

MID POINT PERFORMANCE EVALUATION

MICRO AND SMALL ENTERPRISE (MSE) DEVELOPMENT

AND

BUILDING ALTERNATIVE LIVELIHOODS FOR VULNERABLE GROUPS

NO. GRT/GF-13725-GY

SMALL BUSINESS BUREAU

MINISTRY OF BUSINESS

GUYANA

BY

**GUILLERMO BOLAÑOS
CONSULTANT**

June 2017

<u>Executive Summary</u>	2
<u>1.0 Introduction</u>	2
<u>1.1 Purpose of the Evaluation</u>	3
<u>1.2 Major Stakeholders</u>	3
<u>1.3 Program Description</u>	4
<u>1.4 Comments on the program design:</u>	5
<u>1.5 General Status of project execution</u>	5
<u>1.6 Evaluation Methodology</u>	5
<u>1.7 Sources of data</u>	6
<u>2. Management of Project components</u>	7
<u>2.1 Component I - Access to Finance</u>	7
<u>2.2 Interest Payment Support Facility</u>	8
<u>2.3 Low Carbon Grant Scheme</u>	9
<u>2.4 Component II - Access to Business Development Training</u>	10
<u>2.5 Monitoring and Evaluation</u>	11
<u>3. Small Business Bureau Capacity</u>	12
<u>3.1 Finance Management of the MSED Project</u>	12
<u>3.2 Capacity of SBB to analyze and implement corrective actions</u>	13
<u>4. Conclusion</u>	14
<u>4.1 Introduction</u>	14
<u>4.2 Continued Project Relevance</u>	14
<u>4.3 Measures to Increase Performance</u>	14
<u>4.4 Recommendations to ensure effectiveness in the second phase</u>	15
<u>4.5 Impact of the program for two (2) major needs of small businesses</u>	15
<u>4.6 Remaining Gaps</u>	16

GLOSSARY

CGF	Credit Guarantee Fund
CEOs	Chief Executive Officers
CIS	Carbon Intensive Sector
FIs	Financial Institutions
GOG	Government of Guyana
GBTI	Guyana Bank for Trade and Industry
GRA	Guyana Revenue Authority
GRIF	Guyana REDD + Investment Fund
IDB	InterAmerican Development Bank
IPED	Institute of Private Enterprise Development (MFI)
LCS	Low Carbon Sector
MFI	Micro Finance Institutions
MSED	Micro and Small Enterprise Development program
MSE	Micro and Small Enterprises
M & E	Monitoring and Evaluation
M of B	Ministry of Business
PCGs	Credit Guarantee Programs
PTIs	Participating Training Institutions
SBB	Small Business Bureau Department of the Ministry of Business
SGDFT	Small Business Development Finance Trust
SMEs	Small and Medium-sized Enterprises
PMU	Program Management Unit
TORs	Terms of Reference for the evaluation contract
USAID	United States Agency for International Development

Executive Summary

1.0 Introduction

Excerpt from the Ministry of Business Strategic Plan 2016-2020

Guyana's economy is comprised of a large number of micro and small businesses with very low rates of productivity and levels of innovation. To increase economic opportunities, create new jobs and increase overall rates of productivity, the development of small business needs to be supported specifically. The Small Business Bureau (SBB) needs to design and implement policies and programs that will increase small business' access to public procurement, finance, and training for them to gain the capabilities to be innovative and grow. The is responsible for the first government backed guarantee program and subsidized interest payment facility, focusing on sector-specific clusters such as crafts and agro-processing. The focus of the project was 17 low Carbon sectors as outlined¹, basically the focus was on All sectors except those harmful to the environment. SBB generally tries to work with Clusters and where necessary tries to encourage cluster formation. These clusters can be used to obtain insight into the needs of small businesses in specific sectors. With this knowledge:constraints and individual and cluster sector needs which are part of SBB registration forms and are entered into its database, the SBB can develop tailored support services. Working with clusters allows the SBB to reach more micro and small enterprises and can generate networking between the businesses.

The following attachment is the complete SBB Strategic Plan 2016 to 2020.



STRATEGIC PLAN
2016.doc

Venture capital can be attracted once significant progress is achieved by the MoB on it strategic plan.

This evaluation has been completed with the above mandates in mind. The understood mandates are twofold; social with the inclusion and support to vulnerable people, and business with the job creation concept being also a priority.

1.1 Purpose of the Evaluation

The objective of this midterm evaluation of MSE program disbursement is to:

- Assess the progress to date and likely achievement of goals and results;
- Weigh relevance of interventions;
- Recommend needed corrections;
- Answer a set of questions relating to increasing program effectiveness, suggested changes for the second phase, impact on SMEs of project components, effect on low carbon activities, remaining gaps and how to address them.

1.2 Major Stakeholders

The main stakeholders are:

¹MSE Ops Manual May 9, 2013, page 88, Business Activities must fall within one of the following activities.

- Government of Guyana with several Ministries
- IDB
- Government of Norway

Partners

The SBB balances its efforts considering the needs to serve vulnerable sectors of the population, serve the regions, and facilitate viable and competitive businesses that create productive employment in the assigned green and low carbon economic activities.

