



# Evaluation of European Community Support to Private Sector Development in Third Countries

Final Report

Volume II - Annexes 1 to 7

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This report has been prepared by ADE  
at the request of the European Commission.

The views expressed are those of the  
Consultant and do not represent the official  
views of the European Commission.



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**Desk Evaluation**



**TERMS OF REFERENCE FOR AN EVALUATION OF  
European Community support to Private Sector Development  
in third countries**

Second draft



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## **TERMS OF REFERENCE FOR AN EVALUATION OF European Community support to Private Sector Development in third countries**

### **1. MANDATE**

Systematic and timely evaluation of its expenditure programmes is an established priority for the European Commission (EC), and the 2003 evaluation plan requested to undertake an evaluation of EC support to private sector development in third countries to fulfil its obligation to render accounts for the management of allocated funds and the results achieved.

It has been decided to undertake this evaluation also in the light of the fact that no global evaluation of the sector has been made. An evaluation of the sector is further merited by the coming into maturation of several large-scale programmes as well as by the introduction of reforms in both country and regional strategy programming and in aid delivery.

### **2. THE POLICY BACKGROUND**

Private Sector Development covers a wide range of activities and stretches over more than a sector. For the period under analysis there is no definition for the field of 'Private Sector Development' (PSD) agreed and applicable to all instruments and regions. Elements of a definition are contained in the different regulations and legal bases, the most encompassing being the definition through the Cotonou Agreement where, at least for the investment facility, also public entities are eligible if managed according to commercial principles.

PSD can be subsumed under Economic cooperation which is an integral part of the EC's external policy as spelled out in the Maastricht Treaty. The three main objectives of external policy are: poverty reduction, integration into the global economy and sustainable development.

The proposed operational definition of economic cooperation<sup>1</sup> is based on several elements, the first three being fundamental and relevant for this evaluation:

- facilitating trade,
- direct support for private firms,
- improving the economic and institutional environment.

To encourage the development of an active private sector the Community already has put in place a wide variety of instruments, each with its own *raison d'être*, procedures and legal basis. These instruments are often tailored to meet the specific requirements of the partner countries within the framework of the Community's cooperation agreements. Moreover, a number of large regional programmes have either a private sector focus or contain private sector- related activities.

In particular in the Mediterranean region Community support has taken the form of traditional project financing, sectoral support to national industrial modernisation

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<sup>1</sup> "Study to clarify the definition of EC Economic Co-operation with third Countries": final report, March 2002).

programmes, support to privatisation and support to the reform of national fiscal and financial systems. Technical assistance, including trade and investment promotion activities, has also been made available. Support for the private sector has often been undertaken in close co-operation with the European Investment Bank (EIB).

In Asia and Latin America the Community manages the ALA -INVEST instrument through which support is provided to Small and Medium sized Enterprises (SMEs) in the form of Technical Assistance and trade /investment promotion and partnership programmes.

In the Balkans the new CARDS Regulation, approved in the year 2000, provides a new medium term programming framework (2000-2006) for the promotion of Stabilisation and Association Agreements and support for efficient market economies, based upon private sector development and trade integration at both the international and regional levels.

The TACIS Regulation has the same medium term objectives for the Newly Independent States (NIS).

In the ACP countries the PRO -INVEST Facility mainly focuses on capacity building and the development of small businesses in the framework of poverty alleviation strategies.

Recently new instruments have been created managed mainly by the EIB (the FEMIP Facility for the third partner countries in the MED region and the Cotonou Investment Facility for the group of the ACP countries).

In response to commitments stemming from the conferences of Monterrey and Johannesburg, as well as in support of NEPAD and the Doha Development Agenda the Commission is presenting and discussing the draft "Communication from the Commission to the Council and the European Parliament (2003) on 'European community co-operation with third countries: the commission's approach to future support for the development of the Business sector.

This Communication aims to simplify, rationalise and harmonise Community support for business and private sector development in partner countries on three different levels: the macro-economic, sectoral and enterprise levels.

It has to be also noted that EuropeAid Co-operation office finalised, in February 2003, Guidelines for European Commission Support to Private Sector Development. These guidelines are designed as a tool for staff responsible for preparing and implementing projects and programmes.

### **3. PURPOSE AND RESULTS OF THE EVALUATION**

The primary purpose of the present evaluation is to identify key lessons pertaining to the wide variety of instruments available, and their application in partner countries. The evaluation should be built around a testing and verification of the logic and consistency of individual actions against stated objectives and anticipated impacts. As the evaluation should contribute to improved coherence, it should assess the European Commission's co-operation activities in private sector development, relative to the general and specific objectives of the different regional and country co-operation and development



programmes. The evaluation should consider the complementarity of individual actions against the strategy and stated overall objectives of the Commission. It should also aim at enhancing coherence between objectives in PSD and the Commission's other policy objectives, notably of support to SMEs in the EU (European Charter of Small Enterprises) and Trade issues (including TRTA), as well as a more rational strategic decision-making (including within Country Strategy Papers). The evaluation should also consider the coordination and complementarity of activities managed by the EIB without evaluating these.

The main result of the evaluation will be an *ex-post evaluation of the EC strategy and actions over the period 1994-2003*<sup>2</sup> through assessments of key issues reflected in the Evaluation Questions (see below; to be defined). These issues should include the quality and impact of PSD policy dialogue and accompanying policy actions; the impact of Commission assistance in relation to economic and social development goals; the coherence and complementarity of EC assistance with other EU policies; the degree of attention given to cross-cutting and horizontal issues, and the relevance and efficiency of instruments, working practices and financial mechanisms. The evaluation should assess the steps being taken by the Commission to improve the relevance and coherence in regard to programming, targeting and setting up the instrument chosen. The evaluation should also test the given definitions for Private Sector development, business sector and economic cooperation in view of their responsiveness to the objectives of external cooperation as laid out in the Maastricht treaty. The evaluation should consider possible effects of Private Sector Development to Poverty reduction.

As part of its function, the evaluation should come to a general overall judgement based upon well-founded conclusions regarding the fundamental aspects on the Commission's past performance and the relevance of its proposed approach. The final report should contain findings and recommendations expressed clearly enough to be translatable into operational terms by the Commission.

The evaluation should serve policy and sectoral decision-making and project management purposes. This requires addressing the principal concerns of the Board of Commissioners of the RELEX family, as well as those relevant to the RELEX family services. DGs DEV, RELEX, AIDCO ENTR and TRADE, and EC Delegations in the countries covered by this exercise will thus be the main users of the Evaluation. However, the evaluation should also generate results of interest to an audience that would include geographical desks and those responsible for intervention in other sectors (for example, trade, agriculture and other economic cooperation instruments), the wider Commission circle on a strategic level like DG BUDG as well as governmental and civil society partners.

#### **4. SCOPE OF THE EVALUATION**

The evaluation will cover the Commission's actions in the field of Private sector development as set out in the different legal bases. The Consultant will begin by reviewing the evolution of the Commission's policy as regards development and external co-

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<sup>2</sup> Period to be finetuned at the beginning of the exercise.

operation in favour of the private sector development since 1994. This review will be based upon Commission policy statements, regulations, sector guidelines, instructions on programming and on the design of sector interventions, and the results of relevant evaluations undertaken in the sector, and will require the definition of any major differences in approach between different regional programmes. The consultant will identify where and as appropriate cycles in PSD programming and major developments in approaches and will, with the launch note propose a regional finetuning of the period covered by the evaluation.

The *countries* covered by the evaluation will be selected during the desk phase on the basis of rational criteria agreed with the Steering Group. From this analysis, the consultant will proceed to an evaluation of the Commission's actions in this sector in ACP countries and in the regions covered by the regulations TACIS, ALA, MEDA and CARDS.

## 5. EVALUATION QUESTIONS

The evaluation will be based on a *set of key questions*. These questions are intended to give a more precise and accessible form to the *evaluation criteria* (see §6.3 below) and to articulate the key issues of concern to stakeholders, thus optimising the focus and utility of the evaluation.

Identified in the first instance by the evaluation team, these evaluation questions (of a *maximum of 10*) should be *grouped in thematic clusters* in accordance with the main issues relating to the Commission co-operation in favour of Private Sector Development. The evaluation questions will be discussed with the Evaluation Unit, and finally debated within, and validated by the Steering Group.

For each Evaluation Question there should be at least one appropriate *Judgement Criterion*, and for each such criterion the appropriate quantitative and qualitative *Indicators* will be identified and specified. This, in turn, will determine the *appropriate scope and methods of data collection* (see below).

Questions should be drafted in such a way that they clearly reflect an *evaluation exercise* (which calls for a judgement of quantity, quality and/or intensity). For instance, the evaluation question on implementation issues could be drafted as follow: *How far has the implementation and delivery of EU-supported activities, especially the choice of beneficiaries, funding instruments and donor mix, facilitated the achievement of specific objectives?*

Among the Evaluation Questions, at least one should be dedicated to assess how far the programme has integrated ***crosscutting issues*** (such as gender, environment, human rights, capacity building). Other question(s) shall also be dedicated to how far the programme under study took account of ***co-ordination, complementarity and coherence*** aspects (as mentioned in Article 177 of the Maastricht Treaty).

Besides specific answers, the evaluation questions shall also lead the evaluators to produce an *overall assessment* of the EC co-operation support to Private Sector Development.

## 6. THE EVALUATION'S BASIC COMPONENTS

The basic approach to the evaluation will consist of four *main phases* (see dedicated chapter below) in the course of which *four sequential methodological stages* will be developed. This approach will call upon *five key evaluation criteria*.

### 6.1 Four Main Phases of Evaluation

- Desk Phase.
- Field Phase.
- Final Report-Writing Phase.
- Dissemination and Feedback of findings and recommendations.

### 6.2 Four Methodological Stages

- Structuring of the evaluation.
- Data Collection.
- Analysis.
- Judgements.

### 6.3 Five Key Evaluation Criteria

The evaluation must lead to a set of conclusions (based on findings and analysis) and to related recommendations. The assessment will be based on five key evaluation criteria: impact, relevance, effectiveness, efficiency and sustainability. The adopted approach should include the following basic tasks:

- Identify, explain and hierarchise the objectives of the EC's Support of Private Sector Development, in terms of their intervention context, logic and coherence. Identify key clusters or major areas of activity where PSD support has been focused, with a view to subsequent analysis. Assess the *relevance* of PSD objectives, programmes and actions, both to the Commission's and EU's more general objectives and to the priorities and needs of beneficiary countries and regions.
- Identify all recorded *impacts*. Assess the *intended impact* corresponding to each objective, indicating how these intended impacts fit within broader and changing (economic, political, sociological, cultural, environmental) contexts. Identify *unintended impacts* or dead-weight/ substitution effects (and compare them to intended impacts).
- Assess *effectiveness* in terms of how far the intended results were achieved (actual results).
- To the extent that the interventions were effective, assess the *efficiency* of PSD support in terms of how far funding, personnel, regulatory, administrative, time and other resources and procedures contributed to, or hindered the achievement of results.

- Assess the *sustainability* of the strategy/strategies and their component programmes, that is the extent to which their results and impacts are being, or are likely to be, maintained over time.

## 7. THE EVALUATION'S FOUR PHASES AND REPORTING

### 7.1 Desk Phase

#### 7.1.1. *Starting the Evaluation and producing a Launch Note*

Prior to embarking in the structuring phase of this study, a *Launch Note* will be submitted to the Evaluation unit in which the consultant will have set out in full: (i) the team's understanding of the Terms of Reference, (ii) their proposed *general* approach to the work (methodology, scope, etc.), (iii) the proposed composition of the full evaluation team (with CVs), (iv) a budget proposal.

This Launch Note will be circulated to the Steering Group members for comments.

#### 7.1.2. *Structuring the Evaluation and drafting an Inception Note*

Once the Launch Note has been circulated to the Steering Group and approved by the Evaluation Unit (after any agreed amendments have been made), the work will proceed with the *Structuring Stage* of the evaluation and shall lead to the production of an *Inception Note* for consideration by the Evaluation Unit and the Steering Group.

During this structuring stage, the evaluation team will hold exploratory meetings with the relevant Commission Services, discussing with individual desk officers in Headquarters the programmes for which they are responsible. The largest part of the work will be dedicated to the analysis of all relevant key documentation on recent and current Commission co-operation in favour of PSD, including data on the pertinent policy and programming documents and instruments, and also taking account of any key documentation produced by other international donors and agencies.

On the basis of the data collected, the evaluation team will proceed, in the Inception Note, to an analysis which main aim is threefold: (a) deconstructing the intervention logic of PSD policies, programmes and activities in different geographical regions; (b) drafting a set of Evaluation Questions.

- deconstructing the *intervention logic* consists in setting out the key objectives of the Commission's approach to Private Sector development, assessing the intended impacts related to the objectives. The evaluation team should point out their logic, context and overall coherence, including relevant aspects of the programme's external coherence in relation to other EU policies, the needs and policies of

beneficiary countries, their macro-economic and legal framework, other donors' activities, and other geopolitical factors;<sup>3</sup>

- once all objectives have been identified and ordered into a hierarchy, the team will draft the key *Evaluation Questions* (see above).

### 7.1.3. Desk Study and delivery of Desk Phase Report

Once the Inception Note has been debated within the Steering Group and that the Evaluation Questions have been validated, the team of consultants will proceed with the final stage of the Desk Phase of the evaluation. This final stage consists mainly in identifying and setting out proposals for the following:

- identify, for each Evaluation Question, an appropriate *judgement criterion* (or criteria); and select relevant quantitative and qualitative *indicators* for each Judgement Criterion identified;
- propose suitable methods of *data and information collection* both in Brussels and in proposed field trips - additional literature, interviews both structured and open, questionnaires, seminars or workshops, case studies, etc. - indicating any limitations and describing how the data should be cross-checked to validate the analysis;
- present appropriate *methods of analysis* of the information and data collected, again indicating any limitations;
- indicate the basis to be used for making the *judgements*, which should be directly related to the Judgement Criteria (set up during this first phase but adaptable should the field findings so dictate).

At the conclusion of this work, the evaluation team will present to the Evaluation Unit a *Draft Desk Phase Report* (following the structure set out in Annex 3). This report shall set out in full the results of this first Phase of the evaluation. It should also detail the consultants' proposed approach and methodology for the upcoming *Field Phase* of the evaluation (e.g. analytical grid for case studies, model for structured interviews, example of questionnaires, etc.), and final confirmation of the full composition of the evaluation team, including local consultants as appropriate. The analysis should include a proposed list of activities, projects and programmes for in-depth study in the field. The field mission should not start before the proposed approach and methodology have been approved by the Evaluation Unit.

After the Steering Group has discussed this Draft Report, the evaluation team will be given up to 10 working days to produce the *Final Desk Phase Report*.

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<sup>3</sup> *Nota Bene:* Although the assumptions, conditionality and risks attached to each objective do not appear in this logical diagram they shall be assessed in the course of the analysis.

## 7.2 Field Phase

1. Following satisfactory completion of the Desk Phase, the evaluation team will proceed to the field missions (see calendar below). The fieldwork, the duration of which shall be cleared with the Steering Group (it should typically last around three weeks), shall be undertaken on the basis set out in the Final Desk Phase Report and agreed by the Steering Group and by the Delegations of countries proposed for visits. Field visits should reflect the importance of the different instruments in terms of volume of resources devoted in different regions, their specificity, the need for geographical diversity, and the need to illustrate/validate preliminary evaluation findings through analysis of well-chosen case studies. If during the course of the fieldwork any significant deviations from the agreed methodology or schedule are perceived as being necessary, these should be explained to the Steering Group through the Evaluation Unit.
2. At the conclusion of the field study the team will (i) give a detailed on-the-spot *de-briefing to each Delegation in chosen countries* on their provisional findings; (ii) give a *general de-briefing (based on all missions) to the Steering Group* in Headquarters soon after returning from the field; and (iii) proceed to prepare the *Field Mission Report* for delivery to the Evaluation Unit no later than ten working days after de-briefing to the Steering Group. This report will be presented to, and debated within the Steering Group.

## 7.3 Final Report-Writing Phase

1. The Final Report (as well as previous notes and reports) will be drafted in English, and be structured as set out in Annex 4.
2. The evaluation team will deliver a Draft Final Report to the Evaluation Unit no later than July 2004. On acceptance, the report will be circulated for comments to the Steering Group, which will convene to discuss it about 15 working days after circulation, in the presence of the evaluation team.
3. On the basis of comments received both from the Steering Group and the Evaluation Unit, the evaluation team will make the appropriate final amendments and submit their Final Report to the Evaluation Unit within one month of the last meeting. The evaluators may either accept or reject the comments made by the Steering Group members, Delegations' members, or relevant stakeholders, but, in case of rejection, they shall motivate (in writing) their refusal and annex the relevant comments and their responses to the report.

4. The redaction of the Final Report (as well as previous reports and notes) must be of outstanding quality. The findings, analysis, conclusions and recommendations should be thorough. They should reflect a methodical and thoughtful approach, and finally their logical development should be clear.

#### **7.4 Dissemination and Follow-Up**

1. After approval of the final report, the Evaluation Unit will proceed with the Dissemination of the results (conclusions and recommendations) contained within this Report. The Unit will: (i) make a formal Judgement on the Quality of the evaluation; (ii) draft a 2-page Evaluation Summary; (iii) circulate a Fiche Contradictoire for discussion with the relevant Services. The Quality Judgement, the summary, and the Fiche Contradictoire will all be published on the Evaluation Unit's Web-site alongside the Final Report and the Field Phase Report.
2. Furthermore, the evaluation team (or selected members) may, on the basis of the Final Report, participate in a Seminar in Brussels during which they will make a presentation to the EC services and relevant stakeholders on the evaluation's findings, conclusions, and recommendations. The organisation of such event will depend on the expression of the Commission's interest and on the availability of sufficient time and resources.

### **8. MANAGEMENT AND SUPERVISION OF THE EVALUATION**

The management and supervision of the evaluation will rest with the *Evaluation Unit* at EuropeAid Co-operation Office.

The progress of the evaluation will be followed closely by a Commission *Steering Group* consisting of members of the RELEX family services as well as other relevant Directorate Generals under the chairmanship of the Evaluation Unit.

The principal functions of this Steering Group will be:

- to discuss the Terms of Reference drawn up by the Evaluation Unit as well as the evaluation questions proposed by the consultants;
- to discuss the inception note and subsequent reports (see section 9 below) produced by the consultants;
- to act as interface between the consultants and Commission services;
- to provide the consultants with information and documentation on activities undertaken in the sector;
- to advise on the quality of work done by the consultants;
- to assist in feedback of the findings and recommendations from the evaluation into future programme design and delivery.

## **9. EVALUATION TEAM**

This evaluation is to be carried out by a team with advanced knowledge of, and experience in at least the following fields: development co-operation policy, macroeconomics, private sector development, SME promotion and finance, trade and investment promotion, business, agro-economy, social development (including gender expertise). Consultants should also possess an appropriate training and documented experience in the management of evaluations, as well as evaluation methods in field situations. The team should comprise consultants familiar with the different regions covered.

The Team composition should be agreed, but may be subsequently adjusted if necessary in the light of the Evaluation Questions once they have been validated by the Steering Group.

The Evaluation Unit recommends strongly that consultants from beneficiaries countries be employed (particularly, but not only, during the Field Phase).



## 10. TIMING AND BUDGET

### 10.1 Calendar

The evaluation will start in **September 2003** with completion of the Final Report scheduled for **July 2004**. The following is the *indicative* scheduler:

<i>Evaluation's Phases and Stages</i>	<i>Notes and Reports</i>	<i>Dates</i>	<i>Meetings</i>	<i>Dates</i>
<b>Desk Phase</b>		Starts <i>mid-Sept 2003</i>		
Starting Stage	Launch Note	<i>early Oct 2003.</i>		
Structuring Stage	Inception Note	<i>mid-Nov 2003</i>	Steering Group Meeting	Late Nov 2003
Desk Study	Draft Desk Report	<i>early Jan 2004</i>	Steering Group Meeting	<i>mid Jan 2004</i>
	Final Desk Report	<i>End Jan 2004</i>		
<b>Field Phase</b>		<i>Feb 2004</i>		
	De-briefing post-Field Phase		Presented to the Steering Group	<i>March 2004</i>
	Field Phase Report	<i>End March 2004</i>	Steering Group Meeting	<i>Early April 2004</i>
<b>Final Report-Writing Phase</b>	Draft Final Report	<i>Early May 2004</i>	Steering Group Meeting	<i>May 04</i>
	Final Report	<i>June/ July 2004</i>		
<b>Dissemination</b>	Seminar <sup>TT</sup>	<i>Sept/Oct<sup>4</sup> 2004</i>		

<sup>T</sup> The dates mentioned in the above table may only be changed in view of optimising the evaluation performance, and with the agreement of all concerned. <sup>\*\*</sup> Subject to agreement by the Evaluation Unit.

### 10.2 Cost of the Evaluation and Payment Modalities

1. The cost of the evaluation should not exceed € 300.000.
2. The Payments modalities shall be as follow: 30% at the acceptance of the Inception Note; 50% at acceptance of Draft Final Report; 20% at acceptance of Final report.

<sup>4</sup> Taking into account the summer break.

## ANNEX 1

### RELEVANT DOCUMENTS (LIST NOT EXHAUSTIVE)

#### **Published Evaluations:**

Evaluation of EC financial assistance to Mediterranean countries through the European Investment bank.

Evaluation of the Cross-Border Initiative (CBI) regional economic integration programme in Southern and Eastern Africa.

Evaluation of Economic Cooperation between the European Community and partner states in Asia and Latin America.

Independent appraisal of the European Community Investment Partners (ECIP) financial instrument.

EVALUATION OF PHARE FINANCED LABOUR MARKET AND SOCIAL SECURITY REFORM PROGRAMMES IN LITHUANIA AND SLOVAKIA -

EVALUATION OF PHARE FINANCED SME SUPPORT PROGRAMMES.

EVALUATION OF PHARE AND TACIS CO-FINANCING PROGRAMMES WITH THE EBRD.

Evaluation of TACIS Enterprise Restructuring Facility (TERF).

Study to clarify the definition of EC Economic Co-operation with third Countries.

#### **Ongoing Evaluations:**

Sectoral/thematic evaluations:

- Transport.
- Economic Co-operation MEDA.
- Trade-related assistance.
- Strategic evaluation of financial support to SMEs (managed by DG BUDG).

#### **Regulations and other docs:**

*Communication (2000) 212 "The European Community's development policy"*  
[http://europa.eu.int/eurllex/en/com/cnc/2000/com2000\\_0212en01.pdf](http://europa.eu.int/eurllex/en/com/cnc/2000/com2000_0212en01.pdf)

*Council resolution of November 2000*  
[http://europa.eu.int/comm/development/lex/en/council20001110\\_en.htm](http://europa.eu.int/comm/development/lex/en/council20001110_en.htm)

« *Supporting Private Sector Development* » (1998) and "Private sector development strategy -Directions for the World Bank group" (2001)  
*Treaty establishing the European Community, Article 177 (ex article 130 of the Treaty of Maastricht)*  
[http://europa.eu.int/eur-lex/fr/treaties/dat/ec\\_cons\\_treaty\\_fr.pdf](http://europa.eu.int/eur-lex/fr/treaties/dat/ec_cons_treaty_fr.pdf)

COM (2000) 264: "Integrating environment and sustainable development into economic and development cooperation".  
[http://europa.eu.int/eur-lex/en/com/cnc/2000/com2000\\_0264en02.pdf](http://europa.eu.int/eur-lex/en/com/cnc/2000/com2000_0264en02.pdf)

Presidency conclusions. Göteborg European Council 15 and 16 June 2001 (ref. SI(2001)500)  
<http://ue.eu.int/fr/Info/eurocouncil/index.htm>

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**Annex 1.2**  
**Terms of Reference - Phase II**  
**Field and Synthesis**



**TERMS OF REFERENCE FOR AN EVALUATION OF  
European Community support to Private Sector Development  
in third countries**





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## **TERMS OF REFERENCE FOR AN EVALUATION OF European Community support to Private Sector Development in third countries**

### **1. MANDATE**

Systematic and timely evaluation of its expenditure programmes is an established priority for the European Commission (EC), and the 2003 evaluation plan requested to undertake an evaluation of EC support to private sector development in third countries to fulfil its obligation to render accounts for the management of allocated funds and the results achieved.

It has been decided to undertake this evaluation also in the light of the fact that no global evaluation of the sector has been made. An evaluation of the sector is further merited by the coming into maturation of several large-scale programmes as well as by the introduction of reforms in both country and regional strategy programming and in aid delivery.

The desk phase of this evaluation has been conducted and concluded, in June 2004 with a report presenting tentative conclusions and recommendations. The present terms of reference cover the second part of the evaluation, the field- and synthesis phase.

### **2. THE POLICY BACKGROUND**

See the terms of reference for the first phase of the evaluation.

### **3. PURPOSE AND RESULTS OF THIS PHASE**

The primary purpose of the present phase is to seek new information, verify working hypotheses, test, refine and possibly complement the preliminary findings, conclusions and recommendations established during the desk phase.

The general purpose and planned results of the evaluation remain as spelled out in the terms of reference for the desk phase.

### **4. SCOPE OF THE EVALUATION**

The evaluation covers the Commission's actions in the field of Private sector development as set out in the different legal bases. For further details, see the terms of reference for the first phase of the evaluation.

The consultant has proposed during the deskphase a methodology to select the countries to be covered. The methodology, the criteria and ultimately the countries will be discussed and agreed with the Reference Group. The consultant will then proceed to an evaluation of the Commission's actions in this sector in ACP countries and in the regions covered by the regulations TACIS, ALA, MEDA and CARDS.

## **5. EVALUATION QUESTIONS**

The evaluation is based on a set of key questions. These questions are intended to give a more precise and accessible form to the evaluation criteria and to articulate the key issues of concern to stakeholders, thus optimising the focus and utility of the evaluation. The evaluation questions have been identified and – to a certain extent – treated during the desk phase. The field and synthesis phase will complete the information gathering and analysis and will enable the evaluators to give specific answers as well as to produce an overall assessment of the EC co-operation support to Private Sector Development.

## **6. THE EVALUATION'S BASIC COMPONENTS**

See the terms of reference for the first phase of the evaluation

## **7. THE EVALUATION'S FOUR PHASES AND REPORTING**

For further detail, see the terms of reference for the first phase of the evaluation

### **7.1 Field Phase**

- i. Following satisfactory completion of the Desk Phase, the evaluation team will proceed to the field missions (see calendar below). The fieldwork, the duration of which shall be cleared with the Reference Group (it should typically last around three weeks), shall be undertaken on the basis set out in the Final Desk Phase Report and agreed by the Reference Group and by the Delegations of countries proposed for visits. Field visits should reflect the importance of the different instruments in terms of volume of resources devoted in different regions, their specificity, the need for geographical diversity, and the need to illustrate/validate preliminary evaluation findings through analysis of well-chosen case studies. If during the course of the fieldwork any significant deviations from the agreed methodology or schedule are perceived as being necessary, these should be explained to the Reference Group through the Evaluation Unit.
- ii. At the conclusion of the field study the team will (i) give a detailed on-the-spot de-briefing to each Delegation in chosen countries on their provisional findings; (ii) give a general de-briefing (based on all missions) to the Reference Group in Headquarters soon after returning from the field; and (iii) proceed to prepare the Field Mission Report for delivery to the Evaluation Unit no later than ten working days after de-briefing to the Reference Group. This report will be presented to, and debated within the Reference Group.

## 7.2 Final Report-Writing Phase

- i. The Final Report (as well as previous notes and reports) will be drafted in English.
- ii. The evaluation team will deliver a Draft Final Report to the Evaluation Unit no later than March 2005. On acceptance, the report will be circulated for comments to the Reference Group, which will convene to discuss it about 15 working days after circulation, in the presence of the evaluation team.
- iii. On the basis of comments received both from the Reference Group and the Evaluation Unit, the evaluation team will make the appropriate final amendments and submit their Final Report to the Evaluation Unit within one month of the last meeting. The evaluators may either accept or reject the comments made by the Reference Group members, Delegations' members, or relevant stakeholders, but, in case of rejection, they shall motivate (in writing) their refusal and annex the relevant comments and their responses to the report.
- iv. The redaction of the Final Report (as well as previous reports and notes) must be of outstanding quality. The findings, analysis, conclusions and recommendations should be thorough. They should reflect a methodical and thoughtful approach, and finally their logical development should be clear. The recommendations should be pertinent, feasible, and a clear order of priority should be established.

## 7.3 Dissemination and Follow-Up

- i. After approval of the final report, the Evaluation Unit will proceed with the Dissemination of the results (conclusions and recommendations) contained within this Report. The Unit will: (i) make a formal Judgement on the Quality of the evaluation; (ii) draft a 2-page Evaluation Summary; (iii) circulate a Fiche Contradictoire for discussion with the relevant Services. The Quality Judgement, the summary, and the Fiche Contradictoire will all be published on the Evaluation Unit's Web-site alongside the Final Report and the Field Phase Report.
- ii. Furthermore, the evaluation team (or selected members) may, on the basis of the Final Report, participate in a Seminar in Brussels during which they will make a presentation to the EC services and relevant stakeholders on the evaluation's findings, conclusions, and recommendations. The organisation of such event will depend on the expression of the Commission's interest and on the availability of sufficient time and resources.

## **8. MANAGEMENT AND SUPERVISION OF THE EVALUATION**

The management and supervision of the evaluation will rest with the *Evaluation Unit* at EuropeAid Co-operation Office.

The progress of the evaluation will be followed closely by a *Commission Reference Group* consisting of members of the RELEX family services as well as other relevant Directorate Generals under the chairmanship of the Evaluation Unit.

## **9. EVALUATION TEAM**

This evaluation is to be carried out by a team with advanced knowledge of, and experience in at least the following fields: development co-operation policy, macroeconomics, private sector development, SME promotion and finance, trade and investment promotion, business, agro-economy, social development (including gender expertise). Consultants should also possess an appropriate training and documented experience in the management of evaluations, as well as evaluation methods in field situations. The team should comprise consultants familiar with the different regions covered.

The Team composition should be the same as in the previous desk phase, but may be subsequently adjusted if necessary.

The Evaluation Unit recommends strongly that consultants from beneficiaries countries be employed (particularly, but not only, during the Field Phase).

## 10. TIMING AND BUDGET

### 10.1 Calendar

The evaluation will start in **August 2004** with completion of the Final Report scheduled for **February 2005**. The following is the *indicative* scheduler:

<i>Evaluation's Phases and Stages</i>	<i>Notes and Reports</i>	<i>Dates</i>	<i>Meetings</i>	<i>Dates</i>
<b>Preparation Field phase</b>	Inception note field	<i>September 2004</i>	Reference Group Meeting	<i>October 2004</i>
<b>Field Phase</b>	Pilot mission	<i>November 2004</i>		
	Field visits	<i>January 2005</i>		
	De-briefing post-Field Phase		Presented to the Reference Group	<i>January 2005</i>
	Field Phase Report	<i>February 2005</i>	Reference Group Meeting	
<b>Final Report-Writing Phase</b>	Draft Final Report	<i>March 2005</i>	Reference Group Meeting	
	Final Report	<i>April 2005</i>		
<b>Dissemination</b>	Seminar	<i>May 2005</i>		

T The dates mentioned in the above table may only be changed in view of optimising the evaluation performance, and with the agreement of all concerned. \*\* Subject to agreement by the Evaluation Unit.

### 10.2 Cost of the Evaluation and Payment Modalities

- i. The cost of the evaluation will be determined.
- ii. The Payments modalities shall be as follow: 30% at the acceptance of the Inception Note (Field); 50% at acceptance of Draft Final Report; 20% at acceptance of Final report.





## **Annex 2**

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*Note: References specific to the country missions are presented in each Country Note (Annexes 5.9 to 5.13).*

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**Annex 3**  
**Persons contacted and/or met**



## 1. Desk Phase

### 1.1 European Commission

Last name	First name	Service or Institution	Directorate	Unit
Como	Odoardo	EuropeAid	ACP	C3
Rodriguez	Manuel	EuropeAid	ACP	C3
Salinas	Claudio	EuropeAid	ACP	C3
Cantell	Samuel	EuropeAid	Asia	D3
Gilissen-Degryse	Sylvie	EuropeAid	Asia	D3
Nino Page	Fernando	EuropeAid	Asia	D3
Crespo	Antonio	EuropeAid	Latin America	E2
Caivano Garcia	Mario	EuropeAid	Latin America	E3
Chellafa	Nadia	EuropeAid	MEDA	B3
Mari	Simona	EuropeAid	MEDA	B3
Nagti	Nadia	EuropeAid	MEDA	B3
Delanghe	Koen	EuropeAid	MEDA	B4
André	Corinne	EuropeAid	MEDA	B5
Comelles	Nuria	EuropeAid	TACIS - CARDS	
Filon	Rudie	EuropeAid	TACIS - CARDS	A1
Forsberg	Lars-Erik	EuropeAid	TACIS - CARDS	A3
Loppé	Juliette	EuropeAid	TACIS - CARDS	A3
Lindemans	Agnes	EuropeAid	General Programming	03
Schwaiger	Ingrid	EuropeAid	General Programming	03
Delcroix	Nicola	EuropeAid	Evaluation Unit	H6
Wille	Susanne	EuropeAid	Evaluation Unit	H6
Mogni	Andrea	Relex	Planning Services for External Relations	03
Hahlen	Renate	Relex	Asia	H5
Konig	Helena	Relex	Asia	H5
De Luzenberger	Raoul	Relex	Eastern Europe, Cuacanus, Central Asian Republics	E2
Koistinen	Anne	Relex	Eastern Europe, Cuacanus, Central Asian Republics	E2
Stewart-David	J.	Relex	Eastern Europe, Cuacanus, Central Asian Republics	E2
Gatzelu	Frank	Relex	Middle East, South Mediterranean	
Balbinot	Marie-Ange	Relex	Middle East, South Mediterranean	F3
Caldarone	Maurizio	Relex	Middle East, South Mediterranean	F4

Last name	First name	Service or Institution	Directorate	Unit
Frisch	Peter	Relex	Middle East, South Mediterranean	F4
Rumbold	Clive	Relex	Western Balkans	D3
Schwarz	Andreas	DG Dev	Development policy and Sectoral issues	B2
Traore	Amadou	DG Dev	Development policy and Sectoral issues	B2
Latorre-Zacares	Ana-Rosa	DG Budget	Own Resources, evaluation and financial programming. Evaluation.	B5
Gonzales Sanchez	Serafin	DG Entr	Enterprise policy	A2
Williams	Andrew	DG Entr	Enterprise policy	A2
Obregon	Juan Antonio	DG Trade		C1
Di Mauro	Francesca	DG EcFin	International issues	D4

## 1.2 EC Delegations

Last name	First name	Country	Section / Position
Priestley	Mark	Boznia-Herzegovina	Economic Cooperation
Mellado	Diego	Egypt	Economic Cooperation
Laafia	Ibrahim	Egypt	Modernisation of Economy Sector
Samzun	Guy	Niger	Economic & Trade Adviser

## 1.3 Other institutions

Last name	First name	Institution	Position
Morgenstern	Dieter	EIB	
Matos Rosa	Fernando	CDE	Director
Delchambre	Jean-Marie	CDE	Control & Operational Follow up
Sow	Hamed	CDE	Geographical Coordination
Keene	Patrick	PRO-INVEST	
Pantelias	Sarantis	EPU	MED Monitoring - Project Director
Cerutti	Fernando	SOGREAH	Asia Monitoring - Team Leader



## 2. Field Phase

### 2.1 Jamaica

Last name	First name	Service or Institution	Title
<b>Delegation</b>			
Berglund	Ambjörn	Delegation of the European Commission in Jamaica	First Counsellor
O'Riordan	Alex	Delegation of the European Commission in Jamaica	Economic & Social Development Section Manager
Kaba	Malado	Delegation of the European Commission in Jamaica	Economic & Social Development Section Manager
Pettinato	Carlo	Delegation of the European Commission in Jamaica	Trade and Economic Cooperation Section Manager
Szepesi	Stefan	Delegation of the European Commission in Jamaica	Task Manager
<b>Local authorities</b>			
Francis	Patricia	JAMPRO	President
Davis	Dianne	Planning Institute of Jamaica	National Authorising Officer
<b>Programme Management Unit / Technical Assistance / Operators</b>			
Forrester	Berletta	JAMPRO	Manager Business Facilitation Department – TDP
Shakespeare	Desmond	JAMPRO	Consultant Export Promotion – TDP
Chin	Vivian	MIDA	Director
Budhan	Reginald	Ministry of Commerce and Technology	Director – (Ex-Credit Scheme)
Brown	Asquith	Ministry of Industry and Tourism	GOJ SME Coordinating and Monitoring Unit
Francis	Arnie	Pan Caribbean Bank	Relationship Manager, Corporate Banking
Pratt	Henry	Pan Caribbean Bank	Senior Vice President & General Manager
Julien	Michael	PMU PSDP	Technical Assistant
Morgan	Delaine	PMU TDP and PSDP	Project Manager TDP & PSDP
Fong-Wright	Lola	PSOJ	

Last name	First name	Service or Institution	Title
<b>Beneficiaries</b>			
Carrington	Yvette	Benjamin's	Export Manager
Johnson	Yvonne	Benjamin's	Marketing Consultant
Smith	Jean	Jamaica Exporters Association	Director of Export Services
Gordon-Rowe	Nicola	Jamaica Manufacturers' Association	Executive Director
Smith-Forrest	Dahlia	Just Kids	Director
Wallace	Gary	Leder Mode	Business Manager

## 2.2 Mexico

Last name	First name	Service or Institution	Title
<b>Delegation</b>			
Berlanga Zubiaga	Claudia	Delegation of the European Commission in Mexico	Economic Advisor
Pancera	Aurélie	Delegation of the European Commission in Mexico	Cooperation Programmes Advisor
<b>Management Unit / Technical Assistance</b>			
Luis Ranjel	Jose	IAPYME Management Unit	National Director
Rambaud	Yves	IAPYME Management Unit	Chief of the European Technical Assistance
<b>National Authorities</b>			
Garcia de Alba	Sergio	Ministry of Economy SME Sub-Secretariat	Vice Ministry
Delgadillo Alvarado	Eduardo	Ministry of Economy SME Sub-Secretariat	Export Development Director
de la Torre Cruz	Luis	Ministry of Economy SME Sub-Secretariat	n.a.
Ornellas	Ivan	Ministry of Economy SME Sub-Secretariat	n.a.
Luna Calderón	J. Manuel A.	Ministry of Economy International Trade Negotiations Sub-Secretariat	General Director for Europe and FTAA
Reyes Barrera	Roberto	Ministry of Economy International Trade Negotiations Sub-Secretariat	Director for European Union
Alarcon Benito	Genaro	Ministry of Economy International Trade Negotiations Sub-Secretariat	Economic Counsellor
Remis	César	Ministry of Economy International Trade Negotiations Sub-Secretariat	Economic Counsellor
Aguirre Esponda	Guillermo	Sciences and Technology National Council (CONACYT)	Technology Deputy Director
Pando Ceron	Rafael	Sciences and Technology National Council (CONACYT)	Technologic programs Director and operational link

Last name	First name	Service or Institution	Title
Manuel Rivas Ochoa	Jose	Sciences and Technology National Council (CONACYT)	Subdirector de Agentes Tecnológicos
<b>Operators</b>			
Calderon	Xochilt	EUROCENTRO CANACINTRA	Director EUROCENTRO CANACINTRA
Cruz del Bosque	Fernando	EUROCENTRO BANCOMEXT	Sub-director EUROCENTRO Bancomext
Espina Tozcano	Angélica	EUROCENTRO NAFIN	Programme Strategic Manager EUROCENTRO Nafin
Ceron Cortes	Adrian	EUROCENTRO NAFIN	Entrepreneurial strategic promotion EUROCENTRO Nafin
Diaz	Paz	EUROCENTRO TEC Monterrey	Director EUROCENTRO Tecnológico de Monterrey
Macias Herrera	Santiago	COMPITE (PIAPYME Operator)	Coordinator General
Torres Gonzalez	Elfid	FUNDES (PIAPYME Operator)	Gerente de Estudios y Competitividad
Muñoz Dominguez	Fernando	Coordinadora de Fomento Al Comercio Exterior del Estado de Guanajuato	Secretario Particular de Presidencia y Dirección General
<b>Enterprises</b>			
Vazquez Dominguez	Adriana	OPLEX (PIAPYME beneficiary)	Product Engineering Manager
Pastrana Tamez	Ramiro	MALINALOE (PIAPYME beneficiary)	
<b>Other Stakeholders</b>			
Capuzano	Grisel	UNDP	Private Sector Advisor
Bisso	Ricardo	UNDP	Private Sector Advisor
Lisker	Björn	CAMEXA	Press & Information
Foeth	Giselher	CAMEXA	Camexa Services
Muela Pareja	Mariano	Spanish Embassy – Comm. & Eco Office	Economic and Commercial Advisor
del Valle	Cesar	Spanish Embassy – Comm. & Eco Office	
Assistance to two AL-INVEST meetings with the participation of: PYMEXPORTA Centres, COFOCE, CANACINTRA, CONCE, CANACO, ANIERM			

## 2.3 Morocco

Last name	First name	Service or Institution	Title
<b>Delegation</b>			
Ryssen	Olivier	Delegation of the European Commission in Morocco	Premier Conseiller
Hennebert	Pierre	Delegation of the European Commission in Morocco	Chef de section
Hennemeyer	Friedrich	Delegation of the European Commission in Morocco	Chargé de programmes
Cerini	Alessandro	Delegation of the European Commission in Morocco	Chargé de projets et programmes
Deloge	Thierry	Delegation of the European Commission in Morocco	Chargé de programmes
Laurent	Martial	Delegation of the European Commission in Morocco	Chargé de programmes
Breteche	Olivier	Delegation of the European Commission in Morocco	Chargé de programmes
<b>National Authorities</b>			
Echihabi	Latifa	ANPME	Directeur Général
Benmoussa	El Hassane	Secrétariat d'Etat chargé de la Formation Professionnelle	Secrétaire Général
<b>Management Unit / Technical Assistance</b>			
Castrataro	Paolo	ANPME / UE	Chef de Projet
Oukrid	Omar	PAAP / UE	Directeur
Séran	Dominique	PAAP / UE	Conseiller
<b>Beneficiaries</b>			
Ayouché	Mouhcine	CGEM	Directeur Délégué
Jerrari	Chaouki	Fédération Interprofessionnelle du Secteur Avicole	Directeur Général

Last name	First name	Service or Institution	Title
Mourid	Nabir	Fédération Interprofessionnelle du Secteur Avicole	Responsable Développement
Lamaachi	Ahmed	Fédération Interprofessionnelle du Secteur Avicole	Responsable Administratif
Smani	Mohamed	R&D Maroc	Directeur
<b>Other donors</b>			
Cobein	Joumana	IFC	Program Manager Middle East & North Africa Department

## 2.4 Vietnam

Last name	First name	Service or Institution	Title
<b>Delegation / PMU / Technical assistance</b>			
Cooney	Patrick	Delegation of the European Commission in Vietnam	Programme Officer, Co-operation section, European Union
Nguyen	Hang	Delegation of the European Commission in Vietnam	SMEDF I&II
Anh	Tuan Vu Thi	Delegation of the European Commission in Vietnam	Programme Officer ETV 2
Beck	Hans-Anand	Delegation of the European Commission in Vietnam	Economic Co-operation Adviser
Jacobs	Andrew	Delegation of the European Commission in Vietnam	First Secretary, Head of Co-operation
Fontan	Francisco	Delegation of the European Commission in Vietnam	Deputy Head of Co-operation
Meissner	Ricarda	Delegation of the European Commission in Vietnam	European Union Chief Adviser
<b>Donors</b>			
Küsel	Corinna	German Technical Cooperation (GTZ)	Sector Coordinator SME Promotion and Private Sector Development
Bravi	Alessandra	Embassy of Italy in Vietnam, Development programme Office	Programme Officer
Scholtès	Philippe	United Nations Industrial Development Organisation (UNIDO)	Representative
Seppälä	Pekka	Embassy of Finland	Counsellor
Adhikari	Ramesh	Asian Development Bank (ADB)	Head Country Programmes and Economics

Last name	First name	Service or Institution	Title
Henrik Vistisen	Danida	Royal Danish Embassy (DANIDA)	Counsellor
Yuko Koji	Ebihara Oshikiri	Japan International Cooperation Agency, Vietnam Office (JICA)	Deputy Resident Representative
<b>Local Authorities</b>			
Pham	Thi Thu Hang	Vietnam Chamber of Commerce and Industry	General Director
Nguyen	Minh Tuan	Vietnam Chamber of Commerce and Industry	Manager
Nguyen	Hoang Luu	Hanoi Small and Medium Enterprises Association (HASMEA)	Vice Standing – Chairman - General Secretary
Nguyen	Chi Dzung	Ministry of Planning and Investment, Agency of Small and Medium Enterprise Development (ASMED)	Deputy Director General
Bui	Thu Thuy	Ministry of Planning and Investment, Agency of Small and Medium Enterprise Development (ASMED)	Officer Int'l Cooperation Division
Phung	Duong	Vietnam National Administration of Tourism (VNAT)	Deputy Director of Int'l Cooperation dept.
<b>Private sector</b>			
Nguyen	Hoang Anh	CBAM	Director of International co-operation Department of CBAM
Dang	Duc Dzung	Ha Thanh Technology Development., JSC	Managing Director
Hoang	Quang Tuan	Vietnam Bank of Agriculture & Development	Expert of Int'l Relations Department
Nguyen	Viet Hung	Vietnam Bank of Agriculture & Development	Deputy Director of the Project Management Department
Le	Thi Yen	State Bank of Vietnam	National Programme Officer
Nguyen	Vinh Hung	State Bank of Vietnam	Deputy Director
Nguyen	Hanh Phuc	State Bank of Vietnam	SME Finance Project Manager



## 2.5 Zambia

Last name	First name	Service or Institution	Title
<b>Delegation / PMU / Technical assistance</b>			
Correia-Nunes	Jenny	Delegation of the European Commission in Zambia	Counsellor – Head of Section Private Sector, Food Security
Kristensen	Jans	Delegation of the European Commission in Zambia	Third Secretary - Regional Co-operation
Lwao	Chilambwe	Delegation of the European Commission in Zambia	Programme Officer – Private Sector
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Brennan	Mike	PMU – TDP	Program Manager
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Mande		Bimzi	n.a.
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Terken	Mark	Cheetah Zambia Ltd	Managing Director Manager Marketing & Development
Ball	Daniel	Forest Fruits Ltd	Managing Director

Last name	First name	Service or Institution	Title
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Hichilema	Hakainde	Grant Thornton Associates	Chief Executive and Representative of the Business Forum
Watson	Trevor	Kabulima Organic Farmer's Association	Committee Member
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Van der Heide	Edjan	Mukambi Safari Lodge	n.a.
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Siddle	Charles	Zambia Coffee Grower's Association (ZCGA)	n.a.
Taguma	Joseph	ZCGA	General Manager

## **Annex 4**

### **Methodology**



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# 1. Introduction

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This annex covers the methodological aspects of the evaluation with a view to explaining the processes, methods and tools that were used to conduct the present evaluation. It is descriptive and normative, thus providing both an overview as well as an assessment of the methodological approach of the evaluation.

