TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SAGF

TA No. and Name RETA 6087:Small- and Medium-Sized Enterprise Growth and Development in the South Asia Region		**Amount Approved:** $750,000 **Revised Amount:** $750,000	
Executing Agency South Asia Enterprise Development Facility (SEDF)	**Source of Funding:** TASF	**TA Amount Undisbursed** $97,051.08	**TA Amount Utilized** $652,948.92

Date			Completion Date	
Approval	**Signing**	**Fielding of First Consultant:**	**Original**	**Actual**
19 December 2002	24 February 2003	19 January 2003	31 December 2004	31 December 2005
			Closing Date	
			Original	**Actual**
			31 December 2004	31 July 2006

Description

Small- and medium-sized enterprises (SMEs) in South Asia have not significantly contributed to sustainable growth and job creation, which are essential to offset deep, persistent poverty. In particular, the Bangladesh, Bhutan, Nepal, and Northeast India (BBNNI) subregion has few SMEs, and their contribution to the economy is very limited (SME development in Bangladesh is comparatively more advanced and has contributed more to the economy than that of other BBNNI countries). While each of the countries in BBNI has unique problems in SME development, the constraints are similar and fall into three categories: lack of access to credit and financial services, lack of access to quality business development services, high cost of doing business and weaknesses in the enabling environment.

One of the ways that ADB proposed to address the three main categories of constraints faced by the countries in the BBNNI region was to provide a regional technical assistance (RETA) to SEDF. SEDF, established in April 2002, is headquartered in Dhaka and is managed on behalf of the contributing donors by the SME Department of the World Bank Group. SEDF would help SMEs in the BBNI region with a mix of programs by working in conjunction with local financial institutions, training institutions, consultants, and government agencies. SEDF would help increase the operational competence of SMEs, improve their management, and raise their productivity. As a result, this would enhance the number, growth rate, and competitiveness of SMEs, thereby contributing to broad-based and sustainable growth resulting in poverty reduction in the BBNNI region.

Expected Impact, Outcome and Outputs

The TA was designed to enhance the growth of commercially viable, sustainable, and competitive SMEs in the private sector of the BBNNI region. Using the network of financial institutions and business service providers and the organizational and governance structure of SEDF, the TA would help improve access of SMEs to finance and financial services, provide better business development and support services for SMEs, and create an enabling environment conducive to the growth and development of SMEs through reform measures and improved regulatory processes.

The TA scope included four components: to help meet the cost of consultants recruited by SEDF for its program to (i) undertake project-related activities to evaluate and prepare SME projects for financing, (ii) strengthen local providers of business development and support services targeted at developing projects and programs for SMEs in selected sectors, and (iii) carry out studies and provide advice on issues and reform areas of direct concern to SMEs to improve the enabling environment. The TA's goal was consistent with ADB's overall Country Strategies and Programs for Bangladesh, Bhutan, India, and Nepal by recognizing the role of the private sector as a catalyst for sustainable economic growth resulting in poverty reduction. Specifically, SMEs have a significant role to play in such operations.

Delivery of Inputs and Conduct of Activities

The RETA was managed and administered by SEDF in consultation with ADB. The RETA was expected to fund 12 consulting assignments for approximately 40 person-months of international and local consulting firms or individual consultants. However, approximately 45 assignments have been financed till now ranging from SME Education sector studies to business development proposals in the agribusiness sub-sector to workshops on SME capacity building of partnering financial institutions (PFIs). In terms of client satisfaction, SEDF was fully satisfied with its inputs because of the wide range and number of assignments undertaken.

SEDF's performance was less than satisfactory. First, SEDF was expected to limit project expenditure to Bangladesh at 80% of total expenditures, but it has persisted in a range of 87-95% from FY:03 to FY:06, thus neglecting project emphasis in other BBNNI areas. Furthermore, the consultancies are primarily limited to Bangladesh or Bangladeshi firms despite the ADB Project Officer's insistence to EA that more non-Bangladesh consultancy projects and firms should be encouraged under the RETA. Only a few projects/workshops were conducted outside Bangladesh. SEDF attributed this deviation in project Expenditures to civil disturbances in Nepal which hardly allowed any program