Implementing financial institution (FIs) partners for the Increasing Access to Finance component are Republic Bank (Guyana) Limited and Guyana Bank for Trade and Investment (GBTI), which have signed agreements with the SBB to extend loans to small businesses approved by SBB (that is, no-objection to use the credit guarantee is given to FIs by the SBB, based on programme criteria).

Approved Partner Training Institutions for the Business Development Services Component are:

Action Coach
 Ruimveldt Life Improvement Centre
 Cerulean Inc.
 Generation Next
 Empretec
 Critchlow Labour College
 Management Options Inc.
 Partners of the Americas
 Guyana National Bureau of Standards
 Roadside Baptist Skills Training Centre
 Kuru Kuru Cooperative College
 Interweave Solutions
 Guyana School of Agriculture

These partners provide mostly business management training to SME project beneficiaries. Partners of the Americas and Critchlow Labour College provide agricultural based training. Although they provide the generic type training, they are also known for providing technical/ hands on training for farmers. The Guyana School of Agriculture was included to support the product development needs of the agro processing sector.

1.3 Program Description

The program is in response to the GOG's identification of interventions within its Low Carbon Development Strategy; this particular initiative being the development of Micro and Small Enterprises (MSEs) and providing alternative livelihoods to vulnerable groups with funding provided under the multi-contributor trust fund referred to as the Guyana REDD + Investment Fund (GRIF).

The goal of this program is to support the government's strategy to reduce carbon emissions by re-orienting the economy onto a low carbon path, through the creation of the necessary incentives for the beneficiaries to invest in the Low Carbon Sector of the economy. Companies with more than 100 employees are not included, as per the SBB Act.

Specifically, the program was designed to contribute to the reduction of economic activity in

carbon intensive activities by facilitating the creation of employment via Micro and Small Enterprises in identified low carbon sectors of the economy, through the enhancement of access to finance and business development training to micro and small enterprises and vulnerable groups.

Thus, the program addresses the predominant development needs of Micro and Small Enterprises, while augmenting the risk mitigation capacity of the financial institutions to address the limitations of financing these sectors. These needs are categorized as: (i) financial products or credit; and (ii) non-financial services or business development services, such as market information, management and vocational skill training and business advisory in LCS.

Program outputs and outcomes are measured as per the approved Results Matrix. Outputs are: (i) the number of guarantees granted to beneficiaries; (ii) the number of beneficiaries who have accessed interest subsidies; (iii) the number of grants approved to beneficiaries; and (iv) the number of beneficiaries who accessed technical and business skills development through training. The outcome is measured as the number of employees (or equivalent full-time employees) in low-carbon emission activities, as it is assumed that every job created in the LCS would mean one less job in the CES.

The impact of the program is its contribution to the overall sustainability or reduction of the deforestation rate. The indicator measures the rate of conversion of forest (area change of forest to non-forest, excluding degradation) with aims to validate that the rate remains at least equal. Although the MSED program does not have a strong direct impact on preventing deforestation, it does promote business development towards a green economy, thus aligned with LCDS and staying away from deforestation.

The program was expected to be implemented in two years, starting in mid 2013. Afterwards, a second phase with an additional US\$ 5 million would be considered. However, implementation started in early 2014 and two annual extensions were required. The program now ends at the end of 2017.

1.4 Comments on the program design:

- The two year original implementation period was too short given the complexity of the program, the original limitations in staff and capabilities of the SBB, and the reluctance of the financial institutions to participate. A four to five year period would have been appropriate.
- Conditions precedent to disbursement should have included a signed agreement with the Institute of Private Enterprise Development (IPED), by far the dominant micro finance institution. Program design and outputs assumed that the bulk of loans were to be extended by microfinance institutions but IPED participated in only 2 loans, therefore the partnership is considered inactive. The other microfinance institution, much smaller, Small Business Development Finance Trust (SBDFT) has always been interested but lacks the funds to do so. Program design should have considered ways for enabling SBDFT to obtain liquidity, such as allowing the Collateral Guarantee Facility of Component 1 to guarantee funding by a bank of the SBB-approved loan portfolio of SBDFT.
- Conditions precedent disbursement should have included the contracting of program implementation staff by the SBB and of an adviser; given that program design recognized that the SBB lacked staff and would need training and mentoring during implementation. While the program budget included a generous component for program administration and institutional support to the SBB of US\$776,500 to finance the institutional strengthening of the SBB and program administration costs, the SBB staff needs training and guidance mainly with regards to strategy implementation, Branding-Marketing-Awareness, and monitoring and evaluation (M&E) after intervention, though doing a good job with what skills and

capacity they have. There is a newly arrived experienced senior management consultant volunteer expatriate from CUSO International working with the SBB team for a year, to carry out an institutional assessment of the SBB and plan and help implement improvements which shall bring benefits to the proposed second phase of the program.

1.5 General Status of project execution

The program has reached its objectives of motivating micro and even small entrepreneurs to consider low carbon activities. It has served to demonstrate that viable alternatives exist and are sustainable and profitable. As a small and recent program activity with multiple objectives, the MSED program can be considered a success in its low carbon activity development objective.