Section 2 describes the evaluation process as a whole. Section 3 presents the intervention logic of EC support to PSD and Section 4 the Evaluation Questions. Together these two elements provided the basic framework for conducting the evaluation. Finally, Section 5 presents the five data collection methods used during this evaluation: secondary data, interviews, questionnaires, focus groups and country case studies. A description of their specific purposes in the context of the evaluation as well as an assessment of the particular strengths and weaknesses of each method are also presented.





## 2. The evaluation process

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### 2.1 Introduction

This annex describes the method and approach used by the evaluators to conduct the present evaluation. It presents the objectives pursued and the steps followed by the evaluation team to reach them.

A particular feature of this evaluation is that it was carried out in two steps. First, the Evaluation Unit requested ADE to carry out a **Documentary Evaluation** of EC PSD support to third countries. Later, as a result of the conclusions of this documentary evaluation, the Evaluation Unit requested ADE to complement the desk evaluation by a **Field and Synthesis Phase** comprising field missions in a sample of third countries. The aim was to collect information not available in Brussels and then to corroborate or disprove the hypotheses presented by the documentary evaluation.

### 2.2 A documentary evaluation

#### 2.2.1 Introduction

In the framework of the service contract EVA/79-280<sup>1</sup>, the Evaluation Unit requested ADE to carry out an evaluation of European Community Support to Private Sector Development in third countries. The aim was to provide an ex-post evaluation of the Commission's strategy and actions in support of PSD over the period 1994-2003 through an assessment of the key issues reflected in key Evaluation Questions. It was agreed that the evaluation should be based on an analysis of documents collected in Brussels as well as on interviews with key informants.

The expected output was a final report containing a general overall judgement on fundamental aspects of the Commission's past performance and on the relevance of its proposed approach to supporting PSD. It also had to contain conclusions and recommendations expressed clearly enough to be implementable by the European Commission.

The evaluation took place between October 2003 and June 2004 in Brussels. It involved several steps. First of all, the evaluation team re-constructed the Intervention Logic of the Commission's strategy for PSD in third countries. Based on this Intervention Logic and on other policy documents, the evaluators then established a definition of the expression "support to private sector development" and identified the scope of the evaluation. Third, they proposed a set of Evaluation Questions, judgement criteria and indicators aimed at

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<sup>1</sup> "Service Contract to supply to the European Commission Services an independent expertise in the field of evaluation (sectoral and thematic) of programmes, strategies and policies in third countries relating to productive sectors, macro-economic and budgetary support"

covering the previously-defined scope of the evaluation. These tasks were achieved during the first stage of the documentary evaluation and presented in an Inception Note in January 2004. This structuring stage was followed by the fact-finding, analysis and synthesis stages of the evaluation. This process is described in the following sections.

## 2.2.2 Reconstructing the intervention logic

The evaluation team first re-constructed the Intervention Logic of EC support for private sector development in third countries. The first choice was to attempt to reconstruct a single intervention logic to reflect EC support to private sector development in all regions instead of reconstructing one intervention logic per region. This choice was made on the assumption that the Commission's approach to PSD support was homogeneous enough among the different regions.

Two main documents, the COM(2003)267<sup>2</sup> and the Guidelines on PSD support<sup>3</sup>, were used as a basis for re-constructing the intervention logic for the whole evaluation period, that is from 1994 to 2003. In a second stage, interviews with EC officials involved in PSD at different levels (from strategy to implementation) were interviewed and the intervention logic was slightly adapted to reflect not only the strategy as proposed by policy orientation documents but also the implementation.

The strategy chosen (to use policy orientation documents as a first source and then interviews with key informants) allowed the evaluators to identify a global framework common to all regions but also to point out regional differences. Indeed, EC PSD support, although targeted on the same objectives, can take various forms. As a consequence, in addition to the general Intervention Logic for all geographical sectors of interventions, five regional Intervention Logics were identified to take into account the specificities of each region of intervention. Section 3 of this Annex presents the Intervention Logic in detail.

Using policy orientation documents published in 2003 to evaluate EC performance during the period 1994-2003 might seem unfair. However, two elements justify this choice. First, the evaluation combines accountability aspects and the need for lesson-learning; the latter need could not have been adequately met if the evaluation team had only used older policy orientation documents. Second, an analysis of several EC PSD documents over the period under analysis shows that most of the concepts presented in the 2003 documents were already present in older documents. Indeed, EC support to PSD has evolved along a progressive path.

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<sup>2</sup> European Community Cooperation with Third Countries: The Commission's approach to future support for the development of the Business sector - Communication from the Commission to the Council and the European Parliament.

<sup>3</sup> Guidelines for European Commission Support to Private Sector Development, version 1, 2003.

### 2.2.3 Searching for a definition and a list of PSD projects

Private Sector Development is not as well defined as health, education or transport as an area of intervention. Indeed, there is no code DAC defined for PSD and PSD support is not among the list of potential focal sectors in the 9<sup>th</sup> EDF guidelines<sup>4</sup>. Therefore, the evaluation team searched for a definition of “support to private sector development” to help determine the scope of the present evaluation and to prepare the way for compiling an inventory of EC interventions in support of PSD.

**The definition** of “support to private sector development” used in this desk evaluation was drawn out from the analysis of policy documents, interviews with Commission officials and the reconstructed intervention logic. These sources converged to define the Commission’s support to PSD as aiming at *enhancing the competitiveness of the business sector of third countries in local and international markets*.

As for **the scope** of the evaluation, it was derived from the above working definition as including *all interventions aiming at enhancing the competitiveness of the business sector of third countries in local and international markets*. Geographically, it was to cover countries under five cooperation programmes: ACP, ALA, CARDS, MEDA and TACIS.

Also based on this definition, the evaluation team exploited the Common RELEX Information System (CRIS) to compile a **project list** providing an overview on the EC’s interventions in the field of PSD in third countries from 1994 to 2003. Since there is no specific sector code for PSD, the evaluation team selected those sectors or sub-sectors which were more likely to include private-sector-development-related projects. The compilation of the project list was structured into three steps: data collection, data “clearing”, and comparison and completion of the project list with the lists of interventions provided by several EuropeAid Units in charge of PSD support in the different regions. For TACIS and CARDS countries, almost no project information was found on the CRIS database.

CRIS was the evaluators’ main source of information on the Commission’s interventions in support of PSD; therefore, special attention and much time had to be devoted to compiling and verifying the inventory. The details of this process and a descriptive analysis of this project list are described in section 3 of Annex 5.

### 2.2.4 Elaborating Evaluation Questions

The terms of reference of the evaluation did not provide Evaluation Questions but requested that the evaluation be based on a set of questions grounded in the key OECD-DAC evaluation criteria (relevance, effectiveness, efficiency, impact and sustainability) and articulating key issues of concern to the stakeholders. Among these Evaluation Questions, at least one had to be dedicated to assessing how far the Commission’s programme has integrated crosscutting issues into its programmes, as well as coherence, coordination and complementarity (3Cs) aspects.

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<sup>4</sup> Although it is included in the sector of trade and economic development.

The evaluation team identified a set of Evaluation Questions covering the required evaluation criteria and horizontal issues. The questions were anchored on the different levels of the Intervention Logic, i.e. overall objectives, purpose and expected results of the Commission's PSD strategy in third countries.

For each Evaluation Question, several judgement criteria were determined. For each criterion, one or more quantitative or qualitative indicators were proposed. Potential sources of information were also proposed for each indicator. A grid per Evaluation Question, including a rationalisation of the question (its justification and a list of elements that needed to be analysed to answer the question) is presented in Section 4 of this Annex.

In addition, a 'matrix of sources' presenting the list of indicators in the rows and the sources in the columns, ensured efficient use of each of the sources consulted.

### 2.2.5 Collecting information

In order to answer the Evaluation Questions, the evaluation team collected information from several sources in Brussels: documents, interviews with key informants and a questionnaire sent to 25 EU Delegations. Each of these data collection methods is described in Section 5 of this Annex.

#### a) *Elaborating a sample of projects*

Before starting to collect the information, the evaluation team defined a **sample of PSD projects** to be analysed in detail. To elaborate the sample, it was decided to use an "administrative selection" process in collaboration with the EC Services in charge of PSD interventions in the different geographical regions.

While it is known that this method of selection may result in a biased sample, it was considered to be the best possible method to be used in the context of this evaluation. First, the filing system at the Commission makes it difficult to have an inventory of EC PSD interventions which is sufficiently comprehensive to make possible the use of a random process. Second, the EC Services were keen to respect a certain degree of geographical diversity in the sample. Third, the evaluation team considered it important to include projects representing the different areas of PSD intervention. Finally, the sample had to be adjusted, as for some projects originally included in the sample no project document was available in Brussels.

The final sample was therefore so defined as to guarantee a diversity of projects in terms of their geographical distribution and the area of intervention they belonged to, and to ensure that some information on those interventions was available in Brussels.

**b) *Searching the EC archives***

The document search included, first, a review of the Commission's official strategy documents relating specifically to private sector development support and to development and cooperation policy<sup>5</sup> in general; second, a review of the general literature on private sector development, its role in the development process and the role of the public sector in support of private sector development. Finally, an analysis of country and project documents corresponding to the sample of PSD projects.

While the Commission's strategy documents relating to PSD and to its development and cooperation policy were easily made available to the consultants, notably through the support of the Reference Group as well as the Thematic PSD Network, country and project documents proved to be more difficult to reach. Country documents such as Country Strategy Papers, National Indicative Programmes, Delegation Annual and other Reports, and project documents such as Financing Agreements, Terms of Reference, Progress Reports, Monitoring and Evaluation Reports, were not always available through CRIS or the respective Geographical Directorates at EuropeAid. Therefore, EuropeAid staff in various Units and sometimes Delegation staff were contacted to try to obtain such documents. In addition, for ACP countries a search in the archives of DG Development was carried out to find relevant documentation on selected countries. As a result the evaluation team had access to a set of country and project documents, in most cases imperfect but comprehensive enough to provide information for most Evaluation Questions. No project documents were made available to the evaluation team on PSD projects in TACIS or CARDS countries; for this reason, the team was unable to analyse support to PSD in those regions.

**c) *Interviewing key informants***

To obtain more documentation on the countries and projects selected for deeper analysis, or to discuss specific issues concerning the Commission's PSD approach in third countries, the evaluators contacted and in most cases met numerous persons directly involved in PSD management or implementation<sup>6</sup>.

During the desk study, the evaluators consulted some fifty persons working for the Commission or other organisations. Most of them were in EuropeAid or RELEX offices. EC staff working in DG Budget, DG Development, DG Enterprise, DG Trade and DG EcFin were also contacted. In addition, the evaluators interviewed staff from other institutions like the EIB and CDE, and members from EU Delegations in a few countries (Bosnia-Herzegovina, Egypt, Niger). Finally, consultants undertaking monitoring programmes in the various regions were also consulted.

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<sup>5</sup> A preliminary list of strategy documents was given in the Terms of Reference of the evaluation (Annex 1). This list was completed during the evaluation process.

<sup>6</sup> The list of persons contacted and/or met is detailed in Annex 3.

#### d) *Surveying Delegations*

To complement the information collected through interviews and archive searches, the evaluators designed and launched a survey aimed at EC Delegations in third countries. The survey was conducted through a questionnaire containing ten sections, each of them related to one Evaluation Question.

In total, twenty-five Delegations were designated to answer the survey, from which sixteen replies were received. Once again, an administrative selection process was used in collaboration with the Evaluation Unit. Three main criteria were used to choose the Delegations questioned: (i) geographical diversity, (ii) the existence of at least one PSD programme during the period under review, (iii) whether the Delegation had already been approached for other evaluations.

Once the Delegations were chosen, the Evaluation Unit introduced the questionnaire to them and the evaluators distributed a personal user ID and password by e-mail, which gave access to the questionnaire on ADE's website. The questionnaire could thus be directly filled in through the Web, but a Word version was also available on request for Delegations facing problems with Internet access. The software used to present the questionnaire and process the answers was *Professional Quest*, from *Dipolar*. Two versions of the questionnaire were made available: one in English and one in French. The results of the survey are presented in section 6 of Annex 5.

### **2.2.6 Analysing and rendering the information**

Information collected through different sources was used to complete the Evaluation Question grids. Some sections of the grids were designed to capture information at the general EC strategy or policy level. Other parts were designed to capture country or programme-specific information. As a result, one "central level" grid and 11 country-level grids - corresponding to 29 national programmes - were completed.

A horizontal reading of the different grids with the aim of finding commonalities among the countries allowed the preparation of a synthesis of the information for each indicator. These 'synthesised' indicators allowed in turn an assessment of each of the judgement criteria and thus answering of the Evaluation Questions. This synthesis is presented in section 5 of Annex 5.

Due to the fact that – at that point - the evaluation was only based on an analysis of documents, it was difficult to find information relating to the actual implementation of the projects in the field. For instance, while information on the relevance of the EC PSD strategy was readily available in Brussels, only partial information was found on the effectiveness and impact of PSD interventions or on how the donor coordination process is carried out in the field. Information on the efficiency of PSD interventions was also difficult to uncover through the desk study; in fact almost no information was available on this subject.

Given this lack of sufficient information on the actual implementation of the projects in the field, it was proposed that the evaluation to be complemented by field missions. Therefore, the team elaborated hypotheses to be tested in the field and proposed preliminary conclusions and recommendations. These, together with the evidence found and the analysis carried out, were presented in a final report in May 2004.

## 2.3 Complemented by field work

### 2.3.1 Introduction

The Evaluation Unit of EuropeAid requested ADE to carry out a Field and Synthesis Phase as a complement to the Documentary Evaluation completed in June 2004. The aim was to search for new information; verify working hypotheses; and to test, refine and possibly complement the preliminary findings, conclusions and recommendations established during the Documentary Evaluation by carrying out a comprehensive analysis of PSD support in the field. Further, given the key role that the PSD Thematic Network plays in EC support to PSD, it was agreed to carry out a survey focusing on the exchange of information and tools between Headquarters and Delegations. This Field and Synthesis Phase was carried out between October 2004 and July 2005.

The expected output was, as for the Documentary Evaluation, a final report containing a general overall judgement on fundamental aspects of the Commission's past performance and on the relevance of its proposed approach to supporting PSD, and included conclusions and recommendations expressed clearly enough to be implementable by the European Commission.

### 2.3.2 Five case studies

Countries for case studies were selected through discussions with the Reference Group. It was agreed that five countries would be visited from four cooperation programmes: two ACP countries (Zambia and Jamaica), one MEDA country (Morocco), one Asian country (Vietnam), and one Latin-American country (Mexico).

Given the number of missions and the method of selection of the countries to be visited, country missions were treated as case studies, that is as an illustration rather than a representative sample of EC support to PSD in third countries.

Prior to the actual field missions, three preparatory tasks were carried out to make the country missions as efficient as possible: (a) an elaboration of data collection tools, (b) a pilot mission, and (c) a field mission kick-off workshop:

- Country, Project and Evaluation Question sheets were elaborated as the main tool for organising the collection of information. These sheets were completed with information collected during the Desk Phase and the initial stage of the Field Phase before the teams started the field visits. The objective was to use in the most efficient way the resources available for the evaluation and to optimize the time spent in the field.

- A pilot mission was carried out in Zambia with the purpose of checking the Draft TOR for field missions as well as the design and value of the Country, Project and Evaluation Question sheets. The pilot mission was staffed by experts participating in each of the parallel missions to ensure proper application of the lessons learned. The team spent two weeks in the country and, based on this pilot experience, adjusted the TOR for the field missions and the data collection sheets.
- A kick-off workshop prior to the missions was organised with the participation of all team members. During the workshop the teams discussed the results of the pilot mission and the country mission teams received detailed guidelines for data collection in the field and for the completion of the three sets of sheets. The aim of the workshop was two-fold: (a) to focus data collection solely on the information needed for the evaluation - without wasting resources - and (b) to simplify as much as possible the synthesis phase by harmonising the approach and consistency of the information collected.

The pilot mission was carried out in Zambia between January 31<sup>st</sup> and February 13<sup>th</sup> 2005. The other missions were planned as parallel missions during March 2005 but, given the constraints of the different Delegations, only the mission to Mexico took place in March while the other three missions were carried out in April. The main findings of the country missions were presented in five country reports (May 2005), followed by a presentation to the Reference Group in Brussels in June 2005.

### **2.3.3 A survey on the Thematic Network**

The survey aimed in particular: (i) at analysing the extent and use by the Delegations of the information and tools provided by headquarters through the PSD network website and (ii) an assessment of the possible needs of the Delegations in this respect, in particular within the context of deconcentration. The interviews also investigated what kind of useful information and tools can be provided from Delegations to headquarters.

The interviewees were EC staff in charge of PSD in 16 EC Delegations throughout the world. The Delegations selected for this survey were those that had replied to the first survey. The method chosen was face-to-face interviews for the five Delegations that were visited in the framework of the country missions, while for the other 11 Delegations phone interviews and e-mail exchanges were used. The results of the survey are presented in section 7 of Annex 5.

The survey was not designed to be used to answer to the Evaluation Questions or to evaluate the work done by the PSD Thematic Network; it was rather conceived as a complement to this evaluation, as an additional input to the PSD Thematic Network. For this reason, the survey was prepared by the evaluation team in collaboration with the PSD Thematic Network.



### **2.3.4 Analysis and synthesis**

The country missions and survey were followed by a synthesis stage, aiming at integrating all data collected during the Desk and Field Phases in a single framework as a basis for the final report.

First of all, Evaluation Question grids were completed for the five countries visited as had previously been done for the 11 countries analysed, based on documents collected in Brussels. A new horizontal reading of the different grids was carried out with the aim of identifying common features and to verify whether the hypotheses proposed during the desk study were verified or not.

The field phase provided new and complementary information which proved useful for the different Evaluation Questions. On the one hand, it allowed verification of the hypotheses regarding the questions on relevance, coherence and cross-cutting issues. On the other hand, it allowed collection of information not available during the desk study but needed for the questions on effectiveness, sustainability, efficiency and coordination.

Two central findings were disclosed as a consequence of the field missions: the gap between the orientations of the PSD strategy and its implementation in the field (see Section 4 on Conclusions in the main report and in particular sub-section 4.2.4) and the weak follow-up of the impact of PSD support (see sub-section 4.2.5 in the main report).

Following the re-assessment of the hypotheses, a new analysis was carried out that allowed reworking of the preliminary conclusions and recommendations proposed during the desk study. The final analysis, conclusions and recommendations - including the answers to the Evaluation Questions and an overall assessment of EC past performance regarding PSD support – are presented in the final report submitted to the Evaluation Unit on July 2005.



## 3 Intervention logic

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### 3.1 Introduction

To reconstruct the intervention logic, the team has followed a logical framework analysis. The first graph shows the causal relationship between overall objectives, programme purpose, expected results and activities. The five other graphs are a regional interpretation of the same intervention logic in order to address the specificity of each of the regions with which the EC has cooperation agreements.

### 3.2 Overall objectives

*“Overall objectives explain why the programme is important to society; in terms of the longer term benefits to final beneficiaries and the wider benefits to other groups (...). The overall objectives will not be achieved by the project alone but will require the contributions of other programmes and projects as well”<sup>7</sup>.*

The overall objectives of EC interventions in support of private sector development have been derived from the EU external policy on the assumption that economic cooperation and support for private sector development are part of the EU external policy.

The EU external policy has three main **components**:

- **Trade Policy**, based on uniform principles especially with regard to the conclusion of tariff and trade agreements and measures to protect trade;
- **Development Policy**, which focuses on the sustainable economic, environmental and social development of the developing countries, especially the most disadvantaged among them, their smooth and gradual integration into the world economy and the campaign against poverty<sup>8</sup>; and
- **Foreign and Security Policy**, which reflects a more political dimension and is centred on the aims of peace and security, consolidation of democracy and the rule of law, and human rights and fundamental freedoms.

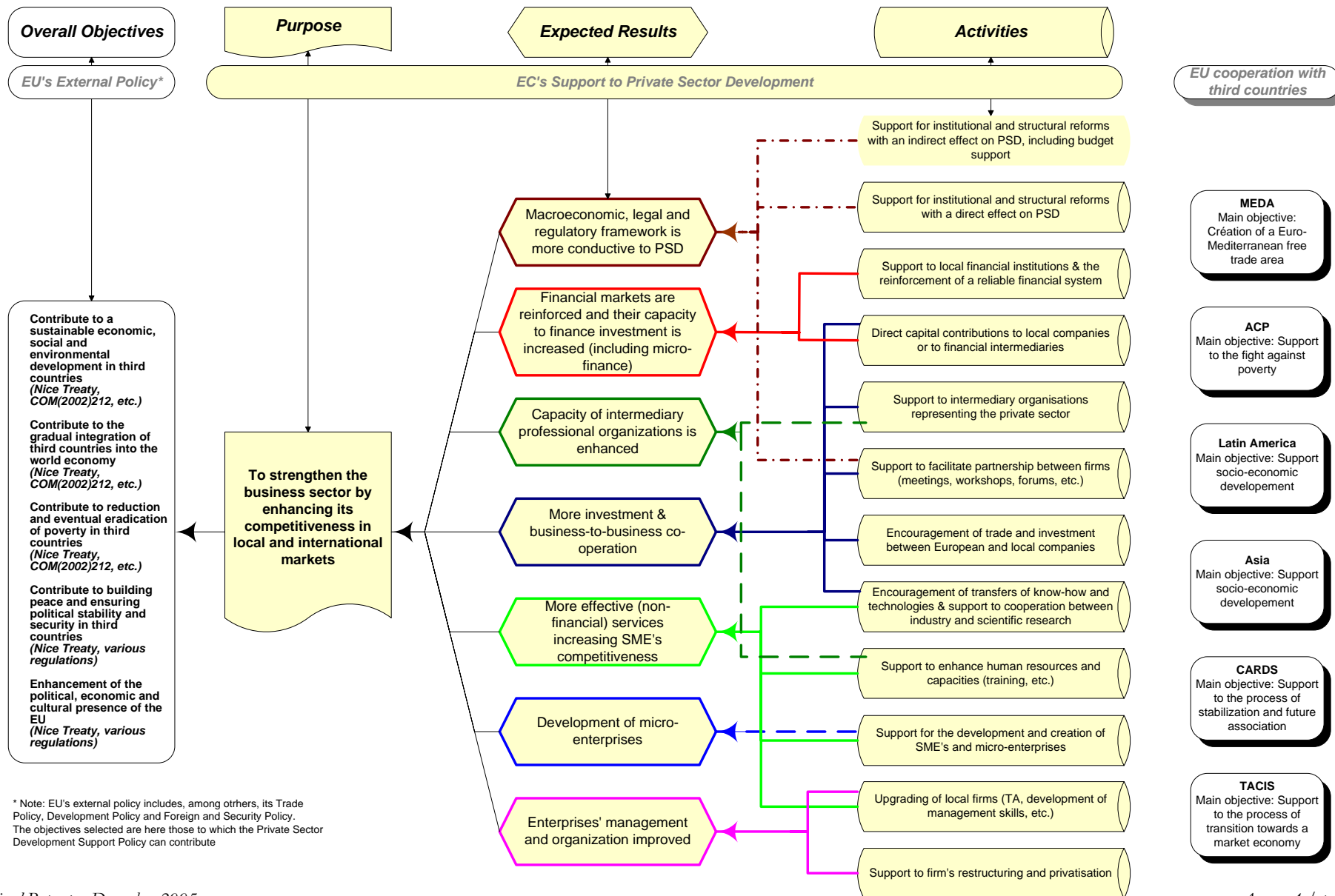
A number of other EU policies are closely linked to external affairs, especially environment, agriculture and fisheries, science and research, the information society and the harmonisation of standards for the internal market. All these policies have objectives that guide the relations between the EU and the different regions and countries with which the EC has cooperation agreements.

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<sup>7</sup> Manual on Project Cycle Management (EC, 2001) page 17.

<sup>8</sup> According to the terms of the Treaty, Community policy in this (development) area should contribute to the general objective of developing and consolidating democracy and the rule of law, and that of respecting human rights and fundamental freedoms.

Diagram 3.1 - Intervention Logic of Community Support to Private Sector Development



EC support to private sector development is part of the EU external policy<sup>9</sup>. EC interventions in other sectors of activity (such as transport, education, etc.) are also part of the EU's external policy and aim as well to contribute to the objectives of the EU external policy. Among the many objectives of EU external policy are those for which support to private sector development can make a significant contribution, namely:

1. Sustainable economic, social and environmental development in third countries.
2. The gradual integration of third countries into the world economy.
3. The reduction of poverty in third countries.
4. Building peace and ensuring political stability and security in third countries.
5. Enhancement of the political, economic and cultural presence of the EU.

Note that these five objectives are only a subset of all the objectives of the EU external policy, that they are those to which private sector development can best contribute, and that they are central to cooperation with one or more regions. Indeed, the EC maintains cooperation relations with a heterogeneous group of third countries that have different levels of socio-economic development and play distinct geopolitical roles. These elements influence the prioritisation of the funds allocated and the choice of objectives. Therefore, EC cooperation with each region concerned differs considerably, in general, and in particular on its support to the private sector development<sup>10</sup>.

**ACP countries** are the main beneficiaries of EU aid (all sectors included) and the EU is also their largest investor. Moreover, the ACP group includes the largest proportion of the least developed countries in the world, most of which are very small economies with poor links to the world economy, and among the last to face the challenges of globalisation. The historical relations between ACP countries and the EU, from the Yaoundé Convention to the Cotonou Partnership Agreement, have evolved towards a clear link between development support and a policy framework favourable to trade and development. The focus is on removal of barriers to trade, regional cooperation and on enhancing all trade-related cooperation areas. This is reflected in the second graph (ACP region), where the overall objectives of EC support to private sector development are to support sustainable economic, social and environmental development; the gradual integration of third countries into the world economy; and poverty reduction.

While EU relations with ACP countries have been established with poverty reduction as their main objective, areas that include countries on average more developed than the ACP countries tend to have relations with the EU directed towards “partnership”, in which the mutual interest of economic partners is an essential element of the relation. The “partnership” approach has been developed in EU cooperation in particular with the ALA and MED countries.

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<sup>9</sup> Guidelines for European Commission Support to Private Sector Development (EC – AIDCO, 2003), page 7.

<sup>10</sup> The following paragraphs are largely drawn from the study clarifying the definitions of EC economic cooperation with third countries (ADE, 2002).

In **Asia and Latin America**, partner countries often have relatively highly developed societies, many are middle income although some are very poor, and distances are great both within the continents and in relation to the EU. Their economic and political situation, the relatively new mutual awareness approach between them and the EC, and the objective of increasing EU presence in “emerging” markets, all combine to drive cooperation towards partnership, in which economic instruments play an important role. This situation is reflected in the third (Asia) and fourth (Latin America) graphs, where the overall objectives are the gradual integration of third countries into the world economy and the enhancement of the political, economic and cultural presence of the EU. In both regions, interventions in support of privatisation or firm restructuring are rather limited. Moreover, in Asia development of micro-enterprises is not an expected result.

**MED countries** have a long tradition of trade with all parts of the world and with the EU in particular, due to their long common border with Europe. However, political relations between the two regions have been troubled at various times in history. Mediterranean countries are in general low- or middle-income economies. Security issues are a priority for the EC in its relations with this region. Furthermore, institutional changes in the private and public sectors play an increasing role in a region where the economy has been historically state-led. One of the main objectives of cooperation with the EC is to create a Euro-Mediterranean free trade area. In terms of private sector development, the fifth graph (MEDA region) shows that the overall objectives include: the gradual integration into the world economy; building peace and ensuring political stability and security; and enhancement of the political, economic and cultural presence of the EU. As for Asia, the development of micro-enterprises is not an expected result.

Security is also one of the foremost concerns as regards cooperation with the **Commonwealth of Independent States (CIS)**. Nuclear activities in these territories are the most insecure in the world and add to widespread economic and physical insecurity in the region. Their recent status as independent states has necessitated a thorough process of transition from a planned to a market economy, with very high social costs. Therefore the key institutional foundations of a market economy and democracy have to be established. Furthermore, the interdependency between the Russian Federation and the EU is significant in terms of trade; trade benefits will increase once the elements of a regulated market economy are in place.

In the **Balkans**, after an initial period of cooperation concentrated on post-war reconstruction, EC cooperation has developed a more strategic focus and currently aims at the stabilisation and association process of these countries in relation to the European Union. It covers the following *inter alia*: reconstruction; stabilisation of the region; return of refugees; support for democracy, the rule of law and human and minority rights; the development of a sustainable market-oriented economy; poverty reduction and gender equality; and interregional cooperation. EC cooperation is part of the Stability Pact agreed between major donor countries, regional and international organisations and international financing institutions. Because of its geographical proximity to, and consequent interest in, the reconstruction of the area, the EC's stake in the stabilisation and association process is very strong. The sixth graph shows the intervention logic for the TACIS and CARDS regions.

