Report Number: ICRR0022913

1. Project Data

Project ID	Project Name
P145502	Technology Center Systems Project
Country	**Practice Area(Lead)**
India	Finance, Competitiveness and Innovation

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IBRD-83300	30-Jun-2020	122,961,598.43
Bank Approval Date	**Closing Date (Actual)**	
25-Apr-2014	31-Dec-2020	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	200,000,000.00	0.00
Revised Commitment	122,961,598.43	0.00
Actual	122,961,598.43	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

As per the Loan Agreement (LA) on page 5, the original Program's Development Objective (PDO) was "to enhance the productivity of micro, small, and medium enterprises (MSMEs) by improving their access to technology and business advisory services as well as skilled workers through systems of financially sustainable Technology Centers (TCs)." The PDO statement in the PAD was identical (page 8). However, the above PDO was not clearly stated and had an overarching objective ('enhance productivity') which had no indicators to measure achieved results.

Because of weaknesses in the original PDO statement and the results framework, and also due to a reallocation of resources, the project was restructured in 2018. As per the 2018 Amendment to Loan Agreement on page 1, the revised PDO became "to increase access to technology and skilled workers for micro, small, and medium enterprises at Technology Centers." The revised PDO statement in the 2018 Restructuring Paper on page (viii) was identical. While the revised PDO was clearly stated, the focus of the project was the same prior and after the restructuring.

This review will not conduct a split assessment of the project on the following grounds: (i) while the results framework was revised three times in March 2018, June 2020, and September 2020, the key performance indicators (KPI) were not changed, and their targets were only adjusted. This review will therefore assess the project performance of the rephrased PDO against the March 2018 results framework. The rephrased PDO will be parsed as follows:

- PDO-1: To increase access to technology for micro, small and medium enterprises at Technology Centers; and
- PDO-2: To increase skilled workers for micro, small and medium enterprises at Technology Centers

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

08-Mar-2018

c. Will a split evaluation be undertaken?

No

d. Components

The project had three components, with each component having specific activities as delineated below.

Component 1: Technical assistance to the existing and new Technology Centers (Amount at appraisal of US$34 million, Revised Amount of US$17.0 million; **Actual amount of US$2.44 million).** This component was designed to provide technical assistance to existing and new Technology Centers (TCs) through (i) Technology Partners (TP), (ii) Cluster Network Managers (CNM), and (iii) Information Technology Platform Service Provider.

Revised Component 1: During the 2018 restructuring, the overall scope of the technical assistance activities under Component 1 was reduced. The support for TCs to develop their capacity to provide general business advisory services and provide virtual productivity tools was removed. The procurement of all TPs was canceled as was the procurement of the four CNM packages, and the national web portal for MSMEs. The project downsized the Information Technology Platform (ITP) to only provide an Enterprise Resource Planning (ERP) solution for the TCs. However, a Technology Cluster Manager (TCM) was introduced, which combined the scope of work of the TPs and Cluster Network Managers (CNMs) into a single package.

Component 2: Investments to upgrade existing and develop new Technology Centers: (Amount at appraisal of US$351 million, Revised amount; US$368 million; Actual amount of US$122.90 million). This component aimed to establish 15 new TCs and upgrade the 18 existing TCs (which were established between 1967 and 1999). The funds were to be spent in supporting construction of buildings, infrastructure, equipment, and software of new and existing TCs. Funds were also allocated to support operating costs of new TCs.

Revised Component 2: The budget of Component 2 was increased to cover higher than originally estimated costs. Costs for the building and upgrading of technology centers (works, machinery) were higher than estimated. As a result, the budget for Component 2 was increased from US$351 million to US$368 million with the US$17million redistributed from Component 1. Later on during implementation, the Borrower co-financing was dropped, and Bank funding was reduced.