1.6 Evaluation Methodology

The consultant, Guillermo Bolanos is an experienced international expert in the access to finance in developing countries, and in the provision of business services to SMEs.

The Consultant performed a mixed method performance evaluation of the project. That is, both qualitative and quantitative data were used.

Data collection techniques included structured observations, key informant interviews, visits to stakeholders, focus group meetings, and individual interviews of various beneficiaries, surveys, and reviews of existing secondary data.

The Consultant conducted a home-based desk review of project documents to prepare the inception report to be presented upon arrival. Program documents reviewed include the Proposal for Operation Development (POD), the IDB/CRG Agreement Initial Report, the Annual Operation Plans, the Result Matrix and the Progress Reports. Also the SBB 2016-2020 Strategic Plan, the Ministry of Business 2016-2020 Strategic Plan, the Operating Document 2013 For MSED and Vulnerable Groups, the MSED Initial Report May 20, 2013, the Small Business Act 2004.

The Consultant traveled to Guyana to meet with SBB officials and to present the inception report, obtained feedback and revised the work plan as needed.

Project size, time, and conditions in the field guided implementation of the methodology.

1.7 Sources of data

The Consultant met with the SBB team and with the SBB Council to discuss the project inputs and achievements to date, the 50% disbursement point (end of 2016); and views of lessons learned and proposed activities going forward.

The consultant reviewed with the SBB team how achievements at the 50% disbursement point compare with the expected project component goals, outcomes and outputs in the Results Matrix for each component. The consultant review with the SBB covered qualitative and quantitative achievements from technical, administrative, financial and institutional perspectives.

With the help of the SBB, the consultant prepared a schedule of meetings with representative project beneficiaries.

The consultant also met with implementing partners (banks and business development providers), and also with MoB and PMU officials to discuss the effectiveness and efficiency of the interaction between the SBB and its program partners and the intended beneficiaries.

The consultant and the SBB Officer in Charge also met with the CEOs of IPED and SBDF microfinance institutions, to discuss why they were not participating, and to explore how they could participate in the current program and in a future second phase.

While the two main components of the project (access to finance and business development services to SMEs) can be considered separately in the TORs, they complement the impact of SME viability.

Thus the Consultant addressed the activities of each of the two program components separately but was on the lookout for mutually reinforcing impacts with regards to the overall program objective.

Throughout the field evaluation, the consultant reviewed the sustainability of all interventions to date in each of the two components, Access to Finance and Business Development Services.

The Consultant provided informal feedback to the SBB team during his field work and joint determination was made on any modifications in the interview schedule.

As the meetings, interviews and data analysis took place, the consultant discussed with the SBB team any key technical, institutional, financial and economic issues which affected program execution, and reviewed and evaluated adjustments made, and intended, to outputs and outcomes.

As earlier implementation consultant services were procured, the consultant did not examine those for performance quality and the timeliness and usefulness of outputs delivered by those consultants.

Following the field work, the consultant assessed the relevance or significance of all Program interventions in the context of beneficiaries' requirements and Government's priorities.

The consultant then conducted a workshop for the SBB team outlining the mayor observations of the evaluation, lessons learned, and proposals for improved efficiency and impact. Comments and observations were requested from the participants and duly considered for preparation of the draft report.

2. Management of Project components

2.1 Component I - Access to Finance

Credit guarantees are used in many developing countries, including Eastern and South Eastern Europe, to alleviate the constraints facing small and medium-sized enterprises (SMEs) in accessing finance, particularly in economics recessions. The public sector involvement is usually needed to supply credit guarantees in sufficient amounts.

- Collateral Guarantee Facility.

Two banks participate in the loan guarantee activity: Republic Bank Limited and Guyana Bank for Trade and Industry (GBTI). Despite several attempts from SBB, Scotia Bank has never been able to convince

their Head Office to participate in the program to date. The SBB provides up to 40% of any loss to the participating bank. To date only one loss claim has resulted, for US\$ 3,880, while interest income exceeds US\$ 25,000. More importantly, the two participating banks are learning that small businesses can be a target market with acceptable risk. Given the partner banks' belief of a lack of sufficiently clear land titling in rural areas, the banks see the SBB guarantee as a welcome complement to their risk management criteria.

The SBB guarantee interventions are considered relevant by the banks and by the borrowers. If a loan applicant has sufficient valid collateral, the banks do not relax their due diligence. The number of bank loans to date is very low relative to the expected indicators but this is mostly due to the reluctance of the predominant microfinance institution IPED to participate in the MSE project, despite being represented on the SBB's Small Business Council. IPED did state during the meeting with the consultant that it will reconsider its non participation, starting June 2017.

The Interest Payment Support Facility for the loan program is not being used as the low rate of interest (6%) charged by banks to MSE program borrowers, makes the subsidy unnecessary.

