

Vol. 26 May - June 2005

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Report on credit reporting system development submitted to authorities;  
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Dialogue with National People's Congress (NPC) staff on secured transactions law;  
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Management training survey in secondary cities; and  
Manual on how to make the best use of consultants published.

**Visitors To IFC-CPDF** Liliana de Sa, Ronald J. Kopicki, Wang Wei, Zhao Huaiyong, Cecilia Sager, Zhang Wenhe, Dennis Meseroll, David Albaiceta, Andreas Klemmer, Bastiaan Mohrmann, John Giles, Nico Nissen

**People Among Us** Lucy Zhao Chunmei, Team Assistant.

**News From The Region** One-year goal for government reform;  
2.5 billion RMB for poverty relief;  
Food safety highlighted;  
Province gets loans from CDB; and  
Small business development promoted.

**Coming Up Soon** Corporate Governance and Investment forum on July 14<sup>th</sup>;  
Credit Analysis Training for Xi'an City Commercial Bank in late July;  
Launch of IFRS Audit for Chengdu City Commercial Bank in early July;  
Review of Chengdu CGC's procedures and systems in early August; and  
Sixth Consulting workshop to be held on August 12<sup>th</sup>.

## Recent Business Highlights

### Financial Sector (FS)

#### Loan Risk Pricing Symposium held in Xi'an ...



The recent lifting of the lending rate cap by China's Central Bank has opened up new possibilities for banks in China to lend to SMEs at remunerative rates. To help transfer international best practice in loan pricing to China, IFC and the China Banking Regulatory Commission (CBRC) jointly sponsored an International Symposium on

Loan Risk Pricing in Xi'an on May 24-25, 2005. Ms. Karin Finkelston, IFC's Associate Director for East Asia and Pacific, and CBRC Director General Mr. Nan Jinming opened the conference, stressing that risk-based pricing is a good banking practice of importance to Chinese banks. About 300 senior executives from nearly all of China's city commercial and joint-stock banks joined bank regulators at the two-day conference. CPDF invited six international experts to speak at the forum on topics such as risk rating systems, bank capital management, consumer loan pricing, corporate loan pricing, and the use of modern information systems. CPDF also developed an [Explanatory Guide to Loan Risk Pricing](#), which participants said they valued highly. (news contributed by the Financial Sector)

### **Report submitted to authorities on credit reporting system development ...**

To help China's central government authorities formulate a strategy for the development of credit reporting infrastructure, CPDF submitted a [Report on Credit Reporting System Development in China](#) to the Credit Information System Bureau of the People's Bank Of China (PBOC) in May 2005. The report provides an in-depth analysis of current credit reporting practices in China and proposes a set of constructive suggestions based on international best practices. The report is based on field studies in Beijing, Lanzhou and Hangzhou co-sponsored by CPDF and PBOC at the end of 2004. Several other World Bank Group units also contributed to the report. (news contributed by the Financial Sector)

### **Dialogue with National People's Congress (NPC) staffers on secured transactions law...**

Under the Creditor Rights Protection Project, a joint team from CPDF, FIAS and PBOC unveiled the latest findings from lender and registry surveys in Beijing on June 7-8, 2005. The team held its fourth dialogue with the NPC Legislative Affairs Commission about the secured transactions section of the draft Property Law. The team presented the main findings and recommendations, and clarified several concerns that will likely be raised by stakeholders. Representatives from commercial banks and academic institutions also participated in the meeting. Significantly, it is believed that the project has generated the first set of comprehensive data on lenders' security-taking practices in China. (news contributed by the Financial Sector)

### **Workshop on SME credit guarantee systems held in Chengdu...**

CPDF together with the Sichuan SME Bureau launched an international workshop on SME credit guarantee systems on May 20, 2005, in Chengdu. Korean experts and Chinese government officials exchanged views and experiences with industry players on the topics of risk evaluation methodologies and guarantee best practice. The Korean Credit Guarantee Fund (KCGF) has over 30 years of experience in credit guarantee, and has developed matured risk rating and credit scoring systems.



