

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Developed and expanded MSME sector leading to accelerated private sector's inclusive growth for broad-based and sustainable local economy development in Northern and Southern regions and targeted sectors in Maldives</p>	<p>Increased broad-based private and MSME sector participation in economic activities, measured by:</p> <p>(i) Increased private sector contribution to local economy of two selected Northern and Southern regions and targeted sectors (handicrafts, fisheries processing, agricultural; commercialization, tourism-related, and boat-building),</p> <p>(ii) Total employment by private sector and/or MSME in targeted regions and sectors; and</p> <p>(iii) Increased number of registered and operational MSME in targeted regions and sectors.</p>	<p>Economic reports including Micro Small- and Medium Enterprises (MSME) monitoring and evaluation report and official statistics</p> <p>Private sector and donor impact assessment reports</p> <p>Reporting requirements under the Project</p> <p>ADB documents, such as Maldives country program strategy papers, country assistance program evaluation reports, and program completion reports</p> <p>ADB review missions</p>	<p>Assumptions</p> <p>General economic climate remains positive</p> <p>Sustained positive development of the Maldives' economy</p> <p>No political interference in the selection of projects to be supported under CSF or LCF or projects being bid out on PPP</p> <p>Risks</p> <p>Natural disasters may cause disruption in the tourism inflows and foreign investors' participation in PPP projects</p>
<p>Outcomes</p> <p>Improved capacity for doing business and greater access to financing, and business knowledge as well as expanded business opportunities</p>	<p>Reduced ratio of income inequality between the targeted regions and Central Region (e.g. At least 3% gap reduced by 2010)</p> <p>Increased number of MSME registered companies in targeted regions and sectors (e.g. At least 5% increase by 2010)</p> <p>At least 200 businesses/ entrepreneurs assisted by the cost sharing facility, and 70 credit lines provided to MSME in targeted regions and sectors by 2010</p>	<p>Monitoring and evaluation reports of the Economic Development Unit (EDU)</p> <p>Official copies of government's confirmation on the actions undertaken</p> <p>Steering Committee meeting minutes</p> <p>Reports of MNCCI/WEC and other publications of donors</p> <p>Subsequent Investment Climate Assessment studies by World Bank</p> <p>Consultant quarterly reports</p> <p>ADB Review missions</p>	<p>Assumptions</p> <p>Continuous strong government's commitment to undertaken the capacity development</p> <p>Risks</p> <p>Insufficient counterpart support to undertake and continue the Project implementation</p>

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<p>Outputs</p> <p>1. Strengthened business support infrastructure through enhanced access to BDS products and improved procedures for MSME development through capacity development of the EDU, MNCCI and WEC</p> <p>2. Enhanced access to finance for MSME through the Line of Credit Facility (LCF), establishment of Credit Information Bureau (CIB), capacity development for establishment of Central Moveable</p>	<p>Establishment of an EDU Project Management Unit to facilitate coordination between Business Development Services Centers [BDSC], other ministries, financial institutions, and the private sector</p> <p>Establishment of CSF and BDSC to promote quality business development services</p> <p>Increased number of MSME availing BDS and CSF (to be utilized for 200 small matching fund, 30 large matching fund)</p> <p>Number of developed BDS products including cluster approach products</p> <p>MEDT approval of EDU expansion of activities to atolls: budget figures reflect (i) increased manpower requirements, (ii) increased financial requirements for testing of innovative BDS, and (iii) financial requirements for implementation of activities</p> <p>MSME increased sales, increased export sales, growth in profitability and increased employment</p> <p>Number of training programs for EDU, MNCCI, WEC and other related stakeholders</p> <p>Operationalized LCF and grant of loans up to 70 to MSME on relatively relaxed collateral criteria by BML</p> <p>Number of training programs organized for LCF Desk staff in AI and BML</p> <p>Establishment of CIB registry and successful pilot operating</p>	<p>Official copies of government's confirmation on the actions undertaken</p> <p>Official copies and publication of BDSC and EDU, including periodic reports produced</p> <p>Financial statements of selected MSME</p> <p>Budget plans of MEDT</p> <p>MSME market and domestic BDS provider surveys</p> <p>Interviews with private sector stakeholders</p> <p>World Bank's Investment Climate Assessment reports</p> <p>ADB review missions</p>	<p>Assumptions</p> <p>Adequate resources and budget support available to carry out all the activities</p> <p>Strong government's commitment to pursue successful project implementation</p> <p>Good coordination and implementation support among involved government agencies and stakeholders</p> <p>Qualified consulting services provided to assist successful project implementation</p> <p>Adequate technical assistance provided to strengthen capacity development of targeted agencies</p> <p>Sufficient technical skills locally available and sufficient skills with domestic BDS providers available</p> <p>Sufficient number of skilled people willing to work in atolls</p> <p>Risks</p> <p>Loss and lack of qualified staff, including counterpart staff to support undertaking the Project implementation</p> <p>Lack of skills of EDU and BDSC staff to implement institutional strengthening measures</p>