Component 3: Technical assistance to the MSME Ministry for Project implementation and Monitoring and Evaluation: (Amount at appraisal of US$15 million, Actual amount of US$5.87 million). The component was to strengthen the institutional capacity of the Ministry overseeing the project implementation through the hiring of an implementation partner, the setting up of a dedicated program management, and providing other technical assistance and training of Ministry personnel.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Cost: Actual total cost of the project amounted to US$131.2 million, funded by an IBRD loan and a Borrower contribution in the proportions of 94 percent and 6 percent respectively. Disbursed amount represents about 33 percent of the committed amount at appraisal.

Financing: The Program cost estimates amounted to US$400 million, to be financed with an IBRD flexible Loan (IBRD-83300) of US$200 million and a contribution of the Government of India of US$200 million**.** At project closure, actual total financing amounted to US$131.2 million, with IBRD and the Borrower contributing US$123.0 million and US$8.3 million respectively.

Borrower Contribution: At appraisal, the Borrower committed resources contribution in the amount of US$200.0 million. However, during the June 2020 restructuring, the Borrower contribution was reduced for all components, justifying that actual Borrower disbursements amounted to US$8.3 million, or 4 percent of the committed amount.

Dates: The project was approved on April 25, 2014, and became effective on December 19, 2014. The mid-term review took place on March 24, 2017, and set the stage for the March 2018 restructuring. The project was restructured three times as detailed below, and was closed six months after the original closing date.

Restructurings: The project was restructured three times as delineated below:

- **First Restructuring in March 08, 2018**: The first restructuring took place on March 08, 2018, with changes in the PDO, the Results Framework, the components and cost, and finally in implementation schedule.

- **Second Restructuring in June 30, 2020**: The second restructuring took place on June 30, 2020, with changes in the Results Framework and the Loan Closing Date, together with the Cancellation of Financing Reallocation between Disbursement Categories, and the Implementation Schedule. The project closing date was extended by three months from June 20, 2020, to September 30, 2020. In addition, US$50 million of undisbursed loan funds were canceled under the second restructuring, and the results framework was revised.
- **Third Restructuring in September 2018**. The third restructuring (level-2) was completed on September 28, 2020, and brought in changes in the Results Framework, and the extension of the Loan Closing Date from September 30, 2020, to December 31, 2020.

3. Relevance of Objectives

Rationale

The assessment of the relevance of the objectives draws from the material presented on pages 5-6 of the ICR.

The project objectives were congruent with the Borrower's priorities. The objective of India's 12th Five-Year Plan (FY2012-17) was to return to Gross Domestic Product (GDP) growth rates of over eight percent, which required improvements in manufacturing performance. The Government of India (GoI) had the objective of "enhancing the share of manufacturing in GDP from 15 to 25 percent within a decade and creating 100 million additional jobs" as per the National Manufacturing Policy 2011. However, the share of the sector in India's GDP was stagnant at around 15 percent, compared to the growing share in other Asian countries of over 30 percent. The main constraints to growth and competitiveness of India's manufacturing included difficulties in accessing markets and finance, infrastructure deficiencies, disincentives for MSMEs to grow, and difficulties for MSMEs to access technology and skills. This project aimed to increase MSMEs access to technology and skilled labor which were priorities of the country. The TTL indicated that the Government will pursue the PDOs by making available resources to fund the activities which were not completed during project implementation (see Minutes of the meeting with the TTL).

The project objectives were in line with the Bank's planned interventions in India. The project was in line with the overarching objective of the World Bank Group's FY2013-17 Country Partnership Strategy (CPS). The CPS aimed to contribute to three main engagement areas: integration, transformation, and inclusion. The project was designed to support the development of a vibrant manufacturing sector and the promotion of human development, thus directly contributing to improved demand-driven skills for productive employment (CPS outcome 1.3), and enhanced private investments, including in low-income States (outcome 1.4). The development objective was to increase access to technology and skilled workers for micro, small and medium enterprises at Technology Centers. The PDO contributed to "Enhancing Competitiveness and Enabling Job Creation," a key element of the India Country Partnership Framework (CPF, FY18-22). The first pillar of the CPF aimed to boosting economic competitiveness to create more and better jobs, some of the goals were to: (i) improve the investment climate for industrial development, and (ii) boost the employability and productivity of the growing workforce.

