

TECHNICAL ASSISTANCE COMPLETION REPORT¹

Division: BRM

TA No. Country and Name TA 4507-BAN: Support Program Implementation and Coordination of SME Sector Development Program			Amount Approved : \$600,000	
			Revised amount : \$600,000	
Executing Agency Ministry of Finance		Source of Funding TASF	TA Amount Undisbursed \$57,581.35	TA Amount Utilized \$542,418.65
TA Approval Date 20 December, 2004	TA Signing Date 12 July 2005	Fielding of First Consultant(s) 11 Sept 2005	TA Completion Date Original: 31 Dec 2007 Actual: 30 Jun 2009	Account Closing Date Original: 31 Dec 2007 Actual: 30 June 2009

Description

The development of small and medium enterprises (SMEs) contributes to pro-poor economic growth in line with the Government's poverty reduction strategy. The SME Sector Development Program (SMESDP) was approved in December 2004 when the piggybacked technical assistance (TA) grant was also approved to support program implementation and coordination to ensure timely compliance with policy conditions and other deliverables to achieve the stated outcomes. The SMESDP consists of a program loan (\$15 million) for policy support, a project loan (credit line of \$30 million) for SME financing, and a TA loan (\$5 million) for strategic support to SME sector training and capacity development. The executing agency (EA) of the program is the Finance Division, Ministry of Finance (MOF-FD). The Implementing Agency (IA) for the program and TA loans is the Ministry of Industries (MOI), and Bangladesh Bank (BB) is the IA for the project loan. The TA grant assisted the SME Cell and SME advisory panel in formulating a program for implementation of the SME policy and development framework. The main tasks under the TA were to assist in policy and development framework implementation, strengthen monitoring and reporting, help oversee the implementation of various components under the SMESDP, and provide technical support to the EA and IAs.

Expected Impact, Outcome and Outputs

The objectives of the TA were to (i) assist the Government/SME Advisory Panel in preparing a results-based time-bound action plan stipulating all relevant medium-term reform and capacity-building measures; (ii) assist in operationalizing the SME Cell at MOI that will implement the SME policy; (iii) monitor the SMESDP programs and various components to ensure that beneficiaries are reached and desired outcomes attained; (iv) assist in ensuring the smooth implementation of SME support systems (database, web portal, helpline centers); (v) review and supervise the administration of the training programs and provide feedback on their effectiveness; (vi) build up capacity of the IAs in monitoring the policy impact, and train participating financial institutions (PFIs) under the Small Enterprise Fund (SEF) in conducting benefit monitoring of their SME loans; (vii) synchronize all activities under the SMESDP; (viii) provide administrative support to the central program coordination unit (CPCU) at MOF-FD and the SME Cell in MOI in procurement, consultant recruitment, and provision of other resources under SMESDP; and (ix) assist in and monitor the implementation of the gender action plan.

Delivery of Inputs and Conduct of Activities

The Technical Assistant Grant Team (TAGT) comprised one international and three national consultants, and commenced work on 11 September 2005. The national SMESDP Implementation/Project Administration Specialist was engaged for the full duration of the TA, while the other three consultants were engaged to provide intermittent inputs. The International Team Leader worked through April 2007, the National Gender Specialist through August 2006, and the National SME Policy Expert through November 2006.

The consultants' performance was generally satisfactory as per their respective terms of reference (TOR). Several tasks were carried out partially because the implementation of some activities was delayed or could only be implemented in phases. Major activities in the TORs not undertaken by the consultant team were securing feedback on and recommending appropriate improvements and corrective actions to ensure effective administration of training programs, timely monitoring and implementation of the Bangladesh Small and Cottage Industries Corporation phase-out and restructuring plan, and implementation of benefit monitoring systems of SMESDP and training of PFIs. However, the consultant team showed great commitment in creating momentum in SMESDP activities, and supported the IAs to carry out their tasks and activities. The main reasons for the delay in TA implementation were due to long delays in signing the TA letter, recruitment of TA consultants, and lack of adequate management and support by the MOI.

¹ In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

Evaluation of Outputs and Achievement of Outcome

The TA has contributed substantially to monitoring and providing guidance to implementation of SMESDP activities. It also assisted ADB review missions in the oversight of the SMESDP. Major outputs delivered under the TA were as follows: (i) a SME action program for implementation; (ii) operational guidelines and organizational plan for the SME Cell; (iii) documentation for establishing the SME Foundation; (iv) detailed activities to be implemented under the gender action plan; and (v) a women's entrepreneurial forum concept note. The team also assisted in project administration and coordination, mainly the implementation specialist and to some extent the team leader, including on procurement matters as requested by the IAs, and also in preparing Quarterly Progress Reports. Additionally, TAGT members prepared (i) a policy paper on the electronics sector recommending tax and duty adjustments on several products; (ii) a framework for establishing a Pharmaceutical Ingredient Park; and (iii) various notes, terms of reference, concept papers, and workshop papers.

Overall Assessment and Rating

Both tranche releases of the program loan were made in a timely manner after compliance with the relevant policy conditions. The project loan is being utilized at a rate faster than expected and loan funds are expected to be fully utilized by end-June 2009, one year ahead of schedule. All procurement was completed in a timely manner although the consultant recruitment was delayed. The equipment for Bangladesh Standard and Testing Institutions was purchased under component 5 of the TA loan of the SMESDP. While all the consultants completed their assigned inputs, the TA completion was extended to 30 June 2009 for submitting the final report of the TA and final settlement of the outstanding bills and closing of the TA account. The team leader of the TAGT submitted the draft final report in April 2009.

The monitoring of the SMESDP programs and various components was undertaken to ensure that beneficiaries were reached and desired outcomes attained, thereby supporting advisory work and procurement activities under the SMESDP. The outcome of the TA was only partly achieved since the major activities were not fully delivered and all operational targets/outputs were not met. Further, the development of a dynamic SME sector in Bangladesh on a sustainable basis will require human, institutional, and financial resources beyond the TA and SMESDP. Based on the above considerations and overall achievement of objectives, the TA is rated only partly successful.

Major Lessons Learned

Government established the SME Foundation for overall policy coordination and to support SME access to finance technology and business development services, which is functional now. A web portal has been developed and helpline outreach centers set up at district level, which are operational. The capacity enhancement to address the need of the SMEs to improve their performance and competitiveness is underway. However, the internal institutional and capacity issues need to be comprehensively assessed and considered in preparing TAs. It is essential to ensure that adequate management time is committed to the implementation challenges of a project as complex as the SMESDP, particularly when the IA has limited experience in managing ADB projects. The team leader could have benefited from a longer input and his responsibilities and duties could have been better aligned with the implementation activities of the SMESDP. There is also a need to take early corrective actions by ADB when the TA team identifies bottlenecks and issues that work against appropriate execution of project activities. Further, the accomplishments of the TAGT need to be institutionalized within the implementing agency to sustain the impacts of the interventions.

Recommendations and Follow-Up Actions

The SME sector needs further support and assistance to accomplish the overall sector development goals and to accelerate poverty reduction. The capacity of the executing/implementing agencies and other related stakeholder needs to be strengthened, in particular the overall professional skills of BB officials managing the SEF and SMESDP and other PFIs. Further intervention in the sector by Government and ADB for SME financing and support activities is needed to create an enabling environment for faster and more sustainable SME growth.

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