Recommended corrections are as follows:

a) that the SBB charge a nominal fee to the borrower for its collateral guarantee. This motivates the borrower to disclose to the bank all assets. In addition, that the SBB adopt insurance industry principles and seek that guarantee fee income plus guarantee fund capital investment income exceed guarantee claim payments;

b) though it was an industry rule of thumb to require that the lender be at risk at all times for at least 60% of unpaid loan balances, going forward, there is a need to adjust to best practices and local needs and consider increasing the loan guarantee to more than 40% of loan outstanding for certain investments meeting entrepreneur capital and assets-at-risk requirements but not bank collateral stipulations, such as farm land. Banks and IPED have requested that change which this consultant supports and is in line with international financial development practices.

A World Bank Group report ([A REVIEW OF CREDIT GUARANTEE SCHEMES IN THE MIDDLE EAST AND NORTH AFRICA REGION](#) page 13) in the section Coverage Ratios General Guiding Principles and International Experience reports that: *Coverage ratios should preserve incentives for effective loan origination and monitoring while providing sufficient protection against the risk of default. The coverage ratio needs to provide sufficient protection against credit risk, while also preserving incentives for banks to screen and monitor borrowers. Beck et al (2008) show that the median coverage ratio in a large sample of PCGs is 80%;*

c) that SBB, as requested by banks and IPED, provide supervision and technical assistance, and business management mentoring and extension services to borrowers, particularly to start ups and to farmers and poultry growers, which are many of the beneficiaries, during the duration of the loan repayment period;

d) that the Collateral Guarantee Facility be amended to include Loan Portfolio Guarantees. These portfolio guarantees cover a pool of new loans from one financial institution, ideally a microfinance institution, to multiple borrowers in an area or sector specified by the SBB. SBB's guarantee fund shares the risk of default on the portfolio of loans to those borrowers, to encourage local financial institutions to extend credit to underserved sectors, activities and/or geographic areas. This type of guarantee, which large donors such as USAID have used well, can enable microfinance institutions to obtain funding from the banks and from private companies;

e) The eligibility restriction of government employees should be lifted for small loans, or at least for teachers, who are the most credit worthy borrowers internationally. Given the small amounts involved and that the banks make the lending decision, the restriction on government employees is not necessary. Best practices used by donors do not restrict access to small credits through financial institutions to households where a family member is a government employee.

2.2 Interest Payment Support Facility

The implied project rationale for this interest rate subsidy in the MSE Project Document is that research (*Microfinance Sector Review, Guyana 2012*) found that lenders charge small borrowers a 35% higher interest rate on average as a perceived risk premium. The SBB has worked out an effective and careful process to reimburse borrowers not needing SBB guarantees part of the interest payments, so that small entrepreneurs can benefit from some level of interest relief.

Recommendation: Since this component has not been attractive for the banks, only 8 customers have benefited from this facility, it is therefore recommended to redirect the funds to the other components of the program, such as the grant component.

2.3 Low Carbon Grant Scheme

This sub-component seeks to facilitate MSE access to financing through grants to be used in LCS. Grants seek to assist an existing low carbon business owner to expand, perhaps preparing to obtain later a bank loan. Grants also encourage persons to set up a business in a LCS. Up to G\$300,000 (US\$1,500) per applicant finances the implementation of beneficiaries' business proposals, which are submitted for approval by the potential beneficiaries after having received Business Plan Training from SBB services. Grants observed were used for new machinery or equipment upgrade, technological innovations, inputs and inventory.

Though allowed, no grants were observed for compliance with various laws and regulations for operating in Guyana, research and development, and marketing but should be more used in the future. In some instances Grant amounts were utilised for formalisation- Business Registration, NIS and GRA compliance

In most cases grants made a significant contribution to family income, particularly for poor rural women. In a few cases, due to unforeseen weather, pests, or input supply problems, start ups were delayed or encountered problems.

The grant scheme presents an opportunity to increase the maximum grant amount in certain cases to also enable existing enterprises or start ups, particularly by university students, to invest in technology (and facilities and equipment) that ensure productive job creation, or that can be shared or used by other enterprises, increasing the value added by all (tillers, pumps, crop processing, drying or storage, construction materials, kilns, etc.). In any case, the minimum grant amount needs to be increased to effect lasting impact.

The SBB has a careful system to evaluate grant requests, and to provide training, mentoring, supervision and monitoring. Two dozen applicants were processed by the SBB but not approved by the MSED Grant Committee, for not meeting program requirement priorities, as the files indicate.

The SB has fully achieved project grant objectives despite the burden its implementation represents on limited staff resources. The impressive achievement of the SBB in implementing grant activities in 7 of Guyana's regions can be improved with the following recommendations.

Recommendations:

- a) name an agent in each region for identifying ideal applicants, and for providing initial information to interested persons;
- b) complement the current broad advertisement campaign of the grant program with a focused effort to also target small businesses in mining areas to reduce reforestation, and in sectors and activities that can contribute to Guyana's competitiveness, increase employment at higher rates, and foster innovation;
- c) increase to a minimum of US\$ 3,000, and to a maximum grant amount of US\$ 7,000 for exceptional cases where deforestation and mining is reduced, and where technology, facilities, services, and equipment can be shared or used by other entrepreneurs, or when productive employment is ensured;
- d) allow repeat grants in exceptional success stories, with Grant Committee approval;

These changes should be approved immediately to test implementation now, before the start of the possible Second Phase.

