

IFC often supports SME development by targeting key sectors, especially ones with a local competitive advantage in attracting new investment and export opportunities. This approach can help SMEs start to cluster together and begin realizing advantages of scale, for example in linking producers with larger processors and distributors, or in pooling their resources and working with common partners. These efforts are usually leveraged through ties with local training institutions, business associations, and government agencies with significant expertise and outreach in their countries' priority sectors.

Our experience shows that taking an integrated, multidimensional approach is one of the most effective ways to help SMEs. This work includes:

- Improving SMEs' capacity to supply quality goods and services to domestic and international markets
- Addressing legislative obstacles such as export regulations and licensing
- Developing effective business associations
- Encouraging foreign investment, which, in addition to bringing capital and international expertise to the country, provides new business opportunities for local companies

Agribusiness. In Bosnia, SEED is working to improve the competitiveness of the region's indigenous herbal industry, considered one of Europe's most important sources of medicinal plants. In Indonesia, PENSA has a comprehensive agribusiness linkage program that helps maize and poultry farmers as well as cocoa and seaweed producers improve their growing and processing techniques.

Wood Products. In northwest Russia, IFC's Private Enterprise Partnership helps mobilize foreign direct investment and works with policymakers to increase their support for external financing. The project has enabled more than $111 million in investment and financing from Finnish wood sector firms since 1999. Our new Latin American PDF takes a slightly different approach. In Bolivia, a world leader in environmentally sound timber production, it is helping a select group of SME furniture makers and laminators strengthen their finances and transparency, thus improving their prospects for gaining new foreign investment or loans from local banks needed to scale up their processing of local logs into value-adding products. In Nicaragua, the facility works with the World Wildlife Fund to increase the use of environmentally certified wood in local manufacturing.

Tourism. In the last two years, MPDF has overseen the development of four Web sites that market nearly 300 smaller local hotels in Cambodia, Vietnam, and Laos to budget travelers. Revenues from the resulting commissions have become their main source of income, generating nearly $200,000 in combined annual business. Association members share the costs of Web-based marketing, Internet connections, and booking staff, making the service affordable to many SMEs that would otherwise lack modern marketing tools. This model is also being adopted by other IFC facilities for use by small-scale hotel associations in Samoa, Morocco, and Indonesia.

PEP

***Agribusiness:** Ukrainian watermelons are selling well in Sweden with help from a PEP project funded by Sweden and Canada. It has facilitated $3.5 million in new credits for local farmers, trained workers from more than 1,000 farms, assisted in the passage of five new laws, and established two marketing cooperatives that help farmers find new buyers for their products.*

MPDF

***Tourism:** In Cambodia, MPDF introduced a new Web-based marketing tool (www.phnompenh-hotels.org) that is increasing business for smaller hotels. It in turn is now part of a larger regional Web site (www.worldhotel-link.com).*

Improving the Business Environment

Recent World Bank research shows that smaller firms face far more business environment obstacles than larger ones, and are much more adversely affected by them. Red tape discourages small businesses from becoming formal, limiting their opportunities for growth and depriving governments of tax revenue. Research shows that improvements in the business environment bring the biggest benefits to those held back the most: the smallest firms.

Key obstacles for SMEs include lengthy business registration processes, taxation, licensing, export regulations, labor policy, inspections, the judicial system, property rights, and financial markets regulation. Addressing these obstacles in ways that help SMEs is a key objective of the World Bank Group, including IFC. Some of the tools used in this effort are:

- **Investment Climate Assessments** (ICA), used to collect data on key indicators from firms in more than 50 countries, including regulatory burdens, transaction costs, governance, and productivity measures. In 2003 SEDF worked with the ICA team to produce the Bangladesh survey, as a result of which SEDF has taken steps to ease a key constraint faced by local SMEs in accessing international markets—it has hired a local policy consulting firm to produce a manual for SMEs to help them navigate customs and other export-related regulatory hurdles. ICA reports can be accessed at www.worldbank.org/investmentclimate.
- **Doing Business**, an online database providing measures of business regulations in more than 140 countries, such as the time and costs of doing business. It is accessible at rru.worldbank.org/DoingBusiness/.
- **SME policy surveys**, conducted by IFC's SME facilities to diagnose the main problems facing SMEs in a specific country or region. These are used to make specific recommendations, often in collaboration with the World Bank, and to measure the impact of legislative changes. In Uzbekistan, IFC has conducted annual SME surveys since 2001, which are shared with the government. IFC worked with the government on business inspections and found that these had fallen from an average of seven per entrepreneur in 2001 to an average of 1.5 in 2003.
- **Advocacy to promote reform**, including training business associations to advocate for constructive change, working with the media, and building capacity of regulators and government agencies. APDF, MPDF, NAED, PENSA, PEP, SEED, and our new Latin America and Caribbean facility have been especially active in this area.