Overall, while the PDOs were generally in synchrony with the Borrower's priorities and the World Bank's strategies at project closing, a major development throughout project implementation was the shrinking of the Government funding and the reduction of Bank funding. At closure, only US$8.3 million, or 4 percent of the committed amount by the Borrower was disbursed, casting doubt on the Government commitment to its declared plan and policies during implementation. On balance, the relevance of the PDOs relevance is rated as Substantial.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To increase access to technology for micro, small and medium enterprises at Technology Centers

Rationale

Efficacy toward the first PDO comprises the presentation of the recreated theory of change, and the outputs and outcomes achieved using the project resources.

(i) Theory of change

Hereafter is a recreated theory of change, based on the content of the original PAD and the 2018 restructuring paper, and the associated assumptions. The theory of change toward the first objective was built on the logic that activities supporting the increased access to technology for micro, small and medium enterprises at Technology Centers would lead, among other things, to (i) a higher capacity utilization of existing Technology Centers (TC) machinery, (ii) the building of an increased number of new technology centers, and (iii) a higher number of technology roadmaps developed by Technology Cluster Manager (TCM) and endorsed by industry associations. The above achievements were expected to generate (i) higher annual revenue by technology centers from production support and consultancy, (ii) an increased number of annual work orders accepted by technology centers, (iii) a higher annual number of individual enterprises accessing services at technology centers, and (iv) a higher gross profit by existing technology centers before depreciation excluding land. The key assumption for this theory of change to hold was for the Borrower to contribute 50 percent of the project cost.

Outputs:

- The target for the number of new Technology Centers (TC) built was not reached, as only 3 TC were built against an original target of 15, and a revised target of 6, and a baseline of 0;

- The target for the cumulative number of technology roadmaps developed by Technology Cluster Manager (TCM) and endorsed by industry associations was almost reached, with 14 against a target of 12, and a baseline of 0;

Outcomes

- The target for the number of work orders accepted at TCs was missed, as it reached 19,000 in FY20, against a target of 41,000, and a baseline of 23,000 in 2012;
- The target for the number of individual enterprises accessing services was partially achieved, reaching the number of 6,700, against a target of 6,900, and a baseline of 0;
- The target for revenue generated yearly by TCs from production support and consultancy was exceeded reaching US$9.35 million, against a target of US$8.6 million, and a baseline of US$4.8 million;
- The target for the 'capacity utilization of existing TC machinery' was not met, as capacity utilization reached about 56 percent, against a target of 75, and a baseline of 55 percent;
- The target for the gross profit by existing technology centers before depreciation excluding land (million) was achieved, reaching US$12.0 million, against a target of US$12.0 million, and a baseline of US$3.5 million;

The project aimed to strengthen the capacity of the TCs and increase access to technology and skilled workers for MSMEs through both the upgrade of old TCs and the construction of new TCs. The construction of new TCs represented 65% of project funds. However, because of the slow implementation progress, the outcome indicators captured progress mainly from existing TCs. There was only a marginal contribution by only two new TCs in FY2020 for the first outcome. As a result this objective is rated as modest due to low achievement.

Rating
Modest

OBJECTIVE 2
Objective
To increase skilled workers for micro, small and medium enterprises at Technology Centers (TC).

Rationale
Efficacy toward the second PDO comprises the presentation of the recreated theory of change, and the outputs and outcomes achieved using the project resources.

(i) Theory of change

Hereafter is a recreated theory of change, with the associated assumption and based on the content of the original PAD and the 2018 project restructuring paper. The result chain for the second objective assumed that activities to increase skilled workers for micro, small and medium enterprises at Technology Centers were to (i) significantly scale up the training of workers, including female workers, and those from low-income states and disadvantaged sections of the society, and (ii) improve the skills development contents for Centers of

Excellence. The above achievements were expected to lead to a visible increase in the medium- and long-term trainees employed within six months of graduation from TCs. The key assumption for this theory of change to hold was for the Borrower to contribute by providing 50 percent of the project cost.

