Appendix A: Portfolio Review Methodology

The Independent Evaluation Group’s (IEG) literature review and interviews with key staff knowledgeable on the World Bank Group’s support to small and medium-sized enterprises (SMEs) revealed the main issues to be considered by the evaluation. These were discussed in the evaluation’s Approach Paper as the theory of change for SME support. These models guided IEG to develop questionnaire templates for both the portfolio review and country-based analysis. With these tools, IEG reviewed the targeted SME (TSME) portfolios for each of the Bank Group institutions. Throughout the portfolio identification process; however, IEG identified a series of challenges with regard to project classification and coding in the Bank Group’s database systems. These challenges provided misleading results, given the number of false-negative and false-positive observations (see Tables A.1 and A.2).

**World Bank:** Projects may contain up to five sector or five thematic codes. IEG isolated projects that contained either the sector code “SME Finance” or the theme code “Micro, Small and Medium Enterprise (MSME) Support,” which produced a preliminary list of 134 MSME-coded projects. However, of these 134, only 67 percent were TSMEs. In addition, 42 percent of TSME projects were identified using other methods.

**IFC Investment:** IEG identified 484 self-standing projects and 152 trade finance transactions that were coded in IFC’s database system as either small or medium, totaling 635 projects, of which 384 were TSMEs. In addition, IEG’s review revealed that less than half of the 384 targeted projects’ legal agreements defined SMEs, specified eligible subborrowers as SMEs, or mentioned SMEs in the loan provision.

### Table A.1. World Bank Lending

<table>
<thead>
<tr>
<th>MSME Code</th>
<th># Projs</th>
<th>% Projs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted SME</td>
<td>90</td>
<td>67%</td>
</tr>
<tr>
<td>SME Relevant</td>
<td>25</td>
<td>19%</td>
</tr>
<tr>
<td>Not Targeted</td>
<td>19</td>
<td>14%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>134</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Table A.2. IFC Investment

<table>
<thead>
<tr>
<th>Method</th>
<th>Targeted SME</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIL Lending Instrument</td>
<td>2 1%</td>
</tr>
<tr>
<td>DPAD Database</td>
<td>9 6%</td>
</tr>
<tr>
<td>FPD Network</td>
<td>15 10%</td>
</tr>
<tr>
<td>Atlas.ti</td>
<td>39 25%</td>
</tr>
<tr>
<td>MSME Code</td>
<td>90 58%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Type</th>
<th># Projs</th>
<th>% Projs</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTFP</td>
<td>152</td>
<td>24%</td>
</tr>
<tr>
<td>Not Targeted</td>
<td>99</td>
<td>16%</td>
</tr>
<tr>
<td>Targeted SME</td>
<td>384</td>
<td>60%</td>
</tr>
<tr>
<td>Total</td>
<td>635</td>
<td>100%</td>
</tr>
</tbody>
</table>
Example of not targeted:

- “The project is to provide a loan of up to US$15 million and equity of up to US$10 million equivalent for up to 10% of Absolut Bank (“Absolut” or the “Bank”). IFC’s loan will be used to expand the Bank’s residential mortgage lending program in Russia where the mortgage market is quite large and underserved.”

- “United Water, established in 2003, has built a portfolio of five water supply and wastewater treatment projects with a total contracted capacity of 640,000 tons per day serving a population of around 2 million across an area of 500 km². The Company is currently planning to invest about US$27 million in the expansion of its water plants (the Project)...”

**MIGA:** The institution does not have a coding mechanism or strategy with regards to SME support and thus it was a challenge to identify projects that aimed to support this segment. IEG relied on the project descriptions as available on MIGA’s website and appraisal documents. For Example, the guarantee issued under Raiffeisenbank Serbia will cover a non-shareholder loan that will be used to “expand its medium-term lending to Serbia’s corporate sector, which is dominated by small and medium-size enterprises (SMEs)... The project also reflects MIGA’s efforts to rebuild post-conflict nations, and to support small and medium-size business growth through improved access to finance.”

**Evaluation Project Database: World Bank Lending TSME Portfolio**

For the purpose of this evaluation, IEG identified 155 TSME Bank Lending projects and 62 TSME analytic and advisory activities (AAA) approved between FY06 and FY12.

For both these portfolios, the identification of these projects was as follows:

IEG downloaded a list of all IBRD/IDA projects and activities approved between FY06 and FY12 from an internal Bank database. Given that projects may contain up to five sectors and up to five theme codes, IEG developed a preliminary list of Targeted SME projects by isolating those which contained either the sector code “SME Finance” or the theme code “Micro, Small and Medium Enterprise Support.” This produced a preliminary list of 134 MSME-coded projects.
For each of these projects, IEG systematically reviewed the Project Appraisal Document or other available appraisal documents such as Program Document or Project Paper to identify language regarding the project’s intention to directly support or contribute to SME development. Projects were coded as being fully targeted or containing a targeted component. In the latter case, projects may have also supported firms of other sizes or characteristics, but the targeted component focused on supporting SMEs while excluding firms of other sizes. Projects containing SME indicators were also classified as providing targeted support to SMEs. Of the 134 projects only 90 (67 percent) were targeted.