Diagram 3.2 - Intervention Logic of Community Support to PSD – ACP

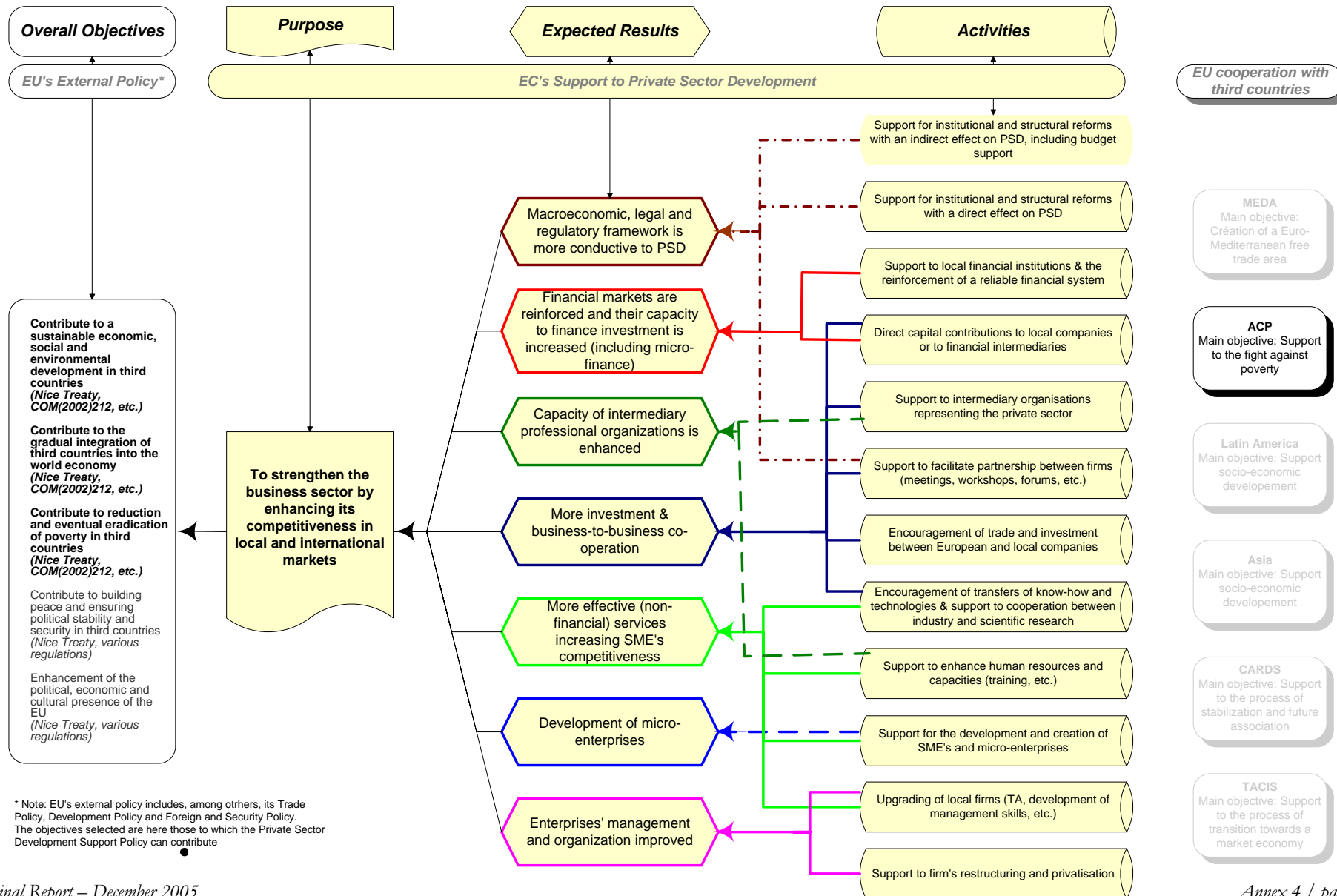


Diagram 3.3 - Intervention Logic of Community Support to PSD – Asia

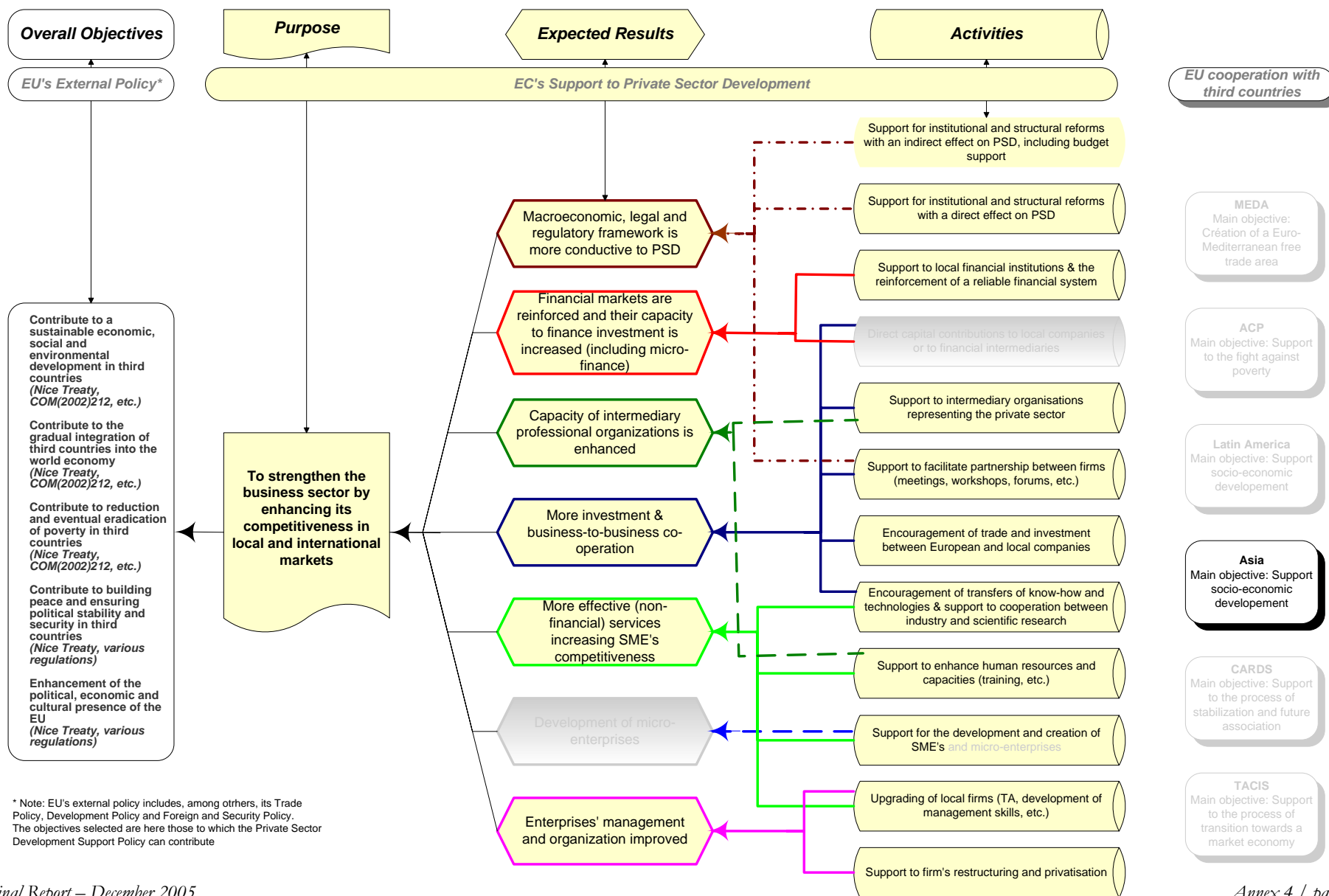




Diagram 3.4 - Intervention Logic of Community Support to PSD – Latin America

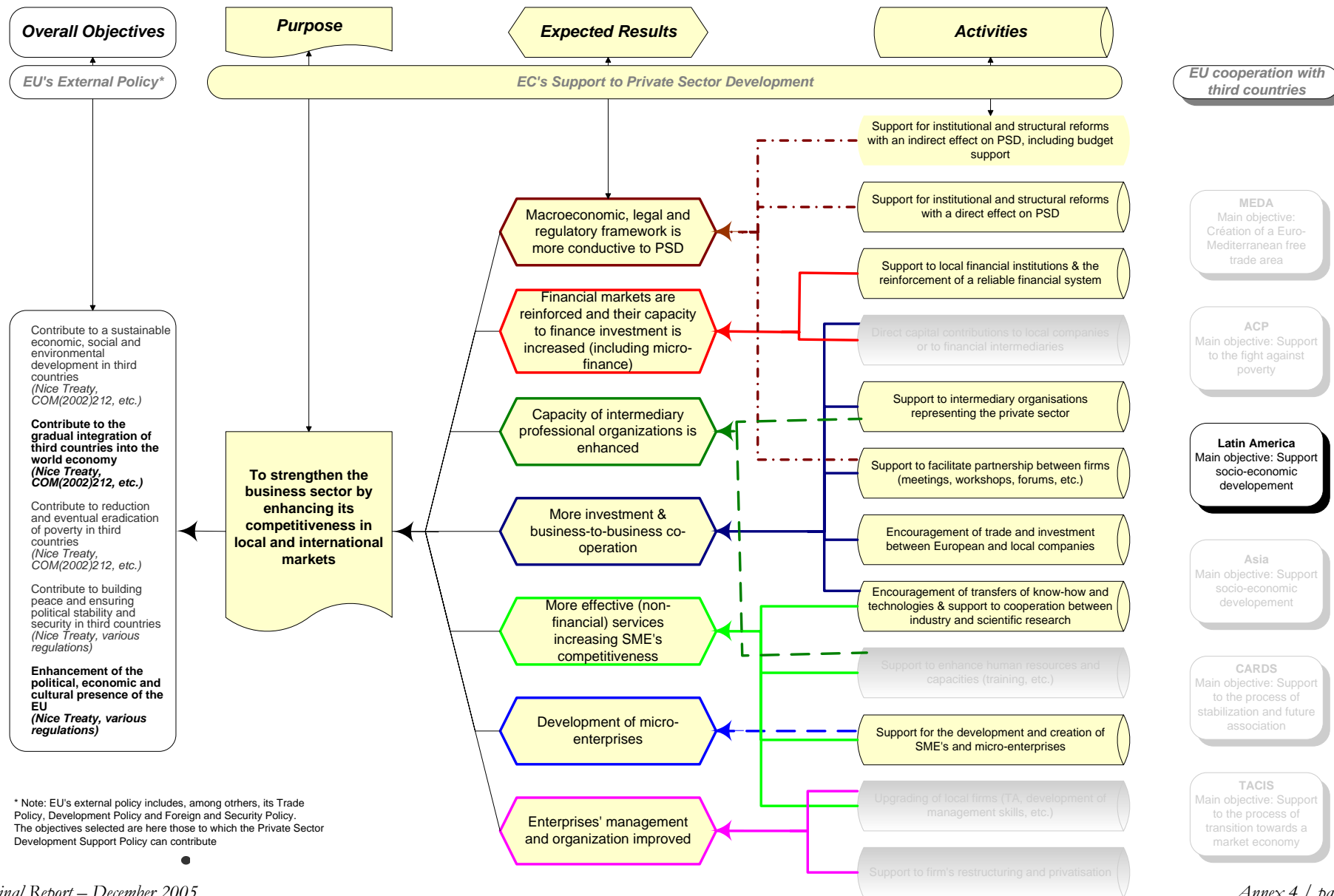


Diagram 3.5 - Intervention Logic of Community Support to PSD – MEDA

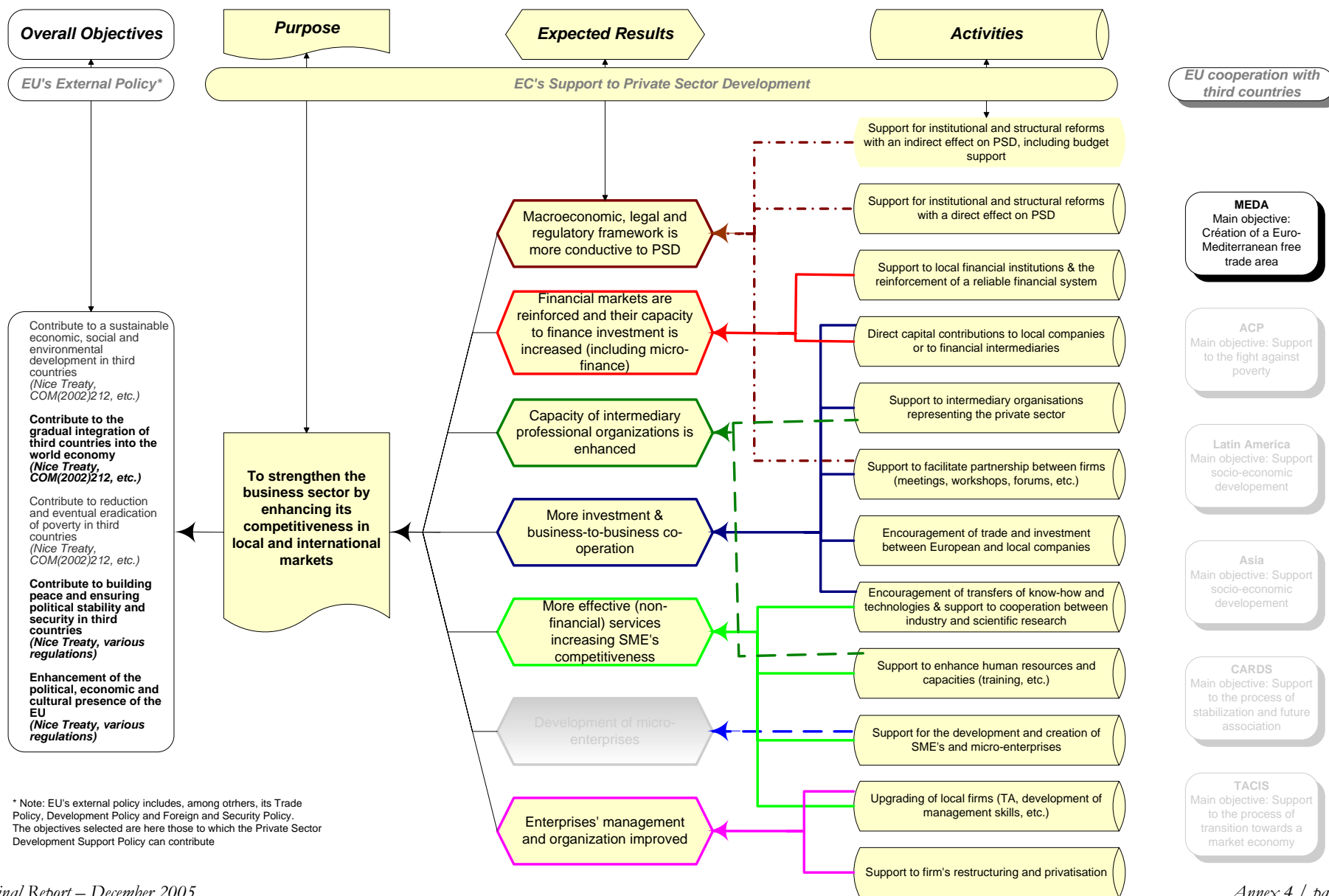
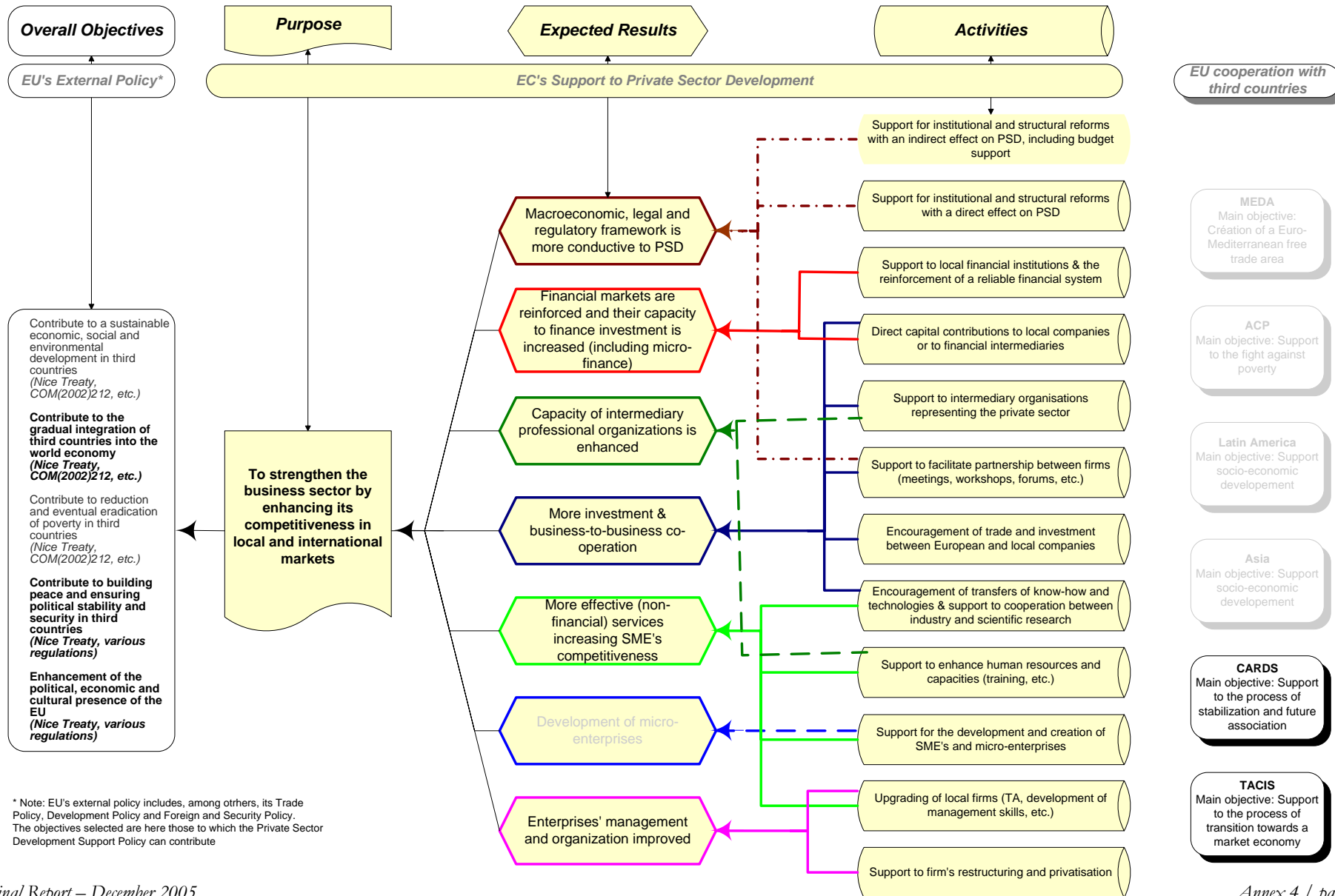


Diagram 3.6 - Intervention Logic of Community Support to PSD – CARDS and TACIS



### 3.3 Purpose

*“The purpose is the objective to be achieved by implementing the project and likely to outlive the project. The purpose should address the core problem (...) There should only be one project purpose per project”<sup>11</sup>.*

From the analysis of EC policy documents on private sector development support it can be deduced that the purpose of EC interventions in support of the development of the private sector in third countries is **to enhance the competitiveness of local firms in local and international markets**. This objective is clearly established in, for instance, in COM (2003)267 on the EC approach to future support for the development of the Business Sector (EC, 2003):

*“The Community’s actions in this area will aim at creating a policy framework, at the national and regional level, which supports and fosters competitiveness, market economy and good governance” (page 5, when presenting the first area of intervention).*

*“The purpose of the Community support for the promotion of investment and technology transfer (...) will be to enhance (...) sustainable and environmentally friendly investment and inter-enterprise cooperation agreements. This is with a view to increasing the efficiency and competitiveness of the economies concerned and in particular to enhance export prospects.” (Page 6, when presenting the second area of intervention.)*

*“The Commission’s programme for SME’s will encourage private sector companies to enhance their competitiveness, gain access to modern technology, improve management and seek new markets.” (Page 10, on presenting the fourth area of intervention.)*

The Guidelines for EC support to Private Sector Development (EC-AIDCO, 2003) are equally explicit regarding the purpose of support to private sector development:

*“The Cotonou Agreement (...) seeks to establish at the end of a period of 20 years a free trade relationship between the European Union and the ACP regions. Achievement of this objective depends on improved competitiveness and effectiveness of ACP firms.” (Page 14)*

It further states that the strategy for ALA countries is designed to “integrate the partner countries better into international trade” (page 14) while for MEDA countries:

*“The challenge is to promote foreign investment through economic liberalisation, create a more integrated regional market and make the private sector more competitive to cope with international competition.” (page 15.)*

For TACIS and CARDS regions, the objective is formulated in terms of promoting the market economy (Guidelines for EC support to Private Sector Development, pages 16-17). The objective of enhancing firms’ competitiveness is in this case implicit. It can be argued that a market economy is a precondition for the development of the private sector as it provides the environment in which private firms will be created and will develop.

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<sup>11</sup> Manual on Project Cycle Management (EC, 2001), page 18.

The purpose put forward is also coherent with former EC policy documents. COM (1998) 667 on the EC strategy for private sector development in ACP countries (EC, 1998) refers to the same objective of increasing firms' competitiveness:

*“EC support to private sector development (...) is now based on the explicit assumptions that (a) ACP countries will predominantly be market economies and that (b) their development prospects depend on making full use of opportunities for export growth, inward investment and improved competitiveness of companies, including their ability to integrate innovation and to acquire knowledge and know-how.”*

Further, it is stated that “The proposed strategy seeks simultaneously to promote ACP countries' international competitiveness and their ability to advance towards poverty elimination through broad-based growth and job creation.” (Pages 8-9.)

The purpose of enhancing the competitiveness of local firms in local and international markets is justified by the fact that *“competition tends to promote innovation, and the spread of best practice, which are essential to productivity and income growth. At the same time, competitive forces limit profits –on average- to normal rates of return required to remunerate owners of firms for the risk they take”*<sup>12</sup>.

The purpose of enhancing the competitiveness of local firms in local and international markets is meant to contribute to the achievement of each of the overall objectives of the programme. The causal relationships are presented in several policy documents and studies and, in particular, in the Guidelines. These links are summarised in the following paragraphs:

- **A sustainable economic, social and environmental development** in third countries. Development is considered to be sustainable if it is economically efficient, politically democratic and pluralistic, socially equitable and environmentally sound. Private sector development can directly contribute to the efficiency of the economic sphere while at the same time contributing indirectly to democracy and pluralism and to social equity and environmental soundness when properly regulated.
- **The gradual integration** of third countries into the world economy. Integration into the world economy can be achieved through trade and regional economic integration. In both cases, the existence of a competitive business sector is a necessary condition, as stated in the Guidelines for EC support to Private Sector Development (EC-AIDCO, 2003), page 10.

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<sup>12</sup> Private Sector Development Strategy – Directions for the World Bank Group (World Bank, 2002), page 8.

- **The reduction and eventual eradication of poverty in third countries.**  
Private sector development can contribute to poverty reduction in two basic ways: first, the private sector can act as a trigger for higher productivity and economic growth and, therefore, provide greater employment and income opportunities for the poor; secondly, the private sector can complement the role of government as a provider of basic services and infrastructure for the poor. As mentioned in the Guidelines for EC support to Private Sector Development, “harnessing private initiative to the fight against poverty is a major factor in the use of the private sector as an instrument for fostering development” (page 9).
- **Building peace and ensuring political stability and security in third countries.** The Organisation for Security and Cooperation in Europe (OSCE) sees the main role of economic cooperation as bringing or reinforcing peace, stability and security in a given area in a context of transition from a planned to a market economy. Further, it follows from the interviews that a capable and well-developed private sector can also act as a lobbying force for transparency, democracy, modernisation, and openness to the rest of the world.
- **The enhancement of the political, economic and cultural presence of the EU.**  
The development of commercial relations between European and local firms can reinforce the presence of the EU in those countries while sharing knowledge and prosperity. In particular, EU enterprises could provide capital, technology, access to markets and technical and management skills to their partners in countries where entrepreneurial resources are largely underused. When this kind of partnership is possible, a situation of mutual benefit can arise, this being the case with the MED, Asia and Latin America regions.

### 3.4 Expected Results

*“Results are “products” of the activities undertaken, the combination of which achieve the Purpose of the project”<sup>13</sup>.*

Expected results can be understood as sub-objectives of the programme achieved through the activities implemented. Once attained, their combination will achieve the programme purpose. The results proposed in the intervention logic are based on three sources. In the first place, COM(2003) 267 on the EC approach to future support for the development of the Business Sector (EC, 2003) and the Guidelines for EC support to Private Sector Development (EC-AIDCO, 2003) propose five areas of intervention on which the EC will concentrate its support to the development of the private sector. For each of these areas, particular objectives and an approach - that is, to guarantee a coherent PSD policy framework - are put forward. The objective of each of the suggested five areas of intervention can be considered as the result expected from the activities the EC will carry out and, on the whole, they are the expected results of the programme.

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<sup>13</sup> Ibid.

Second, interviews and past policy documents showed two additional expected results with specific weight in certain regions or periods. The “enhancement of the capacity of intermediary professional organisations” is an important expected result that has been (and still is) aimed at in several regions. It could be argued that it is part of area N° 4 “More effective (non-financial) services” but support to intermediary professional organisations is important enough to be considered as an expected result by itself. “Enterprise management and organisation improved”, which is the result of interventions aimed at supporting local firms’ restructuring or privatisation, is also an expected result that reflects the importance of such types of intervention in the TACIS region.

Third, as described below, the evaluation team elaborated a list of projects supporting the development of private sector using the Common RELEX Information System (CRIS). This list of projects reflects the activities actually implemented by the EC and allowed checking of the appropriateness of the expected results.

The expected results of EC support to private sector development are presented next. They have been grouped according to the level of intervention: macro, meso and micro:

1. Macroeconomic, legal and regulatory framework is more conducive to PSD (corresponding to area of intervention N° 1).
2. Financial markets are reinforced and their capacity to finance investment is increased (corresponding to area N° 3).
3. Capacity of intermediary professional organisations is enhanced.
4. More investment & business-to-business cooperation is achieved (corresponding to area N° 2).
5. More effective (non-financial) services increasing SME competitiveness are developed (corresponding to area N°4).
6. Micro-enterprises are developed (corresponding to area N° 5).
7. Enterprise management and organisation are improved.

How does each expected result contribute to achieving the purpose of the programme, namely to enhance the competitiveness of local firms in local and international markets?

1. **Macroeconomic, legal and regulatory framework is more conducive to PSD.**  
Several studies have shown that a stable macroeconomic situation with sound economic fundamentals and a stable and enforceable legal and regulatory framework (including tax legislation and the financial system) are preconditions for sustainable development of the private sector. In particular, it has been observed that: (i) under unstable macroeconomic situations private firms seek to maximise short term windfall profits rather than work with long term objectives and (ii) that when the “rules of the game” are not appropriate, transparent and enforced for everyone, private capital tends to disappear and investment to decrease. In this area, budget support can play a supporting role for the development of the private sector as it can be granted, under certain conditions, in support of those national development strategies that are consistent with the Community’s development policy objective of underpinning structural reforms.

2. **Financial markets are reinforced and their capacity to finance investment, including for micro-enterprises, is increased.**

The development of efficient financial markets and institutions capable of mobilising domestic and international savings and allocating scarce capital where returns are highest is a second prerequisite for private sector development, including micro-enterprises. Indeed, private firms cannot develop to their best potential without access to credit that is cost-effective.

3. **Capacity of intermediary professional organisations is enhanced.**

Business associations in the formal and informal sector are a powerful tool for boosting the capabilities of the private sector through training, dissemination of information and through organising partnership relations between local and foreign firms. They are also a preferred partner for discussing policy matters with the government.

4. **More investment & business-to-business cooperation is achieved.**

EC support to investment and to trade-related activities assumes that most third countries still need external support for attracting foreign direct investment and for engaging in business exchanges as ways of financing new methods and expanding but also as a vehicle for the transfer of know-how and development of managerial skills.

5. **More effective (non-financial) services increasing SME competitiveness are developed.**

Besides financial services, private firms need other services and capabilities in order to develop to their best potential, “enhance their competitiveness, gain access to modern technology, improve management and seek new markets”. Among these services are training (including managerial training) and technical services (business plans, market identification, etc.).

6. **Micro-enterprises are developed.**

Micro-enterprises are a growing and dynamic element of development economies. In many cases they involve an important part of the informal economy. A flourishing micro-enterprise sector generates output, employment and incomes and strengthens intersectoral linkages leading to more integrated economies and balanced growth. It also promotes broad-based participation - particularly by the poor and by women - in productive activities, leading to more equitable income distribution.

7. **Enterprises’ management and organisation are improved.**

Privatisation and restructuring programmes undertaken in conjunction with broader economic reforms to increase competition and correct relative prices are central to a more efficient allocation of resources and to higher productivity. They are also essential to the long-term development of the private sector, contributing to strengthening market forces and competitive conditions, developing local capital markets and financial institutions, and creating new opportunities.



### 3.5 Activities

*“Activities [are] the actions (and means) that have to be taken or provided to produce results. They summarise what will be undertaken by the project”<sup>14</sup>.*

The evaluation team has elaborated a typology of EC interventions in support of private sector development. Each of these types corresponds to one or more of the expected results in the sense that implementation of the activity contributes to achievement of the expected result.

The typology of activities was based on the same three sources as the list of expected results. First, policy documents such as the COM(2003) 267 on EC approach to future support for the development of the Business Sector (EC, 2003) and the Guidelines for EC support to Private Sector Development (EC-AIDCO, 2003), elucidate the proposed orientations and each of the five fields of action with examples of interventions. Second, interviews with officials involved in the implementation of projects allow the team to test the comprehensiveness of the typology. Finally, the list of projects provided a view on the actual action taken by the EC.

- **Support for institutional & structural reforms with an indirect effect on PSD, including Budget Support.**  
Refers to activities that improve the macroeconomic, legal and regulatory framework in areas that do not directly affect the private sector. For example, “Support for national programme for state reform & modernisation” (7 ACP DO 52).
- **Support for institutional & structural reforms with a direct effect on PSD.**  
As above, refers to activities that improve the macroeconomic, legal and regulatory framework but in areas that have direct impact on private sector development. For example, “DIAGNOS Programme” and “Institutional support to the private sector in Malawi” (7 ACP MAI 116).
- **Support for local financial institutions & the creation of a reliable banking system.**  
This type refers to activities that reinforce the financial system such as “Banking System Consolidation” (BH9606.01).
- **Direct capital contributions to local companies or to financial intermediaries.**  
These activities are mainly managed by the EIB or other specialised institutions with which the EC establishes a cooperation agreement.
- **Support to facilitation of partnership between firms through meetings, workshops.**  
For instance, “Forum Agro-Industriel UE/Afrique de l'Ouest 1995” (8 ACP ROC 18) or Europartenariat Espana 98 (MEDA 1998/0079).

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<sup>14</sup> Ibid.

- **Support to intermediary organisations representing the private sector.**  
These refer to activities which directly support intermediary organisations rather than activities carried out with their support: “Programme d’appui au COLEACP” (8 ACP TPS 5); “Swaziland Sugar Association II” (7 ACP SW 25).
- **Encouragement of trade and investment between European and local companies.**  
For example, “Promotion du Commerce Extérieur et des Investissements” (7 ACP RPR 349) and “Apoyo a la promoción de exportaciones” (ALA/1993/000-977).
- Transfers of know-how and technologies and cooperation between industry and scientific research.  
For example, “Industrial cooperation on machine tools” (ASE/B7-3001/94/106) and “Innovation, Technologie et Qualité dans les Entreprises” (MEDA 2000/2075).
- **Support for enhancing human resources and capacities.**  
For example, “EU-Chine Junior Managers training programme” (B7-301/96/CHN/2) and “Appui au programme de mise à niveau de la formation professionnelle, MANFORM” (MEDA/TUN/001 - 1997/0240).
- **Support for the development and creation of SMEs and micro-enterprise.**  
For example “Micro & Small Enterprise Development Programme, MSEDPP” (7 ACP ET 107), “Small and Medium Enterprises Development Fund-Phase II” (Asia 2000/2469) and “SME Support” (BH9606.02).
- **Upgrading of local firms.**  
For instance: “EU-ACP Business Assistance Scheme (EBAS)” (8 ACP TPS 3) or “Private Sector Development Programme - Business Service Team BST” (MEDA/JOR/628/000/A).
- **Support for firm restructuring and privatisation.**  
For example, “SWARP Spinning Mills II” (7 ACP ZA 67), “Enterprise Restructuring and Development” (TACIS RU9401.01) and “Public Enterprise Reform and Privatisation Programme” (MEDA SEM/04/220/004A).

## 4. Evaluation questions

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The Terms of Reference, the analysis of the intervention logic discussed with many of the members of the Reference Group, the list of interventions and the standard evaluation criteria provided the basis for formulating a first set of Evaluation Questions, which shaped the analysis during the first phase of the evaluation.

These questions and their associated judgement criteria and indicators were slightly adapted on two occasions: first, during the data collection stage in Phase I and, second, after the pilot mission to Zambia in Phase II. Indeed, a more detailed analysis of the intervention portfolio and a test in the field aided refinement of the judgement criteria and indicators.

The questions are organized according to the evaluation criteria or horizontal themes:

### RELEVANCE

1. The PSD strategy relies on the assumption that a more competitive business sector contributes to the general objectives of the EU external policy in the different regions. What attempts have been made to verify this cause-effect relationship?
2. Is the EU PSD strategy in terms of “expected results” well designed to ensure realisation of the purpose of strengthening the business sector with a view to contributing to the overall objectives of the EU external policy? More specifically:
  - A. To what extent is each area of intervention (“expected results”) relevant in terms of contribution to the purpose?
  - B. Is its success dependent on certain conditions (another expected result or some other ‘external’ factor)? If yes, which ones? Have they been identified in EU PSD strategy documents?
  - C. Is the set of fields of action comprehensive (are some essential fields missing, for example the role of champions)?
  - D. Is it well structured:
    - Are there potential complementarities and synergies between expected results and have they been identified?
    - Are there possible contradictions between fields and have they been identified?
    - Should there be prioritisation?
3. For a given country,
  - A. Does the selection of the areas of intervention correspond to the EU PSD strategy?
  - B. Does the selection of the areas of intervention correspond to clearly identified priority needs of the country to increase the competitiveness of the business sector and thereby contribute to the overall objectives of the EU external policy?

### EFFECTIVENESS

- 4.1 To what extent did EU interventions make the institutional, macro-economic and legal and regulatory framework more conducive to PSD?
- 4.2 To what extent did EU interventions reinforce financial markets?
- 4.3 To what extent did EC interventions help Intermediate Organisations to increase their capacity to conduct a policy dialogue with the government? To what extent did EC interventions help IO to improve the quality or quantity of the services provided to and used by its members?

- 4.4 To what extent did EU interventions increase trade, investment and general b-to-b cooperation?
- 4.5 To what extent did EU interventions aiming to provide non-financial services create a market for competitive business development services?
- 4.6 To what extent did EU interventions help develop micro-enterprises?

**SUSTAINABILITY**

5. To what extent are the effects (expected results) of the interventions likely to continue at the end of the EC support?

**EFFICIENCY**

6. To what extent have the organisational set-up or management systems and processes contributed or hindered the efficiency of the EC interventions in support of private sector development? Four aspects are of particular interest to our evaluation:
- A. The deconcentration process and the support given by HQ,
  - B. The preference given in some regions to all-country programmes,
  - C. The preference given in some regions to promoting local expertise instead of using international support,
  - D. Other organisational set-up or management systems and processes.

**COHERENCE**

7. To what extent is EU support to PSD coherent with other EU policies and interventions? This can be reformulated as:
- A. To what extent does the EU PSD policy in general take into account other EU strategies and policies?
  - B. To what extent does the EU PSD support strategy within a country strategy take into account:
    - the support given to other sectors within the same country strategy?
    - other EU strategies and policies?
  - C. To what extent do national or regional EU PSD programmes within a country take into account:
    - other PSD programmes within the same country?
    - the support given to other sectors within the same country?
    - other EU strategies and policies?

**COORDINATION**

8. To what extent is there coordination between donors, at both central and country level?

**CROSS CUTTING ISSUES**

9. Do the EU PSD interventions take account of cross cutting issues such as promoting women-led enterprises, ensuring acceptable working conditions notably for women, protecting the environment and promoting better governance practices?

The following pages present a table for each evaluation question, including:

- justification of the question which explains the role of the question in the analysis,
- description of what needs to be analysed to address the question,
- judgement criteria, qualitative or quantitative indicators and sources.

## 4.1 Relevance

EQ No 1 Relevance of purpose		
<p>The PSD strategy relies on the assumption that a more competitive business sector contributes to the general objectives of the EU external policy in the different regions. Which attempts have been made to verify this cause-effect relationship?</p>		
<b>Justification</b>	<p>The EC support to PSD in third countries has been defined as covering EC supported interventions aiming at enhancing the competitiveness of the business sector in these countries.</p> <p>Assessing their relevance requires to assess the relevance of this specific objective (purpose) against the issues addressed by the overall objectives of the European external policy, under the assumption that those objectives reflect identified problems or needs of the EU and/or beneficiary countries: The relevance the Commission support to PSD would imply that the low competitiveness of the business sector in partner countries is indeed a major constraint preventing progress towards the EU external policy objectives in these countries.</p> <p>A direct assessment of such a politically fundamental statement cannot be done in the framework of this evaluation. It is however important to examine whether the EC has analysed this assumption and how.</p>	
<b>Hypothesis</b>	<p><i>Assumption:</i> Not all expected results that contribute in an optimal way to the purpose of a more competitive business sector, necessarily contribute in an optimal way to the EU external policy objectives (overall objectives).</p> <p><i>Hypothesis:</i> It is not always clear how expected results that reach the purpose of a more competitive business sector, can ultimately lead to the overall objectives and under which conditions.</p>	
Judgement Criteria	Indicator	Sources
1.1 EU institutions have explicitly substantiated the fact that a more competitive private sector will contribute to achieve the objectives of the EU external policy.	1.1.1 Explicit reference to the objectives of the EU external policy in PSD policy documents issued by the EU.	<p><b>Documents:</b></p> <ul style="list-style-type: none"> <li>▪ COM(2003)267 and Guidelines on PSD</li> <li>▪ Other EC policy papers on PSD</li> </ul>
1.2 This justification is convincing or it is shared by the main donors and Member States.	1.2.1 PSD documents issued by other donors refer or justify to the role of PSD (in development, growth and stability).	<p><b>Documents:</b></p> <ul style="list-style-type: none"> <li>▪ WB, IFC, EC, UNIDO, DAC PSD</li> <li>▪ Academic papers</li> <li>▪ International conferences (Monterrey, Johannesburg)</li> </ul>

EQ No 2 Overall design of the strategy		
<p>Is the EU PSD strategy in terms of “expected results” (“areas of intervention” according to COM, or “fields of action” according to the guidelines) well designed to ensure the realisation of the purpose of strengthening the business sector with a view to contribute to the overall objectives of the EU external policy? More specifically:</p> <p>A) To what extent is each area of intervention (“expected results”) relevant in terms of contribution to the purpose?</p> <p>B) Is its success dependent on certain conditions (another expected result or some other ‘external’ factor)? If yes, which ones? Have they been identified in EU PSD strategy documents?</p> <p>C) Is the set of fields of actions comprehensive (are some essential fields missing (for example, role of champions)?</p> <p>D) Is it well structured:</p> <ul style="list-style-type: none"> <li>▪ Are there potential complementarities and synergies between expected results and have they been identified?</li> <li>▪ Are there possible contradictions between fields and have they been identified?</li> <li>▪ Should there be a prioritisation?</li> </ul>		
<b>Justification</b>	It is important that the EU PSD strategy identifies all potential risks, assumptions and conditions for each expected result. Further, it is important to verify whether the approach is (still) relevant and optimised to reach state objectives.	
Judgement Criteria	Indicator	Sources
2A.1 The areas of intervention (expected results) respond to a generally recognized needs of the business sector in third countries.	2A.1.1 There is evidence of correspondence between generally recognized needs of the business sector and the areas of intervention (expected results) proposed by the strategy.	<b>Documents</b> <ul style="list-style-type: none"> <li>▪ WB (specify which programme or document)</li> <li>▪ PSD group from DAC</li> <li>▪ Academic papers</li> </ul>
2B.1 Conditions to reach the expected results exist.	2B.1.1 Documents (EU or other sources) identify such conditions.	<b>Documents</b> <ul style="list-style-type: none"> <li>▪ EU PSD documents</li> <li>▪ WB (specify which programme or document)</li> <li>▪ PSD group from DAC</li> <li>▪ Academic papers</li> </ul>
	2B.1.2 Evidence that such conditions have been included in EU PSD strategy documents.	<b>Documents</b> <ul style="list-style-type: none"> <li>▪ COM(2003)267</li> <li>▪ Guidelines on PSD</li> </ul>

	2B.1.3 Country missions provide examples from such conditions.	<p><b>Interviews</b></p> <ul style="list-style-type: none"> <li>▪ Delegation</li> <li>▪ PM</li> <li>▪ Beneficiaries</li> <li>▪ Local authorities</li> <li>▪ Other donors</li> </ul> <p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ CSP</li> <li>▪ Annual Review</li> </ul>
2C.1 All generally recognized needs of the business sector in third countries are covered by the areas of intervention (expect results).	2C.1.1 There is no example of a generally recognized need of the business sector that is not covered by the areas of intervention (expect results) proposed by the strategy.	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ WB (specify which programme or document)</li> <li>▪ PSD group from DAC</li> <li>▪ Academic papers</li> </ul>
2D.1 There are complementarities and synergies / conflicts between expected results.	2D.1.1 Evidence of inclusion of the question of complementarities and synergies / conflicts between expected results in EU PSD strategy documents.	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ COM(2003)267</li> <li>▪ Guidelines on PSD</li> </ul>
	2D.1.2 Evidence of inclusion of the question of complementarities and synergies / conflicts between areas of intervention (expected results) in PSD strategy documents by other donors.	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ WB (specify which programme or document)</li> <li>▪ PSD group from DAC</li> <li>▪ Academic papers</li> </ul>
	2D.1.3 Country missions provide examples of such complementarities.	<p><b>Interviews</b></p> <ul style="list-style-type: none"> <li>▪ Delegation</li> <li>▪ PM</li> <li>▪ Beneficiaries</li> </ul> <p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ CSP</li> <li>▪ Annual Review</li> </ul>
2D.2 Prioritisation of areas of intervention (expected results) leads to a better realisation of the purpose	2D.2.1 Evidence of inclusion of the question of prioritisation of areas of intervention leading to a better realisation of the purpose in EU PSD strategy documents.	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ COM(2003)267</li> <li>▪ Guidelines on PSD</li> </ul>

	<p>2D.2.2 Evidence of inclusion of the question of prioritisation of areas of intervention leading to a better realisation of the purpose in PSD strategy documents by other donors.</p>	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ WB (specify which programme or document)</li> <li>▪ PSD group from DAC</li> <li>▪ Academic papers</li> </ul>
	<p>2D.2.3 Country missions provide examples of such issue.</p>	<p><b>Interviews</b></p> <ul style="list-style-type: none"> <li>▪ Delegation</li> <li>▪ PM</li> <li>▪ Beneficiaries</li> </ul> <p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ CSP</li> <li>▪ Annual Review</li> </ul>



EQ No 3 Relevance of PSD strategy in a given country		
<p>For a given country,</p> <p>A) Does the selection of the areas of intervention correspond to the EU PSD strategy?</p> <p>B) Does the selection of the areas of intervention correspond to clearly identified priority needs of this country to increase the competitiveness of the business sector with the view to contribute to the overall objectives of the EU external policy?</p>		
Judgement Criteria	Indicator	Sources
3A.1 The areas of intervention (expect results) in country X correspond to the areas proposed in the EC PSD strategy.	<p>3A.1.1 Correspondence between the areas of intervention (expect results) in country X and the EC PSD strategy.</p> <p><i>Primary data:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Areas of intervention selected in country X.</i></li> <li>▪ <i>Areas of intervention proposed by EU PSD strategy.</i></li> </ul>	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ COM(2003)267 and Guidelines on PSD (for areas of intervention proposed by the EU PSD strategy)</li> <li>▪ CSP (for the areas of intervention “planned” in country X)</li> <li>▪ Project documents (for the areas of intervention “realised” in country X)</li> </ul>
3B.1 The selected areas of intervention (expect results) correspond to clearly identified needs of countries X in terms of PSD.	<p>3B.1.1 Correspondence between selected areas of intervention (expect results) and clearly identified priority needs of countries X in terms of PSD.</p> <p><i>Primary data:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Selected areas of intervention.</i></li> <li>▪ <i>Clearly identified priority needs.</i></li> </ul>	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ CSP</li> <li>▪ WB documents</li> <li>▪ Other documents informing on country needs</li> </ul> <p><i>Note: It is important to look at sources other than the EU to assess country needs.</i></p> <p><b>Interviews</b></p> <ul style="list-style-type: none"> <li>▪ Delegation</li> <li>▪ PM</li> <li>▪ Beneficiaries</li> <li>▪ Local authorities</li> <li>▪ Other donors</li> </ul>
	<p>3B.1.2 Correspondence between PSD strategy in the country and national priorities or policies.</p>	

## 4.2 Effectiveness

This Question aims to contribute to an overall assessment of the EU PSD strategy. In that sense, the focus of the analysis is the effectiveness of the strategy and not the effectiveness of each individual PSD programme. The degree of effectiveness of individual programmes can give elements of analysis for the overall effectiveness of the strategy only under certain conditions. Indeed, to assess the overall effectiveness of the strategy, one needs to know first what is done in practice and second whether what is done in practice corresponds to what is proposed by the strategy:

- If the programmes do not correspond to the strategy, then even if they are effective on their own terms they will not contribute to the effectiveness of the strategy. The problem in this case will be one of design and one needs to explore its causes. It may be that the programme was designed before the strategy was released, that the strategy is not known, or that the strategy is known but considered as not adapted to the needs of the country, etc. In each case, the conclusion and potential recommendations are different and, in particular, they allow identification of whether the weakness is on the side of the programme or of the strategy. In particular for questions 4.2, 4.4 and 4.5, if the objective of the programme differs from the stated expected result and therefore does not totally correspond to the formulation of the question, it is important to refer to the stated objectives of the programme.
- If the programmes do correspond to the strategy, then one needs to analyse their effectiveness. If they are effective, then they will be able to contribute to the effectiveness of the strategy.

Further, the question attempts to:

- Interpret and understand the major factors influencing the achievement or non-achievement of the objectives of the programme:
  - The coverage of the programme in quantitative and qualitative terms according to available information: for example, whether the programme covers a small or large fraction of all enterprises, a small or large sector of the economy, whether these firms or sectors are the most dynamics or whether no selection has been made in that sense.
  - If possible, the main internal explanatory variables, that is the factors within the programme which have enhanced or hampered the production of expected results and achievement of objectives.
  - If possible, the main external explanatory variables, that is the factors outside the programme which have enhanced or hampered the production of expected results and achievement of objectives.
- Highlighting best and worse practices: what works or does not work, and under what conditions.

For practical reasons, the question is divided into 6 sub-questions according to the different “expected results” (“areas of intervention” according to COM(2003)267, or “fields of action” according to the PSD Guidelines). Note however, that for each country a sub-question applies only if activities in support to the “expected result” have been implemented in that country.

<b>EQ No 4.1 Business Environment</b>		
To what extent did EU interventions make the institutional, macro-economic and legal and regulatory framework more conducive to PSD?		
<b>Judgement Criteria</b>	<b>Indicator</b>	<b>Sources</b>
41.1 EC support to the institutional setting has contributed to the development of the business sector.	41.1.1 The objective of the programme corresponds to the expected result proposed by the EU PSD strategy.	<b>Documents</b> <ul style="list-style-type: none"> <li>▪ Activity reports of EU programmes (project/programme level)</li> <li>▪ Monitoring and evaluation reports</li> <li>▪ Studies &amp; specialized reports</li> </ul> <b>Interviews</b> <ul style="list-style-type: none"> <li>▪ TA</li> <li>▪ Beneficiaries</li> <li>▪ Local authorities</li> </ul>
	41.1.2 Evidence that the improved institutional capacity due to EU support has produced a framework that is more conducive to PSD.	
	41.1.3 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme.	
41.2 EC support to macroeconomic stabilization has contributed to the development of the business sector.	41.2.1 The objective of the programme corresponds to the expected result proposed by the EU PSD strategy.	
	41.2.2 Evidence that the improved macroeconomic situation due to EU support has produced a framework that is more conducive to PSD.	
	41.2.3 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme.	
41.3 EC support has achieved the removal of legal and regulatory barriers to the development of the business sector.	41.3.1 The objective of the programme corresponds to the expected result proposed by the EU PSD strategy.	
	41.3.2 Evidence that the removal of legal and regulatory barriers due to EU support has produced a framework that is more conducive to PSD.	

	41.3.3 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme.	
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EQ No 4.2 Reinforcing financial markets		
To what extent did EU interventions reinforce financial markets?		
<b>Justification</b>	<p>According to the COM, the aim is “to provide the appropriate framework for supplying well-developed and efficient financial services for SMEs”. Further, it is indicated that “the overall objective of these instruments and services is to mobilise private savings flows (both domestic and foreign) to finance investments that are essential for a thriving business sector.”</p> <p>The Guidelines indicates that the support may take several, not mutually exclusive, forms:</p> <ul style="list-style-type: none"> <li>▪ technical assistance operations, or operations for promoting or supporting the overall investment environment,</li> <li>▪ direct capital contribution operations for financing specific investment projects.</li> </ul> <p>The later, may be set up through two types of financial resources:</p> <ul style="list-style-type: none"> <li>▪ resources from the EU budget or the EDF, management of which is entrusted to a Community bank such as the EIB or the EBRD by the Commission (for budget resources) or the Member States (for EDF resources);</li> <li>▪ resources from the above banks’ own funds, acting under a mandate from the EU Council of Ministers.</li> </ul> <p>Therefore, the strategy clearly proposes one single objective to this type of intervention. Providing credits to enterprises (directly or through a financing institution) is not an objective. Further, it is clearly stated that (a) direct capital contribution operations should be managed by Community banks and (b) that these investment financing facilities should not have distortion effects on the national or international financial market, and they should avoid unfair competition among potential private or public beneficiaries.</p> <p>The COM and Guidelines were published in 2003 and experience shows that programmes in the past did aim to provide direct credits to enterprises. Programmes cannot be judged against objectives that were not stated at the time they were designed or implemented, but it is necessary to verify that new programmes do respect these orientations.</p>	
Judgement Criteria	Indicator	Sources
42.1 The appropriate framework for supplying well-developed and efficient financial services for SME is reinforced.	42.1.1 The objective of the programme corresponds to the expected result proposed by the EU PSD strategy.	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ Activity reports (at project/programme level)</li> <li>▪ Monitoring and evaluation reports</li> <li>▪ Studies &amp; specialized reports (for instance WB)</li> </ul> <p><b>Interviews</b></p> <ul style="list-style-type: none"> <li>▪ Beneficiaries</li> <li>▪ Financial institutions</li> <li>▪ Intermediary organisations</li> </ul>
	42.1.2 The sustainability of the programme (i.e. its effects) is explicitly ensured from the first stage of the programme.	

	<p>42.1.3 Result indicators originally foreseen in project documents and evidence that these indicators were followed up.</p> <p><i>Note Present the value of these indicators in the Project Fiche and a conclusion here.</i></p>	
	<p>42.1.4 Other result indicators, such as:</p> <ul style="list-style-type: none"> <li>▪ ratio of credits demands to credits approvals (lower);</li> <li>▪ number of credits financed mobilizing private savings (higher);</li> <li>▪ cost to create a collateral (lower);</li> <li>▪ time for the credit approval procedure (shorter);</li> <li>▪ evidence of local financial institutions suffering distortions from EC programmes (in particular direct support to companies);</li> </ul> <p><i>Note Present the value of these indicators in the Project Fiche and a conclusion here.</i></p>	
	<p>42.1.5 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme.</p>	

EQ No 4.3 Intermediary professional associations		
<p>The objectives of the EC PSD strategy with respect to IO is double:</p> <ul style="list-style-type: none"> <li>▪ increase their capacity to conduct a policy dialogue with the government, and</li> <li>▪ improve the quality or quantity of services they provided to their members.</li> </ul> <p>Therefore, the question has two aspects:</p> <p>A) To what extent did EC interventions help IO to increase their capacity to conduct a policy dialogue with the government?</p> <p>B) To what extent did EC interventions help IO to improve the quality or quantity of the services provided to and used by its members?</p>		
Judgement Criteria	Indicator	Sources
43A.1 Intermediate organizations have successfully promoted the interests of the private sector as a result of EC support.	43A.1.1 The objective of the programme corresponds to the expected result proposed by the EU PSD strategy.	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ Activity reports (at project/programme level)</li> <li>▪ Monitoring and evaluation reports</li> <li>▪ Studies &amp; specialized reports (for instance WB)</li> </ul> <p><b>Interviews</b></p> <ul style="list-style-type: none"> <li>▪ Beneficiaries</li> <li>▪ TA</li> <li>▪ Local authorities</li> </ul>
	43A.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up. <i>Note Present the value of these indicators in the Project Fiche and a conclusion here.</i>	
	43A.1.3 Other result indicators, such as: <ul style="list-style-type: none"> <li>▪ evidence of involvement of IO (particularly if supported by the EC) in policy orientation meetings;</li> <li>▪ example of policies that directly respond to the demands of the IO (particularly if those were supported by the EC);</li> <li>▪ IO supported cover a significant part of local enterprises.</li> </ul> <i>Note Present the value of these indicators in the Project Fiche and a conclusion here.</i>	
	43A.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme.	