Outputs

- The target for the annual number of trainees trained by 2020 was not achieved, reaching only 132,000 against an original target of 250,000, and a revised target of 180.000:
- of which 3.1 percent were external trainers trained, against a target of 4 percent, and a baseline of 1 percent
- of which 26 percent were female against a target of 18 percent, and a baseline of 10 percent;
- of which 23 percent were from low-income states against an original target of 43 percent and a revised target of 40 percent, and a baseline of 30 percent;
- of which 32 percent were from disadvantaged section of society against an original target of 49 percent, and a revised target of 30 percent, and a baseline of 29 percent.

Outcomes

- The target for the number of medium- and long-term trainees employed within six months of graduation from TCs was missed, reaching only 3,700, against a target of 7,700, and a baseline of 3,600.
- The outcome results did not see any visible increase over the project lifetime, due to compliance issues. The realized results were driven by existing TCs as the first class of a medium/long-term course from a new TC graduated in 2021 after project closing.

Overall, achieved results under the second objective were inexistent. Progress toward the target reached only 2.5 percent, and even this small achievement is attributable to existing TCs. This objective is rated as modest due to low achievement.

Rating
Modest

OVERALL EFFICACY
Rationale
The two PDOs were not achieved because of acute implementation challenges, and the scope reduction following the cancellation of Borrower funding. Toward the first PDO, key outcomes were missed. In particular, the outcome indicators captured progress mainly from existing TCs. There was a marginal contribution by only two new TCs in FY2020 to the first outcome. Toward the second objective, similarly the realized results were driven by existing TCs as the first class of a medium/long-term course from a new TC graduated in 2021 after the project closing. The overall efficacy of the project is rated Modest due to low achievement of results.

Overall Efficacy Rating
Modest

Primary Reason
Low achievement

5. Efficiency

The economic efficiency assessment draws from the ICR analysis under Section II, while the operational and administrative efficiency is informed by the ICR information presented under the sections III and IV.

- **Economic efficiency**

The economic efficiency is rated as modest. The rating is based on the estimated NPV and ERR of the project at closing and is compared to the estimates at design. The ERR and NPV fell short of initial projections. This ICR replicated the economic analysis, resulting in an ERR of 18 percent and a NPV of US$173 million for the base scenario under a 10 percent discount rate.

Factors that contributed to the reduced efficiency include (i) the scaling down of the technical assistance component and (ii) delays in the construction of new TCs. The scope of the technical assistance was much lower than envisaged at appraisal and even at level-one restructuring. The ITP portal was not implemented and the technical assistance by the TCM began only in December 2018. The overall expenditure share on component 1 was approximately US$2.5 million, compared to US$34 million at appraisal and US$17 million during the first restructuring. While there was a substantial decline, the project is likely to yield positive returns to the country. The rating captures how economic resources and inputs were converted into results in the Project.

The updated economic analysis finds that the estimated NPV reduced from US$483 million (originally) to US$173 million at closing (base case) for the base scenario under a 10 percent discount rate. The ERR declined from 31 percent (originally) to 18 percent at closing. The more conservative, low-case scenario yields an ERR of 16 percent and a NPV of US$133 million.