Consider Bolivia, cited by the World Bank's Doing Business 2004 report as having some of Latin America's heaviest administrative burdens on businesses. Getting approval to license a business costs more than the average person's annual income. IFC's Latin America and the Caribbean SME Facility chose La Paz for a pilot project in 2003 to address the worst part of the process: getting a business license from municipal authorities.

Results have been promising, including a 60 percent reduction in the number of steps required to start a business, cutting down the average time involved from 13 days to one. Entrepreneurs also have been responding well: La Paz municipal authorities saw a 50 percent increase in business operating license applications in the past year. The same process is now being applied in Nicaraguan and Peruvian cities.

PAUL MELTON

Bolivia: *A small business owner registers his firm with municipal authorities in La Paz, giving it greater access to bank loans and export markets, and also allowing it to start paying taxes. Once overly complex, the registration process has been simplified this year with input from IFC.*

Innovation and Learning

One of IFC's most important roles in SME development is that of the *innovator.*

That means determining what's missing in the market, crafting and testing new products and services, and finally transferring them to others who can deliver them to the larger SME community.

Doing this well requires several things: good knowledge of local markets, global expertise, and a strong network of partners who can complement IFC's own efforts. These outside organizations can share valuable knowledge of "what works" in many specialized areas, and work with us to reach areas where IFC lacks a presence.

ACCION INTERNATIONAL

Microfinance: *Presentations at an IFC-led investors group attracted new funding for a new fund managed by ACCION International, a leading US-based microfinance group that has helped build Ecuador's Banco Solidario (above) and other similar institutions in Latin America, the Caribbean, and Africa. In the last four years, Banco Solidario's outreach has more than doubled, with its loans now going to roughly 102,000 small-scale entrepreneurs.*

To facilitate intellectual leadership in this area, IFC co-chairs the Donor Committee for Small Enterprise Development (www.sedonors.org), a grouping of 37 bilaterals, multilaterals, and private foundations long active in this field. The leading industry forum, it met at DANIDA in Copenhagen this year to discuss ways to build market-based delivery of SME finance and business services, then measure the resulting impact on poverty reduction.

To support that committee's work on technical assistance, IFC also leads a similar body of development finance investors, the International Financial Institutions' SME Working Group. Its meetings, including this year's at the African Development Bank in Tunis, give officials an opportunity to review emerging trends and work collectively on ways to join together on new wholesale investment vehicles for greater impact. The $20 million ACCION Investments in Microfinance initiative (see photo at left) is just one example of a new combined effort that benefited from this approach.

Such initiatives help resist the trend of multiple, uncoordinated donor initiatives working at cross-purposes and having too few lasting results. And like many of its partners in these groups, IFC is always striving to develop new effective models of support in small business development, then work with market forces to scale them up and transfer them from country to country where needs are great. But since you can't manage what you don't measure, there is an increasingly strong emphasis on rigorous metrics and evaluation procedures to gauge the lasting value of these efforts.

Tajikistan: New Life for the Cotton Industry

Three years ago, IFC and Switzerland's State Secretariat for Economic Affairs (seco) teamed on a new market-based approach to revitalize the hard-hit Tajik cotton industry, a key sector for Central Asia's poorest country, where 80 percent of the 6.3 million people live beneath the poverty line. The model: creating a new private company owned by small-scale cotton farmers in the remote Sugd region.

SugdAgroServ (SAS) has been designed to solve some of its owners' key problems, such as obtaining financing for higher-quality agricultural inputs and finding new markets for their crops.

SAS was launched with $502,000 via a Swiss grant, an IFC loan, and investments by 365 Tajik small-scale farmers. Switzerland provided another $850,000 in technical assistance funds managed by IFC's Private Enterprise Partnership to train farmers in production, irrigation, fertilization, and financial management, and provide an experienced expatriate general manager for SAS.

Although still modest in scope, SAS's support for farmers has made a difference. It has:

- Helped generate $2 million in sales of cotton to local brokers and spinning mills, with a net profit margin of 22 percent.
- Disbursed the equivalent of more than $450,000 in local currency loans to farmers who previously had no access to financing.
- Created retail outlets where farmers can use their new loans to purchase their choice of imported fertilizers, seeds, pesticides, and other high-quality inputs, rather than depend on the previous monopoly providers.

Early results have been promising. After one year of operations, yields, gross profit, and wages grew more rapidly for SAS clients than for non-clients. SAS clients, for example, made a gross profit of $653 per hectare compared with only $453 for non-clients, and the wages of SAS workers grew by 37 percent compared with 26 percent for non-members. Based on this initial success, IFC and Switzerland are now scaling up the initiative, with an additional 2,400 hectares soon to be worked by 1,500 new farmer-owners.

