**Format for Mid the Term Evaluation of the Achievement of Sector Outcomes of the Strategic Action Plan (2009 – 2013) of the Government of Maldives**

*Small and Medium Enterprises* **Sector**

1. **Sector Overall Progress (500 words)**

***{A description of the extent to which the Sector Outcomes as specified in the policy goals were realized in the period under review}***

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| SAP identified that a comprehensive legal and regulatory frame work needs to be drafted and implemented in order to facilitate sector development. SME development bill has been drafted in consultation with stake holders and translated in to local language. It is expected to send the bill to Attorney General office by end of second quarter. SME development council was also developed and a definition for SMEs has been approved by the council. Furthermore, the council advises MED on its SME loan program and capacity development program for SMEs.  MED has conducted negotiation with Bank of Maldives to develop their development banking arm, Development Banking Cell into an SME Development bank. Negotiations were also conducted together with Maldives Post Limited to incorporate SME Development activities into their postal banking services. Furthermore, attempts to mobile the initial capital required forming a tier 2 bank as a separate independent development bank was unsuccessful. The establishment of a separate SME Bank has been kept on hold while alternative approaches are being perused to improve access to finance for SMEs. In this regard initial work has been commenced to formulate a credit guarantee scheme for SMEs and introduce insurance based products.  Furthermore, MED continues its SME Development Loan Program to support SMEs by providing low cost financing schemes. From the loan scheme introduced in 2009-2010, a total of Mrf 18.8 million were disbursed to 274 parties of which 40% were disbursed to women enterprises. In the 2011 loan scheme, in the first round Mrf 35 million will be disbursed and by early May 69 parties have been shortlisted for loan disbursement subject to review of credit history by the Bank of Maldives. The 35 million is expected to be disbursed by end of June.  Business Development Services Centers (BDSC) have been established in Upper North Region and South Region in July 2010 to provide decentralized business development support services. Additional BDSCs have been established in North Region and Upper South Region in May 2011. BDSCs are mainly responsible for providing Business Development trainings, counseling and other necessary business development related support services .  In order to facilitate backward and forward market linkages of SMEs to major economic sectors, MED has initiated business forum with tourism industries, with assistance from UNDP and Ministry of Tourism, Arts and Culture. A resort forum was held in the North in Oct 2010 while in 2011 similar forums will be held in July in two additional locations. |

* 1. **Progress on Key Sector Outcomes**

***{For each sector outcome briefly describe the achievement made and the extent to which implementation was carried out as envisaged by the Strategies / Intervention List of the SAP. If there were any deviations what were they and the causes}***

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| Outcome | | Progress | Issues |
| 1. | Mechanism for evidence based SME Policy Formulation established | * SME mapping study conducted and findings utilized in, defining SMEs, finalizing SME lending policy and further fine tune SME policies and strategies | * Operation of many SMEs in the informal sectors continues to be a challenge for establishing an evidence based broad overview of the sector |
| 2. | Broad base incentives and other support services for Micro, Small and Medium business development initiated | * Four BDSC centers established for provision of support service centers. Centers located in S. Addu, H.Dh Kulhudufushi, Lh. Hinnavaru, G.Dh. Thinadhoo * Soft loan schemes introduced for SMEs. In total Mrf 18.8m disbursed in 2009-2010 and in 2011, in the first round Mrf 35m will be disbursed by end of June 2011 * A cost-sharing scheme initiated in Feb 2011 to assist SMEs to access financing in areas relating to entrepreneurial training, business development, marketing, exposure, technology transfer etc. | * Capacity of SMEs need to be enhance for preparation of business plan * Cost sharing facility needs to be marketed more aggressively to a wider audience of SMEs * Information dissemination needs to be strengthened to ensure inclusiveness of SMEs from all regions. |
| 3. | Human Resources Capacity required for strengthening the SME sector, augmented and initial training needs of SMEs being addressed | * Additional staff capacity recruited in BDSCs to provide decentralized business support services * Immediate trainings required for entrepreneurial development initiated in Upper North, Upper South and South Province | * Geography and transport continues to act as major barriers for BDSC officials to visit frequently to islands covered by each BDSC |
| 4. | Market linkage of SMEs to major economic sectors facilitated | * One resort forum held in Upper North in Oct 2010 and market access secured from some resorts for locally produced goods and services * Partnerships facilitated between resorts and local small scale entrepreneurs | -monitoring of the partnership and networking arrangements continues to be challenging. |
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* 1. **Institutional Achievements in relation to the Sector Outcomes**