43B.1 Intermediate organizations provide more and better services to their members as a result of EC support.	43B.1.1 The objective of the programme corresponds to the expected results proposed by the EU PSD strategy.	
	43B.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up. <i>Note Present the value of these indicators in the Project Fiche and a conclusion here.</i>	
	43A.1.3 Other result indicators, such as: <ul style="list-style-type: none"> <li>▪ evolution of the number of services provided by IO (particularly if those were supported by the EC) (increased);</li> <li>▪ evolution of the number of companies benefiting from these services;</li> <li>▪ evolution of membership in these IO;</li> <li>▪ level of satisfaction of firms using services provided by IO;</li> <li>▪ IO supported cover a significant part of local enterprises;</li> </ul> <i>Note Present the value of these indicators in the Project Fiche and a conclusion here.</i>	
	43B.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme.	



EQ No 4.4 Investment promotion and b-to-b cooperation		
To what extent did EU interventions increase trade, investment and general b-to-b cooperation?		
Judgement Criteria	Indicator	Sources
44.1 EU interventions increased trade, investment or general b-to-b cooperation.	44.1.1 The objective of the programme corresponds to the expected result proposed by the EU PSD strategy.	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ Activity reports (at project/programme level)</li> <li>▪ Monitoring and evaluation reports</li> <li>▪ Studies &amp; specialized reports (for instance WB)</li> </ul> <p><b>Interviews</b></p> <ul style="list-style-type: none"> <li>▪ Beneficiaries</li> <li>▪ PM</li> <li>▪ Delegation</li> </ul>
	44.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up. <i>Note Present the value of these indicators in the Project Fiche and a conclusion here.</i>	
	44.1.3 Other result indicators, such as: <ul style="list-style-type: none"> <li>▪ Number of signed agreements (following an EC funded action) (increase);</li> <li>▪ Evidence of investment from European firms in local business following agreements signed;</li> <li>▪ Evidence of increased exports from firms having participated to an EC-supported activity;</li> <li>▪ Enterprises having participated to the activities cover a significant part of the target population of beneficiaries;</li> <li>▪ Evidence of other forms of benefits following agreements signed;</li> </ul> <i>Note Present the value of these indicators in the Project Fiche and a conclusion here.</i>	
	44.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme.	

EQ No 4.5 Business Development Services	
To what extent did EU interventions aiming to provide non-financial services create a competitive business development services markets?	
Justification	<p>According to the Guidelines, the objective of this type of activity is “to create a competitive business development services market in third countries”. Further, it indicates that the approach is in line with the Guidelines of the Donor’s Committee for Small Enterprise (“Business Development Services for Small Enterprises: Guiding principles for donor intervention”) which is based on the principles of <u>outreach</u>, <u>cost effectiveness</u> and <u>sustainability</u>.</p> <p>These Guiding Principles indicated that traditional programmes have failed to achieve high outreach (access to services by a large proportion of the target population of enterprises) since the number of SME served is limited by the funds available and that sustainability has also been low since programmes often cease when public fund are exhausted.</p> <p>“The BDS market development paradigm is driven by the belief that the objectives of outreach and sustainability can only be achieved in well-developed markets for BDS, and not by direct provision by donors and governments. This shifts the focus of public and donor intervention away from direct provision and subsidies at the level of the BDS transaction, toward the facilitation of a sustained increase in the demand and supply of services. In the market development paradigm, subsidization of transactions should be replaced by private payment for services. Similarly, donor and government support should be shifted away from direct support to particular BDS providers toward facilitation functions that develop the market in a sustainable way. The objective of BDS market development challenges donors to push the commercial orientation of the BDS market as far as possible through strategic investment with a development orientation.”</p> <p>While it is clear that the objective is to create or reinforce a “competitive business development services market” and which elements should be taken into account (BDS market assessment, deciding on demand-side or supply-side interventions, delivery and payment mechanisms, exit strategy, etc.), it is less clear what <u>the role of subsidies</u> is. It is indicated that “Long-term donor subsidies to the demand or supply of BDS are likely to distort BDS markets and crowd out the commercial provision of services (...) Subsidies may be justified in the short term as an investment in the development of BDS markets (...) However, even temporary subsidies can create distortions, and are justified only if their market development impacts outweigh their distortion effects. Therefore, donors must exercise care in the application and duration of subsidies:”</p> <ul style="list-style-type: none"> <li>▪ <b>Specificity:</b> Subsidies in BDS markets should be designed to achieve specific market development objectives. The starting point is the BDS market assessment.</li> <li>▪ <b>Duration:</b> Subsidies in BDS markets should be time-bound with specific criteria for their reduction and elimination as market.</li> <li>▪ <b>Point of application:</b> Subsidies applied at the level of the BDS transaction (i.e., direct subsidies to reduce the cost or price of services) are, as a general rule, more distortion than developmental (pre and post-transactional) subsidies.</li> </ul> <p>However, the EU Guidelines, although said to be coherent with the Donor’s Committee Guidelines, allows for a subsidization of BDS: “100% self-financing for BDS, a principle that is not in any case applied within the European Union, would not be realistic in</p>

		third countries” (page 70). On the other hand, the COM does not say much on BDS. The zone is therefore not clear on the strategy.	
Judgement Criteria		Indicator	Sources
45.1	EU interventions aiming to provide non-financial services create a competitive business development services markets.	45.1.1	The objective of the programme corresponds to the expected result proposed by the EU PSD strategy.
		45.1.2	The objective and overall design of the programme corresponds to the Blue Book on BDS programmes (“BDS for Small Enterprises: Guiding principles for donor intervention”).
		45.1.3	Result indicators originally foreseen in project documents and evidence that these indicators were followed up. <i>Note Present the value of these indicators in the Project Fiche and a conclusion here.</i>
		45.1.4	The internal monitoring system corresponds to the one proposed by the Blue Book on BDS programmes (« BDS Performance Measurement Framework »).
		45.1.6	Other result indicators, such as: <ul style="list-style-type: none"> <li>▪ Number of SME acquiring BDS in general (to measure BDS market expansion);</li> <li>▪ Number of SME acquiring BDS from the programme (to measure BDS market expansion);</li> <li>▪ Evolution of the number of local consulting firms in the market (to measure BDS supply);</li> <li>▪ % of potential SME acquiring BDS (to measure market penetration);</li> <li>▪ Number and % of SE customers purchasing BDS who represent targeted populations (to measure outreach);</li> <li>▪ Percent of customers reporting high satisfaction with a business development service (to measure impact);</li> <li>▪ Repeat customers: % of all customers who</li> </ul>
		<b>Documents:</b> <ul style="list-style-type: none"> <li>▪ Activity reports</li> <li>▪ Monitoring and evaluation reports</li> </ul> <b>Interviews:</b> <ul style="list-style-type: none"> <li>▪ Business consulting firms</li> <li>▪ Beneficiaries</li> <li>▪ Delegation</li> </ul>	

	<p>purchase at least twice (to measure impact);</p> <ul style="list-style-type: none"> <li>▪ Percentage of customers who applied the business service to their business, as defined by the program. (E.g.: percent who accessed new markets, developed new products, improved management practices, started keeping formal accounts, reduced costs, etc.) (to measure impact);</li> <li>▪ Change in estimated gross profit, profit level, employment, exports from before and after receiving the service (to measure impact);</li> <li>▪ Of the businesses that improved their estimated gross profits, what percent attribute the change to the BDS? (to measure impact);</li> <li>▪ BDS supplier profitability and profitability of particular BDS Service (to measure sustainability);</li> <li>▪ Simplified cost-benefit assessment comparing total, cumulative program costs to aggregate program benefits (to measure sustainability);</li> <li>▪ Total program cost per customer served and total program cost per supplier assisted (to measure sustainability);</li> </ul> <p><i>Note Present the value of these indicators in the Project Fiche and a conclusion here</i></p>	
	<p>45.1.7 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme.</p>	
	<p>45.1.8 Unsubsidized local BDS is not crowded-out by a subsidized supply of services: There are no complaints about “unfair competition” from unsubsidized suppliers of services, there are no clients that use to use unsubsidized consulting that are now using subsidized consulting.</p>	

EQ No 4.6 Development of micro-enterprises		
To what extent did EU interventions help develop micro-enterprises?		
Judgement Criteria	Indicator	Sources
46.1 EU interventions have contributed to the development of micro-enterprises.	46.1.1 The objective of the programme corresponds to the expected result proposed by the EU PSD strategy.	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ Activity reports</li> <li>▪ Monitoring and evaluation reports</li> </ul> <p><b>Interviews</b></p> <ul style="list-style-type: none"> <li>▪ Business consulting firms</li> <li>▪ Beneficiaries</li> <li>▪ Delegation</li> </ul>
	46.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up. <i>Note Present the value of these indicators in the Project Fiche and a conclusion here.</i>	
	46.1.3 Other result indicators, such as: <ul style="list-style-type: none"> <li>▪ Evolution of the number of micro-enterprises;</li> <li>▪ Evolution of turnover;</li> <li>▪ Evolution of profit level;</li> <li>▪ Evolution of employment level;</li> </ul> <i>Note Present the value of these indicators in the Project Fiche and a conclusion here.</i>	
	46.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme.	

### 4.3 Sustainability

EQ No 5 Sustainability		
To what extent are the effects (expected results) of the interventions likely to continue at the end of the EC support?		
<b>Meaning</b>	<p>An intervention is sustainable when the effects continue after the end of the intervention. However, for certain interventions such as financial and non-financial services provided to enterprises, a second level of sustainability should be analysed: the sustainability of the activities themselves.</p> <p>These activities are sustainable if they are taken over by private actors once EC support ends. An early sign of sustainability would be replicability. If no private player has tried to provide the same services in competition with the project, it is unlikely that these services will be taken over at the end of the EC intervention.</p> <p>Note that the criteria depend on the type of intervention (as the sub-questions on effectiveness). Therefore, criteria will apply only to countries where that type of intervention was supported.</p>	
<b>Hypothesis</b>	Sustainability is dependent on factors that may differ between the areas of intervention (expected results).	
Judgement Criteria	Indicator	Sources
5.1 The effects of EU PSD strategy in country X is likely be long-lasting.	5.1.1 Risks and assumptions that can affect the achievement of the PSD strategy have been identified.	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ Activity reports</li> <li>▪ Monitoring and evaluation reports</li> </ul> <p><b>Interviews</b></p> <ul style="list-style-type: none"> <li>▪ Business consulting firms</li> <li>▪ Beneficiaries</li> <li>▪ Delegation</li> </ul>
	5.1.2 Actions have been taken if risks have materialized or assumptions have not been verified.	
5.2 Institutional, macroeconomic, legal and regulatory improvement is not disappearing / has not disappeared after EC intervention.	5.2.1 Evidence that improvement has continued after EU intervention.	
5.3 Reinforcement of financial markets is long-lasting.	5.3.1 The number of credits from local banks to the private sector (especially SME and micro-enterprises) continues to increase or at least does not decrease after EC intervention.	
	5.3.2 Repayment rate of loans in EU supported programmes (high enough).	

5.4	Reinforcement of IO position is not lost after EU intervention finishes.	5.4.1	Intermediate organizations continue to successfully promote the interests of the private sector after the end of EC intervention. For example: <ul style="list-style-type: none"> <li>Evidence of continuous involvement of business sector organizations (particularly if supported by the EC) in policy orientation meetings.</li> </ul>
		5.4.2	Services provided by intermediate organizations continue to increase or at least do not decrease after EC intervention. For example: <ul style="list-style-type: none"> <li>evolution of the supply and use of services provided by intermediate organizations after the end of the intervention;</li> <li>evolution of the number of companies benefiting from these services;</li> <li>evolution of membership in these intermediate organization.</li> </ul>
5.5	Business-to-business cooperation, trade and investment continue to expand after EC intervention.	5.5.1	Evolution of the number of mutual agreements.
		5.5.2	Evolution of the number of investments following mutual agreements.
		5.5.3	Evolution of exports.
5.6	A competitive BDS market continues to function after EU intervention has finished.	5.6.1	Demand for non-subsidised BDS continues to increase or at least do not decrease after EC intervention.
		5.6.2	Local supply of non-subsidised BDS continues to increase or at least do not decrease after EC intervention.
5.7	Micro-enterprises continue to develop.	5.7.1	The number of micro-enterprises continues to grow after EC intervention.
		5.7.2	Micro-enterprises continue to expand after EC intervention.

## 4.4 Efficiency

EQ No 6 Efficiency		
<p>To what extent have the organisational set-up or management systems and processes contributed or hindered the efficiency of the EC interventions in support of private sector development? Four aspects are of particular interest to our evaluation:</p> <p>A. the deconcentration process and the support given by HQ,            B. the preference given in some regions to all-country programmes,            C. the preference given in some regions to promote local expertise instead of using international support,            D. other organisational set-up or management systems and processes.</p> <p>Note:</p> <ul style="list-style-type: none"> <li>▪ The term “all-country programmes” refers to: (i) regional programmes (such as Pro-Invest, AL-Invest, Asia-Invest, EBAS, etc.); (ii) programmes designed to include two-three countries (such as those managed by the CDE); and (iii) regional programmes from an RSP. The term is commonly used by the ACP region and less so by the others. The ACP region decided to favour that type of programmes after a 1998 evaluation.</li> <li>▪ The “use of local expertise” (instead of using expertise from developed countries) is one of the recent orientations in the frame of BDS programmes. It was explicitly taken into account at least in ACP countries.</li> </ul>		
Judgement Criteria	Indicator	Sources
6A.1 The <u>deconcentration</u> has contributed to the efficiency of the EC interventions.	6A.1.1 Speed of decision making during the identification and implementation stages (project preparation, implementation payments).	<b>Interviews</b> <ul style="list-style-type: none"> <li>▪ Delegation</li> <li>▪ PM</li> <li>▪ NAO</li> </ul> <b>Documents</b> <ul style="list-style-type: none"> <li>▪ CSP</li> <li>▪ Annual reports</li> </ul>
	6A.1.2 Workload related to implementation procedures of project managers at the Delegation.	
	6A.1.3 The deconcentration has led to a better identification of needs and project design. <i>Note: This item is related to the relevance of interventions (not to efficiency) and it is asked only to complement information.</i>	
	6A.1.4 Evidence of sharing experience / lessons learning from other Delegations. <i>Note: This item is related to one of the risks of the deconcentration and not to efficiency. It is asked here because it does not somewhere else.</i>	



6B.1	The use of “all-country” programmes has contributed to the efficiency of the EC interventions.	6B.1.1	Speed of decision making during the identification and implementation stages (project preparation, implementation payments).	
		6B.1.2	Cost of interventions before and after “all-country” programmes.	
		6B.1.3	Workload related to implementation procedures of project managers at the Delegation.	
		6B.1.4	The use of “all-country” programmes has led to a better identification of needs. <i>Note: This item is related to the relevance of interventions (not to efficiency) and it is asked only to complement information.</i>	
6C.1	The use of local expertise has contributed to the efficiency of the EC interventions.	6C.1.1	Speed of decision making during the identification and implementation stages (project preparation, implementation payments).	
		6C.1.2	Cost of interventions before and after deconcentration.	
		6C.1.3	Workload related to implementation procedures of project managers at the Delegation.	
6D.1	The organisational set-up and management system has contributed to an efficiency implementation of the programme.	6D.1.1	Programme inputs are on time, at planned cost and well managed on a day-to-day basis.	<p><b>Interviews</b></p> <ul style="list-style-type: none"> <li>▪ Delegation</li> <li>▪ PM</li> <li>▪ NAO</li> <li>▪ Beneficiaries</li> </ul> <p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ CSP, CSE, Annual reports</li> <li>▪ Project documents, monitoring reports and evaluations</li> </ul>
		6D.1.2	Programme activities are on time, at planned cost and well managed on a day-to-day basis.	
		6D.1.3	Results are being achieved as planned (quality and quantity).	
		6D.1.4	Existence and use of an internal monitoring system.	
		6D.1.5	The programme has been able to adapt to changing needs or context. <i>Note: For instance, if the assumptions did not hold true, how well did the programme management adapt? How well did it adapt to external factors affecting the programme).</i>	

## 4.5 Coherence

EQ No 7	Coherence
<p>To what extent is EU support to PSD coherent with other EU policies and interventions? This can be reformulated as:</p> <p>A) To what extent does the <u>EU PSD policy in general</u> take into account other EU strategies and policies? <i>Consider in particular, strategies and policies related to development and cooperation (such as TRA or regional intervention interventions) and strategies and policies non-related to development and cooperation (such as the CAP, trade policy, etc.) The aim is to verify whether the different policies are not conflicting or at least that possible conflicts are identified and measures are proposed to minimize them.</i></p> <p>B) To what extent does the <u>EU PSD support strategy within a country strategy</u> take into account:</p> <ul style="list-style-type: none"><li>▪ The support given to other sectors within the same country strategy? <i>Verify whether synergies are exploited and conflicts avoided. For instance, in Zambia, there other focal sector is transport and, although transport is identified as one of the main obstacles for the development of business, no synergies are exploited. On the other hand, there is in Zambia a regional integration programme which includes customs facilitation; however, no synergies are exploited nor risks identified.</i></li><li>▪ Other EU strategies and policies? <i>Verify that the PSD support programme within a country strategy takes into account (or at least recognizes) the possible effects of other (development or non-development) EU strategies and policies on beneficiaries of the PSD support programme. For instance, the PSD strategy in one country may seek to promote exports but the product supported may be subject to high tariffs to enter the EU.</i></li></ul> <p>C) To what extent do national or regional <u>EU PSD programmes within a country</u> take into account:</p> <ul style="list-style-type: none"><li>▪ Other PSD programmes within the same country? <i>Verify that PSD projects and programmes at national and regional level support each other, do not conflict and do not compete with each other. For instance, in Zambia, no synergy was pursuit between the two PSD programmes. Further, in ACP countries, EBAS proposed BDS with a cost-sharing scheme of 50%-50% while the CDE worked with a scheme of 33%-66% and national PSD programme may have worked with a different scheme. In Dominican Republic, this problem was identified between a national and a regional PSD programme.</i></li><li>▪ The support given to other sectors within the same country? <i>Verify that a PSD programmes takes into account (or at least recognizes) the possible effects on its beneficiaries of the support given to other sectors within the same country. In the example of Zambia, the effects of the regional integration programme (managed in the Delegation by the Economic Cooperation Section) in firms benefiting from PSD programmes (managed by the PSD Section) are not identified.</i></li></ul>	

<ul style="list-style-type: none"> <li>▪ Other EU strategies and policies? <i>Verify that PSD programmes within a country strategy takes into account (or at least recognizes) the possible effects of other (development or non-development) EU strategies and policies on beneficiaries of the PSD support programme. In particular, verify that the support given by a PSD programme is not offset by these other policies.</i></li> </ul>		
<b>Justification</b>	<p>Coherence can be analysed for three different aspects of PSD support:</p> <ul style="list-style-type: none"> <li>▪ The overall EU PSD policy (general EU level).</li> <li>▪ The PSD support strategy within a country strategy (country level but the reasoning is extensive to regional strategies).</li> <li>▪ Specific PSD programmes implemented in a country (also country level and extensive to regional strategies).</li> </ul> <p>And with respect to:</p> <ul style="list-style-type: none"> <li>▪ EU development or non-development policies and strategies (TRA, regional intervention programmes, etc or CAP, trade policy, etc).</li> <li>▪ Support to other (non-PSD) sector within a country.</li> <li>▪ Different PSD projects/programmes at regional and national level.</li> </ul> <p>The choice made is to look for coherence at the ‘same’ level and the levels ‘above’.</p>	
<b>Hypothesis</b>	<p>Coherence at the different levels is seldom explicitly considered. Further, national and regional programmes in the same country are seldom implemented in a coherent way.</p>	
<b>Judgement Criteria</b>	<b>Indicator</b>	<b>Sources</b>
7A.1 The communication and Guidelines on PSD make explicit reference to other EU strategies or policies.	7A.1.1 Explicit reference to other EU strategies or policies on the communication and Guidelines on PSD.	<b>Documents</b> <ul style="list-style-type: none"> <li>▪ COM(2003)267 and Guidelines on PSD</li> </ul>
	7A.1.2 Evidence that other EU strategies or policies have positively or negatively affected the achievement of the objectives of the EU PSD policy.	
7B.1 The <u>EU PSD support strategy within a country</u> takes into account other EU interventions.	7B.1.1 Explicit reference to EU support to <u>other sectors in the same country</u> and analysis of possible complementarities, synergies, conflicts or overlaps between PSD and other sector support within the same country.	<b>Documents</b> <ul style="list-style-type: none"> <li>▪ CSP</li> <li>▪ CSE</li> <li>▪ Annual reviews</li> </ul>
	7B.1.2 Evidence that EU support to <u>other sectors in the same country</u> has positively or negatively affected the achievement of the objectives of the PSD support strategy within the country.	

	7B.1.3 Explicit reference to the possible effects of <u>other EU strategies and policies</u> (development or non-development) on the PSD support strategy in a given country.		
	7B.1.4 Evidence that <u>other EU strategies or policies</u> (development or non-development) have positively or negatively affected the achievement of the objectives of the PSD support strategy within the country.		
7C.1 National or regional <u>EU PSD programmes within a country</u> take into account other EU interventions.	7C.1.1 Programme documents explicitly refer to the <u>other EU PSD programmes in the same country</u> and analyse possible complementarities, synergies conflicts or overlaps.	<p><b>Documents</b></p> <ul style="list-style-type: none"> <li>▪ Project or programme documents (FP, FA, and LF)</li> <li>▪ Activity, monitoring and evaluation reports</li> </ul> <p><b>Interviews</b></p> <ul style="list-style-type: none"> <li>▪ PM</li> <li>▪ Delegation</li> <li>▪ Beneficiaries</li> </ul>	
	7C.1.2 Evidence that <u>other EU PSD programmes in the same country</u> have positively or negatively affected the achievement of the objective of the programme.		
	7C.1.3 Programme documents explicitly refer to EU support to <u>other sectors in the same country</u> and analyses possible complementarities, synergies conflicts or overlaps between the programme and other sector support within the same country.		
	7C.1.4 Evidence that EU support to <u>other sectors in the same country</u> has positively or negatively affected the achievement of the objectives of the programme.		
	7C.1.5 Programme documents explicitly refer to the possible effects of <u>other EU strategies and policies</u> (development or non-development) on the programme and analyses possible complementarities, synergies conflicts or overlaps.		
	7C.1.6 Evidence that <u>other EU strategies and policies</u> (development or non-development) have positively or negatively affected the achievement of the objectives of the programme.		

## 4.6 Coordination and complementarity

EQ No 8 Coordination and complementarity		
To what extent is there coordination between donors, both at central and at country level?		
<b>Meaning</b>	<p>Coordination is understood between donors and complementarity with the partner government. Complementarity is treated in EQ3 thus this EQ focus on donor coordination.</p> <p>Donor coordination can be examined at HQ level (EC and MS; DAC; etc.) or at country level. In both cases, donor coordination should result in more complementarity and synergy and less overlap and conflict between the programmes of the different donors.</p>	
<b>Hypothesis</b>	Donor coordination exists mainly at country level and depends on individual initiative.	
Judgement Criteria	Indicator	Sources
8.1 The EU actively participates to the multi-donor coordination processes at central level.	8.1.1 EC participates to multi-donor coordination meetings at central level (DAC, SEDONORS, others).	<b>Interviews</b> <ul style="list-style-type: none"> <li>▪ PSD Network</li> </ul>
	8.1.2 Evidence of distribution of tasks among the different donors at central level.	
	8.1.3 Evidence of joint actions between the different donors at central level.	
8.2 The EU actively participates to multi-donor coordination process at country level.	8.2.1 Evidence of participation of the EC to multi-donor coordination meetings at country level.	<b>Interviews</b> <ul style="list-style-type: none"> <li>▪ Delegation</li> <li>▪ Other donors</li> </ul> <b>Documents</b> <ul style="list-style-type: none"> <li>▪ CSP</li> <li>▪ Annual reports</li> </ul>
	8.2.2 Evidence of distribution of tasks among the different donors at country level.	
	8.2.3 Evidence of joint activities or projects between the different donors at country level.	
	8.2.4 Explicit reference to other donor policies or activities in country documents.	

	8.2.5	Explicit reference to other donor policies or activities in programme level documents.	<b>Documents</b> ▪ Programme documents
	8.2.6	Examples of complementarities and synergies between programmes funded by the EU and programmes funded by other donors.	<b>Documents</b> ▪ CSP and Annual reports ▪ Activity, monitoring and evaluation reports of EU programmes <b>Interviews</b> ▪ Delegation ▪ PM (of EU programmes) ▪ Beneficiaries (of EU programmes) ▪ Other donors
	8.2.7	Evidence of overlap between PSD programmes of the EU and of other donors at country level.	
	8.2.8	Evidence of similar programmes with common beneficiaries funded by the EU and another donor.	

## 4.7 Cross-cutting issues

EQ No 9 Cross-cutting issues		
Do the EU PSD interventions show concern for cross cutting issues such as promoting women led enterprises, ensuring acceptable working conditions notably for women, protecting the environment and promoting better governance practices?		
<b>Meaning</b>	The EU has defined a number of CCI that have to be mainstreamed in all interventions. In the particular case of the PSD strategy, we concentrate in three issues: gender, environment and better governance. Further, CCI can be analysed at different levels: overall EU PSD strategy, country PSD strategy and PSD programmes at country level.	
<b>Hypothesis</b>	Cross-cutting issues have had little influence on the design or implementation of PSD interventions.	
Judgement Criteria	Indicator	Sources
9.1 CCI are taken into account at central level.	9.1.1 The communication and guidelines explicitly refer to CCI.	<b>Documents</b> <ul style="list-style-type: none"> <li>▪ COM(2003)267 and Guidelines on PSD</li> </ul> <b>Documents</b> <ul style="list-style-type: none"> <li>▪ CSP</li> <li>▪ Programme documents</li> <li>▪ Monitoring documents (if cross-cutting issues related monitoring indicators are collected)</li> </ul> <b>Interviews</b> <ul style="list-style-type: none"> <li>▪ Delegation</li> <li>▪ Project managers</li> <li>▪ Beneficiaries</li> </ul>
9.2 CCI are taken into account in the PSD strategy and by programmes in country X.	9.2.1 The CSP explicitly refers to CCI (which ones?).	
	9.2.2 Project/programme documents explicitly refer to CCI (which ones?).	
	9.2.3 Internal monitoring system takes into account CCI. <i>Note: For example, for gender, the number of women led enterprises monitored, proportion of (micro) credits granted to woman, share of women in the labour force, etc.</i>	
9.2.4 Evidence of the effective implementation of cross-cutting issues.		
9.3 A CCI is treated through a specific project or programme in the frame of the PSD support in country X rather than as an horizontal issue.	9.3.1 Examples of projects or programmes that focus on one of the CCI.	





## 5. Data collection methods

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### 5.1 Introduction

This section describes the different data collection methods used during all phases of the evaluation. Five data collection methods have been used during this evaluation:

- Secondary data
- Interviews
- Questionnaires
- Focus group
- Country cases

For each method, this annex first presents the characteristics as well as the uses in the context of this evaluation. It then describes the particular strength and limitations per method.

### 5.2 Secondary data

#### 5.2.1 Presentation and use

Secondary data has been used in all phases of the evaluation. The main sources of secondary information included:

- Strategy documents:
  - the Commission's general strategy documents relating specifically to private sector development support, and to development and economic cooperation policy in general (Communications on the Commission's approach or strategy for PSD and on its development policy; Guidelines for EC Support to PSD);
  - the Commission's country and regional strategy documents (Country Strategy Papers, Annual Reports);
  - other donors' country strategy documents;
  - the beneficiary government's own strategy documents (e.g. National Indicative Plans, Poverty Reduction Strategy Papers).
- Programme documents (project synopses, financing proposals, financing contracts, financing agreements, monitoring reports).
- Statistical sources.
- Past evaluations and impact studies.
- CRIS database.

Each of the above sources played served a number of purposes:

- Strategy documents were used to help:
  - reconstruct the intervention logic;
  - design the Evaluation Questions;

- answer Evaluation Questions, particularly those related to relevance, coherence, coordination and cross-cutting issues;
  - in writing the country reports, particularly sections describing the general context in the country, the approach of the EC and that of other donors to PSD in a specific country.
- Programme documents were used to:
    - compile the projects sheets;
    - design the Evaluation Questions, particularly in informing the evaluation indicators;
    - provide the 'raw ingredients' for making evaluative judgements, since they contain information on planned and actual spending, activities, and outputs;
    - record the details of the beneficiaries, which were use to involve the beneficiaries directly in the evaluation through fieldwork to collect the information required to inform the conclusions.
  - Statistical sources were used to:
    - provide information on the context for the programme;
    - assess country needs;
    - answer Evaluation Questions, particularly effectiveness.
  - Past evaluations and impact studies were used to help:
    - design the Evaluation Questions;
    - answer Evaluation Questions (all questions);
    - identify stakeholders to interview during the country missions;
    - have the relevant context to prepare the discussion of the interviews.
  - CRIS<sup>15</sup> was used for the following purposes:
    - During the Desk phase, CRIS was use to compile a “project list” providing an overview on the EC’s interventions in the field of Private Sector Development in third countries from 1994 to 2003. Since “Private Sector Development” is not a sector by itself, the evaluation team selected those sectors or sub-sectors which were more likely to include private sector development-related projects. The compilation of the project list was structured into three steps: data collection, data “clearing”, and comparison and completion of the projects list with the lists of interventions provided by several EuropeAid Units in charge of PSD in the different regions.
    - During the Field Phase, CRIS was used to retrieve all key documents for the projects selected for the five country missions. These documents include project synopses, financing proposals, financing agreements, monitoring reports and evaluation reports.

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<sup>15</sup> For more information on how information from the CRIS database was treated, consult section 2 of Annex 5 – List of Projects.

## 5.2.2 Strengths and limitations

Key strengths with secondary data include the fact that:

- it is relatively quickly available and can therefore help provide the first answers to some of the questions asked in a relatively short timescale.
- in the field phase, it gives the possibility of answering many of the Evaluation Questions ahead of the country mission, thus permitting evaluators to focus on key questions during interviews.
- it can be useful in comparing findings from different studies and in examining trends. Several ROM reports for one programme, for example, can provide an evolutionary perspective on the effectiveness and impacts of a programme.
- it is relatively inexpensive, mainly because the costs associated with collecting the data from its original source has already been borne.

Key limitations with secondary data include the fact that:

- accessibility of the data depends on the quality of data storage management of stakeholders, which varies greatly. Thus for example, evaluation studies or past country strategy papers were not available because in many cases neither Headquarters nor the Delegations considered themselves responsible for keeping past data.
- some secondary data exist only in hardcopy or can only be accessed in the place of storage, requiring frequent travels either at Headquarters or in the field. When data was only available at the Delegations (typically evaluation studies or past country strategy papers), this hindered the ability of evaluators to answer Evaluation Questions and prepare for interviews in advance of the country missions.
- secondary sources are not sufficient to capture all aspects of the evaluation. While the secondary data collected could help answer many of the Evaluation Questions, it was more limited in providing specific examples confirming or rebutting hypotheses, dynamics in the decision-making process, etc. This limitation is largely explained by the fact that the primary data were not collected to analyse the current Evaluation Questions. Every research study is conducted with a specific purpose in mind, and is designed to take account of the study purpose.
- The usefulness of secondary data such as ROM relies on an understanding of the PSD strategy on the part monitoring staff, so as to ensure that the programme is monitored vis-à-vis the objectives of that strategy.
- In the case of statistical sources, the processes involved in the collection and handling of the data also need to be taken into account. Without rigorous document control systems, there is the potential for errors in the data to be introduced. Some sources collected at State or regional level may contain errors, or have data missing, which limits its usefulness.

## 5.3 Interviews

### 5.3.1 Presentation and use

Interviews were conducted on three occasions: during the desk phase, during country missions and during the survey on thematic networks. Interviews were used to gather qualitative and sometimes quantitative information and the opinions of those persons involved with, or affected by a particular programme, project or policy, its context, implementation, results and impact.

#### a) *Desk phase*

The evaluators contacted and sometimes met numerous persons directly involved in PSD management or implementation<sup>16</sup>. Because the Desk Phase did not allow for any field missions, all persons consulted, with few exceptions, were based in Brussels.

In total, fifty persons working for the Commission or other organisations were consulted by the evaluators. These included staff in:

- EuropeAid.
- RELEX offices.
- Other DG's (Budget, Development, Enterprise, Trade and EcFin).
- Other institutions (the EIB and CDE).
- Delegation members in a few countries (Bosnia-Herzegovina, Egypt, Niger).
- Consultants undertaking monitoring programmes in the various regions.

Desk phase interviews served two specific purposes:

- To obtain more documentation on the countries and projects selected for deeper analysis.
- To discuss specific issues concerning the Commission's PSD approach in third countries.

#### b) *Country missions*

In all five country missions, interviews were the main source of data collection. They were directed at a variety of stakeholders, including:

- EC staff or staff hired by the EC: Delegation staff, staff at the programme management units, operators and technical assistants.
- Local authorities: ministries, chamber of commerce.
- Private sector beneficiaries.
- Intermediary organizations: business associations, banks.
- Other donors: national embassies, international organizations.
- Other stakeholders: civil society, etc.

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<sup>16</sup> The list of persons contacted and/or met is detailed in Annex 3.

Interviews served mainly the following purposes:

- To collect information for the indicators in the Evaluation Question grid.
- To learn about wider PSD issues as applied in specific countries.
- To adjust the Evaluation Question grid (during the pilot country mission in Zambia).
- To identify additional actors involved with PSD with a view to organising additional interviews.

As regards the objective of collecting information for the indicators, most interviews were guide-based (following an interview grid described in 4.6), but the questions asked varied depending on the type of stakeholder, the time constraints, and the priority of the information required by the evaluators. Overall, interviewees were asked to comment on:

- The country context, constraints and needs in terms of PSD.
- The organisational set-up of the country in terms of PSD.
- All aspects of a programme's inputs, activities, outputs, outcomes and impacts. Interviews were a way of learning about and examining the views of the actors (beneficiaries and other stakeholders) in a project or programme, for example how far the project or programme meets needs, or achieves its results as compared to expectations. Interviews are also used in social science as a tool for investigating user reasoning.
- Coherence issues, efficiency of EC interventions, coordination with other donors, and cross-cutting issues.

### *c) Thematic networks*

The survey focused on the exchange of information and tools between Headquarters and Delegations and was targeted on the 16 Delegations that participated in the field phase questionnaire, as well as the five Delegations visited during the field phase.

These interviews aimed at analysing the Delegations' knowledge and use of the information and tools provided by Headquarters through the PSD network website and assessing the Delegations' needs in this respect within the context of deconcentration. The interviews also investigated the nature of the useful information and tools that could be provided from Delegations to Headquarters.

There were both face-to-face and telephone interviews, as well as e-mails exchanges. The face-to-face interviews took place during the five country missions. Telephone interviews and e-mails exchanges were held for a sample of 11 Delegations (out of the 16 selected).

The main use of this questionnaire was to:

- provide feedback to Delegations on the findings of the survey;
- use the opinions of the Delegation to further analyses in the evaluation.

### 5.3.2 Strengths and limitations

Key strengths of the interviews include the fact that:

- The level of details that can be obtained is higher than with other forms of data collection. In contrast with questionnaires for example, evaluators have a chance of following-up on questions and probing for meaning. Furthermore, in contrast with focus groups, it is often easier to discuss an issue in-depth with one person than with a group.
- They also give a chance for interviewees to discuss opinions, insights and concerns that do not immediately fall within the Evaluation Question grid, but which are nevertheless relevant for the synthesis part of the evaluation.
- Individual interviews are especially suitable for obtaining insights into process issues (e.g. who is responsible for what, how PSD coordination among donors works) which are difficult to obtain from secondary sources alone.
- Individual interviews may also reveal divergent experiences and “outlier” attitudes. Focus groups often do not allow for experiences varying from person to person.
- Interviews may provide insight into the mechanisms of implementation and the causal links peculiar to a programme, and help to identify success stories or obvious shortcomings. Indeed it can help to propose solutions and recommendations for taking the programme forward.
- From a procedural perspective, interviews also help avoid the scheduling problems of trying to arrange meeting dates with large numbers of participants at once.

Key limitations with interviews include the fact that:

- When data is obtained through in-depth interviews, the sample size is usually smaller and does not use random methods to select the participants. Subsequently, the results may not always be generalized. This is particularly true for interviews with private sector beneficiaries, as the time constraints of country missions only allows evaluators to interview a limited number of companies that benefited from EC programmes.
- Moreover, an individual interview takes into account situational and individual factors, making it not always possible to draw general conclusions. Individual interviews may allow for an exhaustive identification of effects and possible causes, but cannot be used to measure impacts or grade causes.
- Interviews also rely on people familiar with the intervention to make judgments concerning its impact. This requires interviewees to be able to determine the net effect of the intervention based solely on their own knowledge without reference to explicit comparisons. However, it may be the only option available given data and budget constraints. When used, therefore, care should be taken to ensure that interlocutors consider the counterfactual in their assessment of impacts. Other methods to evaluate impact which could help balance the limitation of interviews exist. These include quasi-experiments with constructed controls (involves comparing the performance of poverty rates in regions targeted by the small enterprises with similar regions that have not received assistance), experiments with random assignments (experimental design with random assignment to treatment and control groups), and reflective controls

(indicators in participating countries are compared before and after the intervention with any difference attributed to the programmes). It should be noted however that these methods are more appropriate for programme evaluation than sectoral evaluations, given that external factors influencing impact are more easily controlled in the programme evaluations.

- The benefits from these surveys depend on the knowledge of the interviewees and on their cooperation in answering the questions. This may be of particular concern when interviewing people at the Delegations, given the high rotation of staff.
- Another concern with interviews that must be guarded against is subjectivism: despite the use of trained interviewers, there is still the risk of a lack of consistency between interviewers. Individual interviews as a method suffers from that risk and relies most heavily on the integrity and intellectual honesty of the researcher, whose experiences cannot be replicated, by the very nature of the research. The problem of subjectivism is the more important in the context of this PSD evaluation which consisted of five country missions and conducted by different evaluators in each country. To minimize the problems of subjectivism, at least one evaluator from each of the subsequent four country missions attended the pilot mission.
- From a procedural perspective, individual interviews require a lot of time and the contribution of professionals. Time is required to identify interviewees and set up interviews. This task is often challenging when conducted outside the country in which interviewees reside. Moreover, specific skills are needed to plan, conduct and interpret an interview; inadequate skills will yield information of no value.

## 5.4 Questionnaires

### 5.4.1 Presentation and use

Two questionnaires were used, one during the desk phase and one during the field phase.

#### *a) Questionnaire during the Desk Phase*

Parallel to the country and project analysis, the evaluators designed and launched a survey aimed at EU Delegations in third countries. The survey was conducted through a questionnaire containing ten sections, each of them focusing on the Delegations' main experience in relation to five types of interventions aimed at supporting private sector development and five horizontal themes.

The main use of the questionnaire is to:

- provide answers to Evaluation Questions (all questions);
- provide an opportunity to Delegation to express their opinions which could be used for further analyses in the evaluation.

In total, twenty-five Delegations were chosen to answer the survey over the Website, from which sixteen replies were received.

### *b) Questionnaire during the Field Phase*

The field phase questionnaire addressed the thematic network, but since most questionnaires were answered in the form of telephone interviews, the description of the data collection method for the thematic network has already been given above (see Section 3 - Interviews).

#### **5.4.2 Strengths and limitations**

Key strengths with questionnaires include the fact that:

- Surveys provide useful customized complementary information that is not readily available in secondary sources.
- The advantage of questionnaire surveys is that they produce results applicable to the whole of the observed “population”, either directly if the survey is exhaustive or by extrapolation from a sample.
- Although the method can be costly, especially where the sample is very large, it can allow a wide population to be reached at relatively low cost compared to more in-depth techniques.
- Surveys can include a mix of quantitative and qualitative information. This can be useful for allowing responses to be directed, particularly when the investigator, prior to the survey, does not have clear ideas about the opinions of respondents or the way in which the intervention works. In this case a combination of open and closed questions can be useful.
- Data can be readily analysed according to the structure of the survey. This tool is particularly well suited to the production of descriptive information and to making classifications in different categories (e.g. a breakdown of interventions considered effective, etc.).

Key limitations with questionnaires include the fact that:

- The extent to which the view of the selected sample represents that of the whole population may be limited, particularly if the participation rate is low.
- The analysis of open questions is more complex and expensive since, once the primary data has been collected, the investigator has to determine, group and codify similar responses. Moreover, it takes great care to interpret the information received correctly.
- A questionnaire limits the possibility of interactive exchanges with respondents (e.g. for example to elaborate on a particular answer).



## 5.5 Focus group

### 5.5.1 Presentation and use

Focus groups were used during the country missions in Zambia and Vietnam. These were group-based discussions lasting about two hours, consisting of around eight people<sup>17</sup> and facilitated by the evaluator who supplied the topics or questions for discussion.

The purpose of focus groups is to:

- Answer the Evaluation Questions in the Evaluation Question grid.
- Learn about wider PSD issues as applied in specific countries.

In both cases, the participants of the focus group were private sector beneficiaries of EC programmes (usually all participants have benefited from the same EC programme). In Zambia, the focus group also included other stakeholders such as non-EC donors and BDS consultants. The evaluators ensured that the participants in the focus groups were homogeneous (i.e. involving mainly private sector beneficiaries) as opposed to a group involving other stakeholders (e.g. local authorities) so as to avoid the negative consequences of a power differential.

Focus groups were organised as follows: facilitators would present a series of questions (based on the Evaluation Question grid) one by one, together with a number of hypotheses per question, which were then discussed and debated among the participants. By playing on the interaction and confrontation of different points of view, the technique serves to reveal the participants' perceptions and views on topics and questions relevant to the evaluation. The facilitating role of the evaluator in the focus group discussion is aimed at opening out discussion and widening the range of response. Participants have been encouraged to take the conversation into new and often unexpected directions, opening up different angles on evaluation topics and probing at deeper levels.

### 5.5.2 Strengths and limitations

Key strengths with focus groups include the fact that:

- In contrast with individual interviews, the focus group made it possible to bring together a number of beneficiaries, and to collect a large amount of qualitative information in a relatively short space of time.
- In sharing and comparing their experiences and views, participants generate new insights and understandings, which is not possible in questionnaires or individual interviews.
- Focus groups are well adapted to the context of the PSD evaluation, given that many topics and issues to be addressed provoke divergent opinions but where discussion may lead to a deeper and more considered viewpoint. One typical illustration is when discussing with beneficiaries what they consider the key constraints to PSD in their country.