With the facilitation of CPDF, Chengdu Credit Guarantee Company and KCGF inked a cooperation agreement. Over 100 participants from financial institutions and private enterprises took part in the meeting. (news contributed by the Financial Sector)

## **Corporate Social Responsibility (CSR)**



### **Dairy linkages approved by Dutch Trust Fund...**

With the help of IFC Trust Fund Department, CPDF's dairy linkages project won approval from the Dutch Trust Fund. This is the second phase of the project, which is expected to enhance and upgrade supply-chain management for animal husbandry, feed and raw milk, and

ultimately improve the productivity and quality of production at milk supply bases in Sichuan and Yunnan Provinces. In the first phase, CPDF conducted a feasibility study and designed a pilot linkages program for dairy sector in Sichuan and Yunnan Provinces. It is estimated that more than 20,000 individual dairy farmers and SMEs are expected to benefit from the project. Nico Nissen, an agriculture expert, is working together with CPDF linkages team to define the final project scope. The project is expected to begin in August this year. (news contributed by Yi Qiyun, Business Development Officer with the CSR team)

### China Apple Linkages...

An intensive scoping mission for China Apple Linkages was completed successfully from June 1<sup>st</sup> to 12<sup>th</sup>. The linkages team presented the initial project scope to the corporate partner, North Andre Apple Juice Co. The client's senior management said they are very satisfied with the project design and hope to launch the project soon.



The North Andre Traceability and Farm Management Improvement Project will (i) introduce traceability in the apple supply chain of North Andre, the world's largest producer of apple juice concentrate based in China, (ii) improve farm management practices at the farm level, (iii) develop improved marketing opportunities for fresh apples grown by participating farmers using the traceability certification system, and (iv) build local institutional capacity.

The team was led by the SME linkages unit Bastiaan Mohrmann, CPDF linkages team and an agriculture consultant. The trip visited apple production areas Shandong and Sha'anxi provinces. (news contributed by Yi Qiyun, Business Development Officer with the CSR team)

### Minshan Natural Reserve visit...



CPDF, together with WWF and the senior management of Carrefour, visited Minshan Nature Reserve from June 24 to 26. The project is to help local farmers in Minshan develop sustainable farming as an alternative to illegal logging and poaching of wild animals. The visit highlighted our commitment to environmental protection and poverty reduction initiatives launched last November. The trip also helped both Carrefour and CPDF gain a better understanding of local dynamics that will aid in the design of more effective and targeted programs to address environmental and poverty issues.

(news contributed by Lei Wei, the Business Development Officer)

### Corporate Governance assistance ...

CPDF completed its last two corporate governance assistance to local pilot companies in Sichuan – Yayu Science and Technology Co., Ltd and Sichuan Gaojin Food Co., Ltd. This has successfully ended the second phase of the corporate governance program, which was funded by the Canadian International Development Agency (CIDA) and aimed at assisting ten local pilot companies to improve their corporate governance practices.

CPDF's assistance included in-depth assessment of the current corporate governance practices and tailor-made improvement plans, addressing corporate governance gaps and providing training. A Client Satisfaction Survey showed that the companies were satisfied with CPDF's services. More importantly, the clients were responsive to CPDF's recommendations and have begun implementing them. (news contributed by Natalya Arabova with the CSR team)

## Business Enabling Environment (BEE)

### CPDF begins to look at cluster development potential in Sichuan...



On May 16, 2005, CPDF organized a workshop on the development of clusters in Chengdu in collaboration with the Sichuan Economic Commission. Clusters represent geographical groupings of enterprises from specific industries and are a very effective form of enhancing the development of SMEs. About 150 participants from across the province attended the meeting. They are mainly officials from industry parks, local governments and investment promotion agencies. Mr. Ronald Kopicki, Lead Private Sector Development Expert of the World Bank, and two experts from the Development Research Center (DRC) of the State Council presented their research findings and experience in cluster development. At the end of May 2005, CPDF and MIGA also held discussions with the World Bank team working on a Sichuan urban development project to explore the possibility of assisting a specific emerging cluster in the province on a pilot basis. (news contributed by the BEE team)

### NPC Finance and Economic Committee visits CPDF...

Officials from the Finance & Economic Committee of NPC visited CPDF on June 14, 2005. CPDF briefed the officials on CPDF's current activities and future plans. The two sides also discussed business environment issues for private sector development. Access to finance, the legal environment, regulatory burdens, and business trust were highlighted as the main areas for further reform. CPDF was invited to participate in a dialogue with representatives of the local private sector. (news contributed by the BEE team)

## Access to Business Services (ABS)



### Management training survey in Sichuan's secondary cities...

CPDF conducted a survey on management training in the secondary cities of Sichuan Province. The initial findings show there are very few local training providers, and there is a real demand for management training. CPDF is assessing how best to meet this need. The survey was conducted in four secondary cities: Panzhihua and Yibin in the South; Mianyang and Deyang in the North. From the local SME bureau, ECOPROFIT (a local environmental NGO funded by the EU) conducted visits and interviews with local enterprises to assess the training market. (news contributed by Evariste Nduwayo with the ABS team)

### New partner signs up for Business Edge...

One new training partner, Yingsai Management Consulting Co., Ltd., signed on June 10th 2005, bringing the total number of new partners to 5 for this year. CPDF is also in active discussions with a further 2 to 3 potential training partners. (news contributed by Evariste Nduwayo with the ABS team)