**{Briefly d*escribe the role of key institutions in relation to the key sector outcomes and their achievements*}**

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| Name of Institution(s) | | Major Responsibilities towards outcomes | Achievement |
| 1. | Ministry of Fisheries and Agriculture | Providing technical and sector related advise | * Priority sectors and loan criteria established jointly, closer co-ordination of sectoral policies achieved in improving access to finance for SMEs operating in the fish and agri-business sector |
| 2. | Ministry of Tourism, Arts and Culture | Providing technical and sector related advise | Priority sectors and loan criteria established jointly, closer co-ordination of sectoral policies achieved in improving access to finance for SMEs operating in mid-range tourism and arts and crafts sector |
| 3. | Ministry of Finance and Treasury | Stream lining SME development Assistance | Harmonization of donor support for SME development initiated and coordination among donors initiated |
| 4. | Ministry of Health and Family | Gender promotion and promotion women entrepreneurship |  |
| 5. | Bank of Maldives | Fund management and technical advise | Closer co-ordination achieved in the implementation of the loan program |
| 6. | UNDP | Providing financial and implementing assistance | Strong partnership established with similar UNDP supported programs and co-ordination achieved in implementing complementary activities |
| 7 | ADB | Financial and technical assistance for improving access to financing and setting up the institutional structure to support roll out government’s SME prog. | Close working ties established, and extensive technical support secured to develop additional aspects that will augment the institutional mechanism to deliver SME development and support services |

1. **Overall Assessment of Sector Performance related to key aspects**

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| Operational Progress (300 words)  **{*Explain the Extent to which implementation was carried out as envisaged by the Strategies / Intervention List of the SAP. If there were any deviations why was this and what where they.*}** |
| Significant progress has been achieved on implementation of some of the activities including development of SME legislation, establishment of SME Development Council, providing low cost financial schemes for SMEs, increased participation of women entrepreneurs in entrepreneurial training and establishment of business development support services in provinces. However, work needs to be further carried out to institutionalize and strengthen access to financial services including banking, insurance, accounting and auditing services in the provinces.. In addition specialized trainings needs to be provided to SMEs to further augment their capacity and know-how of doing business in a modern business environment. |
| Financial Performance (200 words)  **{*To what extent was the budget allocation utilized and if budgetary shortfalls were encountered what were the likely causes what impact did it have in regard to pursuing the Strategies / Intervention List of the SAP*}** |
| Main sources of funds for the SME development activities under SAP come from Government budget, UNDP, ADB loan assistance, Kuwait Fund grant assistance, JSDF. The fund allocated from above sources have been fully utilized. |
| Institutional Linkages (100 words)  **{If *any institutional linkages were expected to be developed during the implementation, to what extent were they achieved. If not what were the main causes and what was the affect on the implementation.*}** |
| MED has strengthened its linkages and partnership with other stake holders in the areas of SME Development, both at the public and private sector level. Most of them also represent in the SME Development Council that oversee the SME Development program of MED. Several discussions were held with Ministry of Fisheries and Agriculture, Ministry of Tourism, Arts and Culture, Ministry of Health and Family, Ministry of Finance and Treasury, Ministry of Human Resource Youth and Sports and UNDP and Bank of Maldives. Close working ties are established with the National Chamber of Commerce and Industries and the Women Entrepreneur Association and other related industry associations. Closer working ties has been established and coordination initiated with donors to harmonize support to SME development and includes donors such as ADB, UNDP, Kuwait Fund, IDB and IFAD |
| Sustainability (100 words)  **{*To what degree could the operational aspects; including institutional linkages if any can be carried forward and describe any essential criteria required to facilitate this*}** |
| Establishment of BDSC, and Cost Sharing Facilty have been recently started and they may require government support to finance their activities during their initial years of operation until they are turned into a market driven services in the future. The initial budgetary support is required to ensure to institutionalization of the support and administrative services prior to letting it open for market forces. In addition, the provision of demand driven services will ensure provision of support services at market rate or with less budgetary support.  Sustainability of the program also depends on improving access to finance from the exiting local banks and introduction of financial products and schemes to support incremental lending from SMEs. |

