

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SEGF

TA No., Country and Name TA 6210-REG: Small and Medium-Sized Enterprise Growth and Development Phase II			Amount Approved: \$300,000	
			Revised Amount: \$300,000	
Executing Agency: Mekong Private Sector Development Facility (MPDF)		Source of Funding: Technical Assistance Special Fund	Amount Undisbursed: \$0	Amount Utilized: \$300,000
TA Approval Date: 18 December 2004	TA Signing Date: 1 February 2005	Fielding of First Consultant: 1 February 2005 (or thereafter) ²	TA Completion Date Original: 31 December 2006 Account Closing Date Original: 31 December 2006	Actual: 31 December 2006 ¹ Actual: 30 April 2007
Description: The Mekong Private Sector Development Facility (MPDF) is a multi-donor technical assistance (TA) program for private sector development in Cambodia, Lao People's Democratic Republic (PDR), and Viet Nam funded by the Asian Development Bank (ADB), Australia, Canada, European Union, Finland, the International Finance Corporation (IFC) of the World Bank Group, Ireland, Japan, New Zealand, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom (DFID). IFC has been acting as MPDF's administrator. ADB's first support to the then-called "Mekong Project Development Facility" (MPDF I) was provided through TA 5951-REG: Small and Medium-Size Enterprise (SME) Growth and Development in the Mekong Region, approved in the amount of \$750,000 on 17 November 2000. Upon completion of MPDF I, its donors agreed with launching the re-titled "Mekong Private Sector Development Facility II" (MPDF II) for the period of January 2003 – December 2007, and ADB provided continuous support through TA 6210-REG: Small and Medium-sized Enterprise Growth and Development – Phase II, in the amount of \$300,000 approved on 18 December 2004. ³ ADB has been acting as MPDF's Board member, and its financial contributions took the form of reimbursement to the eligible expenditure claims – mostly for consultants recruited by MPDF – to the bank account of the International Bank for Reconstruction and Development in New York. Due to a multi-donor pool-funding nature of MPDF, ADB did not directly select, manage, and monitor consulting services and other activities financed by TA 6210. As such, there is no standalone assessment focusing on TA 6210-financed elements of broader MPDF II.				
Expected Impact, Outcome and Outputs: MPDF's overall mission is to "support and accelerate the development of productive and domestically-owned private sector SMEs" as a way to contribute to sustainable growth and poverty reduction in Cambodia, Lao PDR, and Viet Nam. Up until end-2005, MPDF's activities were organized around three pillars of: (1) company advisory assistance, directly targeting assistance to SMEs, individual banks, and microfinance institutions; (2) business development services through support to business associations, business edge management training program, bank training, and export promotion; and (3) business enabling environment aimed at improving institutional, legal, regulatory, and market conditions, and these were incorporated into the TA framework. Thereafter, MPDF II was partly reorganized into 6 thematic and sector programs of: (a) business enabling environment; (b) access to finance; (c) agribusiness; (d) garment; (e) tourism; and (f) business edge management training. The basic TA design and its formulation were relevant and effective to support MPDF's mission for private sector development in 3 recipient countries.				
Delivery of Inputs and Conduct of Activities: The expenditure claims received for disbursement indicate that, broadly speaking, interventions financed by TA 6210 appear to cut across all 3 pillars (under pre-2005 setting) and 6 programs (post-2005 setting) of MPDF II, while there was a tendency to finance projects aimed at promotion of certain industries, such as agribusiness, garment, and business services. The broad scope of 6 programs and their selected key 25 projects and sub-project are presented, as follows. ⁴				
<ul style="list-style-type: none">• Business enabling environment, focusing on eliminating constraints to the creation and operation of SMEs and related advocacy. The projects delivered include: Alternative Dispute Resolution, Tourism, and Provincial Scorecard in Cambodia; Enterprise Law, Commercial Banks Law, and Business Forum in Lao PDR; Enterprise and Investment Laws, Private Credit Bureau, and Secured Transactions in Viet Nam; and Business Issues Bulletin.				

¹ The TA completion date was not extended beyond originally scheduled 31 December 2006, and all the activities directly financed by the TA are reported to have been completed by then. SEGF received the Final Evaluation Report of MPDF II as a major part of its work program and services on 22 November 2007, prior to preparation of this technical assistance completion report, and it served as a prime source of relevant information. Alain Thery, and Robert Cooper. 2007. *Final Evaluation of the Mekong Private Sector Development Facility: Final Report*. Maxwell Stamp PLC.

² The first consultancy contract by MPDF for TA 6210 financing is dated 12 March 2004, and it is assumed that fielding took place thereafter and that TA 6210 financed expenditures incurred after 1 February 2005.