PEP

***Tajikistan:** Shareholders of SugdAgroServ calculate profit margins at their small cotton farms.*

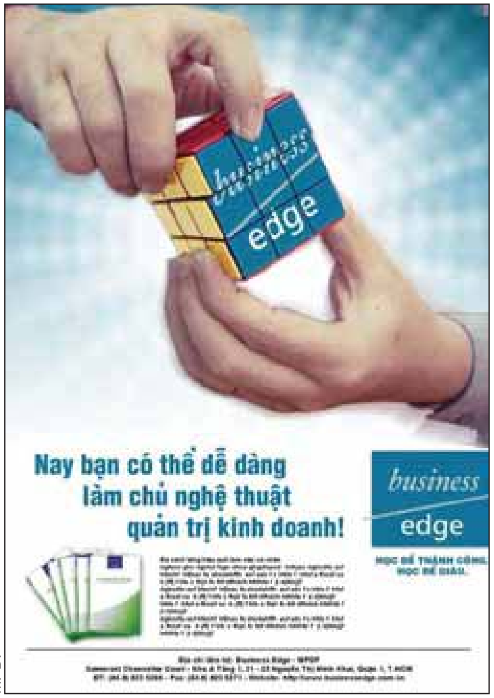
Focus on Metrics

Monitoring and evaluation (M&E) is critical to supporting continuous improvement and ongoing demonstration of success. IFC is confronting this challenge aggressively. The rapid growth of our technical assistance activities and the importance of this work to IFC, its shareholders, and beneficiaries have led us to take measures to strengthen our overall M&E approach.

As with our investment work, IFC is in the process of implementing review, approval, and supervision processes and M&E tools across all our technical assistance projects (see chart below). This will enable us to track core evaluation information common to different types of technical assistance programs, provide better input into regional development strategies, and share lessons learned with donors and other partners.

The Project Monitoring and Evaluation Process

M&E Logframe	Prepared at project onset, reflects intended project outputs, outcomes and impact
↓ Project Completion Note	Prepared at project completion, indicates results, baseline metrics to be captured post-completion and identifies key impact projections
↓ Customer Satisfaction Surveys	Prepared post–project completion, purpose is to gain client feedback on services rendered
↓ Impact Assessment Tools	Prepared post–project completion over set intervals based on nature of project activity, helps capture project outcome and impact-related data



MPDF

Vietnam: *Active promotion has built a market for Business Edge's management training products. Vietnamese publishers have sold more than 50,000 Business Edge self-study workbooks to date. "Learn the art of running your own business," the above advertisement says.*

Business Edge

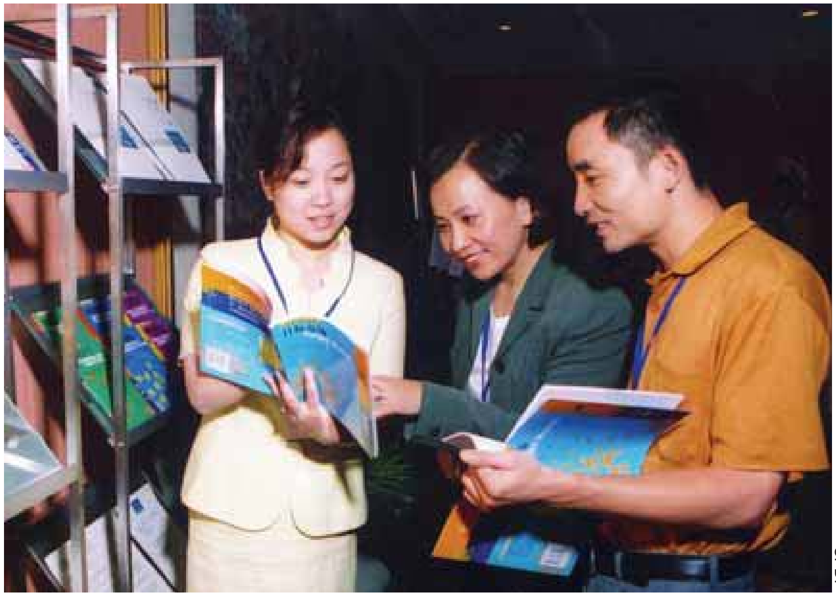
It is a common problem in poorer countries. To build their companies, small business owners need to sharpen their skills, yet rarely have time to take lengthy classroom-based courses. They need more choices and easier access to the latest management training methods, but in their local language and fleshed out with examples from local businesses.

This is the role of IFC's global SME management training initiative, Business Edge.

Launched by MPDF, Business Edge enables SMEs to bridge the knowledge gap with self-study management training workbooks, CD-ROMs, and short seminars. Its simple "how-to" products help managers with little previous formal training learn to build their profits via better marketing, human resources management, quality control, finance and accounting, and other key business functions.

