



1. Project Data :	
OEDID:	C1996
Project ID:	P000905
Project Name :	Private Small and Medium Enterprise Development Project
Country:	Ghana
Sector:	Other Finance
L/C Number:	C1996
Partners involved :	None
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2. Project Objectives, Financing, Costs and Components :
 Objectives: to facilitate a supply response and generate employment by: (a) financing for private productive activities, (b) improving the viability and competitiveness of private SMEs, (c) fostering participation by banks in long-term financing for SMEs, (d) assistance to micro-enterprises, (e) technical assistance for SMEs and women entrepreneurs, and (f) improving the policy and institutional support framework for SME development. The project components were: (a) a line of credit (US\$38.5 million), (b) a pilot mutualist credit guarantee scheme, (c) equipment leasing (\$1.7 million), and (d) TA for the apex institution, bankers and entrepreneurs, particularly women (\$1.3 million). Total project cost was US\$41.5 million, including a US\$30 million equivalent credit from IDA, approved in FY89. The credit was closed in FY97, and SDR 484,115 canceled.

3. Achievement of Relevant Objectives :
 Objectives were only partially achieved : (a) financial assistance and TA were provided to a diverse group of SMEs with respect to size, sector and location; (b) an apex unit was established at the Bank of Ghana, providing a mechanism to foster participation by banks and leasing companies; (c) advisory services and training to financial institutions and to small and micro enterprises and women entrepreneurs provided them with tools to increase productive activities; (d) Finance Lease Law enacted, contributing to increased competition with the establishment of new leasing companies.

4. Significant Achievements :

5. Significant Shortcomings :
 (a) High default rates on sub-loans, (b) mutualist credit guarantee scheme not implemented, (c) negligible financial assistance to micro-enterprises, and (d) TA was limited by cancellation (e.g. pilot studies fund) and postponement of some components, due in part to the failure to obtain cofinancing.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	
Institutional Dev .:		Modest	
Sustainability :	Uncertain	Uncertain	
Bank Performance :		Unsatisfactory	
Borrower Perf .:		Unsatisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

(a) Capacity building in the financial sector is more likely to succeed in the presence of macroeconomic stability, a disciplined financial system, and a business environment conducive to private investment. (b) The development of equity financing instruments for SMEs may be more important than credit because they provide access to technical know-how, bridge the information gap between emerging entrepreneurs and the banking system, and promote the development of capital markets. (c) Microenterprises require different financial products and delivery mechanisms than traditional lines of credit targeted to SMEs. (d) The success of financial intermediary loans depends upon a disciplined credit environment; when this is weak, the project should include measures to improve it.

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

The quality of the ICR is satisfactory; it provides a clear and frank assessment of the project and includes a discussion of the future operation of the institutions and a contribution by the borrower. Since a key objective was the contribution by beneficiary SMEs to the economic development of the country, it would have been useful to have information on the rates of return of sub-projects.