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<p>Assets (CMA) registry and enhanced capacity development of AI and BML</p> <p>3. Enhanced capacity for PPP from legal, regulatory, financing, and institutional aspects as well as building a pipeline of PPP projects especially at targeted atolls in selected sectors.</p>	<p>Completed implementation plan and relevant legal/regulatory framework for establishment of CMA registry</p> <p>Accelerated loan appraisal process (Shorter than current MSME loan appraisal period)</p> <p>Reduced collateral requirements for MSME loans (higher than 50% assessed value)</p> <p>Regulations are made transparent to the business community</p> <p>Establishment of PPP Cell in the MOFT</p> <p>Establishment of PPP Project Development Units within concerned line ministries</p> <p>Mobilization of consultants for technical assistance</p> <p>Development of regulatory framework for PPP projects</p> <p>Identification and development of two pilot projects on PPP basis</p>		<p>Expected results not fully met due to lack of understanding, consensus, or government's commitment</p> <p>Lack of an effective communications and coordination skills on the part of the government</p> <p>Willingness and efficiency of BML to implement credit enhancement program</p> <p>Political commitment to undertake reforms at both central and atoll levels</p> <p>Sufficient resource availability for capacity building of regulators and managers of PPP projects</p> <p>No financially viable projects can be structured on PPP basis</p>
Activities with Milestones			
<p>1. MSME Promotion</p> <p>1.1. Recruit a BDS/CSF specialist and other consultants to prepare detailed operation procedures, manuals as well as BDS needs based on the recommendations of TA 4745-MLD^a within 2 months of loan effectiveness</p> <p>1.2. EDU to establish the Central BDSC to facilitate coordination between different ministries and other involved government agencies and the BDSC Operation desks in <i>Kulhudhuffushi</i> and <i>Hithadhoo</i> within 3 months of loan effectiveness</p> <p>1.3. PMU to educate BDS/CSF mechanism and procedures to all related stakeholders and targeted MSME within 5 months of loan effectiveness</p> <p>1.4. Central BDSC and BDSC Operation Desks in <i>Kulhudhuffushi</i> and <i>Hithadhoo</i> to be operational within 6 months of loan effectiveness</p> <p>1.5. CSF to be operational on a pilot basis within 6 months of loan effectiveness</p>			<p>Inputs</p> <ul style="list-style-type: none"> ▪ TA resources (\$7.8 million) ▪ Consultants (69 person-months international consultants; 116 person-months national consultants) ▪ Equipment (\$480,000) ▪ Training/Workshops (\$285,000) ▪ Contingency (\$530,000)