Local publishing companies in Vietnam, Cambodia, and Laos have now sold 85,000 inexpensive Business Edge workbooks, covering almost 40 management topics. All were developed and translated in collaboration with local experts, citing local laws, regulations, and case studies. In Vietnam, certified Business Edge trainers have helped more than 3,000 SME managers build productivity via short seminars in topics such as Product Planning and Development, Controlling Costs, and Motivating People.

CPDF, IFC's SME facility in interior China's Sichuan province, has adapted this material. CPDF is developing local training partners so they can sell these courses to SMEs on a fully commercial basis. Since Business Edge hit Sichuan in September 2003, some 5,400 Chinese managers have been trained and another 600 SME owners have attended large-scale management forums. Local trainers have collected $40,000 in training fees. Courses have now been delivered in 13 Chinese cities and three rural counties, reaching areas where quality management training was previously unavailable.



CPDF

China: *With support from CPDF, the Business Edge workbooks have been translated and are selling well in Sichuan province.*

IFC's Capacity Building Facility

Through its Capacity Building Facility, IFC invests in innovative pilot projects that promote SME development. It also forms partnerships with other leading SME-focused organizations that replicate best practice models.

To date IFC has provided more than $23 million in funding for more than 100 CBF projects in such areas as:

- Helping microfinance institutions reach commercial sustainability.
- Increasing access to finance for SMEs.
- Building capacity to help NGOs and local SME service providers develop sustainable products and services.
- Developing nascent business associations in frontier countries.
- Linking local SMEs to large IFC investee companies through new supplier contracts and financing.

IFC welcomes outside applications for CBF funding. Successful projects must be designed for innovation, replicability, scalability, sustainability, and fit with IFC's strategy.

TECHNOSERVE

Agribusiness Development: *The CBF is IFC's vehicle for collaborating with leading outside small business development organizations such as TechnoServe, a US-based group known for finding business solutions to rural poverty. Based on its track record with fruit producers in Mozambique (pictured above), we have commissioned several African agribusiness studies from TechnoServe. We are also drawing on its expertise in the Yanacocha linkages projects in Peru* (see p. 17).

Online Solutions

Frontier market SMEs often have difficulty getting market and industry information. In response, IFC launched the SME Toolkit (www.smetoolkit.org), a global Web-based tool that helps SMEs improve management practices and obtain financing. Started in 2001, it operates in more than 20 countries in eight languages.

The impact reaches as far as Mongolia, where a new IFC investee, the Trade and Development Bank, is using the Toolkit to develop local language software, business forms, and training aids that offer online help to local SMEs. In time, they may enjoy the same success as Boychev, a small printing shop in Ukraine using outdated equipment. Unable to qualify for a bank loan, Boychev could not modernize its operations and grow. Then manager Andrey Boychev learned about financing options for SMEs through the new Web site developed by IFC's Private Enterprise Partnership. As a result, his firm obtained an impressive new $105,000 printing system made by Hamada Corp. of Japan on a three-year lease from a company in Kiev. With revenues up by 32 percent since, Boychev is considering leasing more equipment to widen its range of printing services.

The site Boychev used, www.vlasnasprava.info, now has 2,400 registered users. It is credited with generating $400,000 in new SME loans, plus more in the form of leases. Started with funding from IFC and Norway, the site has been transferred to an NGO that earns revenue from advertising, Web development, hosting, and other services. The site also has an entrepreneur's calendar monitoring seminars, trade shows, and other major SME-related events in Ukraine, and it hosts regular online conferences for SMEs, government agencies, and NGOs to discuss pressing business issues.

SME TOOLKIT

Web-based Services: *Up-to-date industry and financial information can be hard for SMEs to find. But it's now available online in Mongolia (left) and in more than 20 other countries via the SME Toolkit, a Web-based business solutions provider IFC developed, then shared with a wide range of different partners.*

Complementary Initiatives

TREVOR FIELD

South Africa: *IFC's new Grassroots Business initiative* (see p. 27) *helps social entrepreneurs who target the poorest of the poor. In South Africa, that means expanding the market for "playpumps" that bring clean water to isolated villages. They have an infinitely renewable source of energy: children at play.*

In addition to its investments, technical assistance, and project development facilities, IFC has several other special initiatives that promote the development of SMEs. Some of these are:

SME Development in Africa. IDA (the World Bank's soft-loan arm for the poorest countries) and IFC have designed and launched a four-year, $250 million program to strengthen SME development in sub-Saharan Africa. It focuses on building up the financial markets sector, improving labor and management skills, strengthening market linkages, and addressing obstacles in the business environment. The program draws from IFC's knowledge of developing financial markets and business services, as well as the Bank's experience in improving the business enabling environment.

Programs for Nigeria, Kenya, and Uganda have been approved. Others for Mali, Tanzania, and Madagascar are expected to be approved during fiscal year 2005. One for Ghana is also under development, and existing projects in Rwanda and Burkina Faso are being implemented.