2.4 Component II - Access to Business Development Training

The objective of this component is to improve the insufficient technical and business skills of the beneficiaries to improve the likelihood of success. This activity was to have been implemented through: (i) a business skills development scheme, developed with approved training institutions for delivery of training to the target group; and (ii) technical/'hands on' training at the community and sector levels to include areas such as use and maintenance of energy efficient technologies for productive purposes.

Significant training and business development efforts were implemented by the SBB at the business support level, in areas such as business plans writing, basic record keeping, small business management along with repairs and maintenance to small equipment. Borrowers and grant recipients, of all levels, stated that the business skills training received was useful. While grant and loan subsidy applicants were referred to training, other interested persons were also benefited. However, no focus is noted for training for activities with higher productive employment creation or for activities improving Guyana's competitiveness. Training is provided as needed. Training in Business Plan writing was a prerequisite for access to the grant (seed capital) hence the focus was there. Currently, there exists a huge gap in the know-how of how to fill the SBB Business Plan template. Efforts from the training department have been focussed on handholding to close this gap, and the efforts have been successful since this has resulted in applications for grants extending to ALL ten administrative regions.

There has not been much technical /'hands-on' training, .This is so because these courses form part of the entire SBB curriculum of training, so focus was not particularly limited to these areas alone. Also, these areas would be done via a consultancy which has already received approval from IDB and SBB is currently short-listing candidates. External consultants, or better a local trainer who can be trained overseas, can provide a "train the trainers" program to increase technical capacity and know how in local trainers. The hands on training, coaching, and mentoring proposed for SBB beneficiaries is different and complementary than the extension services provided by the Ministry of Agriculture to larger farmers. These extension training services could be provided by local representatives or partners in the regions of

Guyana, under an agreement with the SBB, after they have acquired the required capacity with MSE program support.

Recommendations:

a) Going forward, much more focused business development training should be made for activities with higher productive employment creation and for activities improving Guyana's competitiveness.

b) Also, a technical /'hands-on' training focus should be made for grant and loan guarantee and interest rate subsidy recipients, and for productive MSE purposes that increase Guyana's competitiveness.

b) provide technical training to new poultry and vegetable producers, and extension services to all farmers and poultry producers, by using part of the underutilized consultant resources in the MSED project. The United States Department of Agriculture *Best Practices for Mentoring, Internship and Apprenticeship Programs for Beginning Farmers and Ranchers* states that mentoring encompasses many different approaches to help beginning farmers learn through one-to-one exchanges and in hands-on learning experiences.

The Ministry of Agriculture has a robust system of managing its farmers- many of which are also clients of SBB. SBB can continue to collaborate with them to devise further assistance/ technical help where necessary.

2.5 Monitoring and Evaluation

The SBB monitors and evaluates its program implementation, as per the MSED Operational Plan.

A Monitoring and Evaluation (M&E) plan has been developed to ensure satisfactory achievement levels of planned impacts and outputs of the project. The SBB is responsible for implementing this plan. To this end the SBB ensures that procedures set out in the Operations Manual as well as terms and conditions of agreements with partner institutions, are fully implemented.

The SBB is guided by feedback from both staff and clients for annual reviews of the operations manual, with a view to further enhancing project effectiveness and efficiency. Such changes can only be authorized as laid out in Sections 1.7 and 1.8 of the Operating Document hereby attached.



**Operating Document
2013 for MSED and vu**

During the project life, and during the life of the guarantee period (of five years) of the CGF, the SBB is required to present semi-annual progress reports to the Bank, by the end of February and August of each year of implementation. These reports are focusing on the achievement of output indicators and progress in results indicators as presented in the Results Matrix. The semi-annual progress reports include an analysis of the factors that have affected implementation, including problems and issues encountered and the measures that have been taken or are proposed, to correct or mitigate the problems and issues, as well as the disbursement projections and updated Procurement Plans.

OUTPUTS – RESULTS MATRIX

	SME Dev. Program Targets	As of 12/31/2016	1/1/2017 to 5/30/2017	Project total a/o 5/30/2017
Jobs Created / Sustained	2,200	776	110	886
Access to Finance	300 grants 800 loans	234 grants 98 loans	73 grants 20 loans	307 grants 118 loans
Bus. Dev. Training Technical	1,000 SMEs trained	2,058 SMEs trained	390 SMEs trained	2,448 SMEs trained
Institutional Support			Expat Advisor	----
Program Evaluation			Midterm Evaluation	

Measuring the outcomes

An Impact Evaluation process will be implemented in July 2017 to ensure all loans and grants beneficiaries are evaluated 6 to 9 months after intervention from SBB. A percentage of the trainees will also be evaluated. This procedure will provide important data to adjust and align the SBB strategies to ensure maximum success. The SBB will forecast the expected reach during the last part of Phase I, with the suggested program changes.