- **Operational and administrative efficiency:**

The operational and administrative efficiency is also rated as modest, based on developments described in the ICR in relation to (i) the insufficient implementation readiness at board approval, (ii) the delays in the staffing of the PIU and multiple changes in leadership during project implementation, (iii) delays in staffing and complex approval within MoMSME, and finally, (iv) the capacity issues related to procurement and monitoring of civil works which significantly slowed down the progress on construction of new TCs. Project was closed six months after the original closing date, with only less than 70 percent of resources disbursed.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	18.00	10.00 ☐ Not Applicable
ICR Estimate	✓	31.00	10.00 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of PDOs was rated substantial, based on the congruence between the PDOs and the country's development priorities, and that PDOs were in line the Bank's planned interventions in the country during the period of project implementation until closure, but with implementation challenges, prompting the reduction of Bank funding and the cancellation of Borrower contribution impacted the level of achieved outputs and outcomes. Both the project's efficacy and efficiency were rated modest because of major shortcomings in the above areas as detailed under the Section IV and V of this review, supporting a Moderately Unsatisfactory rating of the overall outcome of the project.

a. Outcome Rating

Moderately Unsatisfactory

7. Risk to Development Outcome

Overall, the risk to achieved outcome is low, principally because of the Government's decision to provide project funding until March 2024. Following a robust demand for services from the TCs, the training at TCs now largely follows a hybrid model of both online and offline classes and MSMEs are returning to TCs for technology related services. As the virulence of the COVID-19 pandemics fades away, economic activity has picked up and the use of TCs by MSMEs for both technology and skilled labor is expected to bounce back and increase over time. Since project closing, two additional TCs have been completed and five others are close to completion. With the remaining civil works contracts progressing, the targeted fifteen new TCs will be completed and operationalized in the coming years. The operationalization of the remaining new TCs will substantially increase the total number of MSMEs benefiting from improved access to technology and skilled labor.

However, the ICR indicates (page 24) that technical and capacity related risks remain substantial. Technical risks remain substantial, given the complexity of the technology space and the rapidity with which it evolves. Efforts to strengthen the institutional capacity to deal with technical risks is a continuous process. Risks related to financial sustainability are moderate. Because the profitability of TCs declined during the pandemic, the overall emphasis in the project was put on TCs being demand driven and services priced appropriately. The recently approved World Bank supported Raising and Accelerating MSME Performance (RAMP) Program with the MoMSME aims to strengthen institutions. Moreover, some of the interventions related to the provision of advisory services to MSMEs and an integrated portal for MSMEs, are being addressed under RAMP project.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project was strategically relevant for the country, as it focused on MSME access to technology, skilled labor and on shared prosperity. The project was designed to address key market failures in technology diffusion and in skilled labor for MSMEs. The technical design of the project was in line with recommended practices in strengthening MSME access to technology services and skilled labor. The project also had a strong focus on poverty, gender and inclusion with its emphasis on beneficiaries from low-income states and disadvantaged sections of society.

The design of the project was in line with international practices for strengthening MSME access to technology. Key principles were incorporated from existing TCs into the design of TCSP, including: (i) the need for TCs to be demand driven and price their services adequately; (ii) stronger linkages to the ecosystem; (iii) governance of TCs; and (iv) engagement with the private sector. The design drew from international practices and included elements to develop both the TCs themselves as well as the markets for their services through working with clusters to assess needs and using this knowledge as an input into the development of the TCs' services.

There was insufficient implementation readiness at board approval. Key readiness filters to award civil works contracts and key consultancies were not met at approval. Readiness status during negotiations and signing was as follows: (i) the first criterium was that at least 30 percent of civil works contracts are 'ready to award'/ awarded; but the project was signed with no civil works contract in the 'ready to award' stage, (ii) the second criterium required key consultancies 'ready to award', but none of the key consultancies of the project were at the 'ready to award' stage, and (iii) finally, the site selection and screening for construction of new TCs and upgrade work was left for implementation, and the provision of land for new TCs was not finalized yet.