expenditures in that country. Second, SEDF deviated from the budget allocation of its program components as outlined in the RETA. Approximately 50% of the SEDF program budget was to be allocated to improving access to financial services, 33% of the budget to improve business development and support services, and 17% to improve the enabling environment. After excluding general administration and contingency fees from expenditures, from FY:03 to FY:06, access to finance component received an average of only 32% of the budget, business development services received an average of 36% of the budget, and business enabling environment received an average of 32% of the budget. Third, SEDF did not direct any consultancy work to support and complement SMESDP, an ADB sector development program for SME development to foster the growth and competitiveness of SMEs. According to the RETA, SEDF was expected to form information-sharing and project development linkages with SMESDP. Fourth, significant differences persisted between ADB and SEDF regarding eligibility of projects to be financed by the RETA. As a result, claims/invoices for a number of projects presented by SEDF for reimbursement were not processed. Furthermore, a large amount of RETA funds remain undisbursed. However, the TORs of those projects whose invoices were processed did correspond to the RETA's objectives and scope, and the profile of the consultants was well suited to the expected outputs. The performance of the consultants engaged under the RETA (by SEDF) ranged from satisfactory to outstanding as per the consultant performance evaluation reports submitted to ADB. As a result, the productivity of the inputs (conversion into outputs) was high.

The RETA was to be implemented over two years. However, the completion of this TA was extended twice, for a cumulative period of 12 months. It was first extended to June 30, 2005 to allow more time for consulting services for subprojects funded by the RETA to be rendered. It was extended a second time to December 31, 2005 to enable ongoing subprojects being supported by the RETA to be completed, a completion review of the RETA to be undertaken, and claims for consulting services to be processed. In fact, the RETA could not be financially closed till recently due to SEDF delay with respect to submission of remaining invoices and the certificate of full payment.

ADB's performance was less than satisfactory because it was hampered by EA non-cooperation. Differences persisted throughout the duration of the entire RETA over project and invoice eligibility requirements, acceptable receipt format and timing, and linkage formulations with SMESDP.

Evaluation of Outputs and Achievement of Outcome

In terms of absolute numbers, SEDF did exceed or meet its operational targets/outputs under its three components, specifically access to finance, enabling environment, as well as business development and support services. However, in terms of regional output activity, SEDF was less effective as most of its output was derived in Bangladesh. In terms of client satisfaction, SEDF was fully satisfied with its outputs. According to SEDF progress reports, the output quality was high and relevant which demonstrated that the reports, workshops, training, and institutional building undertaken by the consultants were satisfactory and that the terms of reference were met.

Overall Assessment and Rating

The TA is rated as partly successful.[1]

Major Lessons

Differences persisted throughout the duration of the RETA over project and invoice eligibility requirements, acceptable receipt format and timing, and linkage formulations with SMESDP most likely due to lack of effective and conclusive dialogue/discussions between SEDF and ADB during TA formulation.

A consensus on all the implementation arrangements (such as how and when receipts should be sent, project and invoice eligibility requirements, etc) should be reached between the EA and ADB before the TA is approved. This would minimize delays in the TA completion as well as ensure smoother project implementation.

Recommendations and Follow-Up Actions

In the design and formulation of the RETA, information sharing and project development linkages were expected between SEDF and SMESDP. Such linkage formulation is ideal in theory but in reality, implementation issues persist which are hard to resolve. Future TA designs should refrain from such interdependence across similar loans/programs.

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[1] Using OED's criteria for overall project performance based on relevance, effectiveness, efficiency, and sustainability as stated in the *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*, January 2006 (see Appendix).

Assessment of Overall Project Performance
RETA 6087:Small- and Medium-Sized Enterprise Growth and Development in the South Asia Region

Criterion	Weight (%)	Assessment	Rating Value	Weighted Rating
1. Relevance	20%	Relevant The RETA's goal was consistent with ADB's overall Country Strategy and Programs for Bangladesh, Bhutan, India, and Nepal. The objective was to enhance the growth of competitive SMEs in the private sector of the BBNNI region, recognizing the role of the private sector as a catalyst for sustainable economic growth resulting in poverty reduction	2	0.40
2. Effectiveness	30%	Less Effective The outcome of the RETA was only partially achieved since majority of the financed assignments were in Bangladesh or with Bangladeshi firms. More assignments dispersion across other countries in the BBNNI region was needed.	1	0.30
3. Efficiency	30%	Less Efficient The RETA was less efficient due to significant delays during implementation for a variety of reasons.	1	0.30
4. Sustainability	20%	Likely SEDF's growing reputation and unique branding as a high quality business-like partner has resulted in increased demand for SEDF assistance from stakeholders including the private sector and governments in the BBNNI region.	2	0.40
Overall Assessment (weighted average of above criteria)		**Partly Successful**		**1.40**