3. Small Business Bureau Capacity

In order to implement this program, the institutional capacity of the SBB was strengthened in several areas. The SBB currently has 15 staff compare to 5 before the MSED project started. The positions covered now in the Small Business Bureau are the following:

- Credit guarantee fund manager/officer-in-charge
- Finance officer
- Research & marketing officer
- Training & development officer
- Data entry clerk
- Fund administrator
- Loan outreach officer
- Skills development administrator
- Fund administrator
- Finance assistant
- Finance assistant
- Executive assistant
- Administrative assistant
- Receptionist
- Driver/office assistant

In a second phase probably 2 more staff resources would be required, one for better market intelligence research and policies, and one as a dedicated resource to M&E. Systems in place are sufficient, but there is a need to improve the web site functionalities.

3.1 Finance Management of the MSED Program

The Small Business Bureau Financial System is articulated in its Finance Department Operational Manual. The level of internal control seems to be adequate for managing the financial operations of the program. At the time of this mid-term (mid-point) review the project accounts for the years 2013-2016 were audited and for each of those years the auditor's opinion is an unqualified one which states, "the financial statements present fairly, in all material respects, the Cash Flow and Cumulative Investments for the Micro and Small Enterprise Development and Building Alternative Livelihoods for Vulnerable Groups Project".

During the year 2016 the program expended more funds than all the previous years combined. It is anticipated that in the final year of the project there will be funds remaining under the Interest Payment Facility but all other Investment categories may utilize 90 to 100 per cent of assigned budget.

Below is a table showing program expenditures by year, as of May 31, 2017:

Investment Categories	2013	2014	2015	2016	5/2017	Total 5/2017	Revised Budget US\$
Access to Finance							
Credit Guarantee Facility Capital	1,575,000					1,575,000	1,575,000
Interest Payment Facility	-		16	916	973	2,837	303,474
Low Carbon Sector Grant Scheme	-	2,645	216,972	85,796	45,440	396,293	697,180
Access to Business Development Training						0	
Low Carbon Skills Development Training	9,951	103,594	56,065	624,476	13,643	797,731	1,473,500
Program Administration and Institutional Support to SBB						0	
SBB Operations	21,266	176,514	126,596	111,207	48,698	484,283	654,631
M&E Systems and Public Awareness Campaign	8,012	10,614	57,918	68,901	1,114	146,561	281,215
Audit	-					0	15,000
Contingency	-					0	
Total	1,614,230	293,368	457,570	895,179	109,868	3,370,215	5,000,000

During the final year of the program, 2017, expenditures are planned at USD1.7million

3.2 Capacity of SBB to analyze and implement corrective actions

With the implementation of a Management Information System, and 4 staff directly involved in reporting and evaluating, the capacity is good to ensure M&E of outputs. However, an additional staff resource dedicated to M&E would ensure a complete end to end M&E process.

As the MSED program progressed, several adjustments have been implemented due to work volume increase, and to ensure quality outcome improvements:

Fund management

Credit Guarantee Scheme – The Credit Guarantee Fund is lodged with a non-partner commercial bank, on an interest bearing account. Fees are also earned annually from the banks for use of this facility. As a means of encouraging use of this facility, the FIS are charged fees on the unused disbursement limits.

In order to ensure achievement of targets can be enhanced, some procedural and staffing adjustments were made. The MSED Program hired 2 Skills Voucher Administrators and 1 Fund Administrator (prior to

March 1, 2017). An additional Fund Administrator was hired March 1, 2017. The Credit Guarantee Fund Manager while responsible for assisting the CEO with the overall MSED Program reporting and coordination, has substantive responsibility for garnering loans for the credit guarantees. Of note is the fact that from February 5, 2016, this officer was asked to act as Officer-in-Charge. As a consequence, a decision was taken to have one of the Skills Voucher Administrators with the relevant experience also work on getting loans, using direct marketing in particular (Chambers of Commerce and other business groups and associations)

Grant Scheme - Adjustments were made along the way to the grant procedures in order to address the backlog and enhance efficiency as well as quality of grant proposals. These included

1. The grant manual was adjusted so that previously mandatory business plan training was no longer a prerequisite. This change was made in an effort to address scheduling problems which occurred resulting in backlog of grant requests.
- 2.
3. Previous regional allocation was discarded and requests for grants considered as per submissions. I was agreed that while there must be representation from all the regions to include the vulnerable groups, it was the expectation that the more substantive businesses are expected to be found in the regions with higher population.
- 4.
5. Other staff used to support the large amount of walk-in enquiries to provide support to the Fund Administrator

Interest Payment Support Facility

The partner FIs were re-engaged on the use of the IPF. Seven (7) loans were approved with IPF ranging from 3% to 5% per annum for the 2 banks. The 2 loans approved by IPED were both approved with the maximum IPF. IPED was re-engaged several times as regards the use of this instrument in view of the general view by MSEs that their interest rates are too high.

Training management

Training has proven to be the main form of building the human capital, with challenges faced over time, lessons learned and adjustments made to ensure best capacity building to our MSE's.

Although there were many hindrances to the smooth, effective running of the Training Delivery, the targets set were met. Continuous evaluation of the PTIs (Partner Training Institutes) and their training delivery by the SBB customers allowed the SBB to adjust when necessary, for example adapting the training material to the low literacy of the MSE's entrepreneurs.