Key risk factors that were to impact project implementation were significantly underestimated. There was insufficient clarity on implementation arrangements for civil works design, implementation, and monitoring by project approval. The accelerated design phase left decisions to the implementation phase, such as the entity responsible for the detailed design, specifications and drawings of the new TCs. This omission was a key risk factor that affected implementation was underestimated, because the MoMSME had no prior experience in managing large procurements and in supervising civil works. The hiring of the Construction Management Consultant (CMC) was only completed in December 2015, leading to delays in the procurement of civil works contracts for new TCs and to subsequent negative impact on the number of TCs completed. Moreover, the MoMSME had no prior experience in large procurement of specialized technical assistance packages. A market readiness assessment during preparation could have facilitated appropriate pricing, definition/refinement of scope, specific outreach to players and type of procurement method to follow for these packages. While the overall implementation risk was assessed to be moderate, this review did not adequately capture and mitigate the risks experienced during implementation.

Overall, as described above, quality-at-entry had major shortcomings. Implementation readiness was weak and set the project for delayed launching. Because of rushed design and weak mitigating measures to address identified risks, when the latter materialized, project implementation could not overcome them.

Quality-at-Entry Rating

Unsatisfactory

b. Quality of supervision

While supervision was adequate and proactive, the Bank team was tested by addressing procurement challenges. Supervision reporting through AMs and ISRs identified roadblock issues and provided a good basis for management to understand what is at stake and to come up at each stage with constructive steps and timelines to address these constraints. Restructuring of the project post mid-review addressed issues that had come up in implementation and the GoI request to scale down component 1 and increase the financing for the construction and upgrading of TCs. Corresponding constructive steps to address these issues with timelines were provided to move the project forward as is evidenced by the clear action points agreed on at the end of each supervision mission completed by teams with TTL presence in both HQ and India, which facilitated follow up between missions. Capacity issues related to procurement and monitoring of civil works substantially slowed progress on construction of new TCs.

The first restructuring of the project attempted to respond to issues that had come up during implementation. The project had gotten off to a slow start due to the readiness and risk mitigation constraints mentioned before. The appointment of the National Program Manager and full staffing of the Small Dedicated Project Management Team (SDPMT) a few months before the MTR had contributed to progress on component 2 with a span of a few months. By MTR, the systems were put in place for component 2 in terms of hiring of the CMC, completion of detailed design, completion of procurement of civil works contractors for eight of the new TCs and one old TC. However, this was not the case for component 1 where there had been no progress. As a result, component 1 activities were downsized, starting implementation during the project’s last two years.

The Bank team was ineffective in assisting the Borrower to launch the project. The staffing of the PIU took almost two years and approved project positions for Procurement, Financial Management, IT Specialists and the National Program Manager were not filled in the very initial period of implementation. The National Program Manager remained unfilled until September 2016, which led to executive decision-making delays. As a result, the Legal covenant related to the ‘Small dedicated project management team’ or SDPMT was complied with twenty-eight months after project approval and almost twenty months post effectiveness. By August 2016, the PIU had abolished the Review Committee, and established Procurement Evaluation Committees for consultancies and for goods and works.

While the ICR was detailed on the negative impact of the Covid-19 pandemic on project implementation, mitigation measures by the Bank team were not explicit. In 2020, the GoI ordered a national lockdown in response to Covid-19. This affected the project progress toward achieving its development objective. There were delays in the delivery and commissioning of machinery and construction activity during the pandemic. Disruptions in global supply chains and mobility restrictions led delays in delivery and installation of imported machines. Most sites halted works during the lockdown.

While construction resumed with Covid-19 protocols in place, they operated with less than the required labor for a few months.

Quality of Supervision Rating
Moderately Satisfactory

Overall Bank Performance Rating
Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

There was a misalignment between the theory of change and the project's results framework. Because the PDOs statement was unclear, the original results framework had shortcomings linked to the mismatch between the PDO and outcome indicators. The original PDO's objective aimed to 'enhance productivity', but there was no indicator to measure productivity enhancement included in the original results framework. Moreover, the project intended to strengthen TCs' capabilities to deliver services and skilled workers to MSMEs, while productivity was a more long-term goal.