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<sup>17</sup> In Vietnam, it consisted of three people in total.

- Owing to the participation of several persons, the focus group provided a level of 'quality control' over data collection by judging the pros and cons of each person's arguments and thus avoiding extreme opinions. Indeed, the fact of bringing a number of people together provides a certain balance in the answers given and makes it easier for the evaluation team to define the general opinion on a particular programme.
- By involving a large number of beneficiaries of a programme, the consensus that emerge from the focus group will be more credible and more readily accepted.
- The focus group technique may also be used for the validation of data collection, or for complementing quantitative data.

Key limitations with focus groups include the fact that:

- Specific skills are required for managing the group dynamic and obtaining a balanced discussion while avoiding the dominant influence of opinion leaders in the group.
- The discussion may sometimes be biased, because the participants (beneficiaries) of public policies are subject to a dependency effect, which tends to produce a positive judgement *a priori*. An opposite dynamic sometimes observed in groups, especially in situations where there are few opportunities to voice opinions, is for programme participants to air their frustrations about some new policy initiative.
- It is possible that participation in a focus group changes peoples' perceptions - either because of the "Hawthorne effect" (the fact that the behaviour of persons who know themselves to be under observation changes) or because their interaction with other participants gives them new insights and perspectives.

## 5.6 Country cases

### 5.6.1 Presentation and use

The case study is intended to be the most complete illustration possible of a given situation, so as to give a precise image of current phenomena and to understand their causes. In the current evaluation, country case studies were conducted to provide a better understanding of how Community support to PSD is implemented in the field. They build up very detailed in-depth understanding of complex real-life interactions and processes. The defining feature of the case study is that it is holistic, paying special attention to context and setting. The case study may be a single case, or it may include multiple cases.

Five country cases were chosen together with the Reference Group, namely Zambia (as a pilot mission), Jamaica, Mexico, Morocco, Vietnam. These country cases consisted of:

- A detailed analysis of country- and programme-related documents.
- Field missions, involving interviews with stakeholders and collection of documents.

Given that the country case studies are comprised of the data collection tools described above, these tools will not be further elaborated in this section.

The main purpose of country case studies was to collect information that will contribute to answering the Evaluation Questions at global (not-country specific) level, rather than carry out a sector-based evaluation at country level. More specifically, country studies are used for:

- Illustration: a country study is a tool that may be used to add realism to an evaluation if it is presented in a narrative form. The cases must, however, be chosen carefully because it must be representative of the programme as a whole or illustrate a specific point – for example a particularly effective action or an approach which was found to have serious deficiencies and which should therefore be avoided in future.
- Exploration: putting forward hypotheses for future investigations, identifying the various points of view of the stakeholders.
- Critical analysis: verify and validate a statement concerning a programme, project or strategy.
- Analysis of implementation: examine the dissemination of services and its mechanisms, often in different places.
- Analysis of the impacts of programmes: understanding the nature of the processes producing impacts.

### 5.6.2 Strengths and limitations

Key strengths of country case studies include the fact that:

- They are relevant for giving a view of processes and complexities that are difficult to see *via* other data collection methods.
- They make outside persons, such as staff at Headquarters who are hardly involved in the field, aware of the reality of daily actions. It provides them with a clearer view of the way in which the programme is put into practice once the decision has been taken with the national authorities.
- Country case studies permit a different kind of generalisation than one based on questionnaires. Case study designs that balance depth and breadth, and are purposefully sampled, allow the evaluator to make extrapolations or modest speculations about the likely applicability of findings to other situations under similar, but not identical, conditions.
- The flexibility of each case study makes it possible to draw up an adequate description of the peculiarities of a given place or project.
- The formulation of a common set of questions, relative to the evaluation, facilitates the analysis of the results obtained from multiple case studies. In fact, the results prove to be sounder when they are produced in relation to a variety of places. Similarly, the specificity of success stories or failures will then seem more obvious.

Key limitations with focus groups include the fact that:

- Owing to the cost of setting up a good case study (requiring multiple data sources and competent evaluators), it is necessary to limit the number of observations. The presentation of the results of several case studies could be a barrier to more generalised use.

- The credibility of the results of a case study is likely to be undermined if the method is not implemented correctly, whether through incompleteness, arbitrary selection of information, comments cut short, distortion of results, and so forth. To enhance the reliability of the case studies, several precautions have been taken, including re-reading of the case studies by the persons concerned to verify their precision and the veracity of the data and their interpretation, and also having two different evaluators write down their comments on the same case.

## **Annex 5 Information Base**



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# 1. Introduction

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This annex contains the information collected during both phases of the evaluation. It is complemented by Annexes 6 to 10 containing Country Notes with information specific to each of the five countries visited.

Section 2 of this Annex presents an inventory of the EC PSD interventions. The Section also includes data sources and the methods used to process the data collected.

Section 3 presents a short descriptive analysis of EC interventions in PSD sector across all the regions covered by this evaluation. The analysis focuses on the distribution of planned interventions according to beneficiary region, country, type of activity, source of financing and starting date.

Section 4 contains the list and a description of PSD projects, classified per country, that were analysed during Phase I. Information includes project name and acronym, budget, starting date, objectives (overall and specific) as well as complementary information.

Section 5 presents a synthesis of the findings from Phase I, classified per theme.

Section 6 presents the results from the questionnaire survey conducted by the evaluation team in the Desk Phase sent to third country Delegations. The questionnaire survey was meant to complete the desk analysis and to test hypotheses relating to the design and implementation of the Commission's PSD policy by reference to specific examples.

Section 7 contains the results (in a slide presentation) of a complementary survey during the second phase of the evaluation. This survey aimed at collecting information on "the knowledge, use and need of the PSD Thematic Network by Delegations".

Section 8 presents a description of the PSD strategies of three major multilateral organizations: the World Bank, the Inter-American Development Bank and the Asian Development Bank.

Finally, Section 9 presents PSD indicators developed by various Donor committees with the aim of arriving at common indicators for assessing performance of PSD programmes according to key criteria.



## 2. Inventory of PSD projects

### 2.1 Data Sources and Treatment

The Common RELEX Information System (CRIS) represents the main source of information for the identification of the European Commission's programmes and projects worldwide. For each intervention entry, it provides on-line information about technical, financial and accounting progress. The evaluators used this source of information to compile a comprehensive "project list" providing an overview on the EC's interventions in the field of Private Sector Development in third countries from 1994 to 2003.

Following the restructuring of the Commission Services, data from different services are being harmonised in a single platform. As this process has not yet been completed, CRIS currently includes two databases: the so-called CRIS Saisie and CRIS Consultation databases. CRIS Consultation was created as a consultation platform regrouping three different databases to be used during the transition period. At the time of the Desk Phase, CRIS Saisie did not yet contain the interventions financed by the EDF. Therefore, the evaluation team used both sources to establish the project list.

The compilation of the project list was structured into three steps:

- 1) data collection - from both CRIS Saisie and CRIS Consultation;
- 2) data "clearing"; and
- 3) comparison and completion of the projects list with the lists of interventions provided by several EuropeAid Units in charge of PSD in the different regions.

#### 2.1.1 Step One: Data Collection

Since "Private Sector Development" is not a sector by itself, the evaluation team selected those sectors or sub-sectors which were more likely to include private sector development-related projects. Table 1 shows the list of selected sectors and sub-sectors:

**Table 1**

DAC Code (Sectors)	CRS Code (sub sectors)	Description
<b>11300</b>		<b>SECONDARY EDUCATION</b>
	11330	Vocational Training
<b>11400</b>		<b>POST SECONDARY EDUCATION</b>
	11420	Higher Education
	11430	Advanced technical and managerial training
<b>15000</b>		<b>GOVERNMENT AND CIVIL SOCIETY</b>
	15010	Economic and development policy

DAC Code (Sectors)	CRS Code (sub sectors)	Description
	15020	Public sector financial management
	15030	Legal and judicial development
	15050	Strengthening civil society
	15064	Demobilisation
<b>16000</b>		<b>EMPLOYMENT</b>
	16110	Employment policy and administrative management
<b>24000</b>		<b>BANKING AND FINANCIAL SERVICES</b>
	24030	Formal sector financial intermediaries
	24040	Informal/semi-formal financial intermediaries
<b>25000</b>		<b>BUSINESS AND OTHER SERVICES</b>
	25010	Business Services
	25020	Privatisation
<b>31100</b>		<b>AGRICULTURE</b>
	31165	Agricultural alternative development
<b>32100</b>		<b>INDUSTRY</b>
	32110	Industrial policy and administrative management
	32120	Industrial development
	32130	SME Development
	32140	Cottage industry and handicraft
	32161	Agro industries
	32162	Forest Industries
	32163	Textiles, leather and substitutes
	32164	Chemicals
	32165	Fertiliser plants
	32166	Cement/lime/plaster
	32167	Energy manufacturing
	32168	Pharmaceutical production
	32169	Basic metal industries
	32170	Non-ferrous metal industries
	32171	Engineering
	32172	Transport equipment industry
	32181	Technological research and development
<b>33100</b>		<b>TRADE</b>
	33110	Trade policy and administrative management
	33120	Wholesale/retail trade
	33130	Export promotion
<b>33200</b>		<b>TOURISM</b>

DAC Code (Sectors)	CRS Code (sub sectors)	Description
	33210	Tourism policy and administrative management
<b>43000</b>		OTHER MULTI-SECTOR
	43050	Non-agricultural alternative development

Additionally, the following sectors were used to retrieve data from CRIS Consultation:

Code	Description
25011	Services d'appui
50000	Développement de l'industrie du bâtiment
A2	Support to Private Sector & Assistance in Economic Dev.
PR	Private sector, Restructuring, Privatisation, SMEs
SE	Support for Enterprises

For each intervention classified under the selected sectors, the following information was retrieved:

CRIS Consultation	CRIS Saisie
Country	Beneficiary geographical zone
Project number	Project No (1)
Project number 2	Project Title
Project title	Amount
Planned	Contracted
Contracts	Paid
Paid	Source of financing
Source of financing	DAC Code Number
DAC Code Number	Name of the person in charge
	Breakdown number

### 2.1.2 Step Two: Data Clearing

The data collected from both the CRIS Saisie and the CRIS Consultation were merged into one Excel table. The merged list contained several duplications of the same items for the following reasons:

- projects were sometimes classified under different sectors and/or financing sources (national/regional) and therefore repeated;
- different phases of one project's financing procedures (such as PMS, DAG, PACA, EDF, etc) are recorded in the CRIS databases<sup>1</sup>;
- some projects were registered in both CRIS Saisie and CRIS Consultation.

<sup>1</sup> PMS or Proposition de Mobilisation de Service ; DAG or Decision on Global Autorisation ; and PACA or Proposition d'Affectation de Crédit Accélérée.

The complete list, i.e. including duplicated and other anomalies, included 4,155 intervention lines. In order to “clear” the list, the following steps were undertaken:

- identification and removal of the duplicates of the same project/programme;
- identification and removal of items which referred to different phases of the same project’s financing procedures;
- removal of those projects which had a zero planned budget;
- identification and removal of those projects that fell outside the scope of the current evaluation for “geographical” reasons (i.e. all the projects in the “accession countries” and all the Overseas Countries and Territories);
- identification and removal of those projects/programmes that fell outside the scope of the evaluation by their nature (national or regional programmes; structural adjustment programmes; total budgets for funding instruments; etc).

Examples:

- T.A. to NAO (various projects in ACP).
- 8 ACP TPS 108 – PROINVEST (€ 110,000,000).
- CARDS/2003/004-817(EC) - 2003 Action Programme for Serbia (€220,000,000).

Then the following two steps were taken:

- Small interventions with a planned budget inferior to € 200.000,00 were removed from the list. It appears indeed that expenditures under that threshold are mostly project preparation studies or other studies, and evaluations, but not projects.
- EIB managed-interventions and funding instruments such as CDE, EBAS or AL-Invest, for example, were identified and will be analysed separately.

For cases that were not clear (i.e. projects that had the same name, country, etc. but had different planned budgets; cases where minor mistakes were identified; cases in which the country or region was not well identified from the code used), the evaluators agreed on:

- deleting duplicates when the planned budgets did not differ too much (less than the double); and
- correcting mistakes when possible and asking the members of the Reference Group for clarification in the other cases.

Draft lists of programmes and projects distributed by region (ACP, MEDA, TACIS, CARDS, Asia and Latin America) were presented to the Members of the Reference Group. This first round of consultation allowed the evaluators to include in the list some projects and programmes that had not been found in the databases.

At the conclusion of this process the list consisted of 380 interventions. Each one was then associated with one of the types of activity identified in the Intervention Logic. This allowed both adjustment of the Intervention Logic and analysis of the nature of EC interventions supporting private sector development. This analysis is presented in the following pages together with the list of interventions by region.

The possibility of creating a reliable and accurate “project list” including all EC interventions in the field of private sector development between 1994 and 2003 was limited by the quality of data contained in the databases. The following difficulties were encountered in the data collection and treatment phases:

- Past activities were not always registered.
- In the past, it was not obligatory to assign each intervention to a sector, as is the case now.
- The recorded data are not always reliable – especially in terms of budgets planned, allocated and paid. Mistakes can be identified only by comparing the data collected with the data provided by task managers, regional desks etc.
- Some projects seem to appear several times in the lists, sometimes with different allocations, titles and numbers.
- Project titles do not always provide enough information on the type of intervention.

### **2.1.3 Step Three: Completion of the CRIS project list with the lists provided by EuropeAid Units**

Following the presentation of the draft Inception Note to the Reference Group (15 December 2003), the Units in charge of PSD in the different regions were requested by the Evaluation Unit to revise the list of interventions presented and, if necessary, to provide the evaluation team with an amended list of projects. This way of proceeding allowed increasing the reliability of the data on which the evaluation is based.

The evaluation team received project lists from three different EuropeAid Units: C3 (ACP), D3 (Asia) and E3 (Latin America). The ACP list was mostly composed of ongoing projects; the evaluators examined the list and added the projects that were not mentioned in their initial CRIS-based list. To keep past interventions, no project title from the CRIS database was deleted. Furthermore, pending or suspended projects as well as small interventions (<200,000.00 €) were not taken into account. As for the new Latin America list, it was only composed of new projects (recently approved or propositions of interventions to be approved in 2004). These interventions fall outside the evaluation period and therefore have not been included in the list.

For the Asia project list, a close collaboration with Unit D3 was established, in order to ensure that the information used was correct and complete.

It is worth to note that EuropeAid Unit D3 (MEDA) also provided a complete list of interventions before the drafting of the report; therefore the MEDA project list was already complete from the beginning and no change has been made in the final version of the list presented in this annex.

Some of the projects added were in sectors not initially considered by the team. These are:

Code	Description
240	Financial sector reform budget support
11110	Education policy and administrative management
11330	Formation professionnelle
21050	Air transport
22030	Radio/television/print media
23010	Energy policy and administrative management
25011	Services d'appui
31050	Air transport
41010	Environmental and administrative management
43010	Multisector aid
50000	General Programme Assistance

## 2.2 Project list

This section presents the list of the 380 relevant EC projects extracted from the CRIS databases (see section 1 above).

The projects have been gathered by region. Each regional table provides for each project:

- Country name\*.
- Date (year)\*<sup>2</sup>.
- Project number.
- Project title.
- Type of activity\*<sup>3</sup>.
- Planned budget (in million €).
- Source of financing.
- DAC code or sector.

The basic data come directly from the CRIS databases but some specific columns were added by the evaluators in order to carry out the analysis presented above (Para. 2 and 3). For transparency on the origin of the information, the columns that were added are marked in the tables by an asterisk (\*).

Sources of financing used to fund these project are the following:

<sup>2</sup> Starting date has been deduced from the project number when possible.

<sup>3</sup> Type of activity was deduced from the project title.



Source of financing	Description
B73000	Financial & technical cooperation with Asian countries
B73010	Political, economic & cultural cooperation with Asian countries
B7310	Financial & technical cooperation with LA countries
B73100B	Financial & technical cooperation with LA countries
B7311	Political, economic & cultural cooperation with LA countries
B73110	Political, economic & cultural cooperation with LA countries
B73110B	Political, economic & cultural cooperation with LA developing countries
B73110B00	Political, economic & cultural cooperation with LA countries
B73200	European programme for reconstruction & development (EPRD)
B73200A00	European programme for reconstruction & development (EPRD)
B74051	Protocols
B74100	MEDA
B74100A	MEDA - expenditure on administrative management
B74101	MEDA
B74200	Community operations connected with the Israel/PO Peace agreement
B75020	Cooperation with Eastern Europe, Central Asia & the Western Balkans
B75200	Assistance to partner countries in eastern Europe & central Asia
B75200B00	Assistance to partner countries in eastern Europe & central Asia
B75210B00	Cross border cooperation in structural matters
B75410B00	Assistance for the countries of the western Balkans
B78700	Promotion of commercial relations
EDF 06	6th European Development Fund
EDF 07	7th European Development Fund
EDF 08	8th European Development Fund
EDF 09	9th European Development Fund

## 2.2.1 ACP project list

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Angola		7 ACP ANG 44	Return & reintegration qualified African nationals – Ph III	Micro/SMEs	0.50	EDF 07	11420
Antigua & Barbuda		FED/AB/07001/000	Upgrading and expansion of Antigua Hotel Training Centre	Institutional & structural reforms (direct)	2.20	EDF 07	33210
Benin		8 ACP BEN 21	Programme d'Appui régional l'intégration (PARI)-Phase II - volet secteur privé	Institutional & structural reforms (direct)	1.50	EDF 08	15010
Benin		FED/BEN/07023/000	Appui au secteur privé	Institutional & structural reforms (direct)	5.50	EDF 08	25010
Benin		8 ACP BEN 15	Appui régional à l'intégration (PARI) - UEMOA Phase II	Institutional & structural reforms (indirect)	1.50	EDF 08	15010
Botswana		7 ACP BT 49	Vocational training programme (6/47+7/48+7/49).	Human Resources	0.66	EDF 07	11330
Botswana		6 ACP BT 47	Vocational training programme (6/47+7/48+7/49).	Human Resources	1.69	EDF 06	11330
Botswana		7 ACP BT 48	Vocational training programme (6/47+7/48+7/49).	Human Resources	12.65	EDF 07	11330
Botswana		8 ACP BT 3	Francistown CTVE/VTC vocational training programme	Human Resources	15.00	EDF 08	11430
Botswana		7 ACP BT 54	Botswana trade development programme (Foundation Phase)	Institutional & structural reforms (direct)	0.27	EDF 07	33110
Botswana		7 ACP BT 46	Botswana tourism development programme (+6BT44)	Institutional & structural reforms (direct)	1.16	EDF 07	33210
Burkina Faso		8 ACP BK 27	Programme d'appui régional à l'intégration (PARI) - Phase II - volet secteur privé	Institutional & structural reforms (direct)	1.50	EDF 08	15010
Burkina Faso		8 ACP BK 22	Appui régional à l'intégration (PARI) - UEMOA Phase II	Institutional & structural reforms (indirect)	1.50	EDF 08	15010
Burkina Faso		7 ACP BK 151	Appui au développement du secteur privé: Programme de renforcement des capacités des entreprises	Upgrading local firms	6.00	EDF 07	25010
Cape Verde		7 ACP CV 17	Appui au démarrage de l'école technique de PRAIA	Human Resources	0.93	EDF 07	11430
Cape Verde		7 ACP CV 15	Viabilisation d'une zone à usage industriel à PRAIA.	Intermediary org.	1.15	EDF 07	32120
Cape Verde		7 ACP CV 14	Return & reintegration qualified African nationals – Ph III	Micro/SMEs	0.30	EDF 07	11420
Central Africa Rep.		6 ACP CA 48	Elaboration document PST II (1997-2000)		0.23	EDF 06	15010
Chad		8 ACP CD 29	Chad - Cameroon oil export system (8 cm 30)_(20996-20998)	Institutional & structural reforms (direct)	20.30	EDF 08	33110

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Chad		8 ACP CD 022-025	Appui budgétaire pour la réduction de la pauvreté 6417/CD	Institutional & structural reforms (indirect)	37.10	EDF 08	
Comoros		7 ACP COM 25	Appui mise en place centre national artisanat Comorien	Institutional & structural reforms (direct)	0.28	EDF 07	32140
Comoros		7 ACP COM 011	Promotion et développement des petites entreprises	Micro/SMEs	1.30	EDF 07	
Cuba		CUB/RELEX/2001/0084	Programme DEADE		1.94		
Cuba		CUB/B7-311/98/096	Appui à la Réforme Bancaire	Finance / banking	0.61		
Cuba		CUB-AIDCO/2002/0584	Programme de perfectionnement de l'administration financière. et de la pratique comptable	Finance / banking	3.45		
Cuba	2002	2002/0534	Cuba 2002 - Assistance technique en relation avec les projets et programmes CE/Cuba	Restructuring / privatisation	0.25	B73110B00	25020
Cuba		CUB-AIDCO/2001/0279	Programme d'appui au secteur des entreprises et promotion des invest. à Cuba	Trade / Investment	2.80		
Dominican Rep		8 ACP DO 19	Development of technical and professional education in Dominican Republic	Human Resources	13.25	EDF 08	11330
Dominican Rep		7 ACP DOM 12	Eco-tourism site development	Institutional & structural reforms (direct)	0.52	EDF 07	33210
Dominican Rep		7 ACP DO 32	Programme d'appui au secteur privé	Institutional & structural reforms (direct)	4.20	EDF 07	32120
Dominican Rep		8 ACP DOM 10	Dominica Eco-tourism development programme ETDP	Institutional & structural reforms (direct)	5.99	EDF 08	33210
Dominican Rep		7 ACP DO 52	IMM. support for nat. prog. for state reform & modernisation	Institutional & structural reforms (indirect)	2.21	EDF 07	15010
Dominican Rep		8 ACP DO 22	Programme d'appui aux petites entreprises	Micro/SMEs	9.80	EDF 08	32120
Dutch Indies		7 PTN NEA 047	Small enterprises stimulation programme	Micro/SMEs	7.40	EDF 07	
Dutch Indies			Dutch Caribbean promotion in Europe	Partnership	0.30		
Dutch Indies		7 PTN NEA 012	Business Development Scheme II	Upgrading local firms	4.00	EDF 07	
Eritrea		8 ACP ERY 10	Emergency demobilisation and reintegration support program	Micro/SMEs	2.25	EDF 08	15064
Eritrea		7 ACP ERY 27	Emergency demobilisation and reintegration support program	Micro/SMEs	4.75	EDF 07	15064

EVALUATION OF EC SUPPORT TO PRIVATE SECTOR DEVELOPMENT  
IN THIRD COUNTRIES

ADE

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Ethiopia		7 ACP ET 82	Strengthening national training & research capacity economics	Human Resources	1.05	EDF 07	11420
Ethiopia		7 ACP ET 49	Return & reintegration qualified African nationals - Ph III	Micro/SMEs	0.38	EDF 07	11420
Ethiopia		7 ACP ET 107	Micro and small enterprise development programme (MSEDP)	Micro/SMEs	7.00	EDF 07	24030
Fiji		8 ACP FIJ 8	Novotel Denarau	Institutional & structural reforms (direct)	5.00	EDF 08	33210
Gambia		8 ACP GM 09	Structural Adjustment Support Program 6281/GM	Institutional & structural reforms (direct)	9.20	EDF 08	
Gambia		8 ACP GM 017-018	Poverty Reduction Budget Support Programme 6505/GM	Institutional & structural reforms (indirect)	4.26	EDF 08	
Ghana		7 ACP GH 54	Woodworking sector development programme	Institutional & structural reforms (direct)	3.85	EDF 07	32162
Ghana		8 ACP GH 11	Gratis 3 (g. regional approp technol ind serv. Phase III)	Know how / technology	4.35	EDF 08	25020
Ghana		7 ACP GH 22	Return & reintegration qualified African nationals Phase III	Micro/SMEs	0.32	EDF 07	11420
Ghana		7 ACP GH 6	TA to the woodworking sector in Ghana (extension of 6.GH.18)	Upgrading local firms	0.32	EDF 07	32162
Guinea		8 ACP GUI 043-044	Projet d'Appui Budgétaire pour la Réduction de la pauvreté 6504/GUI	Institutional & structural reforms (indirect)	11.40		
Guinea Bissau		7 ACP GUB 39	Programme d'appui a la formation professionnelle technique	Human Resources	0.96	EDF 07	11330
Guinea Bissau		8 ACP GUB 17	Programme d'appui régional à l'intégration (PARI)-Phase II - volet secteur privé	Institutional & structural reforms (direct)	1.50	EDF 08	15010
Guinea Bissau		8 ACP GUB 019-023	Programme d'appui aux réformes économiques 6345 GUB	Institutional & structural reforms (direct)	17.20	EDF 08	
Guinea Bissau		8 ACP GUB 9	Appui régional à l'intégration (PARI) - UEMOA Phase 2	Institutional & structural reforms (indirect)	1.50	EDF 08	15010
Guinea Bissau		7 ACP GUB 24	Return & reintegration qualified African nationals Phase III	Micro/SMEs	0.40	EDF 07	11420
Guinea Bissau		8 ACP GUB 38	Support to the reintegration of ex-combatants in rural areas	Micro/SMEs	3.00	EDF 08	15064
Guyana		8 ACP GUA 8	Guyana training agency	Human Resources	1.80	EDF 08	11330
Guyana		7 ACP GUA 16	Development small business credit initiative (+6/17&6/21).	Micro/SMEs	0.57	EDF 07	32120

EVALUATION OF EC SUPPORT TO PRIVATE SECTOR DEVELOPMENT  
IN THIRD COUNTRIES

ADE

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Guyana		8 ACP GUA 9	Linden economic advancement programme	Micro/SMEs	12.50	EDF 08	32130
Haiti		FED/HA/07022/000	Appui au secteur privé	Institutional & structural reforms (direct)	7.40	EDF 08	33110
Ivory Coast		8 ACP IVC 12	Programme d'appui régional l'intégration (PARI)-Phase II - volet secteur privé	Institutional & structural reforms (direct)	1.50	EDF 08	15010
Ivory Coast		8 ACP IVC 8	Appui régional a l'intégration (PARI) - UEMOA Phase 2	Institutional & structural reforms (indirect)	1.50	EDF 08	15010
Ivory Coast		7 ACP IVC 83	Ivoirienne de Manufactures	Intermediary org.	0.68	EDF 07	32120
Ivory Coast		6 ACP IVC 55	Marché du gros à Bouaké (7IVC48)	Micro/SMEs	2.40	EDF 06	33120
Jamaica		8 ACP JM 4	Trade development programme	Institutional & structural reforms (direct)	6.00	EDF 08	33110
Jamaica		7 ACP JM 2	Return and reintegration of qualified nationals for develop	Micro/SMEs	1.00	EDF 07	16110
Jamaica		FED/JM/05020/001	Small and micro enterprise credit scheme, 2nd programme	Micro/SMEs	4.00	EDF 08	16110
Kenya		7 ACP KE 89	Technical education support programme	Human Resources	5.00	EDF 07	11330
Kenya		7 ACP KE 84	Establishing sustainable tourism development base in Kenya	Institutional & structural reforms (direct)	1.24	EDF 07	33210
Kenya		7 ACP KE 81	Trade Development Programme	Institutional & structural reforms (direct)	3.13	EDF 07	33130
Kenya		7 ACP KE 94	Global private enterprises III	Institutional & structural reforms (direct)	3.66	EDF 07	32120
Kenya		8 ACP KE 18	Tourism diversification & sustainable development programme	Institutional & structural reforms (direct)	12.00	EDF 08	33210
Kenya		7 ACP KE 80	Support towards estab. core funct. & progs. within Kippira	Intermediary org.	1.99	EDF 07	15010
Kenya		7 ACP KE 45	Return & reintegration qualified African nationals Phase III	Micro/SMEs	0.77	EDF 07	11420
Kenya		7 ACP KE 91	Micro-enterprises support programme (6KE60+7KE90+7KE91)	Micro/SMEs	1.36	EDF 07	25010
Kenya		6 ACP KE 60	Micro-enterprises support programme. (6KE60+7KE90+7KE91)	Micro/SMEs	2.38	EDF 06	25010
Kenya		7 ACP KE 90	Micro-enterprises support programme. (6KE60+7KE90+7KE91)	Micro/SMEs	7.25	EDF 07	25010
Kenya		7 ACP KE 85	Support services programme	Upgrading local firms	1.45	EDF 07	15010

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Kenya		8 ACP KE 12	Support services programme Phase 2	Upgrading local firms	1.93	EDF 08	15010
Kiribati		8 ACP KI 7	Kiribati training programme II	Human Resources	6.40	EDF 08	11330
Lesotho		7 ACP LSO 22	Asparagus expansion programme - transitional phase	Micro/SMEs	0.53	EDF 07	32161
Madagascar		7 ACP MAG 108	Madagascar PG UCB FF/3 AG Lomé IV		0.55	EDF 07	32120
Madagascar		7 ACP MAG 107	MAG PG BMOI 4E AFF/2E AG (10MEC) Lomé IV		0.62	EDF 07	32120
Madagascar		7 ACP MAG 84	Projet formation décentralisée opérateurs touristiques +6/88	Human Resources	0.33	EDF 07	33210
Madagascar		6 ACP MAG 88	Projet formation décentralisée opérateurs touristiques +7/84	Human Resources	0.98	EDF 06	33210
Madagascar		7 ACP MAG 38	Action mise en confiance/assises inter. tourisme Malagache	Intermediary org.	0.71	EDF 07	33210
Madagascar		6 ACP MAG 86	Prog. Appui Maison Tourisme & Entreprise Touristique (PAMT).	Intermediary org.	0.93	EDF 06	33210
Madagascar		8 ACP MAG 35	Projet d'appui aux microfinances rurales	Micro/SMEs	1.98	EDF 08	24040
Madagascar		7 ACP MAG 21	Programme développement de l'artisanat	Micro/SMEs	3.00	EDF 07	
Madagascar		6 ACP MAG 103	Participation manifestation printemps Paris (avril-mai 97)	Partnership	0.22	EDF 06	33130
Madagascar		7 ACP MAG 81	Programme de promotion commerciale et touristique	Trade / Investment	0.63	EDF 07	33110
Madagascar		7 ACP MAG 58	Aqualma II. Project	Trade / Investment	3.50	EDF 07	32120
Madagascar		8 ACP MAG 48	Cotona III ( <i>Société Cotonnière d'Antsirabe, une des 6 grandes unités textiles</i> )	Trade / Investment	10.00	EDF 08	32163
Malawi		7 ACP MAI 116	Institutional support to the private sector in Malawi	Institutional & structural reforms (direct)	1.92	EDF 07	25020
Malawi		8 ACP MAI 31	Blantyre hotels	Institutional & structural reforms (direct)	4.00	EDF 08	33210
Mali		7 ACP MLI 93	Appui au crédit initiative S.A.	Finance / banking	4.13	EDF 07	24040
Mali		8 ACP MLI 17	Programme d'appui régional a l'intégration (PARI)-phase II - volet secteur privé	Institutional & structural reforms (direct)	1.50	EDF 08	15010
Mali		8 ACP MLI 15	Appui régional a l'intégration (PARI) - UEMOA Phase 2	Institutional & structural reforms (indirect)	1.50	EDF 08	15010
Mauritania		8 ACP MAU 47	Grands moulins de Mauritanie projet	Trade / Investment	4.00	EDF 08	32161
Mauritius		6 ACP MAS 39	Appui à "l'industrial & vocational training board" (IVTB).	Human Resources	1.98	EDF 06	11330

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Mauritius		8 ACP MAS 7	Tourism development plan for Rodrigues and Mauritius	Institutional & structural reforms (direct)	0.65	EDF 08	33210
Mauritius		8 ACP MAS 6	Support to the clothing technology centre	Know how / technology	1.37	EDF 08	32163
Mauritius		7 ACP MAS 48	Technology development in private firms	Know how / technology	0.00	EDF 07	
Mauritius		7 ACP MAS 51	Mahebourg market reconstruction	Micro/SMEs	1.85	EDF 07	33120
Mauritius		8 ACP MAS 10	Appui aux petites et moyennes entreprises	Micro/SMEs	7.00	EDF 08	25010
Mozambique		7 ACP MOZ 79	Support to the development environmentally friendly tourism sector	Institutional & structural reforms (direct)	1.29	EDF 07	33210
Mozambique		8 ACP MOZ 14	EU-Mozambique private sector development prog.	Institutional & structural reforms (direct)	4.80	EDF 08	25010
Mozambique		8 ACP MOZ 37	Accord Amorim hotels	Institutional & structural reforms (direct)	5.00	EDF 08	33210
Mozambique		7 ACP MOZ 50	Return & reintegration qualified African nationals Phase III	Micro/SMEs	0.40	EDF 07	11420
Namibia		7 ACP NAM 47	Okapuka II 14Aff/1e Auth glob Lomé IV		0.92	EDF 07	32120
Namibia		7 ACP NAM 34	Namibia tourism development programme (+ 8NAM001/Dev. Phase)	Institutional & structural reforms (direct)	1.82	EDF 07	33210
Namibia		8 ACP NAM 9	Trade & investment development programme (TIDP)	Institutional & structural reforms (direct)	3.60	EDF 08	25020
Namibia		8 ACP NAM 1	Namibia tourism development programme/dev. phase (+NAM034)	Institutional & structural reforms (direct)	7.20	EDF 08	33210
Niger		7 ACP NIR 50	Programme de formation professionnelle & technique (NIGETECH)	Human Resources	3.15	EDF 07	11330
Niger		8 ACP NIR 11	NIGETECH 2	Human Resources	7.00	EDF 08	11330
Niger		8 ACP NIR 25	Programme d'appui régional à l'intégration (PARI) - Phase II - volet secteur privé	Institutional & structural reforms (direct)	1.50	EDF 08	15010
Niger		7 ACP NIR 4	Appui au développement du secteur privé au Niger	Institutional & structural reforms (direct)	12.00	EDF 07	
Niger		8 ACP NIR 12	Appui régional à l'intégration (PARI) - UEMOA Phase 2	Institutional & structural reforms (indirect)	1.50	EDF 08	15010
Niger		7 ACP NIR 73	Financement de l'AT du projet "PROFORMAR"	Micro/SMEs	0.66	EDF 07	32140
Niger		8 ACP NIR 38	Suivi des petites et moyennes entreprises	Micro/SMEs	1.00	EDF 08	

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Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Niger		7 ACP NIR 113	PROFORMAR II	Micro/SMEs	1.85	EDF 07	11330
Niger		8 ACP NIR 56	SYRENE: Systèmes Ruraux et micro-entreprise d'artisanat utilitaire	Micro/SMEs	1.96	EDF 08	32140
Nigeria		7 ACP UNI 52	Economic Management Capacity Project (EMCAP)	Institutional & structural reforms (direct)	12.00	EDF 07	15010
REG - Afrique Australe		8 ACP RAU 04	SADC EU Mining Forum	Partnership	1.95	EDF 08	
REG - Afrique Australe		8 ACP RAU 10	EU-SADC Investment promotion programme	Trade / Investment	16.33	EDF 08	25010
REG - Caribbean		8 ACP RCA 44	Caribbean financial services corporation (CFSC)	Finance / banking	8.00	EDF 08	24030
REG - Caribbean		8 ACP RCA 24	Dvlmpt vocational tertiary education & training in Caribbean Region-Univ. of technology JM	Human Resources	2.60	EDF 08	11430
REG - Caribbean		8 ACP RCA 35	Caribbean regional tourism sector development programme	Institutional & structural reforms (direct)	8.00	EDF 08	33210
REG - Caribbean		8 ACP RCA 4	Caribbean regional trade development programme (CRTDP)	Institutional & structural reforms (direct)	11.20	EDF 08	33130
REG - Caribbean		FED/REG/07601/001	Regional tourism sector programme	Institutional & structural reforms (direct)	12.80	EDF 07	33210
REG - Caribbean		8 ACP TPS 125	Integrated Programme for the Caribbean Rum Industry	Institutional & structural reforms (direct)	70.00	EDF 08	
REG - Caribbean		7 ACP RPR 762	OECS export capability enhancement programme	Trade / Investment	1.20	EDF 07	
REG - Central Africa		8 ACP RCE 16	Appui à la CEMAC - Phase préparatoire - Communauté Économique et Monétaire de l'Afrique Centrale (CEMAC)	Institutional & structural reforms (indirect)	1.97	EDF 08	15010
REG - Eastern Africa		8 ACP ROR 26	COMESA regional competition policy	Institutional & structural reforms (direct)	0.75	EDF 08	33110
REG - GPR		8 ACP GPR 18	African lion mining fund	Finance / banking	8.00	EDF 08	24030
REG - Indian Ocean			Développement tourisme pays Commission Océan Indien	Institutional & structural reforms (direct)	6.39		
REG - Indian Ocean			Programme régional développement échanges pays Océan Indien	Partnership	12.46		
REG - Pacific		8 ACP RPA 11	Transitional technical assistance EU-SPTO programme for development sector of the pacific region (South Pacific Tourism Organisation)	Intermediary org.	0.60	EDF 08	33210
REG - Western Africa		8 ACP ROC 43	Programme d'appui à la BOAD	Finance / banking	1.99	EDF 08	15020



Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
REG - Western Africa		8 ACP ROC 31	Programme d'appui régional à l'intégration (PARI) - Phase II - volet secteur privé	Institutional & structural reforms (direct)	3.00	EDF 08	15010
REG - Western Africa		8 ACP ROC 30	Programme d'appui à l'OHADA (Organisation pour l'harmonisation du Droit des Affaires en Afrique)	Institutional & structural reforms (indirect)	4.00	EDF 08	15030
REG - Western Africa		8 ACP ROC 21	Appui régional à l'intégration (PARI) - UEMOA Phase 2	Institutional & structural reforms (indirect)	53.00	EDF 08	15010
REG - Western Africa		8 ACP ROC 7	2ème Foire commerciale de la CEDEAO	Partnership	0.95	EDF 08	33110
REG - Western Africa		8 ACP ROC 18	AGRO-IND 2000: Forum Agro-industriel UE - Afrique de l'Ouest	Partnership	1.90	EDF 08	33130
Regional		7 ACP RPR 639	CAURIS II ( ) 5E AFF/2E AG Lomé IV (10 MECU)		0.38	EDF 07	32120
Regional		8 ACP TPS 119	Commod Price Risk Management	Finance / banking	1.78	EDF 08	
Regional		REG 8 7002 005	Trust Fund Public Expenditure and Financial Accountability	Finance / banking	1.90	EDF 08	
Regional		8 ACP TPS 117	Support for masters programme in banking and finance in Africa	Human Resources	0.35	EDF 08	24040
Regional		7 ACP RPR 611	Feasibility study SADC intra-Regional skills development programme	Human Resources	0.55	EDF 07	15010
Regional		7 ACP RPR 575	Grain marketing training programme	Human Resources	1.99	EDF 07	33110
Regional		8 ACP TPS 41	Collaborative MA prog in econ. for Anglophone Africa Phase 2	Human Resources	2.00	EDF 08	11420
Regional		7 ACP RPR 568	Support collaborative masters progr. Economics (EX-7RPR383).	Human Resources	2.40	EDF 07	11420
Regional		7 ACP RPR 755	Collaborative MA prog in econ. for Anglophone Africa Phase 2	Human Resources	3.73	EDF 07	11420
Regional		7 ACP RPR 580	OECS human resources development tertiary level programme	Human Resources	5.95	EDF 07	15010
Regional		6 ACP RPR 553	Stratégie & prg de développement du commerce intégré	Institutional & structural reforms (direct)	0.33	EDF 06	33110
Regional		7 ACP RPR 762	OECS export capability enhancement programme	Institutional & structural reforms (direct)	1.18	EDF 07	33130
Regional		7 ACP RPR 785	Caribbean regional trade development programme augmentation de plafond Projet 8 ACP RCA 4	Institutional & structural reforms (direct)	1.47	EDF 07	33130

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Regional		7 ACP RPR 615	Support for implementation of the CBI	Institutional & structural reforms (direct)	1.50	EDF 07	15010
Regional		8 ACP TPS 154	Economic integration support programme to the BLNS - Phase I (Replaces 8 RAU 15)	Institutional & structural reforms (direct)	3.00	EDF 08	15010
Regional		7 ACP RPR 459	Programme régional développement échanges pays Océan Indien (PRIDE)	Institutional & structural reforms (direct)	7.62	EDF 07	32120
Regional		7 ACP RPR 335	ACP-EC trade development project	Institutional & structural reforms (direct)	8.40	EDF 07	33110
Regional		7 ACP RPR 753	Intégration des états ACP dans le système commercial mondial	Institutional & structural reforms (direct)	10.00	EDF 07	33110
Regional		7 ACP RPR 447	Caribbean regional trade sector programme	Institutional & structural reforms (direct)	12.53	EDF 07	33130
Regional		REG / 7106/007	Programme d'appui Régional à l'intégration (PARI)	Institutional & structural reforms (direct)	15.00		
Regional		8 ACP TPS 003	EU-ACP business assist scheme (EBAS) and DIAGNOS	Institutional & structural reforms (direct)	33.00	EDF 08	
Regional		8 ACP TPS 125	Integrated development programme for Caribbean rum industry	Institutional & structural reforms (direct)	70.00	EDF 08	32161
Regional		7 ACP RPR 445	SOLAS: Programming and testing. ( <i>Safety of Life at Sea</i> )	Institutional & structural reforms (indirect)	0.57	EDF 07	15010
Regional		8 ACP TPS 82	Programme d'appui à l'OHADA (Organisation pour l'Harmonisation du Droit des Affaires en Afrique)	Institutional & structural reforms (indirect)	2.00	EDF 08	15030
Regional		7 ACP RPR 361	Cariforum secretariat programme Unit	Institutional & structural reforms (indirect)	3.94	EDF 07	15010
Regional		7 ACP RPR 678	COLEACP support programme (February1998-January2000)	Intermediary org.	0.55	EDF 07	33110
Regional		6 ACP RPR 567	Programme appui au COLEACP	Intermediary org.	0.76	EDF 06	33110
Regional		6 ACP RPR 477	COLEACP 1997 Interim project	Intermediary org.	1.78	EDF 06	33110
Regional		8 ACP TPS 5	Programme appui au COLEACP	Intermediary org.	3.99	EDF 08	33110
Regional		7 ACP RPR 672	Technology development in private firms	Know how / technology	2.90	EDF 07	25010
Regional		8 ACP TPS 114	Programme Initiative Pesticides	Know how / technology	29.12	EDF 08	
Regional		7 ACP RPR 581	Appui marché bétail, viande en Afrique Ouest et Centre	Micro/SMEs	0.30	EDF 07	33120