Other adjustments were adopted to face the continuous increase in Training demand, by increasing the number of resources in terms of SBB staff and of PTIs.

To build the capacity of the small business personnel with a focus to develop a culture of entrepreneurship amongst the young, females, and vulnerable groups is vital for the LCS promotion of business growth.

Training needs should continue to be addressed in the future. More mentoring and hand holding should be emphasized. Building the capacity of the SME Sector through training since this is the proven way of improving Guayana's human capital – its most important resource.

4. Conclusion

4.1 Introduction

The program has reached its objectives of motivating micro and even small entrepreneurs to consider low carbon activities. It is served to demonstrate that viable alternatives exist and are sustainable and profitable. As a small, recent, program activity with multiple objectives, the MSED program can be considered a success in its low carbon activity development objective.

4.2 Continued Project Relevance

The SBB, as the Executing Agency, has built on lessons learned and despite delays in completing the first phase of the program, it has well managed the delivery of the project and is now at the stage where a second phase would run much easier and with better efficiency.

Some important adjustments and policy improvements will be implemented in the next months with the help of a Cuso International volunteer from Canada who has been assigned for 1 year with a mandate to contribute to the overall operation of the SBB and bring Canada's expertise in programs to support small enterprises.

Improvements will include the implementation of human resources policy and procedures, increased M&E for outcome measurements, awareness and marketing strategies, enforcement of the Small Business Act, and service delivery improvement through the implementation of a resource center.

There is still a huge need to create new jobs, and to promote entrepreneurship in Guyana, as well as to support vulnerable people and their communities, and to promote Low Carbon Sector development.

4.3 Measures to Increase Performance

A strategic plan has been defined for 2016-2020 SBB activities. There are several ideas to be implemented which would contribute to the effectiveness of the program. Nevertheless, almost at midyear point, the Government has not yet confirmed the funding of the SBB after December 2017. It is recommended that the government confirms the funding for 2018 as soon as possible to preserve staffing, and to provide the drive required for the SBB team to implement these strategies.

Focus the bulk of the efforts in identifying and targeting those low carbon small businesses and potential start ups which make Guyana more competitive, and/ or create more productive jobs. While the present outreach efforts to micro enterprises should be retained as they represent sharing the benefits of private sector-led economic growth, SBB capacity and program resources are limited and finite.

The SBB, supported by other Government Agencies, should give stronger priority to its program activities to those sector interventions that contribute better to improve the policy setting for small businesses, SBB's fourth mandate.

4.4 Recommendations to ensure effectiveness in the second phase

- SBB should conduct a market survey of the assigned sub sectors to select those existing or needed enterprises that provide higher returns in terms of the desired output of competitiveness and productive employment creation;
- Interested university students should be involved in MSE project mentoring, coaching and monitoring activities and should also receive entrepreneurship orientation for considering their own business start-ups, as an alternative to migration;

- Larger enterprises should continue to be considered as candidates for outsourcing inputs from MSEs meeting quality and delivery requirements;
- SBB needs to forecast how many customers can be reached with the suggested changes in a second phase;
- The small business voucher program of the European Bank for Reconstruction and Development, which foster greater competitiveness and higher use of appropriate technology should be considered, to refine SBB's current approach;
- Loan officers of banks and microfinance institutions should receive some training by experts on the discrete aspects of small business lending, including the development of a credit manual. Thus, banks can be assisted to downscale their lending procedures while microfinance institutions, and even money lenders, can be guided on how to upscale their lending activities to include small businesses;
- The SBB should motivate banks to consider extending, either directly or through the SBB, funds to microfinance institutions for on lending to SMEs, initially with SBB guarantees. The SBB can invite a visit by bank officers and Bank of Guyana officials to Bolivia to observe the regulatory framework for SME lending. Bolivia is a model that has enabled microfinance institutions to grow and prosper and increase access to credit to the urban and rural working poor, by establishing an enabling environment and appropriate licensing and supervision.
- Any lending by the SBB to MSEs should be done through agency arrangements with banks and microfinance institutions, never directly.
- A dedicated monitoring and evaluation expert should assist the SBB to design a system to track and consider the impact of its interventions relative to desired outputs, to enable the SBB to fine tune its SME development activities.

4.5 Impact of the program for two (2) major needs of small businesses

Access to finance

While starting slow, the MSE program has already influenced banks to consider lending to the sector. Thus, inertia is being overcome. By itself this is a major success that needs to be developed. Over time, the interest rate payment facility will become less important as banks use their resources to lend to small business and realize that it can be a profitable, safer than thought, lending activity. The impact of the grant activity, while helping beneficiaries, can be improved by careful targeting of sectors, such as using technology and reducing carbon intensive business alternatives.

Business management and technical skills

The MSED program has motivated a core group of training institutions to develop courses for the sector. As the program becomes more focused on the types of MSEs selected, the training will also better meet the sector needs and result in more of the desired outputs, particularly new employment.

Much more emphasis is needed in terms of technical skills development and "hands on" support, for which technical advice is required to enable the SBB and its providers to develop the required capacity.