Related IFC investments are materializing as part of this initiative and will soon total $50 million, including equity stakes in the new Business Partners International funds, beginning in Madagascar. New combined IDA/IFC partial guarantee credit projects are also being designed and piloted in Ghana and Mali, with the possibility of subsequent replication.

Sustainable Business Assistance Program. IFC's Environmental and Social Development Department manages several facilities, jointly funded by IFC and donors, that promote environmentally and socially responsible business. These facilities spark sustainable private sector investment through technical assistance, capacity building, and direct investment. The Corporate Citizenship Facility (CCF), for example, promotes corporate responsibility among IFC's investment clients, some of which benefits SMEs through work on supply chains, community development projects, and fighting HIV/AIDS. The Sustainable Financial Markets Facility (SFMF) strengthens IFC's broader financial markets work by providing training for financial intermediaries, many of whom channel financing to SMEs. This work focuses on applying environmental, social, and insurance risk management principles to their lending and investment operations. SFMF also promotes the development of socially responsible investment strategies in the portfolio investment industry in emerging countries.

The Environmental and Social Development Department also supports SMEs through its **Environmental Business Finance Program (EBFP)** and its precursor, providing $14 million in funding to intermediaries that have financed 140 environmental SMEs in 21 countries. These have funded projects in reforestation, organic farming, ecotourism, energy efficiency, and renewable energy. The Global Environment Facility (GEF) recently provided $20 million to the EBFP to build on this work and aims to develop a sustainable market for micro, small, and medium enterprises whose activities benefit the global environment.

Business Education. The Global Business School Network (GBSN) is an IFC initiative designed to strengthen the institutional capacity of business schools in developing and transition countries. The Network brings together leading global business schools, firms, and international organizations to develop sustainable management education and training programs which bring global business expertise within reach of local firms, including SMEs. Last year, GBSN piloted an MBA internship program placing students in SMEs in Africa, Asia, and Eastern Europe. Currently GBSN is developing pilot capacity-building projects with business schools in Africa. In Nigeria, the Network is assisting Lagos Business School in developing short courses targeting SMEs and entrepreneurs, while in Kenya, GBSN is supporting the development of local case studies and a business plan competition for SMEs and entrepreneurs through the IFC-IDA initiative.

Corporate Governance. IFC has implemented technical assistance programs on corporate governance since 1997, mostly in the former Soviet Union. While these programs focus their work on joint-stock companies with numerous shareholders, a majority of client firms have fewer than 500 employees—almost 70 percent of our clients in Russia and 72 percent of enterprises that are participating in an intensive pilot program in Ukraine. Corporate governance programs are now being rolled out to assist financial institutions. Based on the experience gained in the former Soviet Union, several PDF efforts are underway to include corporate governance projects in their portfolios. A new World Bank Group corporate governance department has just been created to provide new leadership on this important issue.

Grassroots Business Organizations. GBOs are NGOs or for-profit companies that do business with the aim of creating sustainable economic opportunities for the poorest of the poor—marginalized communities such as people with HIV/AIDs, landmine victims, subsistence farmers, and the homeless, who are often bypassed by IFC's traditional activities. IFC began working with GBOs in the late 1990s. This led to additional work centered at the Mekong Private Sector Development Facility in Cambodia to help GBOs in the manufacturing and service sectors develop their overall business skills and financial sustainability. These efforts are strengthened by partnerships with best-practice partners and funding from the Capacity Building Facility.

After working with approximately 20 GBOs to create viable business organizations and new economic opportunities for the poor, IFC has now teamed with the World Bank on the new Grassroots Business initiative. It will build on the lessons of IFC's earlier projects in this area, such as investment and technical assistance support to Hagar, a Swiss NGO. Hagar has reached 100,000 of the poorest people in Cambodia over the last nine years, including 20,000 destitute women and children. As part of its larger program, Hagar launched for-profit businesses in soy milk production and silk handicrafts produced by former residents of its homeless shelter. The soy production company, Hagar Soya Ltd, received an IFC investment of $450,000, which allowed increased employment and production and the introduction of an affordable and nutritious drink for Cambodian consumers.

LAURA BURES

Nigeria: *IFC's Global Business School Network* (see p. 26) *sends MBA students from top Western schools to work with local institutions like Nigeria's FATE Foundation, an entrepreneurship development program that started in Lagos, then expanded to the oil-producing Niger Delta region.*

A Knowledge Network

In many countries, private sector interests, particularly those of smaller companies, are not well represented in policy making. Independent business associations can play a central role here, providing enterprise support services to member companies and representing business interests vis-à-vis the government. But associations are often fragmented, dominated by the interests of a few large companies, and their staff lack adequate skills as well as experience in enhancing reform processes.

Building the capacity of associations through the provision of technical assistance can result in positive changes in the business environment. Created in 2002, the SME Business Membership Organizations (BMO) Knowledge Network is geared to do just that. It works with chambers of commerce, trade groups, and others on membership building strategies, development of member services, fundraising, and public relations. The Network hosts seminars, workshops, and public awareness campaigns, helping BMOs work with regulatory bodies on policy formulation and advocacy for specific reforms.