Activities with Milestones	Inputs
<p>1.6. PMU to organize training for capacity building of MNCCI and WEC within 6 months of loan effectiveness</p> <p>1.7. PMU to contract training activities to dedicated and specialized training centers within 6 months of loan effectiveness</p>	<ul style="list-style-type: none"> ▪ Interest charges (\$159,500)
<p>Activities with Milestones</p>	
<p>1.8. BDSC to set up a website and to disseminate brochures with information on the BDS products within 8 months of loan effectiveness</p> <p>1.9. Introduce performance benchmarks and monitoring system for enhancing BDSC performance within 8 months of loan effectiveness</p> <p>1.10. Disseminate performance benchmarks to the related stakeholders for benchmarks implementation within 12 months of loan effectiveness</p> <p>1.11. Monitor and report the performance of BDSC through surveys and against performance benchmarks within 12 months of loan effectiveness</p> <p>1.12. PMU and BDSC to prepare first batch of workshops with the training experts to disseminate the lessons from CSF implementation within 18th months of commencing loan, and conduct workshops intermittently.</p>	
<p>2. Enhance access to Finance</p>	
<p>2.1. Recruit a LCF consultant for detailing LCF operation mechanism based on the recommendations of TA 4745-MLD within 1 month of commencing loan.</p> <p>2.2. Establish LCF Desk in AI and BML within 2 months of commencing loan.</p> <p>2.3. Prepare detailed operation mechanism for LCF to be drafted and finalized by AI and BML (the approval of board s of AI and BML to be obtained) within 3 months of commencing loan.</p> <p>2.4. BML and AI to educate related stakeholders and targeted MSME, and conduct public awareness activities for LCF within 5 months of commencing loan.</p> <p>2.5. LCF to be operational within 6 months of commencing loan.</p> <p>2.6. AI and BML to organize training for capacity building for their staff and targeted MSME within 6 months of commencing loan.</p> <p>2.7. Prepare workshops with the training experts to disseminate the lessons from LCF implementation within 18 months of loan effectiveness</p> <p>2.8. Bidding process to be completed for selection of vendor for installation of CIB within 3 months of commencing loan.</p> <p>2.9. Installation of the CIB to be completed within 13 months of commencing loan.</p> <p>2.10. MMA to recruit a consultant to review the CIB from the perspective MSME development, and advise the system to be developed in order to enhance MSME's access to finance, reduce transaction costs for conducting credit analysis, and ensure sustainability of the CIB registry etc within 16 months of commencing loan.</p> <p>2.11. Preparation of workshops with the training experts to disseminate the lessons from CIB implementation within 24 months of commencing loan.</p>	

Activities with Milestones	
<p>3. Capacity Building for PPP</p> <p>3.1. Establish PPP cell in PEMEB within 1 month of commencing loan.</p> <p>3.2. Establish PPP Project Development Units in ministries concerned within 2 months of commencing loan.</p> <p>3.3. Consultants to be recruited within 3 months of commencing loan.</p> <p>3.4. Setting up sectoral PPP strategy, key objectives and strategic expectations of the Government Review and assess the Maldives' PPP and related strategies, policies and procedures within 7 months of commencing loan.</p> <p>3.5. Review of policy, legal and regulatory framework for PPP within 7 months of commencing loan.</p> <p>3.6. Formulation of PPP project preparation and development financing mechanism within 8 months of commencing loan.</p> <p>3.7. Government sign-off on policy and institutional interventions and formulation of PPP policy document as well as on PPP financing mechanisms within 10 months of commencing loan.</p> <p>3.8. Selection of two prioritized projects for PPP and traffic/demand and technical studies to define the scope, structure and commercials of the project within 13 months of commencing loan.</p> <p>3.9. Preparation of feasibility and project structuring reports for identified projects (energy and transportation) within 16 months of commencing loan.</p> <p>3.10. Financial and risk analysis, bankability analysis with potential foreign bidders/developers, and selection of project development model within 16 months of commencing loan.</p> <p>3.11. Preparation of model bidding documents for two pilot projects 17 months of commencing loan.</p> <p>3.12. Government sign-off on its obligations and objectives and transaction structure within 17 months of commencing loan.</p> <p>3.13. Preparation of workshops with the training experts to disseminate the lessons from PPP implementation and to support training arrangements to enhance skill set of PPP from 22 months of commencing loan onward.</p>	

ADB = Asian Development Bank, BDS = Business development services, BDSC = Business Development Services Center, CIB = Credit Information Bureau, CSF = Cost sharing facility, EDU = Economic Development Unit, LCF = Line of Credit Facility, MNCCI = Maldives National Chamber of Commerce and Industry, MOFT = Ministry of Finance and Treasury, MSME = Micro, Small- and Medium Enterprises, PEMEB = Public Enterprises Monitoring and Evaluation Board, PMU = Project Management Unit, PPP = Public-Private Partnership, PSDP = Private Sector Development Project, TA = technical assistance, WEC = Women Entrepreneurs Council.