The MSED program has contributed to the growth of low carbon activities, and in all regions of Guyana. At the end of the first phase, over 400 grants will have been given in MSE's operating in LCS, and over 150 loans supported by the Credit Guarantee Fund at low interest rates will have been provided to MSEs also in the LCS.

4.6 Remaining Gaps

The SBB can in a second phase balance its current SME development efforts with small business policy support, for which the MoB will be largely responsible. The objective is the gradual reduction market

distortions and the development of a fostering environment for competitive and innovative small businesses.

Specifically, the SBB should assist the MoB to improve Guyana's *Doing Business* and Competitiveness ratings.

The SBB should also develop the capacity to identify and assist SMEs that can be integrated into value chains and/or can use digital marketing to find markets and trade partners.

Lastly, the SBB should use M&E results of the SME program to post on its website, and share with others, its achievements and lessons learned, with sample success stories, to entice donors to continue to support its efforts for green, competitive and innovative, small businesses.

What is required to address same?

While the SBB has a good 2016 – 2020 strategic plan it could revise it to be more in line with the MoB's as it concerns innovative and competitive SMEs development.

SBBs ongoing revision of institutional policies, processes and procedures should continue and incorporate the necessary components for the SBB to be able to lead the Guyana Government's efforts to lead the economy along a green and competitive road.

To that end, the appropriate SBB staff should receive expert training to develop the necessary knowledge and skills.

ANNEX I
Stakeholder Institutions and Beneficiaries Interviewed

Financial Institutions:

1. Ms. Shaleeza Shaw, CEO (Ag), Guyana Bank for Trade and Industry (GBTI)
2. Mr. Sasenaraine Jagnanan, General Manager (Ag.), Credit, Republic Bank (Guyana) Ltd. (RBL)
3. Mr. Ramesh Persaud, CEO, Institute of Private Enterprise Development Ltd (IPED)
4. Mrs. Manjula Brijmohan, MD, Small Business Development Finance Trust (SBDFT)

Training Partners:

1. Action Coach
2. Ruimveldt Life Improvement Centre
3. Cerulean Inc.
4. Generation Next
5. Empretec
6. Critchlow Labour College
7. Management Options Inc.
- 8.
9. Kuru Kuru Cooperative College

Beneficiaries of Grants - Loans - Training Visited

Clients Visited May 8th& 10th 2017 by

Brian Johnson, Alwick Prowell & IDB Consultant, Guillermo Bolanos

Names	Region	Type of Finance	Type of Venture
Sherwyn Clarke T/A Chefs	4	Loan	Catering
Carol Fraser T/A Miracle Hands	4	Loan	Arts & Crafts & Sew Garments
Lawrence Singh	4	Loan	Poultry - Layers
Juliana Hughes	4	Grant	Arts & Crafts - Jewellery
Luanna Pierre T/A Pawsome Pets	4	Loan	Catering to pets – grooming
Ivor Thompson T/A Kiskadee Kids	4	Loan	Day Care for kids
Pat Helwig	4	Grant	Catering & Arts & Crafts
Candace Wickham	4	Grant	School Special Needs Persons
Trevor Duncan	4	Grant	Photography & Printing
Nicholas Young	4	Grant	Ceramics
PhulwateGururam	5	Grant	Poultry – Broilers
HamiwattieRambarran	5	Grant	Jeellery from Seeds & Beads
RamdatHarrygobin	5	Grant	Crops – Celery &Challots
Azad Hussain (Bai)	5	Grant	Crops – Celery &Challots
RamzanBassalat	5	Grant	Crops – Celery &Challots
Keith Samuels	5	Grant	Crops – Celery &Challots
FerriezaRangasammy	5	Grant	Crops – Celery
ChandaniRampersaud	5	Grant	Crops – Sweet Peppers
Keashmattie Gomes	5	Grant	Crops – Peppers & Celery
DhaniramRamchand	5	Grant	Crops – Peppers, Celery, onions
BhagwattieHarricharran	5	Grant	Poultry – Broilers
Jennifer Holder	4	Grant	Internet Café, Floral &Candles

Visits made with Tracy Alves Innis

Persons visited by consultant			
Client	Business Activity	Area	Admin. Region
Valerie De Younge	Beach Resort	Capoey Lake	2
Abiola Webb	Massage & health	Affiance E/bo	2
Deokin Guptar	Printery & Gift Shop	Bush Lot E/bo	2
Carol Ann Benjamin	Farming - Cash Crops	Suddie, E/bo	2
James & Vivienne Paul	Furniture Manufacturing & Cass	Adventure E/bo	2
Hilon Yolanda James	Arts & Crafts - Floral arrangements	Golden Fleece E/bo	2
Paul R. Candia	Internet Café	Dartmouth E/bo	2
Alexi Singh	cell phones & Accessories	Anna Regina E/bo	2
Govenand Harnarine	cell phones & Accessories	Anna Regina E/bo	2
Deron Adams	Business services	Linden	10
Dawn Williams	crafts	Linden	10
Linden Wireless Communication Network Inc.	Entertainment/ Media	Linden	10