The BMO Knowledge Network boasts leading international best practice partners, including:

- SEQUA (Foundation for Economic Development and Vocational Training, Germany)
- Confederation of Danish Industries
- Canadian Manufacturers and Exporters
- Center for International Private Enterprise (USA)

Each of these external best practice partners is working with our PDFs to improve the local business environments in their countries of operation, including Vietnam, Cambodia, Bangladesh, and Indonesia.

Donor Partnerships

SEDF

Industrial Development: *The SouthAsia Enterprise Development Facility is funded by IFC and the Asia Development Bank, Canada, the European Commission, the Netherlands, Norway, and the UK. Among its collaborative efforts this year: working with Canada's largest business association to increase purchases of clothing made in Bangladesh.*

The increase in IFC's work promoting SME development has been possible only because of the support of our donor partners, who committed $122 million to IFC's technical assistance efforts in FY04.

IFC now manages 27 donor-funded operations conducting technical assistance work with annual expenditures of $113 million. About half of this work has a specific SME focus. These donor partnerships have made IFC's technical assistance programs an integral part of our mission to promote private sector development.

Likewise, the PDFs work closely with donors to help them meet their strategic objectives. This was the case, for example, with the Bangladesh-based SEDF, which in October 2003 worked with its donor Canada to organize the first trade fairs in Montreal and Toronto for Bangladeshi SME garment exporters.

The Bangladesh Garment Makers and Exporters Association expects new orders generated at these fairs to allow its members' annual exports to Canada to more than double from the current level of $144 million. That would have an impact on a sector that has been the economy's star performer in the last decade, employing more than 1.5 million Bangladeshi workers, the vast majority of them women. Employment in garment factories enables workers to increase their average incomes from less than $1/day to as much as $5/day, while also providing them with opportunities for better nutrition, shelter, and education for their children. This has contributed to Bangladesh's stunning increase in education levels—especially among girls, whose primary school enrollment rate jumped from 72 to 91 percent in the 1990s.

It is important to bring donors to the field to see the results of their funding, as happened this year at the China Project Development Facility (CPDF) in Sichuan province. CPDF responds to three of the country's essential economic challenges:

- Lagging development in the interior regions
- The need for strong and commercially oriented financial institutions
- An SME sector that is struggling to take off, despite its critical role in absorbing retrenched workers from restructured state-owned enterprises

As part of its preparations for the May 2004 "Scaling Up Poverty Reduction" conference in Shanghai, CPDF gave delegates from donor and other nations a first-hand look at the ways its SME work helps raise incomes. This included a visit to a proposed technical assistance project to help local small-scale dairy farmers improve the quality of their milk and enter the supply chain of a large Chinese agribusiness company operating in Sichuan. CPDF research shows that small farmers who own two or three cows can increase their income to more than three times the rural average in Sichuan with sustained milk supply contracts.

In the Balkans, our SEED facility held its annual donor meeting on the premises of Alcrana Food Processing, an Albanian SME whose revenues have increased from $230,000 to almost $1 million in the last three years, in part because of SEED advisory services. With SEED's assistance, Alcrana was able to obtain the first SME loan from a local bank. Using these funds, it raised quality standards so it could increase its fruit and vegetable exports to Western Europe.

IFC Project Development Facility Donor Commitments FY04 (USD million)

Donor	APDF	CPDF	LAC	MPDF	NAED	PEDF	PENSA	PEP	PEP-ME	SEDF	SEED
IFC	10.1	5.0	10.0	5.5	5.0	2.1	5.0	5.8	10.0	5.0	6.0
ADB				0.3		0.3				0.8	
AFDB	2.2										
Australia		1.5		0.9		2.3	2.8				
Austria								1.0			2.3
Belgium	0.1				0.6						
Canada				3.1			3.7			6.0	1.4
Denmark	2.7										
European Community										11.9	
Finland				0.4				0.2			
FMO	2.4	1.1									
Greece											0.3
GTZ	0.8										
Italy					1.8						
Japan				0.7		2.2	0.5	0.6			
Netherlands	2.3		0.3	0.6			1.9			2.0	5.0
New Zealand				0.6		1.0					
Norway	2.5			2.5						7.2	3.2
Portugal	1.5										
Slovenia											0.2
Sweden	2.9			2.9				0.4			2.2
Switzerland	3.1	2.3		4.1	3.5		3.7	8.2			4.0
UK	1.0	3.4		2.7						6.0	0.9
USA	0.4							0.6			
Total	**32.0**	**13.3**	**10.3**	**24.2**	**10.8**	**8.0**	**17.6**	**16.8**	**10.0**	**38.9**	**25.4**

World Bank Group Action Plan for Micro, Small and Medium Enterprise Development

At their 2004 economic summit, leaders of the Group of Eight industrialized democracies asked multilateral development banks to "enhance their lending and technical assistance programs for small and medium-size enterprises (SMEs) over the next three years with clear, results-based objectives."