While PDO indicators were generally specific and measurable, they did not reflect the challenges on the ground. PDO and intermediate indicators aimed to measure progress made toward enhancing performance of the TCs, including their gains in skilled labor. However, some of the targets for outcome and intermediate results were not set appropriately. For instance, the indicators on number of TCs constructed did not account for the insufficient readiness for implementation and did not anticipate the capacity and implementation issues which would substantially delay construction and make the yearly targets unrealistic. In addition, cumulative vs. annual reporting indicators were not appropriately chosen in some cases, and the Indian Financial Year was not adopted as the period of reporting.

M&E arrangements were appropriate: The PIU and the Implementation Partner were to monitor and evaluate the progress of project implementation against result targets in the Results Framework. The monitoring system was to track the performance indicators and the required frequency and were to be reviewed during implementation support missions. Much of the data was already being collected by the MSME ministry at regular intervals and were well documented and were to be used as baseline for a robust M&E framework. Before the project closure, an Impact Evaluation was planned with the objective of determining if the TCs had materially improved the productivity and competitiveness of several of its user communities and clusters.

b. M&E Implementation

Following a reallocation of the project resources during the 2018 restructuring, there was a revision of the RF, including additional target adjustments in June and September 2020. The original M&E framework was updated during the project's first restructuring to factor in the reduction of the project scope. The changes included the modification of PDO and matching outcome indicators to better support the revised PDO; the removal of the focus on 'business advisory services' due to the changes to the technical assistance activities under Component 1; and making financial sustainability of TCs a means to the intended outcome and not the end. The new PDO was focused on the increased access to technology and skilled workers and the new outcome indicators appropriately captured this new project orientation.

Implementation Supervision and Results Reports (ISRs) and Aide-memoires were regular and reported on the progress of project implementation. Performance of M&E implementation was mixed. There were some areas that worked well, such as: (i) baseline and progress data reported without delays, and (ii) the setup of an online system for TCs to report monthly data. In comparison, some areas could have been improved, including: (a) more realistic forecasts on progress of civil works contracts and construction of new TCs as moving targets by the CMC became the norm; (b) while impact evaluations were provided for in the PAD, this was not implemented. The absence of systematic evaluations (using any other alternate methods) beyond regular reporting of results framework indicators made the evaluation of achievement of project outcomes and attribution to project interventions challenging.

The M&E did not sufficiently capture the impact of the scope reduction of the project on the expected results. During implementation, the scope of the project was reduced by half, following the cancellation of the Borrower funding, and part of the Bank funding. This would have implied a significant reduction in the expected outputs and outcomes, but the results framework was not sufficiently revamped to reflect the impact of the fall in the Borrower and Bank commitment.

c. M&E Utilization

The M&E instrument was used to gauge progress toward the project's identified outcomes. Most importantly, M&E data and information were used to inform project management and decision making, especially during the preparation of the project restructurings to factor in implementation challenges encountered on the ground, and provide evidence of progress towards achievement of outcomes. However, the M&E system did take sufficient account of the impact of the reduction of the Borrower funding and commitment.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

Environmental and social compliance

Based on the program’s potential impacts on the environment, this project was designated as Category B, and two environmental policies were triggered as follows: (i) OP 4.01 on Environmental Assessment and (ii) OP 4.11 on Physical Cultural Resources.

The project's Environment Management Framework (EMF) was adequate to address environmental risks and impacts. Moreover, the project undertook social screening of all TCs and shared the findings with the Bank prior to commencement of construction activities. The findings of the subproject specific screening exercises helped identify potential social risks and impacts and proposed mitigation measures to address the minor adverse impacts. The project's Social Management Framework (SMF) was adequate to address sub-project specific social risks and impacts. All TCs included in the project were located within clearly defined industrial areas and did not require land acquisition. By the project's closing, the project was compliant with (i) OP 4.01 on Environmental Assessment and (ii) OP 4.11 on Physical Cultural Resources that were triggered, and there were no safeguard compliance issues.

b. Fiduciary Compliance

Procurement

Overall, while there were some delays in procurement contract execution, there were no specific procurement non-compliances. Due to underestimation of risk factors related to procurement and monitoring of civil works, there was slow progress on construction of new TCs. Consequently, there were delays related to procurement and onboarding of the CMC, and timelines for completion of civil works were compressed. This has resulted in revising the target for completion of new TCs downwards from 15 to 6, and at project closing, only 3 were completed, and the absence of civil works experience in MoMSME meant that the quality control over the CMC on civil works supervision was not adequate.

