

WORLD BANK GROUP by Keziah Muthebwa and Morris Muchemi

What is the World Bank?

World Bank is a public international financial institution with membership of 185 countries who are also the shareholders. The shareholders are represented by a Board of Governors, the ultimate policy makers at the World Bank. The governors of the bank are member countries' ministers of finance or ministers of development and they meet once a year at the Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund. The five largest shareholders are **France, Germany, Japan, the United Kingdom and the United States.**

OPERATIONS

World Bank provides loans and credits to developing countries - for projects that alleviate poverty. The Bank's lending to governments is done through the following bodies:

- **International Bank for Reconstruction and Development (IBRD)**
The loans are made with favorable interest rates and rather long repayment schedules.
- **International Development Association (IDA).**
IDA credits are extended to the poorest of the poor countries at no interest, with very relaxed loan repayment.

WORLD BANK GROUP

The World Bank is made up of the following institutions:

- International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)
- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)
- International Centre for Settlement of Investment Disputes (ICSID)

INTERNATIONAL FINANCE CORPORATION (IFC)

IFC has identified the following as the major challenges SMEs face in Africa;

- Inadequate Financing
- Inadequate management capacity
- Unreliable market information
- Non-conducive business environment

The SME Solutions Center which is a product of IFC offers services to SMEs in Four Broad Pillars;

- **Access to Finance** - They facilitate access to capital in the following forms
 - Risk Capital Fund - In this form IFC extends loan to the entrepreneur (Debt), inject capital in way of buying shares in the business with a clear exit strategy and lastly (Equity) and lastly a hybrid of the two (Quasi Equity).
 - 3rd Party Fund manager - Business Partners International.
- **Capacity Building and Technical Assistance**
 - Advisory and Enterprise Support Services on cost recovery basis whereby a need analysis is carried out in the business then appropriate technology implemented.
- **Access to Information**
 - Their market information Databases, and Sector studies reports in the resource center.
- **Business Enabling Environment**
 - Support Advocacy for business and investment friendly environment with the governments through and collaboration with umbrella bodies like KEPSA and Manufacturers Association of Kenya.

SSC Target Market

SME Support Center targets formally registered SME's with the following broad characteristics.

- 5-150 employees.
- Net Assets worth of above KSh.5 million
- A monthly sales turnover of KSh.1 million and above
- Capital needs of KSh. 4 to 40 million.
- Support in enhancing management capacity.

The following resources are available to the SME's

- Team to provide Capacity Building, Technical Assistance funds, and Risk Capital Funds.
- Hi-Speed/Broadband Internet Connectivity.
- ICT resource/business center
- Digital and text-based information data-bases.
- Business Incubators.

- Training and Conferencing facilities.
- Professional back-office support team.

IFC works in collaboration with the following

- International Organisations, Direct Foreign Investments and others.
- Other IFC programs e.g. Growth Oriented Women Enterprises
- Local Financial Intermediaries e.g Barclays Bank of Kenya Small Business Club, KREP Bank, Commercial Bank of Africa, CFC, etc
- Consulting firms, and Technical specialists.
- Industry Associations e.g KAM, KEPSA, KIM, etc
- Regulators and policy-makers, government ,etc

SSC INCUBATOR PROGRAM

- Some history and facts about incubation
- Global Perspective
- Incubation: Economic Development Strategy or Investment Strategy
- The incubation process
- SSC Incubation

Business incubation is a business support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services.

Origin

The term “business incubator” gained popularity in the media with the explosion and subsequent demise of so-called Internet incubators between 1999 and 2001, but the business incubation model traces its beginnings to the late 1950s in the USA.

Why incubation?

Business Mortality

On average, businesses that begin in a business incubator environment enjoy an immediate post-incubation business survival rate of 84% and demonstrate higher than average levels of growth and sustainability. Over 75% of businesses that start in incubation projects are still in business after five years compared to the average business survival rate of 33% over the same time period.

Job Creation

Publicly supported incubators create jobs at a cost of about \$1,100 each, whereas other public mechanisms often cost more. Every 50 jobs created by an incubator client generate another 25 in the community (Source: 1998 Business Incubation Industry, NBIA)

Figures and facts about incubation

Country	Incubation Experience	Size	Support	Comments
United States	1st incubator established in 1959	1,000	Federal Assistance, good infrastructure, Corporate Venture Arms (CVAs), presence of national incubation organization, NBIA	Largest number of incubators 25% of global count
European Union	Early 1980's	900	EBN, European BIC Network,	EU countries at various stages of development of incubation. Leaders include Germany, France And UK
China	Early 1980's	127 incubators and 200 software parks	UNDP - initiated, Strong Government support, Joint ventures with large cap tech companies e.g Motorola, IBM	Some of largest incubators in the world reside here e.g TEDA. Software industry still a decade behind India's
Brazil	Mid-1980s	160	UNDP, 52% of incubators funded by federal state agencies,	Software, electronics and life sciences constitute 70% of incubatee businesses
India	1990s	18 software tech parks, 15 Science and Tech parks.	Government support present, EPZs, solid links with Silicon Valley	30% of fortune 500 Companies source software from India
South Africa	1990s	17	Financial support from government and Information development, a World Bank hosted programme	Incubated businesses include bio and life sciences, medical devises, bio-diesel, essential oils, etc

There are two significant driving forces that distinguish the various approaches to business incubation. Incubators are setup to:

- to achieve local and regional economic development goals with a social return on investment through the generation of jobs and businesses,
- to generate profits for the incubator operator(s) and investors.

Examples of incubators in Kenya

- Kenya Industrial Estates
- EPZ Business Incubator Project
- KeKoBI
- SME Solution Center

STAGES OF INCUBATION

STAGE	TIME	CHARACTERISTICS
Concept	1 to 12 months	<ul style="list-style-type: none"> • Develop the business idea. • 1-2 people involved. • Secure funds
Seed	3 to 12 months	<ul style="list-style-type: none"> • Prove key technology/ service works • Refine biz plan including market views • Secure of funds
Product development	12 to 48 months	<ul style="list-style-type: none"> • Plan and hire, • Design and build, alpha, beta. • Secure of funds
Market Development	24 to 48 months	<ul style="list-style-type: none"> • Market calibration • market expansion • steady state operation • Secure of funds

The following will be available for the SMEs'

- One - stop shop (H/light 4 pillar strategy)
- Physical infrastructure offered (Broad band, telecoms, printing, front/back office, furniture, conferencing etc)
- Business Advisory Services (business plans, strategy, business /product development , skills development -training, networking, cross fertilization, finance raising)

Contacts

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Comments

Is Kenyan economy enabling for business and investments?

The economy is not at best but a lot have changed and is favourable for many businesses. It is paramount for the entrepreneur must play their part in assessing the economy before implementing their business idea.

It seems the World Bank is competing with local banks and other financial institutions.

The World Bank is not in competition with the local banks because the IFC lends high risk business and they can lend against the cash flow, the experience in the field, market, product, proven track record.

Is there a forum to support upcoming entrepreneurs and help them think through their business idea?

There is an online business plan disposal for comments at www.kenya.bidnetwork.org . In the future IFC will organise workshops/seminars on business planning and other related issues.

The GOWE has line-up seminars later in the year.

You have said there are 14 incubatees at the moment - is there room for more?

Yeah there is room for 5 more.

What the cost of developing business plan?

The best way is to send request so that can source quotation from the database of consultants put in place by IFC. Generally the consultants will charge Kshs. 50000 and above.

What the cost of incubation services?

The incubation services are paid services costing about Ksh. 10000 to 20000 and it takes about 1-2 years for the incubation process.