



Completion Report

Project Number: 48269-001
Technical Assistance Number: 8679
April 2016

Asia SME Finance Monitor (Phase 2)

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

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.

TA Number, Country, and Name:		Amount Approved: \$225,000	
TA 8679-REG: Asia SME Finance Monitor (Phase 2)		Revised Amount:	
Executing Agency: ADB	Source of Funding: Financial Sector Development Partnership Special Fund	Amount Undisbursed: \$59,650	Amount Utilized: \$165,350
TA Approval Date: 4 Jul 2014	TA Signing Date: 4 Jul 2014	Fielding of First Consultant: 9 Sep 2014	TA Completion Date Original: 31 May 2015 Actual: 30 September 2015 Account Closing Date Original: 31 May 2015 Actual: 30 November 2015
Description			
<p>The Asia SME Finance Monitor (ASM) is a knowledge sharing product on small and medium-sized enterprises (SMEs) in Asia and the Pacific, specially focusing on access to finance. The ASM reviews various country aspects of SME finance including the banking sector, nonbank sector, and capital markets. The main objectives of the ASM are to (i) provide in-depth analyses relevant to SME sector development and SME finance, (ii) exchange country best practices and experiences on SME finance, and (iii) present timely comparative data on SMEs and SME finance in Asia and the Pacific. The target beneficiaries are policymakers responsible for enhancing SME access to finance in ADB's developing member countries (DMCs).</p> <p>With the success of the inaugural volume of the ASM 2013, the ASM 2014 (second edition) extended its coverage from 14 DMCs to 20 DMCs with balancing five ADB regions: (i) Kazakhstan, the Kyrgyz Republic, and Tajikistan (Central Asia); (ii) the People's Republic of China, the Republic of Korea, and Mongolia (East Asia); (iii) Bangladesh, India, and Sri Lanka (South Asia); (iv) Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Thailand, and Viet Nam (Southeast Asia); and (v) Fiji, Papua New Guinea, and Solomon Islands (Pacific). Additional six countries (Fiji, the Kyrgyz Republic, the Lao PDR, Mongolia, Myanmar, and Tajikistan) were decided based on the recommendations from operations departments in the SME Finance Working Group meeting under the Financial Sector Development Community of Practice (FSD CoP) held on 13 June 2014.</p>			
Expected Impact, Outcome, and Outputs			
<p>Impact: The ASM was expected to contribute to improving SME access to finance through enhanced evidence-based policymaking on SME sector development and SME finance in DMCs. The TA targeted 5% increase of lending to SMEs in DMCs from the baseline of 25% by 2020.</p> <p>Outcome: The ASM was expected to increase awareness and understanding on financial and non-financial conditions of SMEs in DMCs. The TA targeted 10 academic reports and national SME policies quoting the ASM one year after the TA closing.</p> <p>Output: The TA was intended to produce the ASM 2014 in the form of an annual periodical and a web portal, and a follow-up report on how to link the ASM to ADB operations with evaluation.</p>			
Delivery of Inputs and Conduct of Activities			
<p>The launch of a multi-country SME data platform in Asia and the Pacific was a tough challenge as the availability of SME finance data is limited. In Phase 1, ADB designed the ASM concept through intensive consultations with DMCs. ADB mapped out national SME data availability in DMCs, defined core data components in the ASM, and developed methodologies for data compilation and analysis. It built strategic partnership with DMC institutions (central bank, government authorities, and financial institutions) for data collection.</p> <p>Following the same modality of Phase 1, ADB organized the ASM team, comprising ADB officer, one international consultant, and three national consultants. The ADB officer, as a team leader, led the concept design, methodology development, and partnership building with DMCs. The ADB officer also managed the production process, and authored papers. ADB hired: (i) one Australian-based international consultant, for drafting a thematic study (mobile technology for financing SMEs in Asia) and for data collection and country paper write-ups in the Pacific region; (ii) two national consultants locally hired in India and Kazakhstan, for data collection and country paper write-ups in priority regions where SME data availability is restricted or language barriers exist (South and Central Asia); and (iii) a national consultant from the Philippines, for administrative support, data collection, and country paper write-ups in designated countries, based on instructions from the ADB officer. To ensure consistency and comparability throughout the publication, the ADB officer prepared templates for the country papers and excel-datasets of figures and tables to be incorporated into the ASM. The ADB officer also provided guidance to all consultants on how to collect data and draft designated country papers.</p> <p>The ASM team had a weekly teleconference, chaired by the ADB officer, to monitor progress of the work and discuss thematic and administrative issues. Fact-finding missions were conducted by the ASM team, who visited Bangladesh, Fiji, the Kyrgyz Republic, the Lao PDR, Myanmar, Papua New Guinea, Sri Lanka, and Tajikistan. These missions were organized to build partnerships with government authorities and financial institutions, and to collect data on SME access to finance. For the remaining countries involved in the ASM, partnership building and data collection were conducted via emails and phone calls.</p> <p>For the data compilation, the ASM team used two different forms that included guidance on how to fill up the data: a standardized data request form and a data update form. The standardized data request form (covering SME landscape, banking sector, nonbank sector, capital markets, and policy and regulation) was delivered to the respective institutions in newly participating countries. Data update forms, based on the data compiled in the ASM 2013, were delivered to countries that are already participating. Based on the data collected from DMC institutions, the ASM team drafted country papers, and those papers were sent out for review to the DMC institutions or a focal entity in the participating country. All country papers were finalized with consensus from counterpart institutions.</p> <p>In Phase 2, although three out of four consultants joined the ASM team, the data collection and analysis process was systematically organized and smooth as consultants rigidly followed established guidance mentioned above, resulting in</p>			