### Radio program launched...

CPDF began a weekly radio program on June 23 hosted by Sichuan Economic Radio, with a panel of CPDF experts, local SME managers, local consultants, and local Business Edge training partners discussing management issues that impact local SMEs. This uses an interactive format with local managers able to phone the panel for on-air advice. (news contributed by Will Beloe, Business Development Officer)

### CPDF helps build a consulting industry association...

CPDF held the fifth consulting industry meeting on June 8th, giving training on how to market consultancies. Participation continues to grow with a record 20 consulting companies attending. There are now signs that this meeting is evolving into a viable industry association, with consulting firms beginning to take several initiatives to improve the bimonthly event. Increased confidence, better marketing and project management skills, and targeted presentations have helped the local industry post revenue growth in excess of 100% in Q1 2005. (news contributed by Will Beloe, Business Development Officer)

### Manual on how to make the best use of consultant...



CPDF has completed a manual to help companies decide whether consulting services can assist them to resolve their problems, how to select a consulting firm, and how to design and manage a project. 3,000 copies have been printed and are being distributed to local consulting firms, business associations, relevant government departments and local companies that are interested in using consulting services. (news contributed by Will Beloe, Business Development Officer)

## Visitors to IFC-CPDF

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- **Liliana de Sa** of IFC-HQ, **Ronald J. Kopicki** of the World Bank, and **Wang Wei** and **Zhao Huaiyong** from the Institute of Market Economy of the Development Research Center under the State Council visited CPDF on May 14 - 21 for Cluster Development.
- **Cecilia Sager**, **Zhang Wenhe** of MIGA, **Dennis Meseroll**, and **David Albaiceta** of TRACTUS Consulting Firm visited CPDF on May 30 for an internal review on Benchmarking Study (TA to SIPB).
- **Andreas Klemmer** of the International Labor Organization visited CPDF on June 7 for potential cooperation on business training in China.
- **Bastiaan Mohrmann** of IFC HQ and **John Giles** of Promar-International visited CPDF on June 9-10 for linkages program.
- **Nico Nissen**, agriculture expert, visited CPDF on June 9 – 25 for CPDF linkages program.

## People Among Us

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**Lucy, Zhao Chunmei**

Lucy, Zhao Chunmei, joined CPDF in March this year. She holds a Bachelor's Degree in English and Education from Southwest Normal University. Prior to CPDF, Lucy worked at China's University of Electronic Science Technology as an Education Consultant for the EMBA Program for 1 year; and worked for IBM's Chengdu Branch for 5 years as Secretary to the GM, Finance Sales Representative and Territory Representative for Small and Middle Business. She also

worked as the GM Secretary and Training Director in Chengdu Coca-Cola Beverage Ltd., as a middle school teacher and as a reporter for Sichuan Economic TV Station.

## News From The Region

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### **Government – One-year goal for a service-oriented government...**

The Chengdu Municipal Government has set a one-year goal to build a standardized and service-oriented government. Uniform standards will be set for posts, duties and services for governments at different levels; and an accountability system will be set up to rectify any negligence of duties, government services will be further enhanced and public opinion will be solicited to improve work efficiency.

### **Government – 2.5 billion RMB for poverty relief...**

The province plans to spend 2.5 billion RMB (\$300 million US) for poverty alleviation work, aiming to help 150,000 poverty-stricken residents and improve living conditions for 600, 000 low-income people this year.

### **Business – Food safety highlighted...**

5 regulations on food and medicine have been carried out from June this year. The key supervision will be on small food processing companies, children's foods and medicine markets in rural areas.

### **Business –Province gets loans from CDB...**

China Development Bank (CDB) will provide some \$980 million US in loans for new construction projects in Sichuan. The CDB is committed to support the construction of infrastructure, basic and pillar industries, and to help meet the government's goals of sustainable and steady growth.

### **Business –Small business development promoted...**

Shenzhen Development Bank-Chengdu Branch opened a new loan service to meet the needs of SMEs. The amounts range from 100,000 RMB(US\$12,000) to 8 million RMB(US\$960,000). The loans can be used for production and management.

## Coming Up Soon

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- A Corporate Governance and Investment Forum will be held on July 14<sup>th</sup> in cooperation with the Sichuan Listed Companies Association.
- Two sessions of Credit Analysis Training for over 100 managers and credit officers of Xi'an City Commercial Bank will take place in late July
- Launch of the International Accounting Standard Audit for Chengdu City Commercial Bank in early July.

- A British expert will review Chengdu Credit Guarantee Company's procedures and systems in early August.
- Sixth Consulting workshop will be held on August 12th.

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