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Regional		7 ACP RPR 287	Return & reintegration qualified African nationals - Ph III	Micro/SMEs	6.98	EDF 07	11420
Regional		8 ACP TPS 152	Contribution to the multi-country demobilisation and reintegration program. Greater Great Lakes	Micro/SMEs	20.00	EDF 08	15064
Regional		8 ACP TPS 153	Emergency demobilisation and reintegration support program	Micro/SMEs	20.00	EDF 08	15064
Regional		7 ACP RPR 684	Séminaire "Exposition Universelle Lisbonne" (Juillet 1998)	Partnership	0.21	EDF 07	33210
Regional		6 ACP RPR 370	ID for organisation pluri-sectoral 1-ON-1 IND. & BUS. SADC	Partnership	0.22	EDF 06	25010
Regional		7 ACP RPR 450	Soutien a la biennale de Dakar	Partnership	0.31	EDF 07	33130
Regional		7 ACP RPR 551	Projet pilote d'accompagnement suivi forums industriel sect	Partnership	0.50	EDF 07	25010
Regional		7 ACP RPR 425	Foire commerciale de la CEDEAO	Partnership	0.66	EDF 07	33130
Regional		7 ACP RPR 496	Participation manifestation touristique en 1996 (+7REG29,30)	Partnership	0.88	EDF 07	33210
Regional		7 ACP RPR 438	Forum agro-industriel UE/Afrique de l'Ouest 1995	Partnership	1.25	EDF 07	33130
Regional		8 ACP ROC 18	Agro-ind 2000: forum agro-industriel UE - Afrique de l'Ouest	Partnership	1.95	EDF 08	
Regional		8 ACP TPS 69	Financement de la participation des pays ACP A l'Expo2000	Partnership	1.96	EDF 08	25010
Regional		7 ACP RPR 418	Each (Europe Africa Cooperation for Handicrafts).	Partnership	2.14	EDF 07	32140
Regional		7 ACP RPR 280	Organisation du pavillon de la créativité au SIAO '94	Trade / Investment	0.22	EDF 07	32140
Regional		7 ACP RPR 374	Regional project of "train for trade"	Trade / Investment	0.30	EDF 07	33110
Regional		7 ACP RPR 518	Regional project of train for trade	Trade / Investment	0.39	EDF 07	33110
Regional		6 ACP RPR 535	Develop. Commerce & Services 1995 (+7RPR354,7PTOREG18/19/20)	Trade / Investment	0.50	EDF 06	33130
Regional		7 ACP RPR 349	Promotion du commerce extérieur et des investissements	Trade / Investment	2.01	EDF 07	33130
Regional		7 ACP RPR 354	Develop. Commerce & Services 1995 (+6RPR535,7PTOREG18/19/20)	Trade / Investment	5.87	EDF 07	33130
Regional		8 ACP RAU 10	EU-SADC Investment Promotion Programme	Trade / Investment	18.33	EDF 08	
Regional		8 ACP TPS 108	PROINVEST (EU-ACP Partnership Programme for the Prom. of Invest. & Techn. Flows to ACP)	Trade / Investment	110.00	EDF 08	

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Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Regional		8 ACP TPS 150	Centre for the Development Enterprise - Budget 2002	Upgrading local firms	20.38	EDF 08	
Regional		8 ACP TPS 137	Strengthening fishery products health conditions in ACP/Oct Countries	Upgrading local firms	42.68	EDF 08	33110
Rwanda		7 ACP RW 73	Premier Prog. prioritaire de Génération d'Emploi (PPGE)	Micro/SMEs	1.99	EDF 07	16110
Senegal		7 ACP SE 43	Appui au développement régional Ziguinchor (Cellule crédit)	Finance / banking	2.29	EDF 07	
Senegal		8 ACP SE 34	Programme d'appui régional à l'intégration (PARI) - Phase II - volet secteur privé	Institutional & structural reforms (direct)	1.50	EDF 08	15010
Senegal		8 ACP SE 25	Appui régional à l'intégration (PARI) - UEMOA Phase 2	Institutional & structural reforms (indirect)	1.50	EDF 08	15010
Senegal		7 ACP SE 66	Reconstruction marché Kermel à Dakar	Micro/SMEs	1.36	EDF 07	33110
Senegal		7 ACP SE 56	Programme prioritaire de génération d'emplois	Micro/SMEs	1.91	EDF 07	16110
Senegal		7 ACP SE 57	Appui programme PME région Dakar	Micro/SMEs	1.94	EDF 07	33110
Senegal		7 ACP SE 11	Programme développement de la région de Saint-Louis (Dev. PME COPARE)	Micro/SMEs	20.50	EDF 07	
Seychelles		8 ACP SEY 5	Tourism capacity building project	Institutional & structural reforms (direct)	0.42	EDF 08	33210
Seychelles		7 ACP SEY 25	Victoria market rehabilitation	Micro/SMEs	0.67	EDF 07	33110
South Africa	1999	99.73200 - 21	SADC ESIP Programme component		2.00	B73200	
South Africa	2001	01. 73200 - 02	Private Sector Development - Risk Capital Facility	Finance / banking	58.90	B73200	
South Africa	1998	1998/0007	1998/07 - Khuphuka - skills training and employment programme	Human Resources	4.62	B73200	11330
South Africa	1998	1998/0014	1998/14 - Recognition of prior learning	Human Resources	7.40	B73200	11330
South Africa	1997	1997/0008	1997/08 - Labour market skills development programme	Human Resources	46.00	B73200	11430
South Africa	1998	1998/0002	1998/02 - Technical and business education initiative in south Africa	Human Resources	8.50	B73200	11430
South Africa	1996	1996/0014	1996/14 - Department of Trade and Industry Policy Support Programme	Institutional & structural reforms (direct)	2.36	B73200	25010
South Africa	1999	99.73200 - 19	Support to the Wild Coast Development	Institutional & structural reforms (direct)	12.70	B73200	

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Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
South Africa	2000	2000/0034	2000/34 TA to the EPRD (European Programme for Reconstruction and Development)	Institutional & structural reforms (indirect)	2.12	B73200A00	15010
South Africa	1998	1998/0003	1998/03 - Financial Management Improvement Programme (FMIP)	Institutional & structural reforms (indirect)	12.00	B73200	15020
South Africa	1998	1998/0010	1998/10 - Technology support for SMEs pilot programme	Know how / technology	5.40	B73200	32130
South Africa	1995	1995/0006	1995/06 Private Sector Development Programme: Small and Micro-Enterprises Development Programme	Micro/ SME	11.00	B73200	25010
South Africa	2001	01.73200 - 03	Local Economic Development Limpopo (Northern Province)	Micro/SMEs	34.00	B73200	
South Africa	1996	96.73200 - 11	Trade and Investment Develop program	Trade / Investment	8.90	B73200	
Suriname		7 ACP SUR 25	N.V.COMFISH 12AFF/1E AUTH GLOB Lomé IV		0.65	EDF 07	32161
Suriname		7 ACP SUR 18	Suriname tourism development programme	Institutional & structural reforms (direct)	0.85	EDF 07	33210
Suriname		8 ACP SUR 8	Integrated tourism development programme	Institutional & structural reforms (direct)	2.48	EDF 08	33210
Suriname		7 ACP SUR 29	Programme management unit in Ministry of Planning & Dev Coop	Institutional & structural reforms (indirect)	0.80	EDF 07	15010
Swaziland		8 ACP SW 16	Private sector support programme	Institutional & structural reforms (direct)	5.90	EDF 08	32130
Swaziland		7 ACP SW 25	Swaziland Sugar Assoc II	Intermediary org.	3.00	EDF 07	32161
Swaziland		8 ACP SW 7	Strengthen gov't's trade policy anal, relations & promotion	Trade / Investment	1.20	EDF 08	
Tanzania		7 ACP TA 122	Institutional strengthening for the tourism sector	Institutional & structural reforms (direct)	2.10	EDF 07	33210
Togo		7 ACP TO 80	Programme d'appui régional à l'intégration (PARI)-Phase II - volet secteur privé	Institutional & structural reforms (direct)	1.50	EDF 07	15010
Togo		7 ACP TO 73	Appui régional à l'intégration (PARI) - UEMOA Phase 2	Institutional & structural reforms (indirect)	1.50	EDF 07	15010
Trinidad & Tobago		7 ACP TR 21	Small business development programme	Micro/SMEs	2.00	EDF 07	32120
Trinidad & Tobago		6 ACP TR 13	Support to Caribbean Business Ltd	Upgrading local firms	0.42	EDF 06	25010
Trinidad & Tobago		8 ACP TR 1	Support to Caribbean Business Ltd	Upgrading local firms	0.48	EDF 08	25010
Trinidad & Tobago		8 ACP TR 14	Support to Caribbean business service Ltd (CBSL) Phase II	Upgrading local firms	1.98	EDF 08	32130

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Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Uganda		9 ACP UG 1	Support to feasible financial institutions and capacity building efforts (SUFFICE), Phase II	Finance / banking	3.55	EDF 09	32161
Uganda		8 ACP UG 37	Uganda sustainable tourism development programme USTDP	Institutional & structural reforms (direct)	5.00	EDF 08	33210
Uganda		7 ACP UG 47	Small-scale enterprise development programme	Micro/SMEs	1.93	EDF 07	32120
Uganda		9 ACP UG 2	Extension et augmentation de plafond du projet 8 ACP UG 14, selon Note 12250 DE MR NAQVI	Upgrading local firms	0.23	EDF 09	15010
Vanuatu		8 ACP VA 23	Vanuatu tourism education and training project	Human Resources	2.00	EDF 08	11330
Vanuatu		8 ACP VA 4	Rural tourism development programme	Institutional & structural reforms (direct)	0.27	EDF 08	33210
Zambia		8 ACP ZA 29	CEIL INC PER LETT. EDF DCAO/LOWE 56155 DD 20/01/2000+7ZA88	Institutional & structural reforms (direct)	0.30	EDF 08	33210
Zambia		7 ACP ZA 88	Zambia tourism development programme/foundation phase (+8ZA029/300000)	Institutional & structural reforms (direct)	1.50	EDF 07	33210
Zambia		8 ACP ZA 3	Private sector development programme	Institutional & structural reforms (direct)	8.79	EDF 08	25020
Zambia		7 ACP ZA 76	Rehabilit. & development of urban markets (see also 8ZA015)	Micro/SMEs	0.37	EDF 07	33110
Zambia		7 ACP ZA 45	Return + réintégr. of qualified African nationals, Phase III	Micro/SMEs	0.50	EDF 07	11420
Zambia		8 ACP ZA 15	Development + rehabilitation of urban markets (see also 7ZA076)	Micro/SMEs	1.40	EDF 08	33120
Zambia		7 ACP ZA 84	Micro credit delivery for empowerment of the poor	Micro/SMEs	1.51	EDF 07	24040
Zambia		1996/0011	SA/ 96-73200-11 Trade and Investment Development Programme for Small, Medium and Micro Enterprises	Micro/SMEs	8.91	B73200	25010
Zambia	2002	AFS/2002/ 004-554	SA/1006/00 - sector wide ent., employment and equity programme - SWEEEP	Micro/SMEs	25.00		32130
Zambia		7 ACP ZA 67	SWARP Spinning Mills II.	Restructuring / privatisation	6.00	EDF 07	32163
Zambia		8 ACP ZA 28	Export Development Programme Ph. II (EDP II)	Trade / Investment	6.50	EDF 08	
Zambia		8 ACP ZA 53	Lumwana study	Trade / Investment	7.00	EDF 08	32120
Zimbabwe		7 ACP ZIM 44	T.A. to Ministry of Environment and Tourism (+6ZIM49)	Institutional & structural reforms (direct)	0.24	EDF 07	33210
Zimbabwe		7 ACP ZIM 35	Return & reintegration qualified African nationals Phase III	Micro/SMEs	0.50	EDF 07	11420

## 2.2.2 Asia project list

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Bangladesh	2002	2548	Bangladesh South Asia Enterprise Development Facility	Micro/SMEs	10,00	B73000	32130
Bangladesh	2003	5641	Small project Facility	Institutional & structural reforms (direct)	3,00	B73010	43010
China	1999	3251	EU-China Financial Services Project	Finance / banking	8,50	B73000	15010
China	1998	3244	EU-China Programme for the Development of Vocational Training for the Industry	Human Resources	15,48	B73000	11330
China	1996	3266	EU-Chine Junior Managers training programme	Human Resources	11,65	B73010	11430
China	1999	3261	China-Europe International Business School - Phase II	Human Resources	10,95	B73010	11420
China	2001	4916	Interpreters SCIC China	Human Resources	0,39	B73010	11430
China	2000	3255	EU-China Civil Aviation Cooperation - Consolidation Phase	Institutional & structural reforms (direct)	8,00	B73010	21050
China	2003	5976	EU-China Civil Aviation Cooperation - Consolidation Phase	Institutional & structural reforms (direct)	1,60	B73010	21050
China	1999	5608	EU-China Civil Aviation Cooperation - Phase 1	Institutional & structural reforms (direct)	4,11	B73010	21050
China	1999	2573	EU-China Civil Aviation Cooperation - Launching Phase	Institutional & structural reforms (direct)	0,52	B73010	21050
China	2002	3258	Energy/Environment	Know how / technology	20,00	B73010	23010
China	1998	5868	EU-China Small Project facility	Institutional & structural reforms (direct)	0,92	B73010	43010
China	2000	3256	EU-China Small Project Facility II	Institutional & structural reforms (direct)	8,00	B73010	43010
China	2000	3254	EU - China Enterprise Reform Project	Restructuring / privatisation	8,50	B73000	32130
India	2000	959	EU-India Civil Aviation Cooperation project	Institutional & structural reforms (direct)	18,00	B73010	31050
India	1998	2666	EU-India Maritime Transport Project	Institutional & structural reforms (direct)	8,00	B73010	31050
India	2001	965	EU-India Small Project Facility	Institutional & structural reforms (direct)	4,20	B73010	43010

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Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
India/ Malaysia/ Thailand	1999	2592	EBIC Programme India, Malaysia, Thailand	Micro/SMEs	2,10	B73010	32130
India/ Malaysia/ Thailand	1998	3504	EBIC Interim Programme India, Malaysia; Thailand	Micro/SMEs	1,30	B73010	32130
Indonesia	2002	954	EU-Indonesia Small Project Facility	Institutional & structural reforms (direct)	6,18	B73010	43010
Indonesia	2003	5664	EU-Indonesia Trade Support Programme	Trade / Investment	8,50	B73010	33110
Macao	2000	2586	EU-Macao cooperation in the legal field. Consolidation of the legal system	Human Resources	0,99	B73010	11110
Macao	1998	2593	EC-Macao Tourism Programme	Institutional & structural reforms (direct)	0,70	B73010	33200
Macao	1999	3139	EU-Macao Offshore Services Development Programme	Institutional & structural reforms (direct)	0,52	B73010	15030
North Korea	2002	2603	Pilot project Training/Institutional Support	Human Resources	0,97	B73000	15010
Pakistan	2002	2640	Financial services sector reform program	Finance / banking	50,00	B73000	240
Philippines	2002	2472	EU-Philippines Small Project Facility	Micro/SMEs	3,00	B73010	43010
REG - ASIA	1997	4601	EC-ASEAN Cogeneration Programme Phase III	Know how / technology	16,76	B73010	23010
REG - ASIA	1998	3150	ASEM Trust Fund (phase 1)	Institutional & structural reforms (direct)	15,00	B7-3010 / B7-3000	25010
REG - ASIA	2001	2599	ASEM Trust Fund (phase 2)	Institutional & structural reforms (direct)	20,00	B7-3010 / B7-3000	25010
REG - ASIA	2000	2585	EC-ASEAN Energy Facility	Know how / technology	18,00	B73010	23010
REG - ASIA	2003	6006	EC-ASEAN Energy Facility + 20%	Know how / technology	3,50	B73010	23010
REG - ASIA	2000	3277	EU-Asian Civil Aviation Cooperation Project	Institutional & structural reforms (direct)	15,00	B73010	31050
REG - ASIA	2001	2598	EU-Asia Pro Eco	Know how / technology	31,50	B73010	41010
REG - ASIA	2002	2649	ASEAN APRIS	Institutional & structural reforms (indirect)	4,00	B73000	50000
REG - ASIA	1998	3152	Asia IT & C Phase I	Know how / technology	35,00	B73010	32181
REG - ASIA	2003	5627	Asia ITC 2	Know how / technology	10,00	B73010	32181



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Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
REG - ASIA	1997	4641	EC-ASEAN Regional Economic Cooperation Programme on Standards, Quality and Conformity Assessment	Know how / technology	9,00	B73010	33110
REG - ASIA	1995 + 1998 (China)	2624 + 2627 (China)	ASIA INVEST I	Trade / Investment	24,79	B73010	25010
REG - ASIA	2002	4032	ASIA INVEST II	Trade / Investment	35,00	B73010	25010
Sri Lanka	1996	2637	European Business Information Centre	Micro/SMEs	0,32	B73010	32130
Thailand	1992	3276	Electricity Network Upgrade Programme (ENUP)	Know how / technology	3,00	B73010	23010
Thailand	1994	5845	European Business Information Centre	Micro/SMEs	2,20	B73010	32130
Vietnam	1993	5896	European Technical Assistance Programme Vietnam I	Institutional & structural reforms (direct)	19,00	B73010	15020
Vietnam	2002	2474	European Technical Assistance Programme Vietnam II	Institutional & structural reforms (direct)	11,03	B73010	15020
Vietnam	1997	2667	Human Resources Development in Tourism	Human Resources	10,80	B73010	33200
Vietnam	2002	2970	Labour Market Project	Institutional & structural reforms (direct)	10,00	B73000	16110
Vietnam	2000	MIS n° 96/032	Small and Medium Enterprises Dev.Fund-Phase I	Finance / banking	0,97	B73000	32130
Vietnam	2002	2466	Small and Medium Enterprises Dev.Fund-Phase II	Finance / banking	1,00	B73000	32130
Vietnam	2001	2587	European Business Information Centre EBIC	Micro/SMEs	0,99	B73010	32130
Vietnam	2003	5885	Private sector support programme	Institutional & structural reforms (direct)	9,05	B73010	32130
Vietnam	2003	5814	Small project Facility	Institutional & structural reforms (direct)	2,00	B73010	43010
Vietnam	2002	NA	Interpreters SCIC Vietnam	Human Resources	0,85	B73010	11430
Vietnam	2001	2595	EC-Vietnam Cooperation in the Audio-Visual Sector	Know how / technology	0,95	B73010	22030

### 2.2.3 CARDS project list

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC code or sector
Bosnia Herzegovina		BH9606.01	Banking System Consolidation	Finance / banking	1.00	B75410B00	PR
Bosnia Herzegovina		BH9606.02	SME Support	Micro/SMEs	2.00	B75410B00	PR

## 2.2.4 Latin America project list

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC Code Number
Argentina	1999	ALA/1999/ 002-488 (EC)	Mejora eficiencia y competitividad eco. Argentina	Institutional & structural reforms (direct)	6.20		33110
Argentina	1996	1996/0162	Normalizacion y certificacion industrial	Know how / technology	0.80	B7311	32181
Bolivia	1995	1995/0990	Appui au secteur tourisme	Institutional & structural reforms (direct)	0.97	B75020	33200
Bolivia	1996	1996/0187	APEMIN = Appui à la petite exploitation minière	Micro/SMEs	9.67	B7310	43050
Bolivia	2002	2002/0467	APEMIN II- Programa de desarrollo sostenible en áreas mineras tradicionales del Occidente boliviano	Micro/SMEs	11.00	B73100B	43050
Bolivia	2002	ALA/2002/ 005-816 (EC)	APEMIN II- Programa de desarrollo sostenible en áreas mineras tradicionales del Occidente boliviano	Micro/SMEs	7.00		43050
Bolivia	1996	1996/0041	PRAEDAC = Programa de apoyo a la estrategia de desarrollo alternativo en el Chapare	Micro/SMEs	24.65	B7310	43050
Bolivia	2002	ALA/2002/005-847; BOL/B7-3110/2002/2003	Trade Development Investment Promotion Programme	Trade / Investment	6.30		33130
Brazil	2000	ALA/2000/ 002-446 (DE)	Technological Centres Network and Support to SME in Brazil	Micro/SMEs	8.00		32181
Central America	1996	1996/0357	Present. en Am. Central-México y Cuba de "E.C.C.O."	Partnership	0.24	B78700	33200
Chile	1994	1994/0182	Desarrollo del sector turístico (NTP/92/512/908)	Institutional & structural reforms (direct)	0.93	B73011	33200
Chile	1996	1996/0155	Proy. integr. apoyo desarrollo sector turístico	Institutional & structural reforms (direct)	0.92	B7311	33200
Columbia	1997	1997/0377	Creación del Laboratorio Colombiano de Diseño para el Desarrollo de Artesanía y la Pequeña Empresa	Micro/SMEs	0.95	B73110	32140
Honduras	1995	ALA/1995/ 000-990 (EC)	AFOPH - Appui à la formation professionnelle au HND	Human Resources	5.30		11330
Mexico	2002	2002/0492	Programa Integral de Apoyo a Micro, Pequeñas y Medianas Empresas	Micro/SMEs	24.00	B73110	32130
Mexico	2003	ALA/2003/ 002-448 (EC)	Programa Integral de Apoyo a Micro, Pequeñas y Medianas Empresas	Micro/SMEs	12.00		32130
Nicaragua	1995	ALA/1995/ 002-428 (EC)	Appui à la formation professionnelle au Nicaragua	Human Resources	10.40		11330

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Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC Code Number
Nicaragua	1996	1996/0089	Support for the Tourism sector in Nicaragua	Institutional & structural reforms (direct)	0.42	B7310	33200
Nicaragua	1995	1995/0213	Support for the tourism sector in Nicaragua/Phase I	Institutional & structural reforms (direct)	0.42	B73010	33200
Paraguay	1995	1995/0147	APOYO A LA PROMOCION TURISTICA DEL PARAGUAY	Institutional & structural reforms (direct)	0.24	B73011	33200
Peru	1995	ALA/1995/ 000-986 (EC)	FORM. PROFESIONAL TECNOL. Y PEDAGOGICA	Human Resources	9.00		11330
Peru	1993	ALA/1993/ 000-977 (EC)	Apoyo a la promoción de exportaciones	Trade / Investment	3.77		25010
REG - Latin America	1994	1994/0192	FORMADITUR II	Human Resources	0.36	B73011	33200
REG - Latin America	2002	2002/0546	Assistance aux Petites et Moyennes Entreprises et Institutions financièrement faibles	Micro/SMEs	0.20	B73110B	25010
Uruguay	1997	ALA/1997/ 001-018 (EC)	Programa de apoyo a la creación de una Escuela de Artes y Oficios en Uruguay para la formación de artesanos y su inserción profesional	Human Resources	10.58		11330
Venezuela	1995	1995/0060	PROMOEX-Promoción export. no tradicionales	Trade / Investment	0.77	B73011	25010

## 2.2.5 MEDA project list

Country name *	Year*	Project number	Project title	Activity Type *	Planned million €)	Source of financing	DAC Code Number
Algeria	2000		Appui à la modernisation du Secteur Financier	Institutional & structural reforms (direct)	23.25	B74100	
Algeria			Programme de modernisation et d'assistance aux réformes administratives	Institutional & structural reforms (indirect)	25.00	B74100	
Algeria	1998	MED/1998/ 003-367 (EC)	Appui au développement des PME/PMI en Algérie	Micro/SMEs	57.00	B74100	32130
Algeria	1998	1998/0708	Appui à la restructuration ind. et à la privatisation	Restructuring / privatisation	41.50	B74100	25020
Egypt	1995	SEM/04/220/015A	Banking Sector Support programme	Finance / banking	11.70	B74051	
Egypt	2002	2002/0557	Assistance to the Reform of the Technical and Vocational Education and Training System (TVET)	Human Resources	66.00	B74100	11330
Egypt	1997	1997/0733	Industrial modernisation Programme	Institutional & structural reforms (direct)	250.00	B74100	32120
Egypt	1999		Private Sector Development Programme II	Micro/SMEs	20.00	B74051	
Egypt	1993	MED/1993/ 005-060 (EC)	Public Enterprise Reform and Privatisation Programme	Restructuring / privatisation	23.24	B74100	25020
Egypt	1994	SEM/04/220/004A	Public Enterprise Reform and Privatisation Programme	Restructuring / privatisation	43.00	B74051	
Egypt	2002		Trade Enhancement Programme A (TA)	Trade / Investment	20.00	B74100	
Jordan	1999		Industrial modernisation Programme (EJADA)	Institutional & structural reforms (direct)	45.00	B74100	
Jordan	2002		Support for regulatory reform and privatisation	Institutional & structural reforms (direct)	20.00	B74100	
Jordan	1997	1997/0302	Private Sector Development Programme - Business Service Team BST	Upgrading local firms	7.00	B74100	25011
Lebanon	1999	1999/2062	Programme de modernisation industrielle - MEDA 1999/0209	Institutional & structural reforms (direct)	11.00	B74100	32120
Morocco	1998	MED/1998/ 003-410 (EC)	Appui aux institutions financières de garantie aux PME (PAIGMAN)	Finance / banking	30.00	B74100	15020
Morocco	1997	1997/0587	Appui à la mise à niveau de l'enseignement technique et de la formation professionnelle au Maroc (MAR/B7-4100/IB/97/0587)	Human Resources	73.60	B74100	11430

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Country name *	Year*	Project number	Project title	Activity Type *	Planned million €)	Source of financing	DAC Code Number
Morocco	2002	2002/0687	Appui au Développement de la Formation Professionnelle dans les secteurs du Tourisme, du Textile et des Nouvelles Technologies de l'Info et de la Com	Human Resources	65.56	B74100	11330
Morocco	2002	MED/2002/ 004-631 (EC)	Appui au Développement de la Formation Professionnelle dans les secteurs du Tourisme, du Textile et des Nouvelles Technologies de l'Info et de la Com	Human Resources	50.00	B74100	11330
Morocco	1998	1998/0504	Appui au Ministère de la Privatisation	Institutional & structural reforms (direct)	5.00	B74100	25020
Morocco	1998		Appui au programme pour la promotion de la qualité NORMES	Know how / technology	15.50	B74100	
Morocco	2002	2002/0688	Programme d'Appui aux entreprises	Micro/SMEs	93.80	B74100	32130
Morocco	1995	1995/2198	Programme de Développement du Secteur Privé (EME - Euro Maroc Enterprise)	Micro/SMEs	23.00	B74100	32130
Morocco	2000		Project pilote d'appui au micro crédit	Micro/SMEs	0.70	B74100	
Palestinian Authority	2002	2002/0693	Emergency Support Programme to SMEs in West Bank and Gaza Strip	Micro/SMEs	10.00	B74200	32130
Palestinian Authority	2002	2002/0620	Emergency Support to the SMEs of East Jerusalem	Micro/SMEs	5.00	B74200	32130
REG - MEDA	2000	2000/2073	Promotion of Euro-Med Market instruments & mechanisms	Institutional & structural reforms (direct)	9.90	B74100	32110
REG - MEDA	2000	2000/2196	Economic cooperation foundation's activities - ME1/B74100/95/038	Institutional & structural reforms (indirect)	0.25	B74100	15010
REG - MEDA	2000	2000/2075	Innovation, Technologie et Qualité dans les Entreprises	Know how / technology	15.00	B74100	32110
REG - MEDA	1999	1999/2350	Contrats-cadre pays tiers IB - BUSINESS CENTRE GWB	Micro/SMEs	0.48	B74100	32120
REG - MEDA	1998	1998/0079	Europartenariat Espana 1998	Partnership	3.35	B74100	25011
REG - MEDA	1997	1997/0042	Euro-partenariat Hellas	Partnership	3.22	B74100	32130
REG - MEDA	2000	2000/2191	Mediterranean Investor guides - tender/IB/AMS/371	Trade / Investment	1.36	B74100A	25010
REG - MEDA	1997	1997/0046	Private Participation in Mediterranean Infrastructure	Trade / Investment	0.96	B74100	50000
REG - MEDA	2000	2000/0017	The Private Participation in Mediterranean Infrastructure - Programme - Phase 2	Trade / Investment	1.68	B74101	16110
Syria	1997	1997/0593	HIBA - Higher Institute of Business Administration - (SYR/B7-4100/IB/97/0593)	Human Resources	18.00	B74100	11420

Country name *	Year*	Project number	Project title	Activity Type *	Planned million €)	Source of financing	DAC Code Number
Syria	1996	1996/0851	Cultural Tourism Development Program - SYR/B7-4100/IB/MEDA/96/0851	Institutional & structural reforms (direct)	3.11	B74100	33210
Syria	2000		Syrian-European Business Centre II (SEBC II)	Micro/SMEs	18.00	B74100	
Syria	1995		Syrian-European Business Centre I (SEBC I)	Micro/SMEs	9.00	B74051	
Tunisia	1997	1997/0240	Appui au programme de mise à niveau de la formation professionnelle (MANFORM) (TUN/B7-4100/IB/97/0240)	Human Resources	<b>275.70</b>	B74100	11330
Tunisia	1997	MED/1997/ 004-660 (EC)	Appui au programme de mise à niveau de la formation professionnelle (MANFORM) (TUN/B7-4100/IB/97/0240)	Human Resources	<b>45.00</b>		11330
Tunisia	1994	1994/0368	Création de deux centres de formation professionnelle (SEM/04/212/009/A)	Human Resources	14.00	B74051	11430
Tunisia	1998		Amélioration de la compétitivité	Institutional & structural reforms (direct)	10.00	B74100	
Tunisia	2002	2002/0558	Programme de Modernisation Industrielle	Institutional & structural reforms (direct)	50.00	B74100	32130
Tunisia	2000		Programme de développement du secteur privé (Euro-Tunisie-Enterprise)	Partnership	20.00	B74100	
Tunisia	1996	1996/0021	Programme de développement du secteur privé - "Euro-Tunisie Entreprise"	Partnership	20.00	B74100	25011
Tunisia	1996	1996/0018	Assistance technique pour la privatisation	Restructuring / privatisation	10.00	B74100	25020
Tunisia	1997	1997/0006	Appui promotion investissements extérieurs	Trade / Investment	<b>6.00</b>	B74100	32120

## 2.2.6 TACIS project list

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC Code Number
Armenia	1996	AR9601.01	Private sector development	Institutional & structural reforms (direct)	6.65	B75200B00	SE
Armenia	2000	AR0001.02	Private Sector/Econ. Dev	Institutional & structural reforms (direct)	1.40	B75200B00	A2
Armenia	1998	AR9801.02	Support for enterprise	Institutional & structural reforms (direct)	2.00	B75200B00	SE
Armenia	1995	AR9501.02	Enterprise Restr. & Dev.	Restructuring / privatisation	2.00	B75200B00	SE
Azerbaijan	1996	AZ9601.02	Private Sector Development	Institutional & structural reforms (direct)	1.70	B75200B00	SE
Azerbaijan	2000	AZ0002.02	Private Sector/Econ. Dev	Institutional & structural reforms (direct)	4.80	B75200B00	A2
Azerbaijan	1998	AZ9801.03	Support for enterprise	Institutional & structural reforms (direct)	3.50	B75200B00	SE
Azerbaijan	1995	AZ9501.02	Enterprise Restr. & Dev.	Restructuring / privatisation	1.80	B75200B00	SE
Azerbaijan	1994	AZ9401.02	Privatisation and Restruc	Restructuring / privatisation	1.90	B75200B00	SE
Belarus	1995	BI9501.01	Enterprise Support	Restructuring / privatisation	1.63	B75200B00	SE
Belarus	1994	BI9401.01	Enterprise Restruct. Dev.	Restructuring / privatisation	5.00	B75200B00	SE
Cross border	2000	CB0001.03	Private Sector/Econ. Dev	Institutional & structural reforms (direct)	2.00	B75210B00	A2
Cross border	1998	CB9801.03	Support for enterprise	Institutional & structural reforms (direct)	1.73	B75210B00	SE
Cross border	2001	CB0101.03	Support to Private Sector	Institutional & structural reforms (direct)	4.00	B75210B00	A2
Georgia	1996	GE9601.02	Private Sector development	Institutional & structural reforms (direct)	4.65	B75200B00	SE
Georgia	2000	GE0001.02	Private Sector/Econ. Dev	Institutional & structural reforms (direct)	2.60	B75200B00	A2
Georgia	1998	GE9801.04	Support for enterprise	Institutional & structural reforms (direct)	3.63	B75200B00	SE
Georgia	2001	GE0101.02	Support to Private Sector	Institutional & structural reforms (direct)	1.00	B75200B00	A2
Georgia	1995	GE9501.02	Enterprise Restr. & Dev.	Restructuring / privatisation	1.92	B75200B00	SE
Georgia	1994	GE9401.01	Priv. and restructuring	Restructuring / privatisation	3.60	B75200B00	SE
Kazakhstan	1997	KA9701.02	Struct & Inst Reforms	Institutional & structural reforms (direct)	7.47	B75200B00	SE
Kazakhstan	1999	KA9901.01	Support for enterprise	Institutional & structural reforms (direct)	8.80	B75200B00	SE
Kazakhstan	1995	KA9501.01	Support to Enterprise	Institutional & structural reforms (direct)	5.98	B75200B00	SE
Kazakhstan	1994	KA9401.01	Enterprise Restructuring	Restructuring / privatisation	6.30	B75200B00	SE
Kyrgyzstan	1999	KI9901.01	Support for Enterprises	Institutional & structural reforms (direct)	5.38	B75200B00	SE



Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC Code Number
Kyrgyzstan	2001	KI0101.02	Support to Private Sector	Institutional & structural reforms (direct)	2.80	B75200B00	A2
Moldova	2001	MO0101.02	Private Sector	Institutional & structural reforms (direct)	3.00	B75200B00	A2
Moldova	1997	MO9701.02	Private sector development	Institutional & structural reforms (direct)	4.30	B75200B00	SE
Moldova	1999	MO9901.02	Support for Enterprises	Institutional & structural reforms (direct)	5.03	B75200B00	SE
Moldova	1995	MO9501.02	Enterprise Restr. & Dev.	Restructuring / privatisation	1.50	B75200B00	SE
Moldova	1994	MO9401.05	Enterprise Restruct. & De	Restructuring / privatisation	1.58	B75200B00	SE
Mongolia	1998	MG9801.02	Support for enterprise	Institutional & structural reforms (direct)	1.00	B75200B00	SE
Mongolia	1996	MG9601.02	Support for Enterprises	Institutional & structural reforms (direct)	1.83	B75200B00	SE
Mongolia	1994	MG9401.01	Enterprise Restruct & Dev	Restructuring / privatisation	2.56	B75200B00	SE
Russia	1994	RU9401.07	Facilities		4.50	B75200B00	SE
Russia	1995	RU9503.01	Lake Baikal TA Centre		1.80	B75200B00	SE
Russia	2000	RU0002.02	Private Sector/Econ. Dev	Institutional & structural reforms (direct)	12.00	B75200B00	A2
Russia	1997	RU9702.01	Support for enterprise	Institutional & structural reforms (direct)	27.50	B75200B00	SE
Russia	1995	RU9501.01	Support for Enterprises	Institutional & structural reforms (direct)	39.76	B75200B00	SE
Russia	1996	RU9601.01	Support for Enterprises	Institutional & structural reforms (direct)	32.86	B75200B00	SE
Russia	1994	RU9401.01	Enterprise Restruct & Dev	Restructuring / privatisation	29.70	B75200B00	SE
Russia	1994	RU9402.01	Enterprise Restruct & Dev	Restructuring / privatisation	8.20	B75200B00	SE
Russia	1994	RU9403.01	Enterprise Restructuring	Restructuring / privatisation	1.00	B75200B00	SE
Russia	1998	RU9801.02	Enterprise support	Restructuring / privatisation	32.09	B75200B00	SE
Russia	1999	RU9901.02	Enterprise support	Restructuring / privatisation	17.90	B75200B00	SE
TACIS Region	1995	WW9506.05	Other Projects		4.00	B75200B00	SE
TACIS Region	1994	WW9407.07	Banking Sector actions	Finance / banking	2.50	B75200B00	SE
TACIS Region	1994	WW9407.01	Institutional support	Institutional & structural reforms (direct)	10.00	B75200B00	SE
TACIS Region	1997	WW9712.05	Support for enterprise	Institutional & structural reforms (direct)	1.50	B75200B00	SE
TACIS Region	1994	WW9407.02	Enterprise Level Support	Restructuring / privatisation	2.50	B75200B00	SE
Tajikistan	1997	TA9701.02	Support for enterprise	Institutional & structural reforms (direct)	1.30	B75200B00	SE
Turkmenistan	1997	TU9701.01	Struct & Inst reforms	Institutional & structural reforms (direct)	3.33	B75200	SE

Country name *	Year*	Project number	Project title	Activity Type *	Planned (million €)	Source of financing	DAC Code Number
Turkmenistan	1999	TU9901.01	Support for Enterprise	Institutional & structural reforms (direct)	1.00	B75200	SE
Turkmenistan	1995	TU9501.02	Enterprise Restr. & Dev.	Restructuring / privatisation	1.00	B75200	SE
Turkmenistan	1994	TU9401.02	Restructuring & developm.	Restructuring / privatisation	1.83	B75200	SE
Ukraine	2000	UR0002.02	Priv. Sector & Econ. Dev	Institutional & structural reforms (direct)	14.00	B75200B00	A2
Ukraine	1997	UR9701.03	Support for enterprises	Institutional & structural reforms (direct)	16.05	B75200B00	SE
Ukraine	1998	UR9801.02	Support for enterprise	Institutional & structural reforms (direct)	11.38	B75200B00	SE
Ukraine	1996	UR9602.02	Support for Enterprises	Institutional & structural reforms (direct)	11.18	B75200B00	SE
Ukraine	1999	UR9901.02	Support for enterprise	Institutional & structural reforms (direct)	15.85	B75200B00	SE
Ukraine	2001	UR0103.02	Support to Private Sector	Institutional & structural reforms (direct)	10.00	B75200B00	A2
Ukraine	1995	UR9501.01	Enterprise Support	Restructuring / privatisation	10.70	B75200B00	SE
Ukraine	1994	UR9401.02	Enterprise Restruct+Devel	Restructuring / privatisation	4.45	B75200B00	SE
Uzbekistan	1998	OU9801.02	Support for Enterprises	Institutional & structural reforms (direct)	6.80	B75200B00	SE
Uzbekistan	1995	OU9501.02	Enterprise Support	Restructuring / privatisation	2.00	B75200B00	SE
Uzbekistan	1994	OU9401.03	Enterprise restr. & develop.	Restructuring / privatisation	3.30	B75200B00	SE

## 3. Descriptive analysis of PSD projects

### 3.1 Analysis across regions

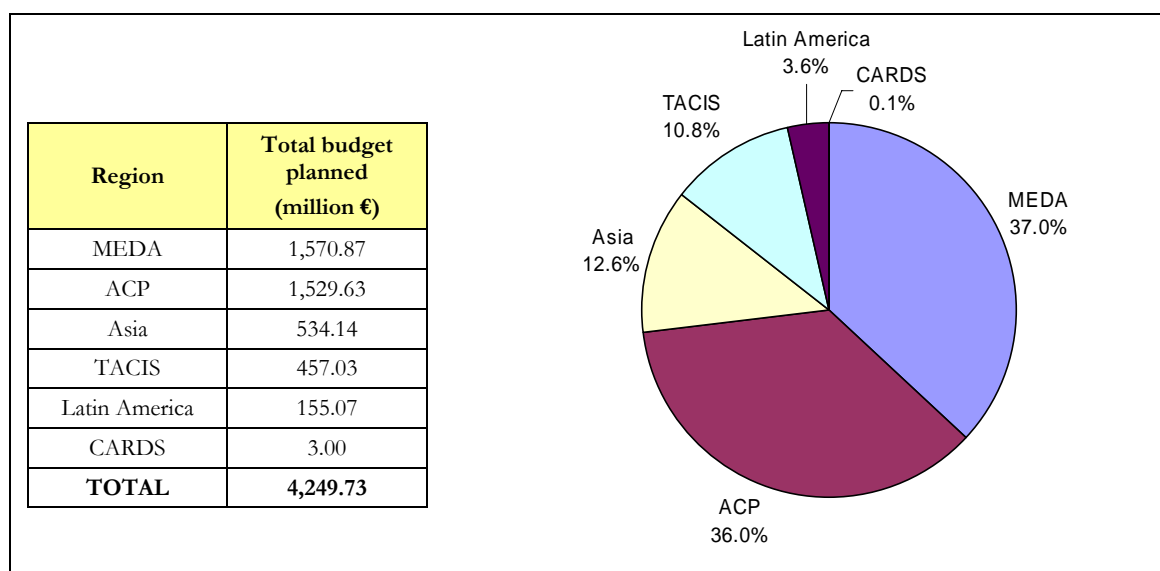
This section presents a short analysis of the total EC interventions in the PSD sector across all the regions covered by this evaluation. This total was reached by adding up all regional project lists prepared (see above)<sup>4</sup>. The analysis focuses on the distribution of planned interventions according to two criteria:

- Beneficiary region
- Type of activity

#### 3.1.1 By beneficiary region

Based on the above list of projects, the distribution of the total budget for PSD activities for the period 1994-2003 shows that 37% of the total went to the Mediterranean region. The ACP region follows close behind the MED region with 36%. The Asia region comes next with 12.6% followed by the TACIS region with about 11%. Latin America receives nearly 4% of the total budget. In the Balkans/CARDS region very few PSD interventions were implemented until now.

**Figure 1 - Budget distribution by region (1994-2003)**



<sup>4</sup> The project "EU-China Civil Aviation Cooperation - Consolidation Phase" (No 5976, 2003, € 1.6 million) is not included in the analysis.

### 3.1.2 By type of activity

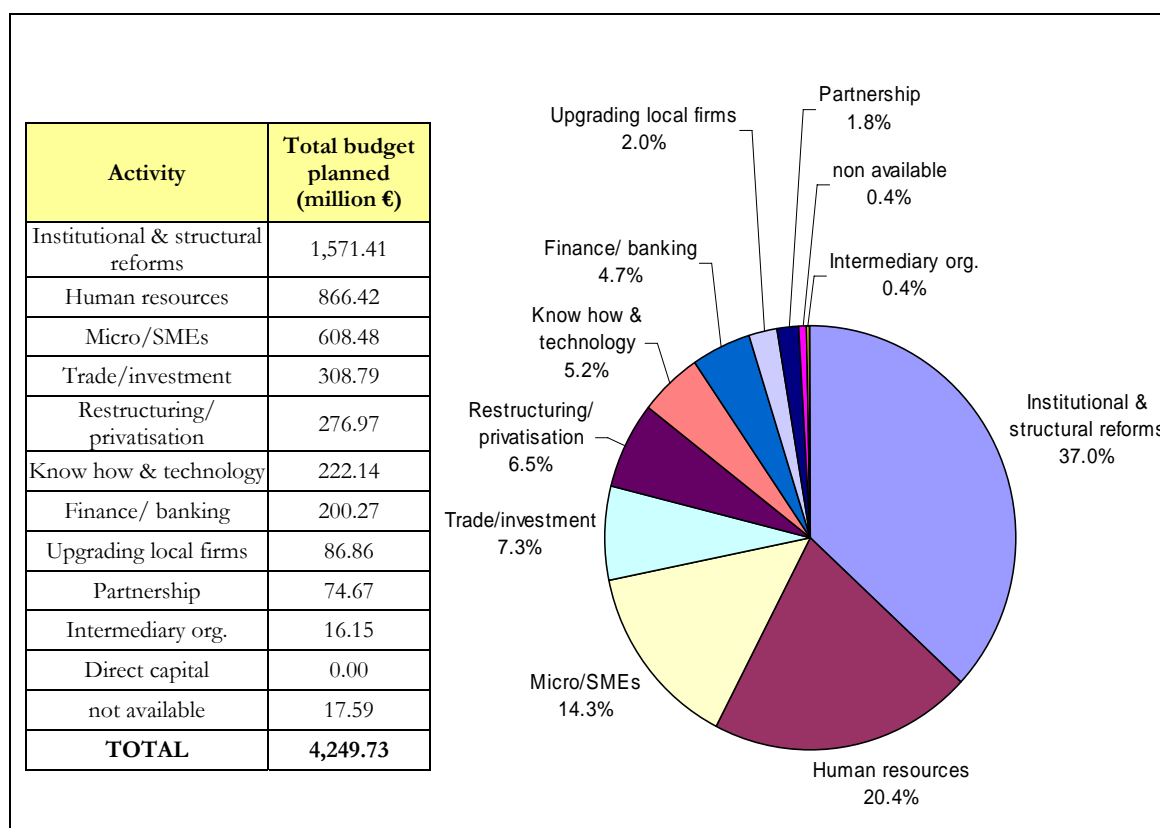
The various projects in support of PSD planned in the various regions during the period 1994-2003 were classified according to their main type of activity.