³ The total amount committed for MPDF II by all participating donors is \$39,785,255.

⁴ Presented categorization of 25 projects and subprojects under 6 programs are indicative and discretionary, as some of them cover a plural number of themes and sectors.

- **Access to finance**, focusing on extending financial services to under-served segments of the population and construction of a sound financial infrastructure. The projects delivered include: Cambodia Institute of Banking and Cambodia Microfinance; and Bank Training Center, Private Credit Bureau, and Secured Transition Law in Viet Nam.
- **Agribusiness**, through assistance to its selected subsectors. Project covered include: Binh Dinh Wood and Thanh Hoa Bamboo production in Viet Nam.
- **Garment**, providing support to the garment industry, which employs a large number of workforces in Cambodia and Viet Nam and is a major source of export revenues. Projects include: Supervisors' Training and Better Factories Cambodia; and International Garment Training Center in Viet Nam.
- **Tourism**, World Hotel –Link, Stay Another Day, and Workshops and Studies.
- **Business edge**. Management training in Lao PDR and Viet Nam.

ADB participated in a number of interim and annual Donor-Partner Meetings held in recipient countries. Performances of both ADB and MPDF were highly satisfactory.

Evaluation of Outputs and Achievement of Outcome: Based on 8 designated criteria (relevance, selectivity, outreach, effectiveness, efficiency, replicability/scalability, sustainability, and impact), the MPDF II Final Evaluation Report prepared by IFC-engaged consultants assessed 25 projects and subprojects listed above, on a score scale of up to 100, as follows: 15 projects received the highest rating of 100; 6 received ratings between 87-99; and only 4 received a score of 62, slightly less than satisfactory. Overall, MPDF II received the following ratings under the same 8 evaluation criteria: relevance = 100; selectivity = 97; outreach = 99; effectiveness = 87; efficiency = 94; replicability = 86; sustainability = 80; and impact = 92. The Report concluded that, based on findings from documents review and site visits by consultants, high concentration of projects in the top range of scoring scale should be considered a significant achievement, especially on account of the multiple dimensions of evaluation criteria, while existence of a small number of projects with less than satisfactory rating is regarded as indication of MPDF's willingness to take risk of introducing new concepts in the untested environment.

Some of operational merits from participating in MPDF II included its economy of scale, whose larger resource envelope allowed expanded volumes of high quality outputs that would have not been achieved by ADB alone, and savings in transactions costs for TA administration. ADB is a party to the 2005 Paris Declaration of Aid Effectiveness and, incidentally, MPDF's pool-funded approach has also served implementation of its call for donor harmonization.

Overall Assessment and Rating: At the Interim Donor-Partner Meeting in Hanoi, Viet Nam on 29 November 2007, the consulting firm presented findings from the MPDF II Final Evaluation. According to its summary, MPDF II has been very successful, and had positive impacts on improvement of the business environment for private sector entities, as well as the poor and vulnerable. Its strategic focus, result-orientation, portfolio management, staff capacity, and the recognized role as an honest broker among stakeholders were presented as factors that led to perceived success. Sustainability of MPDF III from 2008 appears to be ensured as a number of its donors already expressed interests in continuous financial contributions. In accordance with this evaluation, implementation of TA 6210 is assessed highly successful.

Major Lessons: The expenditure claims received for TA 6210 disbursement suggest that a majority of its contributions might have been directed to MPDF II pillars, programs or projects that supported promotion of businesses or certain industrial sectors. There could have been a more rigorous assessment at MPDF on whether these targeted interventions by the publicly-funded facility to the private sector served legitimate economic rationales, especially in countries that are thriving for transition to market economies.

On the other hand, MPDF also provided sound broad-based policy advisory products under its refined business enabling environment program and, potentially, there were reasonable merits in ADB's participation. In the past, however, there could have been deeper collaborations in a number of areas covered by both ADB's operations and MPDF projects, including those related to secured transactions and business registration in Viet Nam and the law on commercial banks in Lao PDR, among others. Both ADB and MPDF are constantly exploring areas of importance for private sector development, and duplications may be inevitable to some extent. The best counter measure that could be attempted would be to ensure that both parties exchange information frequently.

Recommendations and Follow-Up Actions: MPDF II had probably made valuable contributions in support of initiatives for private sector development in Cambodia, Lao PDR, and Viet Nam. In the likely absence of ADB's follow-up TA support to MPDF III, ADB's relation to MPDF is expected to change from the role as a "donor" to that as a "partner" in the future. As a development partner, there may still be a substantial scope for ADB to utilize outputs of prospective MPDF III to strengthen its policy-based operations, even without direct financial support. The opportunities to this effect could be explored, for instance, in the course of formulation of the Second SME Development Program for Viet Nam.