OVERALL ASSESSMENT

The evaluation found that small and medium-sized enterprise (SME) operations were less successful than Asian Development Bank (ADB)-wide operations. They made a contribution to the growth of the SME sector in the region, although it was modest and varied widely across operational areas and countries of support. Many operations made a contribution to the growth of women-led SMEs.

SUPPORT FOR THE BUSINESS ENVIRONMENT

- Business environment operations performed well. They were assessed relevant, effective, and efficient.
- They helped improve the overall policy environment and regulatory and administration system for SME operation, but the contribution was modest and mostly in Southeast Asia.
- ADB’s support was less effective in developing sustainable business development services for SMEs.
- Business environment operations were largely focused on national rather than subnational issues and lacked support for implementation of reforms initiated.

SUPPORT FOR ACCESS TO FINANCE

- Access to finance operations performed well below ADB-wide operations. Several were assessed to have been less than relevant, and many were evaluated as less than effective and less than efficient.
- Access to finance operations focused on providing financing to SMEs, mostly through credit lines for onlending to SMEs but these often did not service the underserved SMEs.
- Access to finance operations had limited catalytic or demonstration effects. The financing that was provided helped improve the balance sheets of the participating financial institutions but contributed only modestly to

RECOMMENDATIONS

The evaluation recommends that ADB should

1. Specify the parameters for ADB’s support for SMEs covering (i) rationale, (ii) strategic areas of focus including the mix of sovereign and nonsovereign operations, (iii) corporate-level objectives and performance indicators, and (iv) guidance on quality project design and implementation, as part of the new financial sector framework when it is updated.

2. Improve the implementation and monitoring of results of SME operations.

3. Improve the SME knowledge base in ADB and increase advisory services to better serve clients.

4. Improve staff skills and interdepartmental coordination, particularly between the Private Sector Operations Department (PSOD) and the regional departments, to maximize the One-ADB impact.

EVALUATION SCOPE

Operations portfolio: 182 operations of $5.3 billion provided to 25 developing member countries in Asia and the Pacific during 2005–2017.

Operational areas: business environment (70 operations), access to finance (128 operations), and access to value chains (16 operations).

Of the portfolio, 42 operations ($2.5 billion) were classified as gender-mainstreamed and had activities supporting women in business.
improving access to finance for SMEs. In the case of countries, intermediary loans did not facilitate growth in financial institutions’ SME portfolios or generate SME clients. There was little evidence that access to finance operations helped spur SME sector financing.

- The SME operations of participating financial institutions had positive impacts on their lending processes. SMEs that took out loans experienced positive impacts on employment, assets, and sales.

SUPPORT FOR ACCESS TO VALUE CHAINS

- There were a limited number of operations focused on access to value chains and these were mostly recent.
- Almost half of the financing for access to value chains ended up providing credit to SMEs instead of addressing underlying market constraints on SMEs’ access to value chains. Their contribution to SME development is not yet clear.

SUPPORT FOR WOMEN IN BUSINESS

- Operations supporting women in business had a mixed performance. They had a strong rationale and delivered most of their planned outputs, although often with long implementation delays. They were assessed to have been relevant and effective, but less than efficient.
- These operations had reasonably good development results in countries where efforts focused on or included policy change and capacity development for women-led SMEs.
- They had limited results in countries where efforts focused on providing credit, or introduced inappropriate business models.
- Support for capacity development of women-led SMEs, financial intermediaries, and SME support institutions helped improve gender sensitivity in SMEs and institutions that support them.

KEY ISSUES

Operational Issues

1. The rationale behind the prioritization of areas of ADB support to SMEs is not clear. Efforts to support access to finance dominated other operational areas. Likewise, ADB invested disproportionately more resources in countries at higher levels of development than in countries where SMEs face even more constraints.

2. ADB’s efforts, especially in access to finance operations, tended to focus more on upstream activities, e.g., project formulation and design, than on implementation and monitoring.

3. SME operations often had poor design and monitoring frameworks and lacked credible performance data for timely progress monitoring and mid-course adjustment to improve development results.

4. Operations supporting the business environment had been broadly directed to address national but not subnational policy and legal issues. Reforms lacked implementation and institutional support.

5. Operations supporting SMEs’ access to finance primarily focused on providing credit lines for onlending to SMEs and had inadequate attention to developmental impact.

6. Operations supporting women in business largely focused on providing credit to women-led SMEs, with less emphasis on helping women owners improve their technical capacity to expand their businesses.

Institutional Issues

1. Development objectives and strategies for SME operations are not clear to ADB staff.

2. Staff are generally less than satisfied with the allocation of dedicated staff and their level of experience.

3. Staff find ADB’s SME knowledge products limited and not very useful.

4. There is limited coordination, communication, and knowledge sharing across ADB departments.

SUCCESS FACTORS FOR ACCESS TO FINANCE PROJECTS

- Selection of the right participating financial institutions with commitment to serve SMEs
- Capacity development of participating financial institutions and SMEs
- Subloans designed with focus on reaching underserved SMEs
- Good performance indicators and collection of monitoring data on targeted groups
- Regular monitoring for possible mid-course adjustments