Projects (and project components) that included both SMEs and MSMEs were included if they excluded large enterprises from their support; however, projects that included only microenterprises were not included.

In addition, IEG reviewed all remaining Bank lending projects under the Financial and Private Sector Development Network (79 projects), those that utilized financial intermediary loans (11 projects), and those in another database that contained SME prior actions or benchmarks (388) following the methodology described above. An additional 26 TSME projects were identified in this manner.

Finally, IEG screened all remaining projects with Atlas.ti, a qualitative data analysis software application, using a series of keywords as described below. Projects that contained more than one “hit” (59 projects) were manually reviewed as described above. An additional 39 targeted projects were identified in this manner.

**SME Search String**

SME Mention:= SME | SMEs | MSME* | medium enter* | MSE | micro and small enter* | small enter* | medium and large enter* | small and medium enter* | medium business* | small business* | small firm* | medium firm* |

Examples of TSME language:

- “The project development objective is to stimulate the growth of micro, small, and medium enterprises (MSMEs) in selected value chains.”

- DPL Prior Action: “(i) Set up machinery for Empowerment Programme to spend Rs5 billion over 5 years on social protection, retraining and SME support; (ii) Design measures to facilitate growth of formal SME sector through access to finance, technical assistance and capacity building and consultancy services.”
“Component 2: Support to the development of entrepreneurial capacities ($4.0 million). This component targets the micro and small enterprises (MSEs) – the primary source of job creation in Togo and aims at developing the entrepreneurial capacities of MSEs through targeted and practical business training, coupled with matching grants, as well as mentoring for informal (also referred to as ‘traditional’) businesses.”

Evaluation Project Database: IFC Investment and Advisory Services
TSME Portfolio

For the purpose of this evaluation, IEG identified 384 TSME IFC Investments approved between FY06 and FY12.

The identification of these operations was a multistep process that involved the following steps.

Using a Management Information System extract, IEG filtered projects by commitment dates FY06-12. IEG also used the “SME Type” flag to isolate those projects which were coded as small enterprise or medium enterprise in the system. This resulted in a list containing 703 investment projects. IEG screened these and filtered out rights issues, sectorwide approaches, B-loans, and so on (68). Similarly, trade finance transactions (152) were filtered out as they would be reviewed programmatically given that the program seeks to reach SMEs through selection of participating banks and does not have specific targeting mechanisms at the transaction level. Thus, the preliminary list included 484 self-standing projects coded as either small or medium.

For each of the remaining 484 projects, IEG systematically reviewed the Board Report (as well as other project cycle documents) to identify language regarding the project’s intention to directly support or contribute to SME development. Projects were coded as being fully targeted or containing a targeted component. In the latter, projects may have also supported firms of other sizes or characteristics but targeted components focused on supporting SMEs while excluding firms of other sizes. Projects containing SME indicators were also classified as providing targeted support to SMEs. Of the 484 projects, 384 (72 percent) were targeted projects.

Projects (and project components) that included both SMEs and MSMEs were included if they excluded large enterprises from their support; however, projects that included only microenterprises were not included.
Examples of TSME language include:

- “The purpose of the project is to provide the Bank with the necessary long-term funds for on-lending to small and medium-sized private Russian companies ("SMEs")”

- “The objective of the Fund is to establish a local vehicle in Kenya capable of delivering finance and technical assistance to local SMEs in a commercially sustainable manner.”

- “The project entails a $3.0 million senior loan to Azerigzbank ("AGB" or the "Bank"), a privately-owned medium-sized local bank providing services primarily to Small and Medium Enterprises ("SMEs"), local entrepreneurs and individuals in Azerbaijan. The project would help AGB, an existing IFC client, to expand its lending and leasing activities in the SME sector.”

For the purpose of this evaluation, IEG identified 273 TSME Advisory Service projects approved between FY06 and FY12.

The identification of these operations was a multistep process that involved several steps.

The evaluation’s literature and document reviews, together with interviews with IFC Advisory Services strategy staff, revealed the following product lines as most likely to provide targeted SME support: SME Banking, Trade Finance, GEM Access to Finance, Farmer and SME Training, and Strategic Community Investment. Given that projects are coded by product line (often containing more than one product line per project), the evaluation’s preliminary review categorized as TSME any project that contained at least one of these product lines and where either the client or beneficiary was specified as being a SME in the Advisory Services database.