satisfactory ratings for consultants and ADB as an executing agency.

Around 27% of the allocated TA budget was not disbursed. The project planned to hire one more local consultant from the People's Republic of China but could not find an appropriate candidate. Nonetheless, it did not affect TA output as the ADB's PRC Resident Mission helped collect data instead.

Evaluation of Outputs and Achievement of Outcome

The ASM 2014 (<http://www.adb.org/publications/asia-sme-finance-monitor-2014>) was launched on the occasion of the Seminar on Enhancing Financial Accessibility for SMEs held at ADB headquarters on 2 September 2015 (<http://www.adb.org/news/events/seminar-enhancing-financial-accessibility-for-smes>). Attended by around 80 participants from local media, invited DMC institutions¹, and ADB staff, the seminar discussed key findings from the ASM 2014 as part of the program, and it was well received by all participants with their expectation of continuous issuance of the ASM.

For ADB operations, the data in ASM 2014 was utilized for the formulation of financial intermediation loans in Mongolia and Bangladesh in 2015². The downloadable data covering 20 DMCs have been available at ADB intranet since December 2015. The ASM 2014 was picked up by more than 90 media articles across Asian countries at the time of the launch, and key findings from ASM 2014 have been continuously discussed even several months after the launch (<http://www.adb.org/news/asias-small-firms-need-more-nonbank-financing-grow-create-jobs-report>).

The ASM 2014 has stimulated policy discussions on SME development and access to finance at the national, regional, and global level. The ADBI Seminar on Trade Policy Issues in Asia, held at Phnom Penh, Cambodia, on 19-21 October 2015, and the United Nations ESCAP Workshop on International Trade, Logistics and Business Development, held at Yangon, Myanmar, on 27-29 November 2015, discussed key findings from the ASM 2014, challenges, and policy directions on SME access to finance in Asia and the Pacific.

The planned follow-up report was replaced with the evaluation survey to ADB staff, whose result is included in this report. The completion date of the TA was extended once from 31 May 2015 to 30 September 2015 due to the delayed schedule of the seminar at ADB headquarters for the launch of the ASM 2014.