IFC and other parts of the World Bank Group are well positioned to respond to this challenge, and our activities going forward will emphasize:

- Scaling up and replication of proven programs.
- A package approach involving focused investment climate, capacity building, and investment operations.
- Design and implementation of targeted programs that recognize the diversity of both SMEs and the business environments in which they operate ("one size does not fit all").
- Enhanced collaborative operations between IBRD/IDA, IFC and MIGA.
- Results-based objectives and improved impact evaluation methodologies.

Within the context of the above, some of the key areas we will focus on are:

- **Investment Climate and Regulatory Reforms.** We will focus on reducing the costs and increasing the benefits of entering the formal economy, for example, by reducing the time and cost of business registration and licensing. We will also continue supporting legal and regulatory reform efforts.
- **Institutional Strengthening.** We will continue technical assistance and investment programs that build financial institutions, such as commercial banks or leasing companies committed to reaching the SME market.
- **Investments.** Micro, small, and medium enterprise development components of IBRD/IDA lending operations will continue, with average annual lending approval volumes of approximately $500 million over the next three years. IFC investment commitments, primarily in the financial markets sector, are expected to average $660 million over the next three years. In the same period, MIGA plans to issue new guarantee contracts for coverage of approximately $900 million for about 60 SME projects.
- **Monitoring and Evaluation.** IFC will also strengthen its monitoring and evaluation systems so that we can determine the most effective approaches to SME development, identify best practices, and disseminate this information internally and externally.

SME People

Who actually does this work? **Ultimately, of course, it is the banks, advisers, and business associations that we link with small businesses in the developing world. But getting there is not easy. Someone has to make it happen…**

DAVID LAWRENCE

Irina Niederberger

SME Department, IFC Headquarters, Washington, DC

Irina Niederberger

It takes a special kind of person. Someone who can design good programs to build up these institutions, attract necessary funding and bring in the right partners, then keep things on track, monitor results, and share the resulting learning for wider use.

It takes a person like Irina Niederberger. She has spent the last decade in the trenches, coming to IFC in 1999 with experience in community development in the U.S. and running a USAID-funded business development center in a remote part of Siberia. We sent her to Armenia, putting her in charge of our first technical assistance project in that country. Based on a successful model IFC had used in Ukraine, this two-year project funded by IFC and the Dutch government focused on improvement of company law and promotion of good corporate governance through training of companies.

Lately Irina has been in headquarters, developing an improved monitoring and evaluation program for use across our network of project development facilities. Along the way she has also spent considerable time at the PDF in China, helping to jump-start projects on SME management training, as well as strengthening companies' corporate governance and environmental management.

Today Irina coordinates IFC's Capacity Building Facility (CBF), an in-house grant program for innovative pilots and partnerships in SME development. Irina's job is to pull out the emerging themes of CBF's work, and to share these lessons and up-to-date "winning" approaches with those at IFC who design new programs for SMEs.

DAVID LAWRENCE

Rajeev Gopal

SouthAsia Enterprise Development Facility, Dhaka, Bangladesh

Rajeev Gopal

By 1998, Rajeev had put his Indian Institute for Management MBA to good use, working for eight years at different financial institutions in his native country. But he was ready for a different kind of challenge—one taking him to new places and exposing him to a wider range of company environments. So he signed up as an investment officer in our New Delhi office, attracted by the diversity and complexity of our work.

We put him on deals across South Asia—financing a large conglomerate in Sri Lanka as well as the diversification of the Maldives' biggest private company into new markets and others. En route he grew interested in technical assistance, especially the impact IFC could have in providing it to smaller companies. So when the new SouthAsia Enterprise Development Facility launched in Bangladesh in 2002, he was one of the first hires, bringing a sophisticated knowledge of management, finance, and IFC procedures to the front lines of private sector development.

Some would not jump at the chance to move to Bangladesh. But Rajeev has no regrets. "It's a very positive feeling, helping a small company and seeing the results so much quicker," he says.

The work demands creativity. When the world's largest management consulting firm, Accenture, was making its reduced-rate development arm available to IFC, looking for good assignments, Rajeev brought its people to Dhaka. He had them find out why Unilever's independent local distributors weren't more efficient, then propose solutions. As a result, 50 of these local small businesses are now getting new technology to improve their sales and delivery process management. He is also advising the sponsor of a new $1 million light engineering center that will give Bangladeshi manufacturers their first access to a full range of services from several small firms under one roof. This industry cooperation model brings a better product to the market for all.

What's the next project? You never really know at IFC, and that's part of the fun.