IEG also reviewed the remaining projects to identify any additional TSME projects. In order to streamline this process, IEG extracted project memo fields (PDO, project description, strategic relevance, and market failure) from the Cognos Viewer ASID Dashboard Memo Listing and performed a series of keyword-based searches. Keywords used include SME, Small and Medium Enterprise (or firm, business, company, and other variations), Small Enterprise, Medium Enterprise, Micro and Small Enterprise, Medium and Large Enterprise, and so forth. Projects containing these keywords were added to the preliminary list of TSME projects.
The original list of projects contained 1,661 projects. Following the steps above, the preliminary list of TSME projects revealed a total of 668 projects to be analyzed manually, following the methodology described above. IEG systematically reviewed project documents to identify language regarding the project’s intention to directly support or contribute to SME development. Projects were coded as being fully targeted or containing a targeted component. In the latter case, projects may have also supported firms of other sizes or characteristics but targeted components focused on supporting SMEs while excluding firms of other sizes. Projects containing SME indicators were also classified as providing targeted support to SMEs. However, it should be noted that a parallel investment climate evaluation will be examining many legal and regulatory reforms, some of which disproportionately benefit SMEs, but few of which would exclusively benefit SMEs. However, in country case studies, these projects were considered as relevant to SME strategy. Of the 668 projects, 273 were identified as TSME (41 percent).

Projects (and project components) that included both SMEs and MSMEs were included if they excluded large enterprises from their support; however, projects that included only microenterprises were not included.

Examples of TSME language include:

- “…the technical assistance program will focus on the following areas: Developing Access Bank’s capacity to outreach to the SME segment through exposure to best practice institutions/initiatives…”

- “The project aims to enhance the performance of a group of SMEs in the olive oil cluster in West Bank and Gaza strip in terms of product quality and export growth.”

- “The goal of the proposed Project is to improve the business enabling environment for Georgian SMEs.”

**Evaluation Project Database: MIGA SIP and TSME (Non-SIP)**

For this evaluation, IEG identified 37 TSME (non-SIP) and 50 SIP projects issued between FY06 and FY12.

The identification of these operations was a multistep process:
Collecting the list of all MIGA SIP and non-SIP projects for the period FY06-12 using the advanced search function in MIGA’s website available at “http://www.miga.org/projects” as well as the “Guarantees Issued” excel spreadsheet from MIGA.

**Defining a Project**

Although projects may be composed of one or more contracts of guarantee that may be issued over time, IEG defines projects as the collection of contracts of guarantee under one project identification, catalogued by the original fiscal year of issuance. Thus, projects with multiple guarantees count as one project in the database, and project amounts reflect the sum of all guaranteed amounts for each project.

For the purposes of this evaluation, this includes projects that received MIGA support for the first time between FY06 and FY12 or projects that received MIGA support for the first time during the evaluation’s FY06-12 scope (this includes those projects that had received MIGA support in the years prior to the evaluation’s scope).

**Exception:** Although ProCredit subprojects were covered under two master contracts (each with a unique project identification), these subprojects were recorded as a single project for each host country. In cases where the host country had more than one guarantee, the collection of guarantees for that host country counted as one project (Georgia, Serbia, and Ukraine).

**Defining TSME Projects in MIGA’s Portfolio (SIP and non-SIP)**

**SIP Projects:** Given the SIP’s objectives, SIP projects were considered as targeted support to SMEs and were analyzed as such by IEG. The program aims to support investments in companies that qualify as SME based on MIGA’s SME definition, which mirrors that of IFC and is based on whether companies fulfill two of the three criteria related to employment, assets, and sales (see board paper for definition).

**Non-SIP Projects:** To determine whether non-SIP projects were TSME, IEG began by reviewing each project’s description via the Project Brief, available on MIGA’s website. IEG identified projects with language within these project briefs that described whether supporting the project enterprise would contribute to SME development and the expansion of the SME sector. Keywords used to identify such support include SME, Small and Medium Enterprise (or business, firm, and other varieties), local businesses, and so forth.
After identifying the preliminary list of TSME projects via the project brief, IEG reviewed each project’s President’s Report for additional language regarding the project’s intention to directly support or contribute to SME development. Projects were coded as being fully targeted or containing a targeted component. In the latter case, projects may have also supported firms of other sizes or characteristics but the targeted component focused on supporting SMEs while excluding firms of other sizes.

Projects (and project components) that included both SMEs and MSMEs were included if they excluded large enterprises from their support; however, projects that included only microenterprises were not included.

IEG excluded projects that did not mention direct support to or contribution to the development of SMEs.

Examples of Targeted SME language include:

- “[the bank] will concentrate mainly on trade finance activities, in particular for small- and medium-sized companies. It will also finance real estate and industrial activities, but on a smaller scale.”

- “The funds will be utilized to finance various Ghanaian SME projects, mostly in the agri-business, manufacturing, services, tourism and transportation sectors.”