**3.0 Key Issues encountered**

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| *Institutional (200 words)*  ***{Discuss the Strategic position of the Lead Agency and how it affected the Implementation of Strategies/ Operational Performance}****:* |
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| *Implementation (200 words)*  **{*Matters relating to implementation finances, human resources, monitoring and oversight*}** |
| * Limited HR capacity to implement a full blown SME program that encompasses from support services to full fledge monitoring and evaluation. The capacity of Enterprise Development Unit and BDSCs needs to be further augmented to address existing gaps in implementation, particularly to undertake monitoring of loan schemes and impact assessments of training programs and support services. |
| *Environmental : (100 words)*  **{*Environmental 9including Operational aspects) aspects which were encountered and need to be addressed*}** |
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| *Political (100 words)*  **{*Political considerations encountered and to be addressed*}** |
| * Building trust and confidence on the process utilized in the allocation of loans as often it is subjected to criticism from public |
| *Socio/ Cultural (100 words)*  **{*Socio Cultural considerations encountered in respect of operation and implementation*}** |
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| *Gender (100 words)*  **{*Gender related issues encountered during operation and implementation*}** |
| A greater focus has been given to promote gender, including promoting women entrepreneurship and youth participation at economic activities. 40 % of the total funds for loan programs have been earmarked for women. |
| Statistical and Data Collection (100 words)  **{*All the data sources used. Other factors which surfaced in the operation and implementation*}** |
| SME registration process initiated in last quarter of 2010 will enable collection of information and data on many SMEs that are operating in the informal sector. |

1. **Lessons Learnt (300 words)**

**{Discuss the Lessons Learnt in the process of carrying out interventions relevant to realization of the Sector Outcomes as specified in the SAP. Focus on the involved agencies and other stakeholders (including beneficiaries) and their willingness and capability to continue the interventions. If not what additional measures would need to be taken to strengthen them}**

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| Many activities related directly to the lead agency, MED are progressing at an acceptable rate. However some of the activities related to other stake holders are not progressing well.  In order to maintain a speedy progress in all activities under SAP, the lead agency needs to develop relationship with other agencies and obtain their support in achieving targets related to improving access for banking , insurance, accounting , auditing services and increasing exports through SMEs. |

1. **Partnerships (200 words)**

**{*Describe any partnerships established with a donor, private sector of civil society organization to achieve an outcome(s)*}**

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| MED is implementing some of the activities with financial assistance from UNDP, ADB and Kuwait Fund. Several consultative discussions were held with Women Entrepreneurs Associations and MNCCI.  Negotiations are currently going on with IDB and IFAD seeking assistance to implement SME development activities. |

1. **Follow-up Actions & Recommendations (400 words)**

**{Recommendations for strengthening, reorienting and/or revising the implementation mechanisms and strengthening the key agencies and other stakeholders for achieving Sector Outcomes in future periods}**

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| * Closer monitoring of the loan programs and impact assessments to ensure effectiveness of support services |

Date :

Name of Officer :

Designation :