Procurement of the technical assistance packages faced poor market response with multiple technical assistance packages canceled by the Ministry of Micro, Small and Medium Enterprises (MoMSME). In addition, there were delays in shortlisting for the CNM contracts, and several CNM packages were ultimately canceled by MoMSME. After MTR, the TCM was finally recruited in December 2018 and effectively began its technical assistance activities in 2019.

Financial Management

Overall, the MoMSME complied with the Bank's FM guidelines and procedures. The annual budgets were adequate, and no delays were observed in providing funds by MoMSME to TCs. The expenditure reports were regularly submitted by TCs on funds spent under the project and these expenditure reports were used by the Project Management Unit (PMU) to prepare Interim Unaudited Financial Reports (IFR). The annual audits of TCs were carried out by a firm of Chartered Accountants. The outer period of the project was affected by the COVID-19 pandemic, and it resulted in delays in the submission of IFRs and audit reports to the Bank. The final external audit report was still awaited at the completion of this review.

c. Unintended impacts (Positive or Negative)

There were no unintended impacts positive or negative.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	
Bank Performance	Moderately Satisfactory	Moderately Unsatisfactory	There were major shortcomings related to insufficient implementation readiness, and underestimation of risks. Supervision suffered from flaws inherent to the design phase.
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

This ICR endorses three lessons identified in the ICR, which are rephrased below:

(i) Project implementation readiness matters and needs to be assessed carefully before effectiveness. The readiness filters and criteria instrument need to be used systematically to ensure that each project design matches the country and institutional context. Accelerated preparation which does not meet the country readiness conditions can set the project for failure or undesirable results.

(ii) Strong risk assessment and adequate mitigation measures are key to setting the project ready to address implementing challenges. Underestimating risks during preparation can unfavorably affect project implementation and outcomes due to insufficient measures put in place to mitigate such risks. A realistic assessment of risks and putting in place mitigation measures to address these risks will facilitate project implementation.

(iii) Hard infrastructure and soft outcome arising from Technical Assistance and reforms are key to development and needs equal attention. The Borrower's representatives often prefer to focus on the hard infrastructure components of projects, which they view as more ‘tangible’, and may not fully appreciate the importance of technical assistance components. The Bank team needs to ensure that 'technical assistance’ components are as important as other infrastructure components of the project.

13. Assessment Recommended?

Yes

Please Explain

This project was part and parcel of a Government Program aimed to developing the technological and skill base of MSMEs in selected manufacturing industries, by upgrading and expanding specialized TCs. While the Bank support to this program was closed, the Government stayed the course and provided resources to continue the program. The Bank would assess the impact of this seed money in the medium and long-term through a PPAR or a thematic evaluation. Lessons arising from Bank support to MSMEs would be a key input in the current Bank endeavor to contribute to poverty reduction and shared prosperity

14. Comments on Quality of ICR

The ICR is overall well-written for a complex project implemented in a difficult political economy context. The ICR is evidence-based and internally consistent. It provides a detailed storyline of the operation context, implementation and the achieved results. In particular, the dialogue context of the operation was well analyzed, including a detailed discussion of the shortcomings related to the insufficient implementation readiness and the COVID-19 impact on some of the delays of project implementation. The results orientation and the quality of analysis were of good quality, as illustrated by detailed graphs, and annexes. However, the sharp reduction of the Borrower contribution could have been discussed more throuroughly. Thus, the quality of the ICR is rated Substantial.

a. Quality of ICR Rating
Substantial