Their distribution by type of activity shows that 37% of the interventions focused on *Support for institutional and structural reforms with a direct or indirect effect on PSD* followed by 20.4% on *Support to enhance human resources and capacities*.

*Support for the development and creation of SMEs and micro-enterprises* represented 14.3% of the total and was followed by *Encouragement of trade and investment between European and local companies* with 7.3% and *Support to firm's restructuring and privatisation* with 6.5%.

A minor but not negligible amount was allocated to other types of activities: *Encouragement of transfers of know-how and technologies & support to cooperation between industry and scientific research* (5.2%), *Support to local financial institutions & the reinforcement of a reliable financial system* (4.7%) and *Upgrading local firms* (2%). *Support to facilitate partnership between firms* (meetings, workshops, forums, etc.) and *Support to intermediary organisations representing the private sector* represented together 2.2%.

**Figure 2 - Budget distribution by type of activity (1994-2003)**



## 3.2 Analysis by region

This section presents a rough analysis of the EC project lists presented by region. This analysis focuses on the distribution of PSD projects planned within a region according to four criteria:

- type of activity,
- beneficiary country or sub-region,
- financing source,
- date.

### 3.2.1 ACP Countries

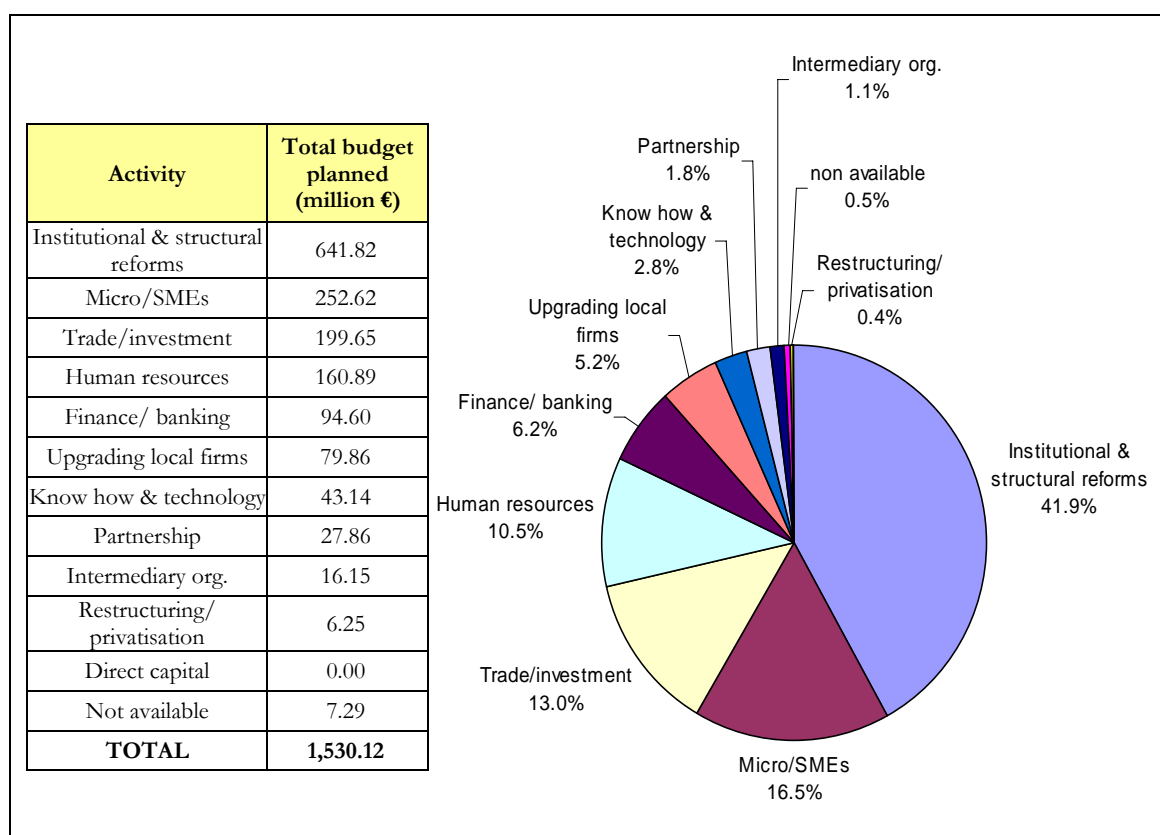
#### a) *By type of activity*

The various PSD projects planned in the ACP area during the period under consideration were classified according to their main type of activity.

Figure 3 shows that *Support for institutional and structural reforms* is the most frequent type of activity, with 42% of the total ACP budget for PSD. *Support for the development and creation of SMEs and micro-enterprises* and *Encouragement of trade and investment between European and local companies* follow with 16.5 and 13%.

*Support to enhance human resources and capacities* comes in fourth position, with around 10.5%, and is followed by *Support to local financial institutions & the reinforcement of a reliable financial system* (6.2%) and *Encouragement of transfers of know-how and technologies & support to cooperation between industry and scientific research* (5.2%). Four other types of activities are also pursued but in a less important way, since they share 6% only of the total budget.

**Figure 3 - Budget distribution by type of activity (ACP - 1994-2003)**



**b) By beneficiary country or sub-region**

EC PSD interventions in the ACP region can also be classified according to the geographical coverage of the interventions:

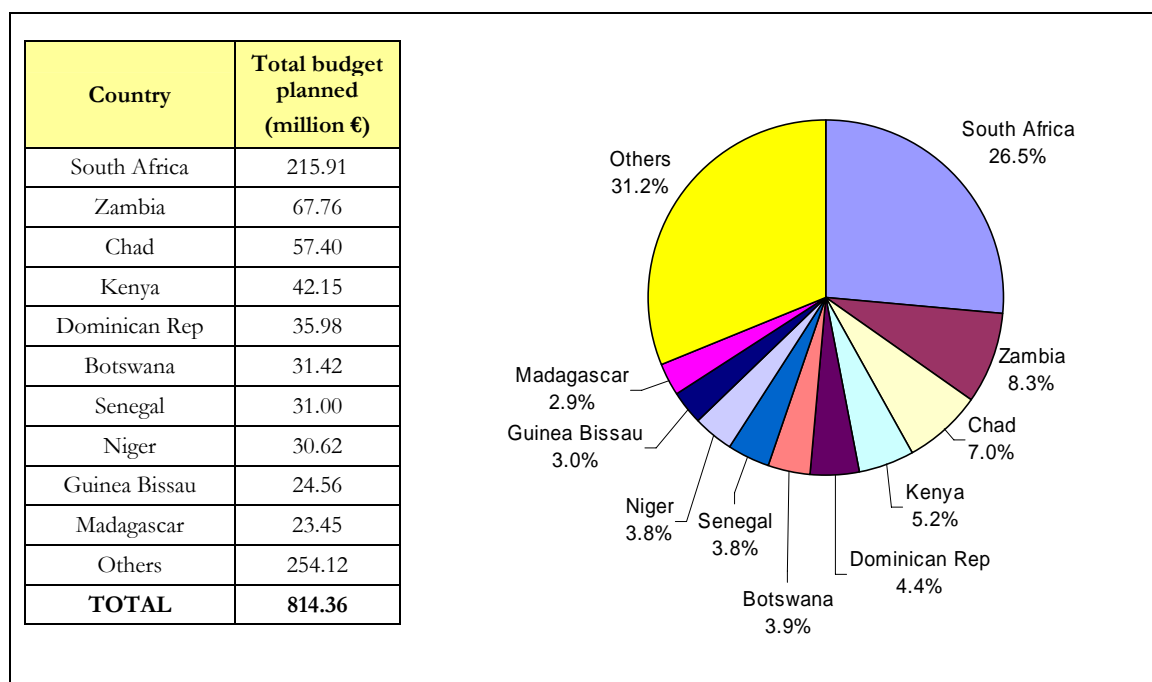
- Bilateral cooperation (58.4% of the total ACP budget for PSD).
- Regional cooperation (41.6%).

**Bilateral cooperation** finances PSD projects in 48 countries. For better visibility, figure 4 below shows the ranking of the 10 countries with the highest planned budget for PSD in the ACP<sup>5</sup> region; the other 38 partner countries are gathered under a single line called *Others*.

South Africa is the country where the highest amount was planned (26.5%) followed by Zambia (8%) and Chad (7%). The next 7 countries (Kenya, Dominican Republic, Botswana, Senegal, Niger, Guinea Bissau and Madagascar) represent from 3% to 5% of the bilateral PSD cooperation budget. The other 35 countries share 31% of the total PSD budget in the ACP region.

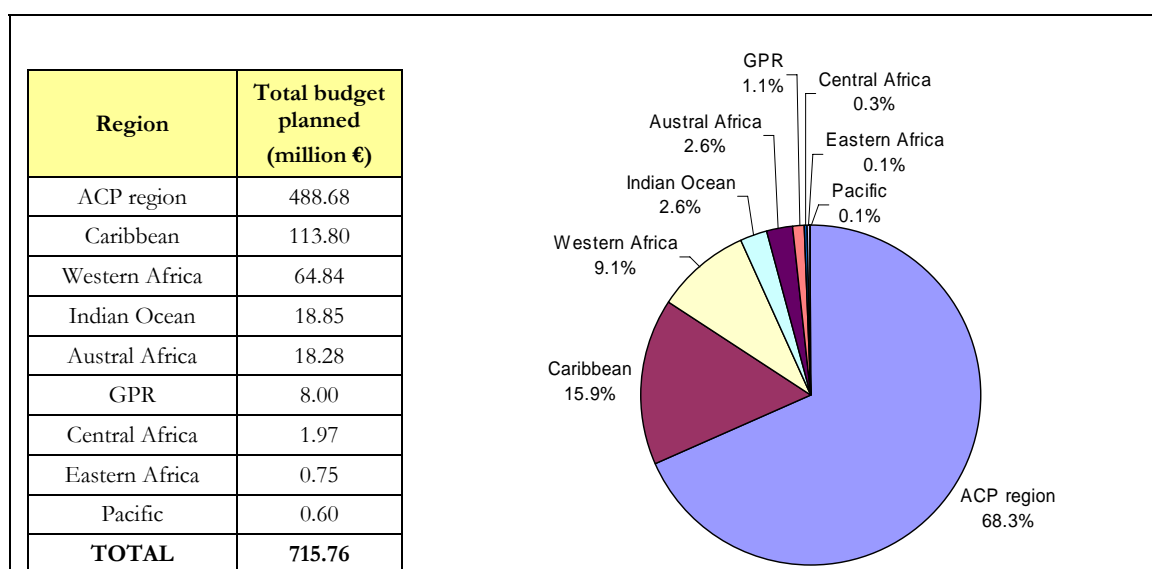
<sup>5</sup> South Africa is considered here as an ACP member country.

**Figure 4 - Budget distribution by country (ACP - 1994-2003)**



As far as the **regional cooperation** is concerned, PSD projects developed at the level of the entire ACP area obtain the largest share, with more than 68% of the regional cooperation budget. The PSD projects under ACP sub-regional cooperation represent 32% of the budget. The Caribbean is the region planning most resources to PSD (16%), followed by Western Africa (9%). The other regions represent less than 5% of the budget.

**Figure 5 - Budget distribution by region (ACP - 1994-2003)**

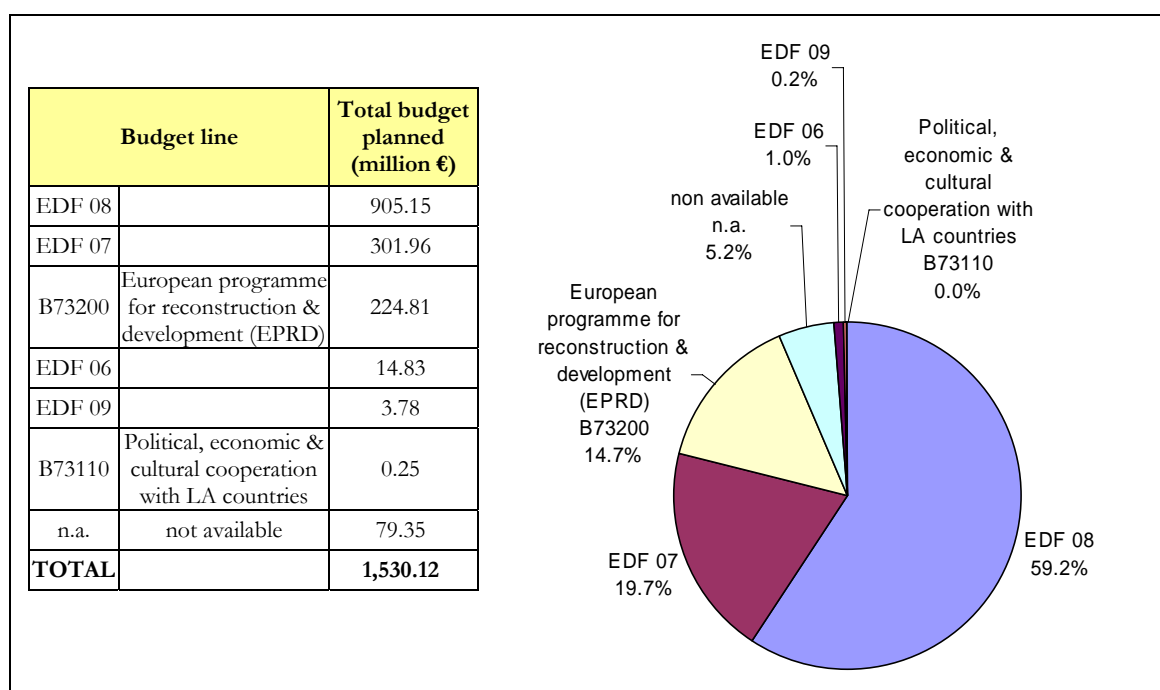


c) *By financing source*

In total, 4 successive EDF funds and 1 specific budget line have been used to finance projects in the ACP area. The 8<sup>th</sup> and 7<sup>th</sup> EDF provided 80% of the total budget for PSD under the period while the 6<sup>th</sup> EDF and 9<sup>th</sup> EDF account for respectively 1% and 0.2% of the total budget considered. Finally, the Budget Line B-73200, *European Programme for Reconstruction & Development*, represents 14.7% of the projects.

The CRIS database gives no indication on the budget line used to finance some of the projects. One project in Cuba was encoded under Budget Line B-7311 *Political, economic & cultural cooperation with LA countries*.

**Figure 6 - Budget distribution by financing source (ACP - 1994-2003)**



d) *By date*

No analysis per year of the ACP projects for PSD can be made at this stage since the identification codes of FED-funded projects (84% of the total funding) do not provide information on the date of the project.



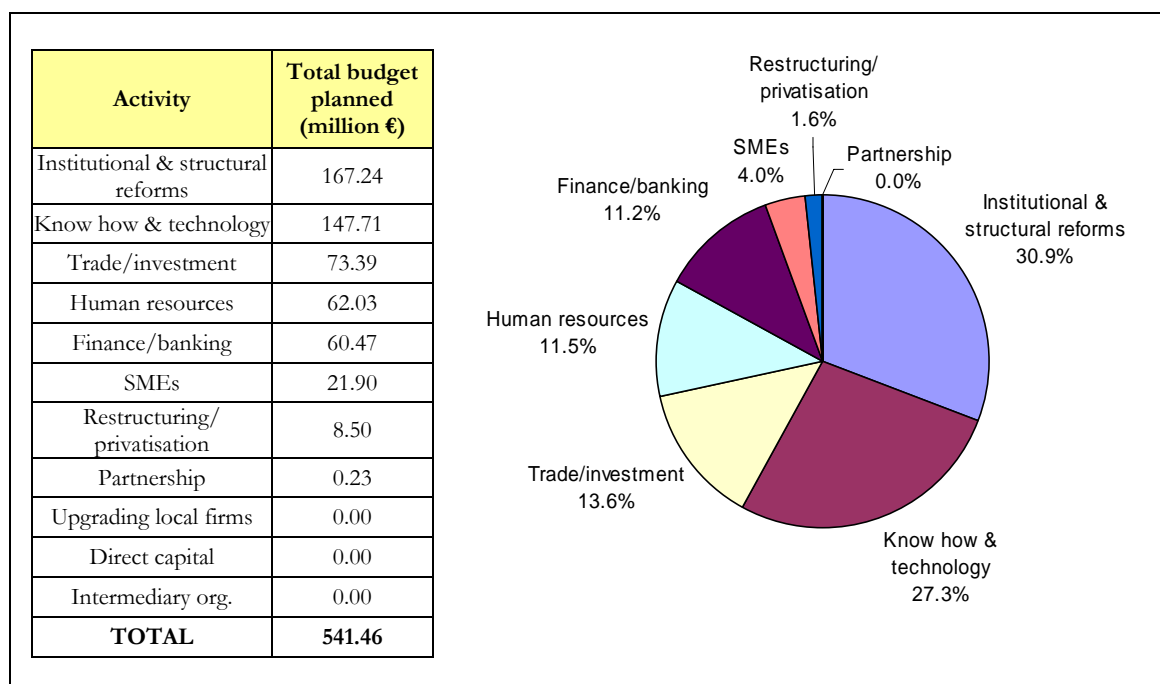
### 3.2.2 Asian Countries

#### a) By type of activity

The various PSD projects planned in the Asian area during the period under consideration were classified according to their main type of activity.

Figure 7 shows that eight types of activity out of the eleven types identified earlier were planned in Asia over the past 10 years. The *Institutional & structural reforms* and *Encouragement of transfers of know-how & technology* were the most frequent activities with respectively 30.9% and 27.3% of the total planned budget. *Encouragement of trade and investment between European and local companies* comes next with 27.3%. *Support to enhance human resources and capacities* and *Support to local financial institutions & reinforcement of a reliable financial system* come in fourth and fifth position with a little more than 11% each. The other 3 types of activity supported in the region obtain less than 6% of the budget.

**Figure 7 - Budget distribution by type of activity (Asia - 1994-2003)**

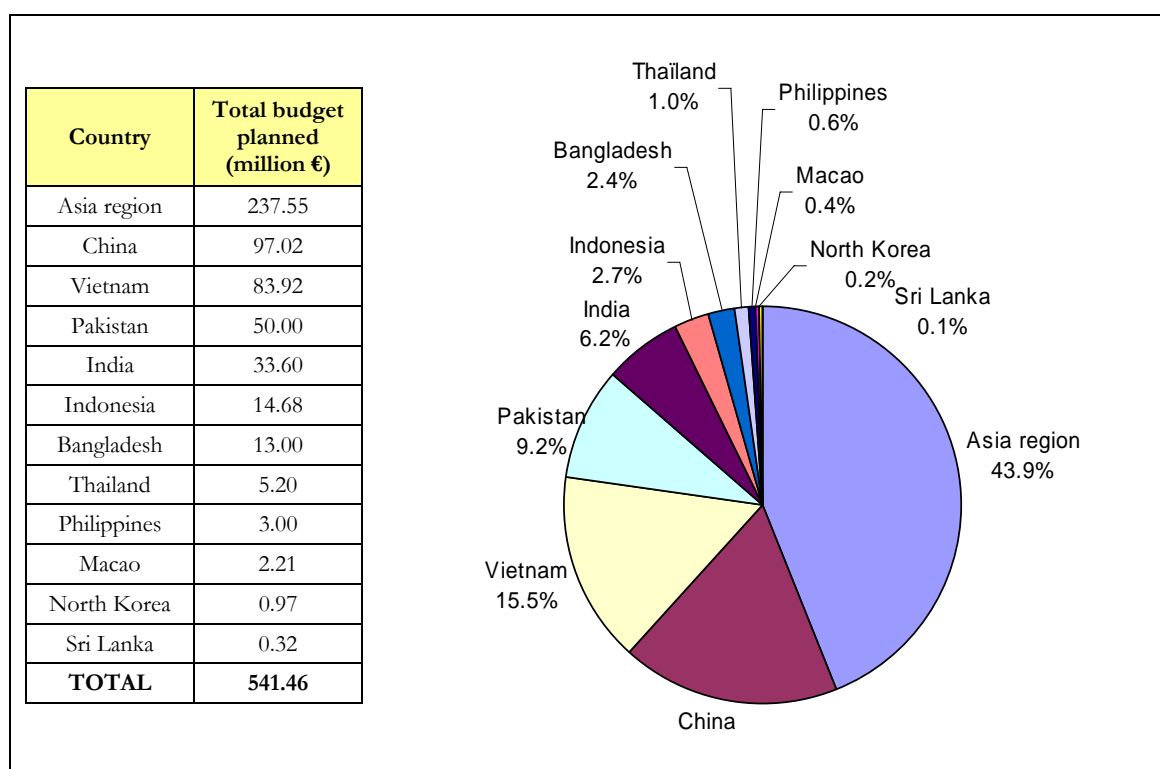


**b) By beneficiary country**

The analysis of the distribution of PSD planned budgets among the partner countries over the period shows that the regional interventions were the most financed with more than 50% of the total. The regional importance accorded to PSD support in this region is different from the strategy adopted in MEDA, TACIS or Latin America, which does not focus on regional PSD projects.

As far as single countries are concerned, China is the major beneficiary country in the region, PSD representing 20%, Pakistan. Vietnam and India followed with 9 to 6% of the budget. PSD Projects were also planned in seven other countries but for relatively marginal amounts (less than 3% of the total).

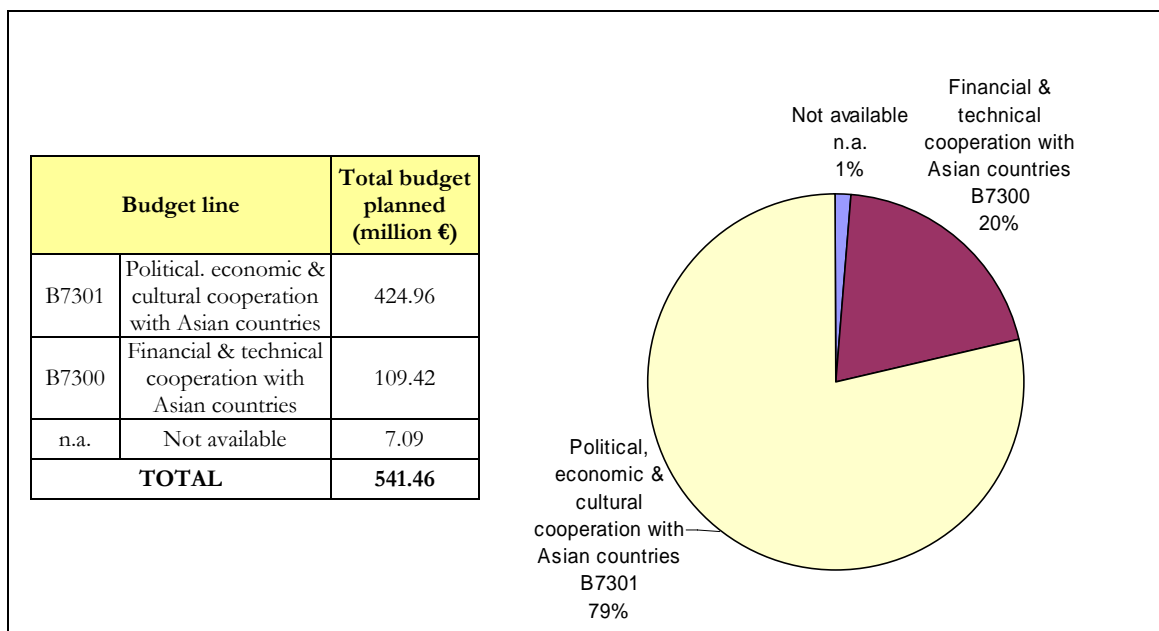
**Figure 8 - Budget distribution by country (Asia - 1994-2003)**



c) *By financing source*

The analysis of the budget lines shows that 79% of the projects were planned under BL 7-301 *Political, economic & cultural cooperation with Asian countries* and 20% under BL 7-300 *Financial & technical cooperation with Asian countries*.

**Figure 9 - Budget distribution by financing source (Asia - 1994-2003)**

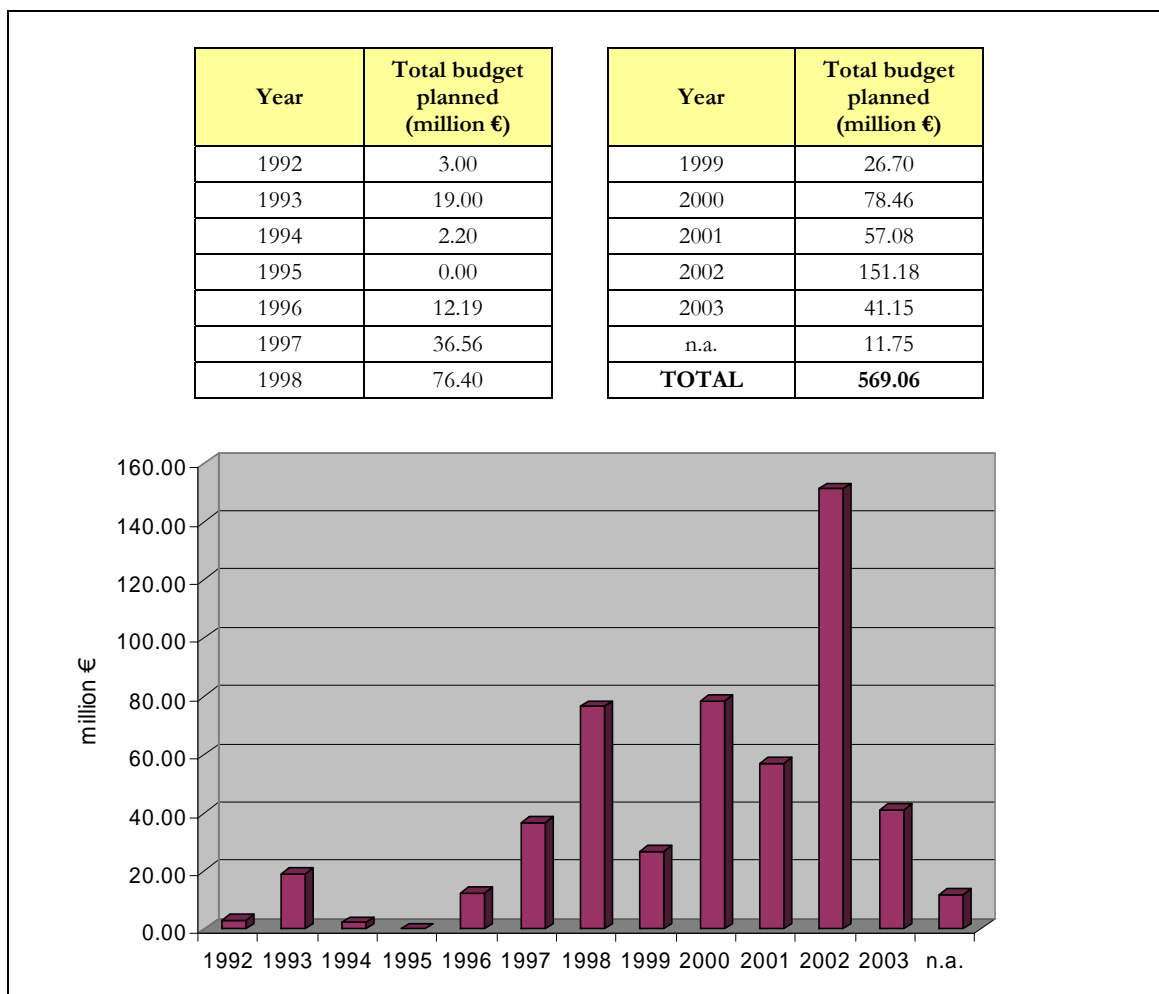


It is important to note that, since January 1<sup>st</sup>, 2004, the number of the budget lines have changed for the Asia programme. Budget line B7-300 has been replaced by the number 191001 and budget line B7-301 is now 191002. The budget lines titles have however remained identical.

d) *By date*

The analysis of the data shows that the two main project planning periods in Asia were 1997-98 and 2000-2002. One can assume at this stage that these important planning exercises correspond to new programming exercises for the region.

**Figure 10 - Budget distribution by year (Asia - 1994-2003)**



### 3.2.3 Latin America

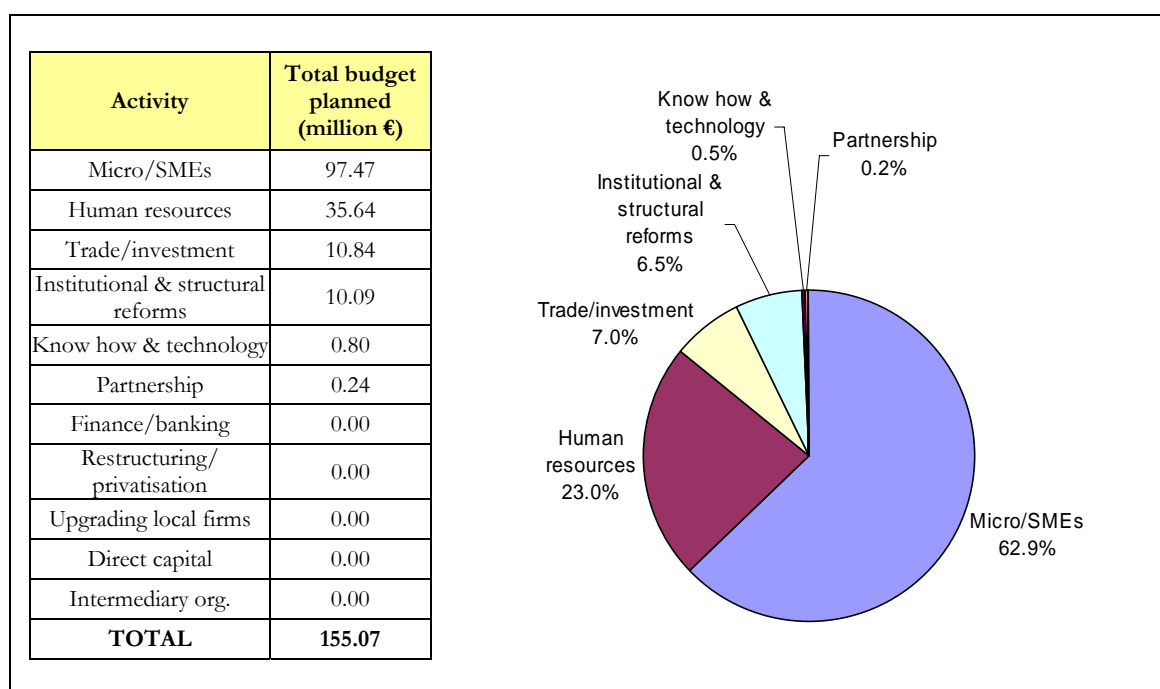
#### a) By type of activity

The various PSD projects planned in the Latin America region during the period under consideration were classified according to their main type of activity.

Figure 11 shows that the *Support for the development and creation of SMEs and micro-enterprises* was the most frequent type of PSD activity planned within the framework of the EU - Latin America cooperation policy. It represented 63% of the total planned budget in the Latin America region over the period.

*Support to enhance Human Resources and capacities* came next with 23%, and was followed by *Encouragement of trade and investment between European and local companies* and *Institutional & structural reforms*, with about 7% each.

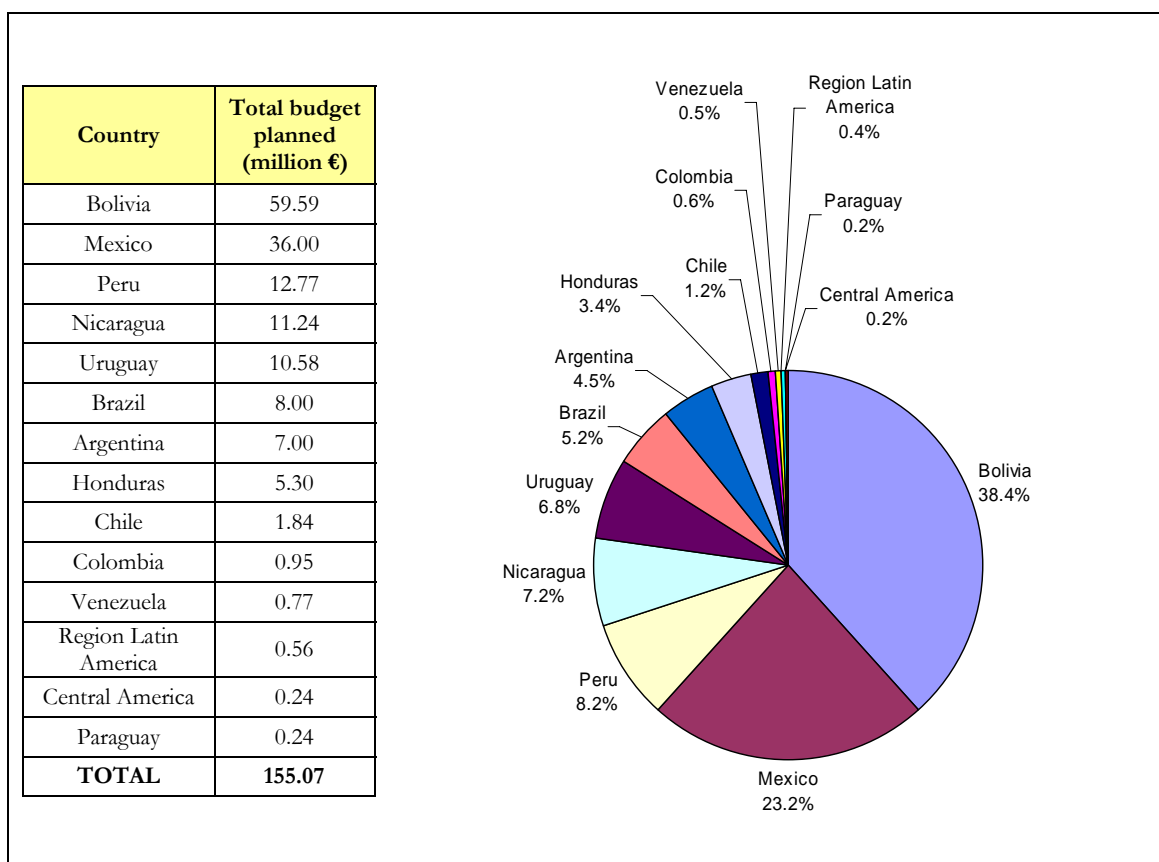
**Figure 11 - Budget distribution by type of activity (LA – 1994-2003)**



**b) By beneficiary country**

The analysis of the distribution of planned budgets between partner countries over the period shows that Bolivia and Mexico were the main beneficiaries, combining together more than 60% of the total planned budget. Peru, Nicaragua, Uruguay and Brazil came next with 5 to 8% each. The rest of the budget is spread between the 7 other partner countries and the regional level, which amounted only to 0.4% of the total.

**Figure 12 - Budget distribution by country (LA – 1994-2003)**



c) *By financing source*

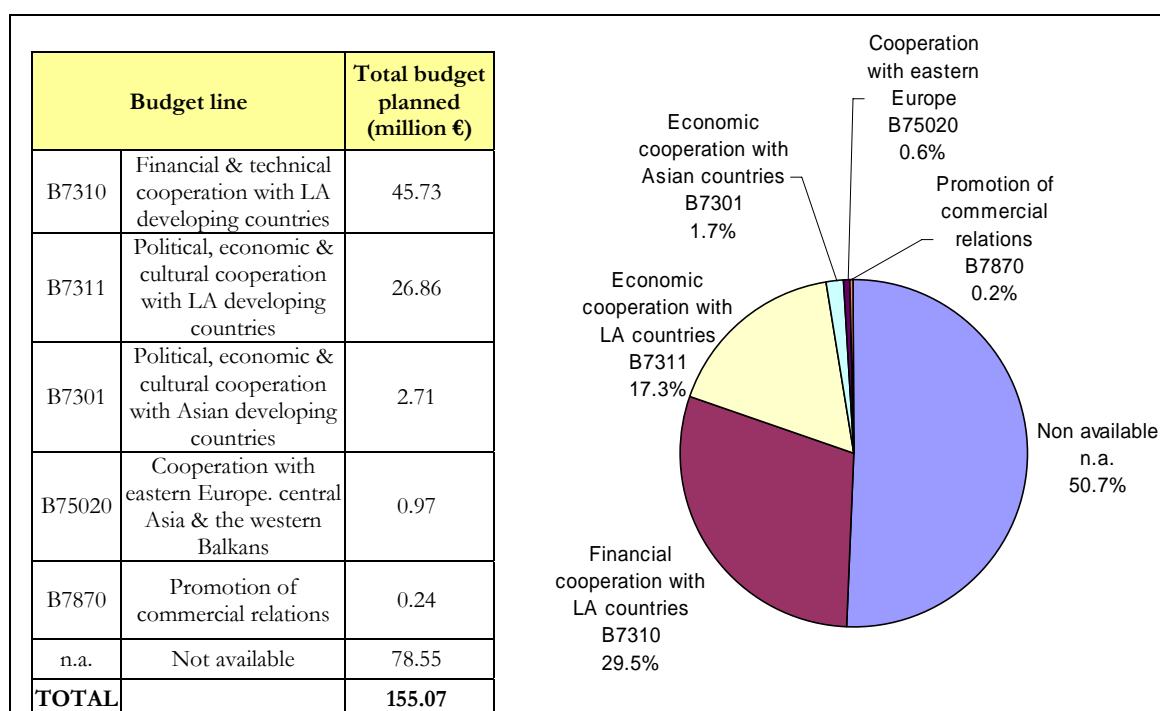
The CRIS database does not provide Budget Line numbers for about 50% of the total amount planned for PSD in the region.

On the other hand a project identified for Bolivia is incorrectly recorded by CRIS under BL 75020, *Cooperation with Eastern Europe, Central Asia & the Western Balkans*.

Taking these limitations into consideration, the analysis of the information available shows that 59% was planned under BL 7-310 *Financial & technical cooperation with LA developing countries*, and 34.6% under BL 7-311 *Economic cooperation with LA countries*.

According to CRIS, a few projects in the years 1994-95 were planned under BL 7-301 *Political, economic and cultural cooperation with Asian developing countries*, which is now used for Asian countries only. We understand that there was a change in the coverage of the BL, which would have earlier been used for the whole ALA region.

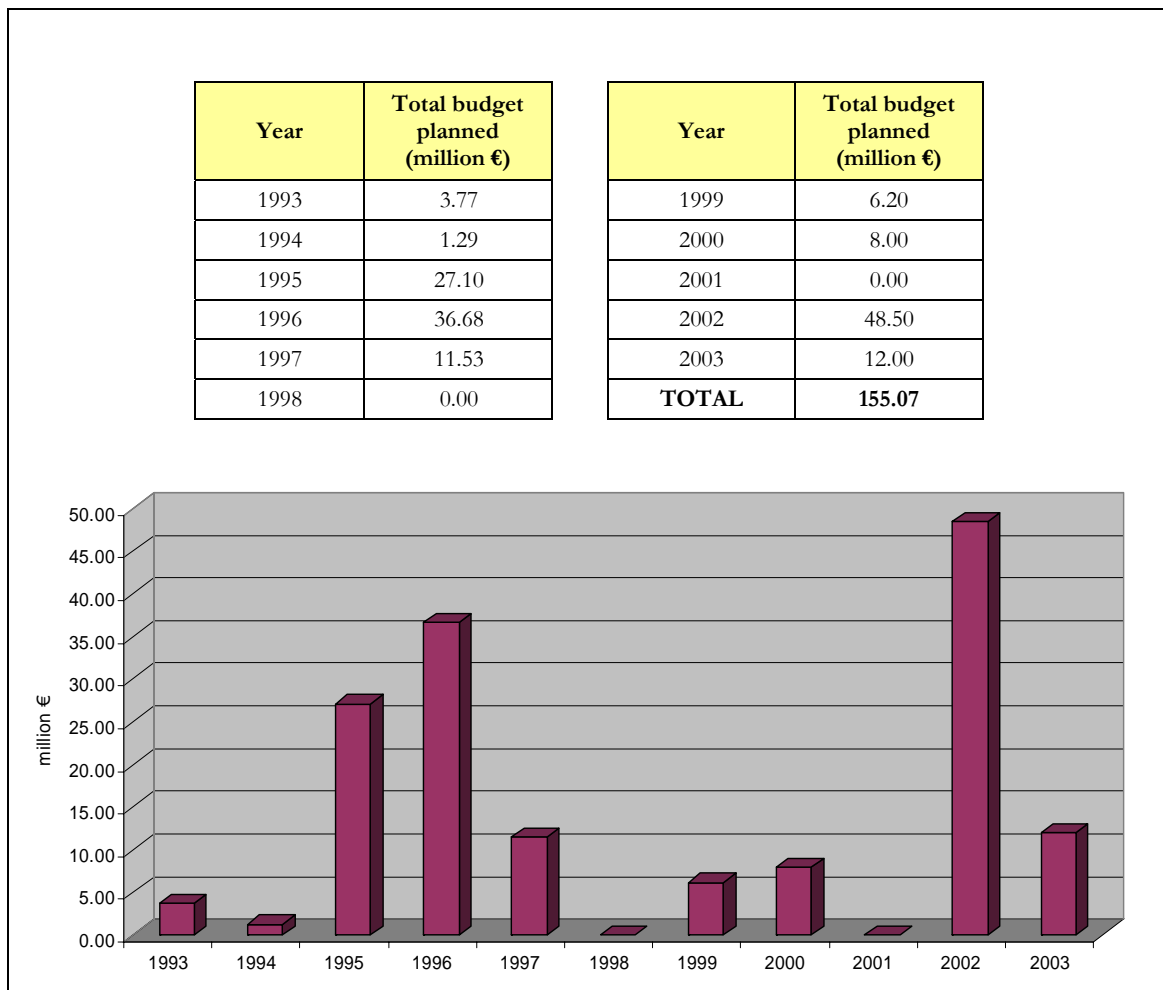
**Figure 13 - Budget distribution by financing source (LA – 1994-2003)**



d) *By date*

The distribution of planned budgets over the period 1994-2003 shows that most of the interventions were planned in 1995-96 and in 2002. It can be assumed at this stage that these important planning exercises correspond to new programming exercises for the region.