Supplementary Data

World Bank Group Investments Targeting SMEs
(Approvals, FY02–FY04, amounts in USD millions)

	FY02	FY03	FY04
IBRD	139	203	317
IDA	23	43	141
IFC*	584	559	820
MIGA**	112	101	219

* IFC figures include all financial markets and direct investment activities but exclude SME-related trust funds activities.

** MIGA figures are total amount of investment facilitated under MIGA guarantees to SME projects, including both direct and financial intermediaries.

Note: These figures include microfinance investments.

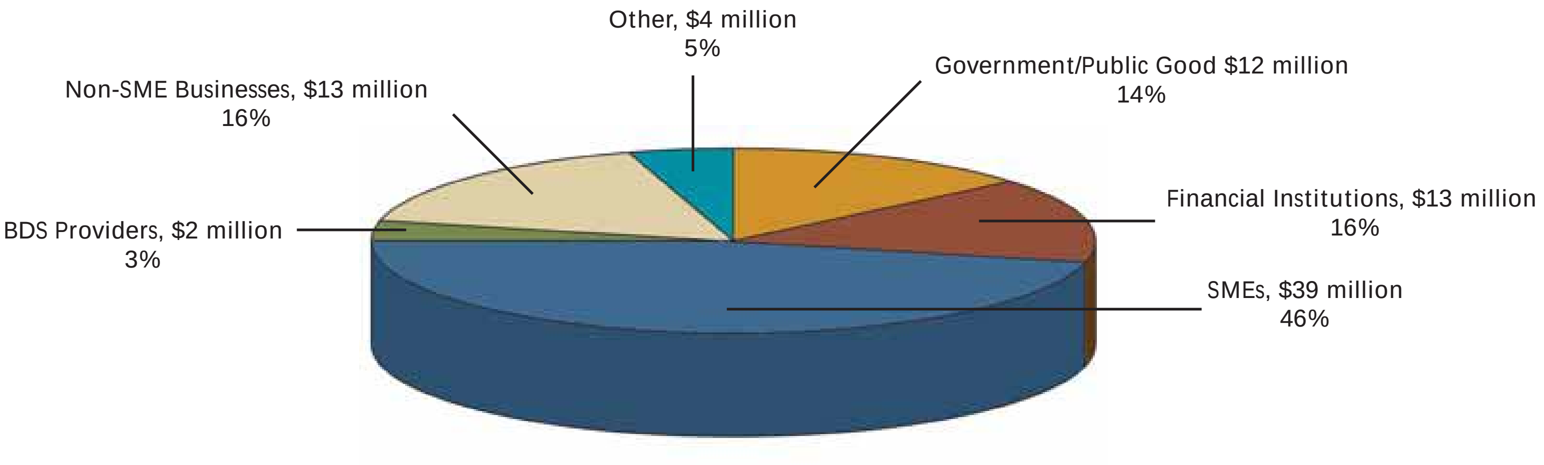
IFC's Financial Markets Commitments Targeting SMEs
(FY02–FY04, amounts in USD millions)

	FY02	FY03	FY04
Micro	30	87	91
Small	97	73	143
Medium	213	430	408
Total	340	590	641

*DFOs = IFC managed Donor-funded operations. IFC also participates in funding DFOs.

Note: These figures include microfinance investments.

Beneficiary Distribution of Program Spending
(all DFOs* FY04), USD Total: $83.6 million



*DFOs=IFC managed Donor-funded operations. IFC also participates in funding DFOs.

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ACRONYMS

AMSCO: African Management Services Company
APDF: Africa Project Development Facility
BTC: Bank Training Center
CBF: Capacity Building Facility
CPDF: China Project Development Facility
EBRD: European Bank for Reconstruction and Development
IDA: International Development Association
IFC: International Finance Corporation
IMI: Internationale Micro Investitionen (Germany)
Iraq SBFF: Iraq Small Business Financing Facility
IPC: Internationale Projekt Consult (Germany)
MFI: Microfinance Institution
MPDF: Mekong Private Sector Development Facility
NAED: North Africa Enterprise Development
NGO: Nongovernmental organization
PDF: Project Development Facility
PEDF: Pacific Enterprise Development Facility
PENSA: Program for Eastern Indonesia SME Assistance
PEP: Private Enterprise Partnership
PEP-ME: Private Enterprise Partnership—Middle East
SEDF: SouthAsia Enterprise Development Facility
SEED: Southeast Europe Enterprise Development
SMEs: Small and medium enterprises
TA: Technical Assistance

DEFINITIONS

Microenterprise
Employees: 10 or less
Total Assets: $100,000 or less
Total Annual Sales: $100,000 or less

Small Enterprise
Employees: Between 10 and 50
Total Assets: Between $100,000 and $3 million
Total Annual Sales: $100,000 to $3 million

Medium Enterprise
Employees: 50 to 300
Total Assets: $3 million to $15 million
Total Annual Sales: $3 million to $15 million

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