Overall Assessment and Rating

Successful. Based on the criteria in the Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations, the ASM was *highly relevant* with participating DMCs' demand on data for designing SME finance policies. As a comparison between ASM 2013 and ASM 2014, the average share of SME loans to total bank lending in reported 12 DMCs increased from 18.2% in 2013 to 19.4% in 2014, up 1.2%. The ASM was also *highly effective* as already stimulated continuous discussions on SME access to finance globally and cited by several academic reports (e.g., ADBI), and *highly efficient* due to the systematic approach to compose the ASM with good value to costs spent. The ASM is *likely* sustainable, given the strong demand from both DMCs and ADB operations. Overall weighted average rating was 2.7.

The client satisfaction level was high. DMC institutions that participated in the seminar at ADB headquarters (India, Indonesia, Kazakhstan, Malaysia, Mongolia, the Philippines, and Sri Lanka) conveyed their satisfaction with ASM data and expected continuous delivery of the ASM from ADB to facilitate their policy design on SME development and access to finance. The online evaluation survey to ADB staff³ was also conducted to capture real needs of ADB operations for SME projects and to effectively support the SME sector in DMCs through ADB projects. The survey respondents moderately satisfied data components and quality of the ASM (average rating 3.38 for components and 3.60 for the quality of country papers in 5 scale criteria) and indicated the usefulness of ASM to design SME related projects (rating 3.86).

Major Lessons

We received positive signs from DMCs for their use of ASM to promote their policy discussions on SME development and access to finance. Some DMC institutions highly evaluated the ASM, commenting that it will encourage data harmonization across countries and facilitate common policy discussions on SMEs at the regional and global levels. We also identified the importance of developing guidelines on data collection and country paper write-ups for consultants who belong to the ASM team to secure the product quality. Strategic partnership with DMC institutions enabled us to compile data with accuracy and cost-efficient manner, even data difficult to collect publicly. The ASM approach would be applicable to other ADB knowledge products typically difficult to collect data, e.g., housing finance.

Recommendations and Follow-Up Actions

Should there be a Phase 3, the ASM would strengthen its global reach and comparability to make a benchmark on global SME discussions. To this end, ADB would need to develop partnerships with centers of excellence and continuously deliver data with periodic updates. The quality of data would also need to be improved through close consultation with participating DMC institutions and ADB operations departments. In Phase 2, we composed a pilot database downloadable at ADB intranet, and data disclosure through website might be considered in Phase 3 in case of identified demand from DMC institutions.

TA = technical assistance.

Prepared by: Shigehiro Shinozaki

Designation and Division: Financial Sector Specialist/SDAS

¹ Bangko Sentral ng Pilipinas in the Philippines, Bank Indonesia, Bombay Stock Exchange in India, Damu Entrepreneurship Development Fund in Kazakhstan, Ministry of Industry in Mongolia, National Enterprise Development Authority in Sri Lanka, Philippine Stock Exchange, and SME Corporation in Malaysia.

² Mongolia: Enhancement of the Credit Guarantee System Supporting Small and Medium-sized Enterprises Project (September 2015); People's Republic of Bangladesh: Second Small and Medium Enterprise Development Project (September 2015).

³ 40 ADB staff members participated in the survey, 46.2% of which have been involved in SME related projects at ADB. ADB staff surveyed also identified the following benefits from the ASM: (i) use it as baseline data for the sector analysis in the project documents (rating 4.18); (ii) reduce lead time for project formulation (rating 4.00); (iii) use it as a dissemination tool on ADB knowledge base and operations (rating 3.76); and (iv) use it as a material for considering new approaches and/or ideas for operations (rating 3.73). While 44.4% of the respondents satisfied the current 20 countries in the ASM coverage, 22.2% suggested more countries from Central Asia and 16.7% did more countries from South and Southeast Asia.