**Figure 14 - Budget distribution by year (LA – 1994-2003)**





### 3.2.4 MEDA

#### a) By type of activity

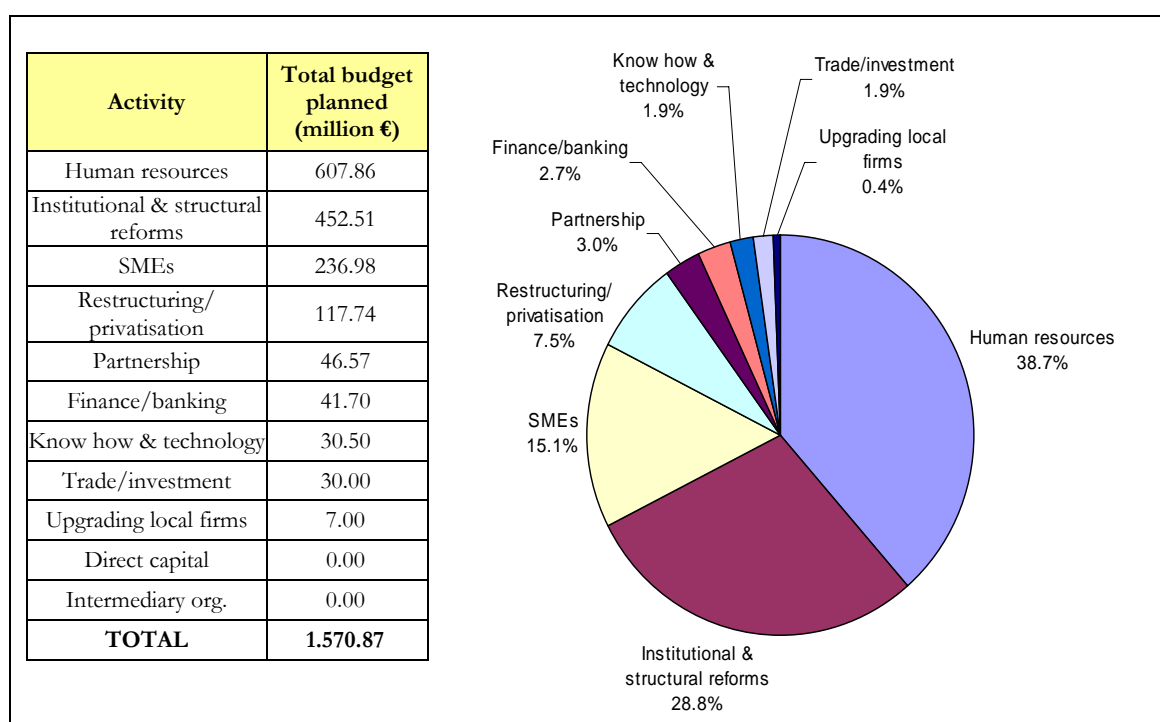
The various PSD projects planned in the MEDA area during the period under consideration were classified according to their main type of activity.

Figure 15 shows that *Support to enhance human resources and capacities* and *Support for institutional and structural reforms with a direct effect on PSD* are the most frequent types of activity in the region, representing respectively 39% and 29% of the total planned budget.

*Support to enhance human resources and capacities* represents mainly vocational education and training and updating of enterprises (“*mise à niveau*”) in specific industrial sectors.

*Support for the development and creation of SMEs and micro-enterprises* comes next with 15%, and is followed by *Support to firm restructuring & privatisation*, with 7%. Other types of activity represent only 3% or less.

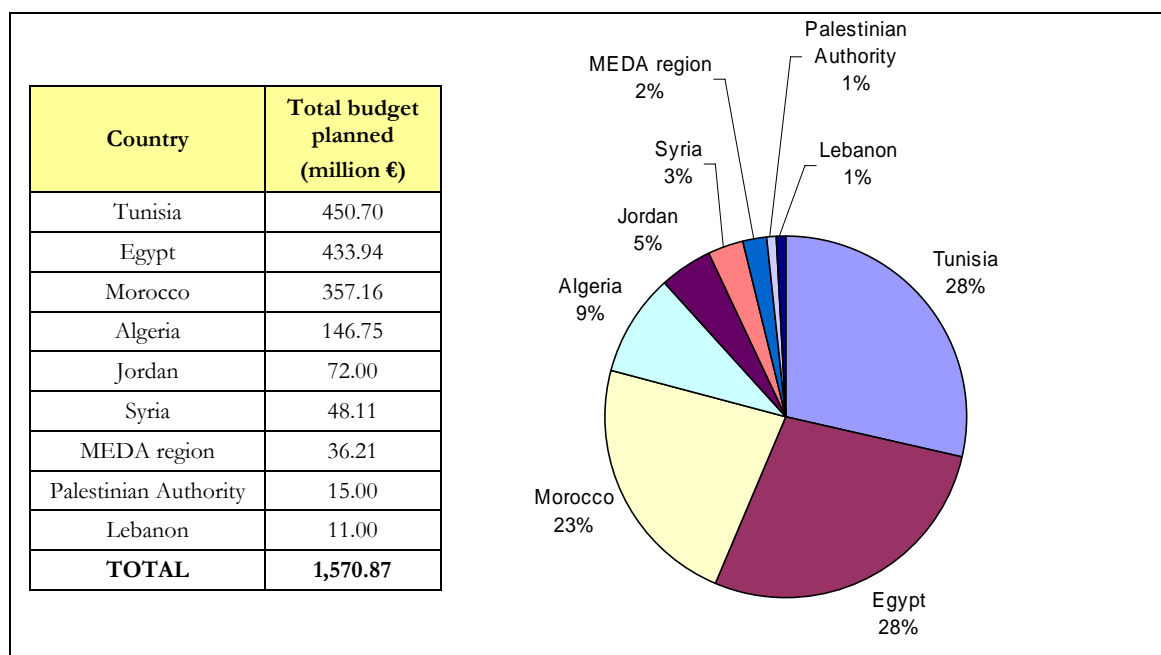
**Figure 15 - Budget distribution by type of activity (MEDA – 1994-2003)**



**b) By beneficiary country**

The analysis of the distribution of planned budgets between the partner countries over the period shows that 79% of these budgets were implemented in Egypt (28%), Tunisia (28% as well) and Morocco (23%). Planned budgets in Algeria represent 9%. Figures corresponding to other partner countries amount to 1 to 5%, while 2% were allocated to MEDA regional projects starting in 1997.

**Figure 16 - Budget distribution by country (MEDA – 1994-2003)**

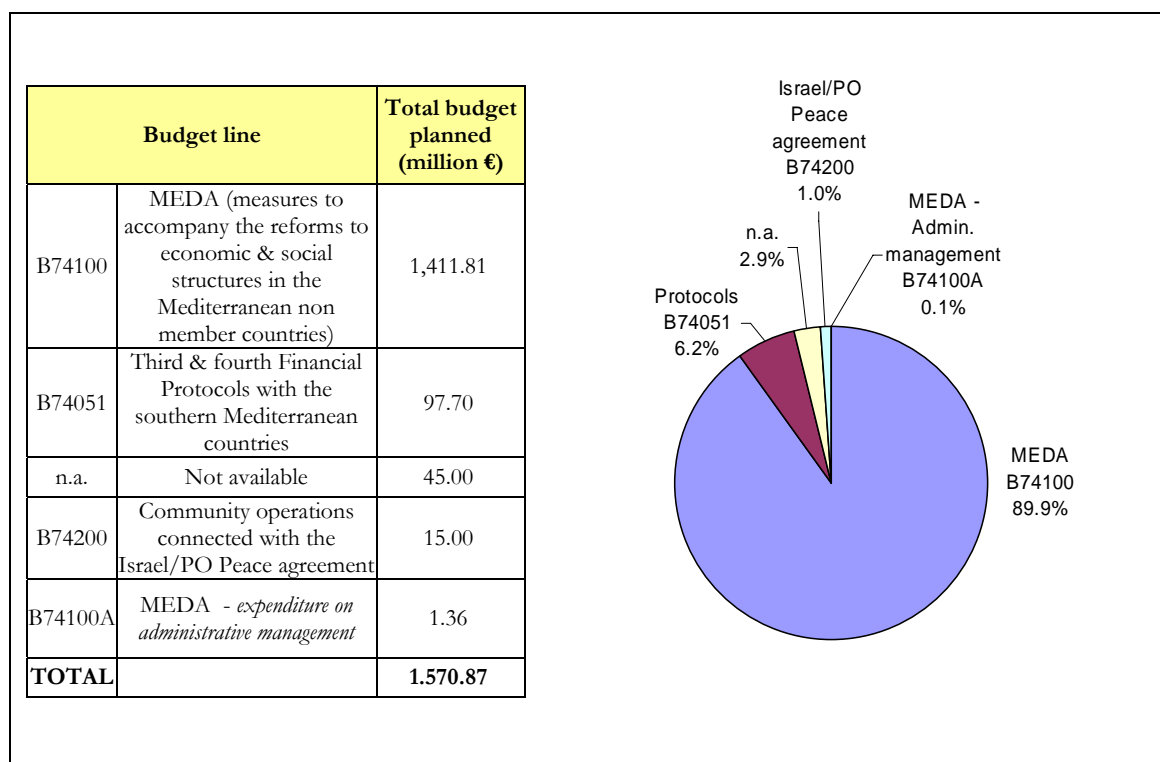


c) *By financing source*

90% of the EC interventions in the Mediterranean area in support to the private sector in the period 1994-2003 were planned under Budget Line B-74100. These interventions correspond to measures taken to accompany the reforms of economic and social structures in the Mediterranean non-member countries. Their total amounts over the period to € 1.571 million.

The other interventions were planned under the former Protocols or under the budget line specific to Community operations connected with the Israel/PO Peace Agreement.

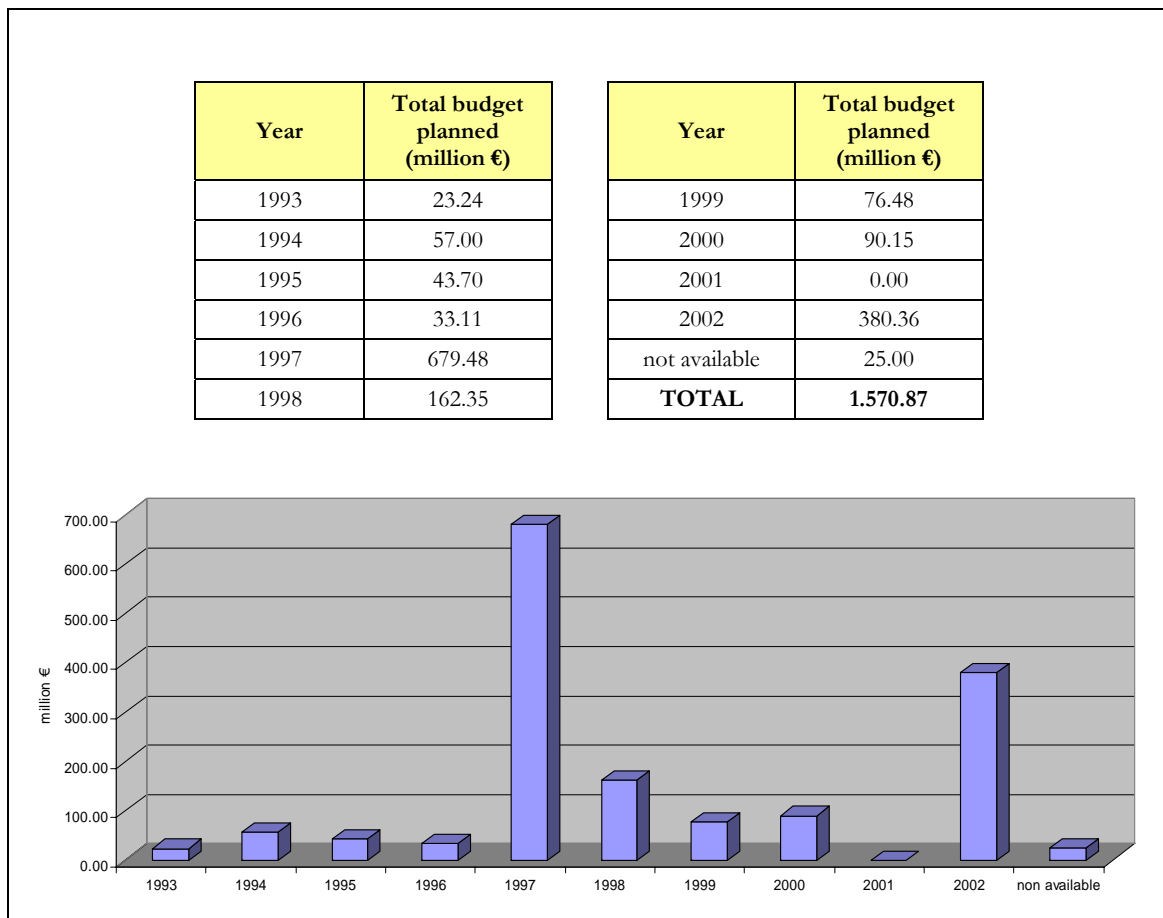
**Figure 17 - Budget distribution by financing source (MEDA – 1994-2003)**



d) *By date*

The distribution of planned budgets over the period 1994-2003 shows a high concentration in years 1997 and 2002. At this stage, it can be assumed that these amounts correspond to the planning of new interventions to be financed under the MEDA I and MEDA II programmes, corresponding respectively to the periods 1995-1999 and 2000-2006.

**Figure 18 - Budget distribution by year (MEDA – 1994-2003)**



### 3.2.5 CARDS

Since only 2 PSD-specific CARDS projects have been identified and extracted from the EC databases, there is no basis for a detailed statistical analysis by criteria. However the following comments can be made:

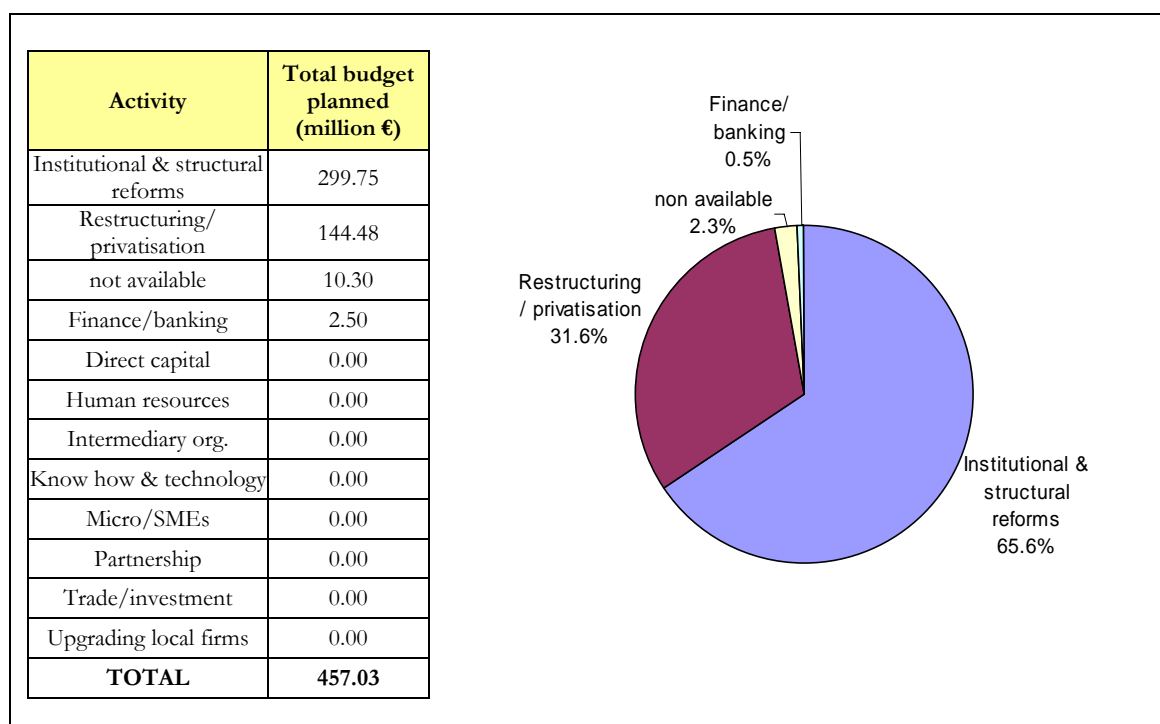
- Both projects are located in Bosnia Herzegovina. Their starting date is not available.
- They correspond to two types of activity: *Support for the development and creation of SMEs and micro-enterprises* (66%) on the one hand. and *Support to local financial institutions & reinforcement of a reliable financial system* (34%) on the other hand.
- The total planned budget amounts to 3.000.000 € and was planned under BL 7541 Assistance for the countries of Western Balkans.

### 3.2.6 TACIS

#### a) By type of activity

Contrary to the other regions, TACIS projects concentrated on three types of activities only. *Support for institutional and structural reforms with a direct effect on PSD* was the most frequently planned activity, with more than 65% of the total budget. *Support to firm restructuring & privatisation*, which amounted to 32%, comes next. Finally *Support to local financial institutions & reinforcement of a reliable financial system* received 0.5% of the budget.

**Figure 19 - Budget distribution by type of activity (TACIS – 1994-2003)**

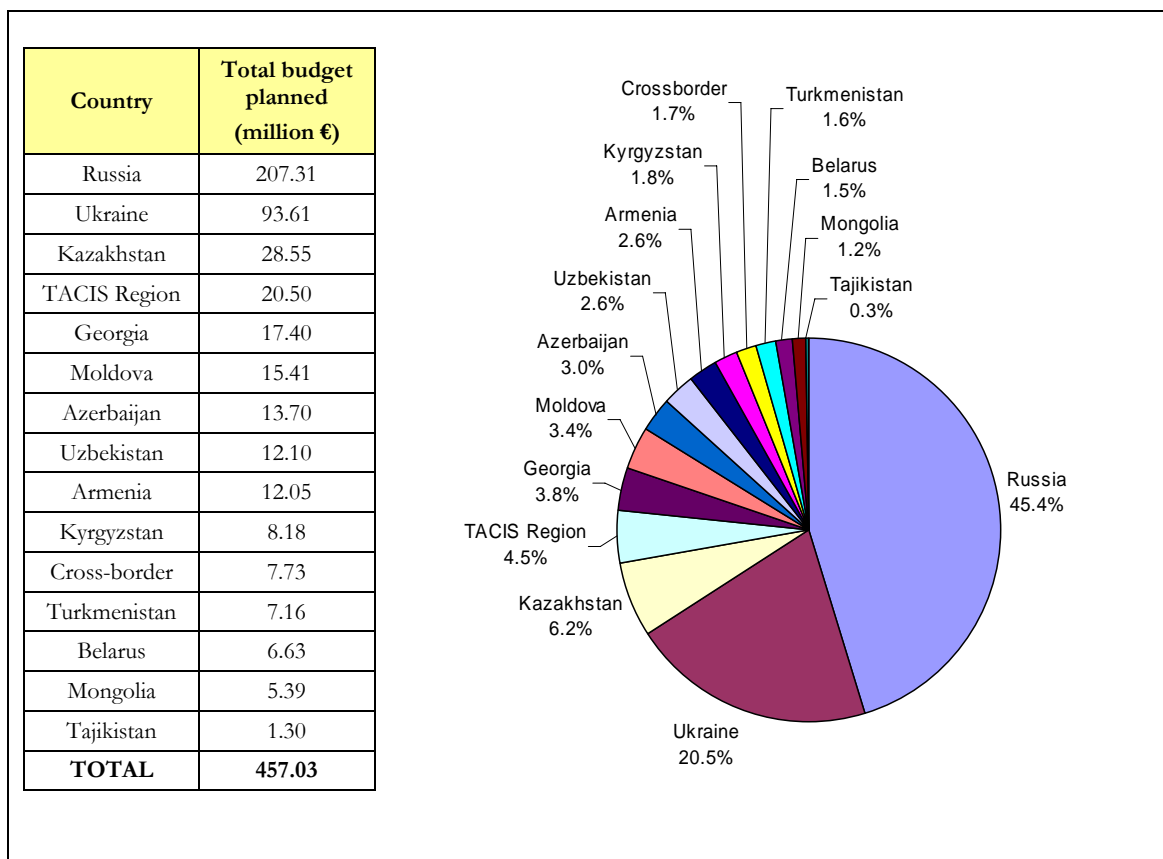


**b) By beneficiary country**

EC PSD projects were planned in all 13 countries of the TACIS region during the period 1994-2001. The largest share went to Russia (45% of the PSD planned budget) and to Ukraine (20%). The other TACIS countries planned PSD interventions for budgets ranking from 0.3% to 6% of the total.

The funds planned for PSD interventions through regional projects amounted to 4.5% of the total. Moreover, Cross-Border Projects received 2%.

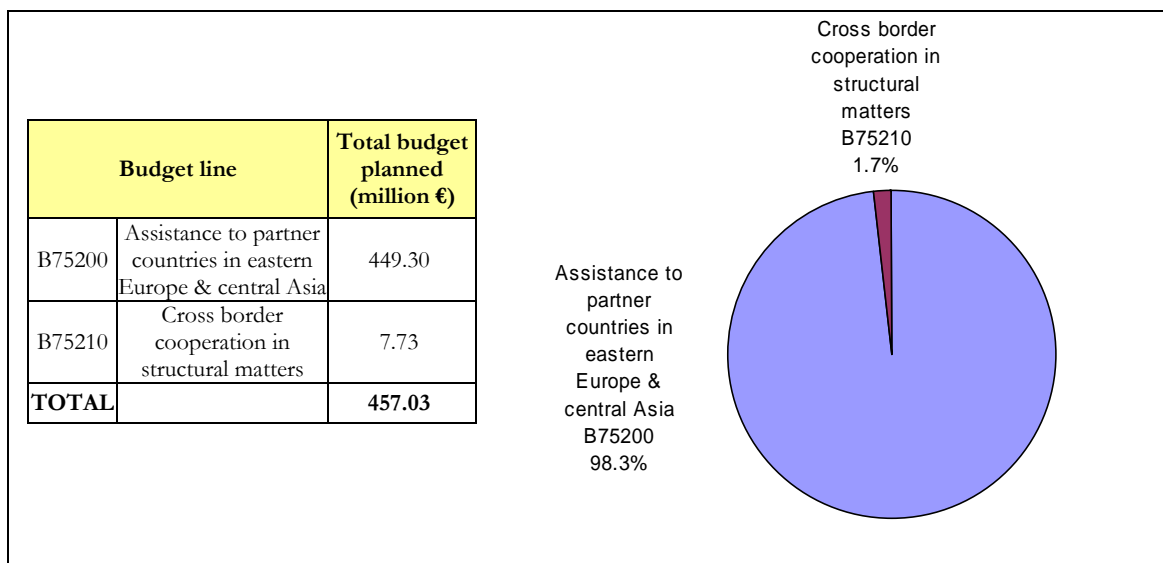
**Figure 20 - Budget distribution by country (TACIS – 1994-2003)**



c) *By financing source*

Nearly 99% of the EC interventions in the TACIS area in support to the private sector during the period 1994-2001 were planned under Budget Line B-75200, *Assistance to partner countries in Eastern Europe & Central Asia*. A small part of the budget, corresponding to the Cross-Border projects, comes from Budget Line B-75210 *Cross border cooperation in structural matters*.

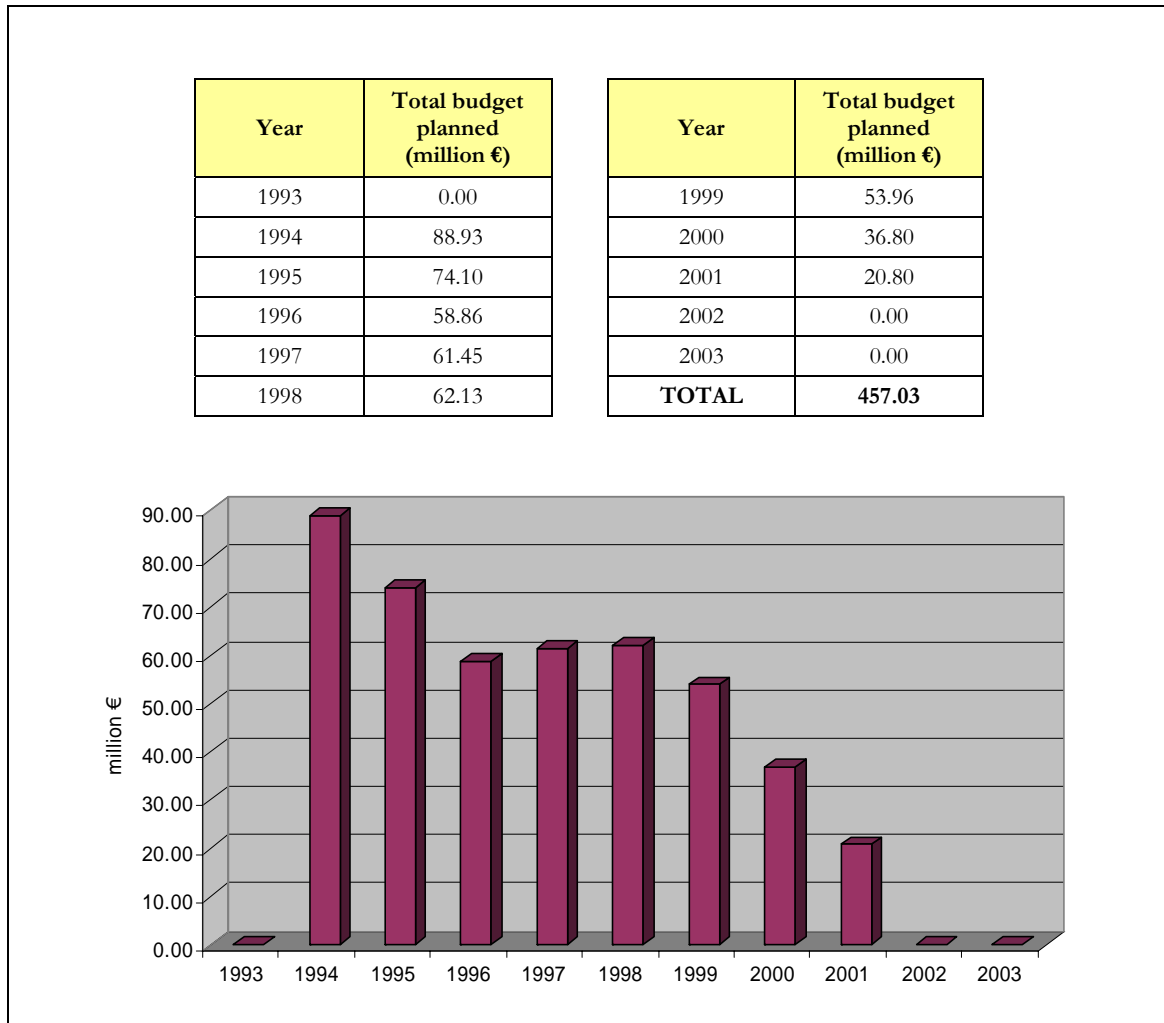
**Figure 21 - Budget distribution by financing source (TACIS – 1994-2003)**



c) *By date*

The planning of TACIS interventions for PSD was rather regular over the 1994-2001 period. However, a decrease in the budgeted amount is observed for the last two years of the period (2000-2001).

**Figure 22 - Budget distribution by year (TACIS – 1994-2003)**





## 4. Projects analysed during Desk Phase

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### 4.1 Introduction

This section presents the projects that were analysed during the first Phase of the evaluation. It is presented in a grid that includes project name and acronym, budget, starting date, objectives (overall and specific) as well as complementary information.

Following the review of policy and strategy documents, the evaluators focused on country and project documentation. On the basis of the project list constructed from the CRIS database, a preliminary list of countries, where PSD seemed to have received attention, was determined. This list was counterchecked with EuropeAid staff in the various Regional Units to complete or correct it. On the basis of this sample of projects, the evaluation team started collecting both country programming documentation (i.e. Country Strategy Papers, National Indicative Programmes, Delegation Annual Reports) and project documents (financing agreements, terms of reference, progress reports, monitoring and evaluation reports). To compensate for the lack of information in the CRIS databases, EuropeAid staff in various Units and sometimes Delegation staff were contacted to try to obtain project documentation. For ACP countries, a search in the archives of DG Development was carried out to find relevant documentation on selected countries. No project documents were made available to the evaluation team on PSD projects on TACIS or CARDS countries; for this reason the team has been unable to analyse support to private sector development in TACIS and CARDS countries.

## 4.2 ACP

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
<b>Dominican Republic</b>						
Programa de Apoyo al Sector Privado 1996-2000	PASP	4.20	1996	Contribute to the adaptation, modernisation and restructuration of the Dominican economy.	To increase SMEs productive and commercial capacity. 4 components: a) support to SMEs, b) support to Intermediaries, c) support to financing d) political dialogue	Credit line managed by a local Bank. Credit range: € 10,000- € 50,000. Average term: 27 months. 50% to agro-industry. Payments defaults: 1% by end 1999. Beneficiary SMEs identified through intermediate organisations. Move from the original demand-driven attitude to a more pro-active behaviour by launching a series of participative enterprise diagnostics, intense promotion campaign (TV and press), and flexibility with regard to the 50% cost-sharing requirement. (Source: Annual Report 1998).
Programa de Apoyo a las pequenas empresas 8/DO/7002/01	PRO-EMPRESA	9.80	2002	To enhance a consolidated, sustainable, equitable development, source of job creation.	To support the development of small enterprises with high growth potential, identified as the target group best able to contribute to the modernization of the local productive sector and to reaching the social impact looked for.	Project ongoing. No mid-term evaluation report available yet.

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
<b>Ghana</b>						
Ghana Regional Appropriate Technology Industrial Service	GRATIS	Phase II: 3.00 Phase III: 4.35	Phase II: 1994 Phase III: 2000	To promote grassroots industrialisation through the establishment of a network of regional centres (ITTU) throughout the country.	Establishment of a network of 9 regional Industrial Technology Transfer Units (ITTU). Other elements of the programme include technical support, entrepreneurs training and a credit scheme for ITTU clients.	One component of the GRATIS project is a credit scheme for the ITTU clients including hire purchase of machinery and working capital.
SME Development Programme	SMEDP	4.80	1995	To assist small entrepreneurs to prepare a business plan and to secure funding of specific investment projects.	To provide financial assistance to SMEs to enable the preparation of business development plans and investments projects. Creation of the Business Development Planning Fund, managed by Empretec Ghana Foundation.	A low level of implementation was registered during the first 18 months, due to difficult macro-economic environment (high inflation and interest rates) and difficulties encountered by several companies to comply with managerial, legal and administrative requirements. By end 1997, improvements were observed.
Woodworking Sector Development Programme	WWSDP	4.85	1998	To improve the efficiency in the woodworking sector and widen Ghana's export base and revenue.	Better business and processing practices for woodworking sector SMEs.	

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
<b>Kenya</b>						
Trade Development Programme I	TDP I	3.13	1996		To strengthen the institutional capacity of the Export Promotion Council (EPC), establish foundations for a national trade information centre, the Centre for Business Information in Kenya (CBIK).	
Trade Development Programme II	TDP II	8.00	2001		To broaden and deepen the results of TDP I with focus on a wide range of institutions, private and public, engaged in the delivery of services to exporters or in the development of export capacity.	Specific activities foresee: (i) institutional support and capacity building re trade policy, compliance with international agreements/regulations, regional integration; (ii) export finance assessment with analysis of export finance and credit guarantee mechanism; (iii) trade information with the development of CBIK; and (iv) enterprise level support for SME with product and market development (code of ethics, adoption of ISO and technology transfer).
Tourism Diversification and Sustainable Development Programme	TDSDP	24.00	2001		To carry on activities in the form of financial support and technical assistance in various areas.	Implementation started effectively in January 2003.

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
<b>Niger</b>						
Agence de Financement et d'Encouragement de la Libre Entreprise au Niger 1993-1998 7/ACP/NIR/004	AFELEN	Equipment and operating: 3.35 Credit line: 8.65	1993	Objectives not specified. It can be deduced from the F.A. that the project will assist the Niger government in its policy of strengthening the private sector to compensate for the State's "disengagement".	The project will try to compensate for the lack of financial resources for the private sector. Funds will be deposited in 3 local banks that will grant credit to beneficiaries according to AFELEN's instructions.	Non-profit organisation made of representatives of professional sectors, under permanent audit. The Niger Govt put in place in early '90s a set of 18 rules that would govern the public policy of support to the private sector. AFELEN to follow these rules. No final project evaluation performed but project fully privatised by end 2003. Credit no longer provided under this new arrangement - services and guarantees only offered to investors, commercial banks providing the credit side of the operations (Source: Delegation in Niamey).
Projet d'Appui et de Suivi des PME 8 ACP NIR 38	PASPME/TA NYO		2001	To contribute to the development of the private sector by facilitating access for SMEs to bank financing.		Project taking over from AFELEN. Work as an intermediary between banks and SMEs. Set up a Guarantee Fund with the funds still available from former AFELEN - was mandated to follow up the recovery of AFELEN's credits. Identifies and assess investment programmes submitted by entrepreneurs, forwards them to the banks with a max. 50% guarantee, and in case of agreement by the bank, offers a project follow up during the loan duration.

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
<b>Senegal</b>						
Appui au Développement des PME dans la Région de Dakar	Dakar PME	1.99	1995	Contribute to the development of private economic activities in the region of Dakar.	Reinforcement of the existing SMEs, promotion of new enterprises, creation of an economic network generating jobs. Access to credit to finance investments of entrepreneurs.	46 projects financed by end 1997. Results achieved, but below expectations.
Programme de Développement de la Région de St Louis	St Louis DP	Total: 22.5 PSD Support: 7.6	1994	Support to the economic development and the well being of the population at the economic, medical and environmental levels.	Support to private sector: creation of a economic network in the private sector, in order to promote the development of productive activities and to create jobs. The beneficiaries are Senegalese (future) entrepreneurs that have difficulties to access to the classic banking system.	Judiciary procedure because of a embezzlement of assets.
Appui au développement économique de la région de Ziguinchor	Ziguinchor DP	1.99	1994	Contribute to the development of private economic activities in the region of Ziguinchor.	PROPAC: support to fishery enterprises. PME: promotion of new enterprises, creation of an economic network generating jobs. Access to credit, information and sensibilisation, support to the creation of dossiers.	PME: By end 1997, 137 dossiers, 78 projects financed. Results achieved, but below expectations.

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
<b>Uganda</b>						
Support to Feasible Financial Institutions and Capacity Building Efforts	SUFFICE	Phase I: 1.70 Phase II: 3.55	Phase I: 1999 Phase II: 2003	Develop an inter-linked chain of sustainable and efficient financial institutions offering unsubsidised, high quality and diversified financial products and services to micro and small entrepreneurs in urban and rural areas of the country.	Programme aimed at supporting the development of appropriate financial systems for micro and small enterprises. Amalgamation of 3 credit programmes previously funded under the 7th EDF Micro projects. Three 3 key components: financial services, capacity building and research and documentation.	According to the MR, good overall assessment of SUFFICE Conception relevant according to PSD in the country and good progress made in achieving planned results (Source: project synopsis and monitoring report). In 2001, 7 micro finance institutions received loan fund finance and 6 received matching grants for capacity building (source: MR). The SUFFICE project had problems of donor competition (source: Country Strategy Evaluation 2001).

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
<b>Zambia</b>						
Export Development Programme	EDP I	10.00	1993	To double foreign exchange earnings from four sectors with significant growth potential (coffee, horticulture / flowers, tobacco and cotton textiles) through support to the exporters' professional associations.	Activities leading to reforms concerned: (i) the introduction of quality control, maintenance and inspection procedures and establishing of laboratories for testing; and (ii) market research and market development activities, including the monitoring of world market trends and identification of market opportunities / requirements. Other activities included: financing (EFF), training, X promotion, etc.	Activities were carried out through intermediate organisations, which as a consequence developed in terms of number and membership. In Zambia, this type of project (support to intermediary organisations) seen as a priority.



### 4.3 Asia

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
<b>ASIA</b>						
Asia-Invest	Asia-Invest	Phase I: 30 Phase II: 35	Phase I: 1997 Phase II: 2003	Asia-Invest is a European initiative that aims to promote and support Euro-Asian business cooperation. The programme provides assistance to intermediary organisations to facilitate mutually beneficial partnerships between companies in Europe and Asia, as well as to strengthen the framework conditions to increase trade and investment flows between the two regions.	Specific objective: More business-to-business matchmaking opportunities and partnership building. Three instruments: Asia-Venture (small scale), Asia-Enterprise (medium scale) and Asia-Partenariat (large scale). Other specific objectives of the programme: Enhancing Asian private sector development, and increasing institutional capacity building, networking and dialogue.	Results of Phase I (1997-2001): 143 projects supported, 60 business match making meetings, 70 seminars, 600 commercial partnerships. Targets? Phase II (2003-2007) ongoing (calls for proposals).

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
<b>VIETNAM</b>						
Technical Assistance Programme for Transition to Market Economy	Euro-TAP	Phase I: 19.00 Phase II: 11.03	Phase I: 1993 Phase II: 2002	Reforms in various fields.	Components include: (a) Accounting and auditing. (Introduction of practices and harmonization with European standards.) (b) Liberalization of insurance market. (New legislation, increase technical expertise among local companies, introduction of European practices and liberalization of market.) (c) Standards and Quality Assurance Project. (d) Intellectual property rights. (legislative and regulatory framework.)	Status: Completed (Source: Evaluation of Euro-TAP).
Private sector support programme	PSSP	9.05	2003	To improve capacity to dialogue between government and professional organisations.		Status: On going (very recent).

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
Small and Medium Enterprise Development Fund	SMEDF	Phase I: 0.97 Phase II: 1.00	Phase I: 2000 Phase II: 2002	To provide improved financial services to SMEs to enhance social and economic development in 21 provinces in Vietnam. Achieved through a refinancing facility operated through selected Vietnamese commercial banks from on lendings at commercial rates to SMEs.	Includes a component aiming at improving access to credit through the establishment of a revolving fund, working through local financial institutions (i.e. 5 commercial banks). It also contains a component aimed at the reform of financial sector to develop the capacity of financial sector to mobilize and mainstream savings towards SMEs.	The reform component failed. (Source: SMEDF evaluation).
Small Project Facility	SPF	2.00	2003	Promotion of dialogue between government, donors and civil society (including professional organizations).		Status: On going (very recent).

#### 4.4 Latin America

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
AL-INVEST 1994-ongoing	AL-INVEST	Pilot Phase + Phase I + Phase II : 98.00	1994	Increasing European investments in Latin America, as well as enhancing commerce between both regions.	Al-Invest is a Programme of the European Commission (EC) to support in a systematic and continual way the investments, transfers of technology, joint ventures and long-term trade agreements between companies of the European Union and Latin America.	Works through sectoral meetings, where EU and L.A. companies can agree investments and commercial agreements. Demand-driven. Results: period 1996-2002: an average of more than 45 events per year, with over 35.000 enterprises participating. Average value of trade agreements (615): € 273.000. Average value of investment agreements (68): € 704.000. Return of the activities ("taux de succès") assessed to 7 to 1 (Source: AL INVEST website and EuropAid). NB: high concentration of activities in the 5 large Latin American countries. Phase III for an amount of € 46 mill to be launched in 2004.

#### 4.5 MEDA

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
<b>EGYPT</b>						
Industrial Modernisation Programme 2000-2006	IMP	250.00	2000	To promote GDP growth and the competitiveness of the private enterprise sector, with special emphasis on SMEs in the context of liberalisation and internationalisation. Will also foster employment and entrepreneurship.	To assist private enterprises in their development. To strengthen business associations, support institutions and services. To strengthen the Ministry of Industry. To improve the sector policy framework.	Designed to be complementary to three ongoing projects (at the design time): Public Enterprise reform and Privatisation, Banking Sector Support Programme, Social Fund for Development. Would integrate several features of EU- PSDP. Special focus on SMEs (Source: MR 2003) Components: Industrial Modernisation Centre. Policy support activities. TA on foreign investment, exports, competitiveness, business management, industrial training. 20 Business Resources Centres. Institutional development. Programme audit, monitoring and evaluation activities. (Source: F.A + MR 2003.).

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
Private Sector Development Programme	PSDP I	25.00	1996	To promote economic growth and diversification and the development of a market economy in Egypt through assistance to private business.	To improve the performance of enterprises in local, regional and international markets and thus increase outputs, exports and employment.	Status: End of Phase I in 2001. Followed by Phase II. Components: Business Support programme: - Business upgrading. - Marketing and export development. - Business collaboration. - Information. - Institutional development programme.
Private Sector Development Programme EGY/B74051/IB/98/0316	PSDP II	20.00	1999	Phase II will pursue the overall objective of increased growth and competitiveness of the private sector.	To improve the performance of the private local businesses (in particular SMEs) in local, regional and international markets, increasing output, quality, exports and employment. To raise awareness of and to improve business support services by means of support to business support organisations and the local consulting industry. To provide business support operations that will be consistent with the overall aims and objectives of the Egyptian IMP, once it becomes operational.	Components: Business Support programme: - Business upgrading. - Marketing and Export development. - Business collaboration. - Information. Institutional development programme.  The results of both phases were evaluated together in a single report in January 2001 (IPR).

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
Social Development Fund II <i>Component:</i> Enterprise Development Programme (EDP - SEDO)	SDF II, EDP - SEDO	88.00	1998	To create employment through support for new and existing enterprises by providing a package of TA, training and credit.	To create target-driven financially sustainable credit and services to small enterprises (SMEs). To develop a commercial approach that maximises revenues and minimizes costs. To provide service and credit packages that are required by customers. To create 20 to 25% of all non- farm jobs required annually in Egypt. To maintain the value of capital with a real positive return To focus all SEDO activities on small (and medium) sized enterprises' customers needs.	Financial and non-financial services. Non-financial services (NFS). awareness of existing services and potential benefits relatively low. (Source: Evaluation of SEDO NFS, 2003). Banks attitude not easy to change. SEDO does not provide enough incentives to and within banks to stimulate SMEs lending or develop their internal capacity to make such loans (Source: Multi Donor Review 2000 p.92). Aimed originally at low income beneficiaries but its targeting has become less focused in recent years, this leading to more potential entrepreneurs. SEDO opted for the broad target group but retains a de facto subsidized approach (Source: Multi Donor Review 2000 p.95).

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
Social Development Fund (SFD) II	SFD	155.00	1998	To promote economic growth, reduce unemployment, create jobs and contribute to overall poverty reduction in Egypt. The programme will alleviate constraints facing the micro and small business sector in Egypt and strengthen the productive capacity of Egypt.	To improve and expand sustainable job creation in Egypt through credits to micro and small enterprises in order to increase their output and employment. The Enterprise Development Programme (EDP) seeks to increase employment and income generating opportunities in the small enterprise sector, by encouraging the creation of new business and the expansion of existing productive activities. This is achieved by providing small businesses and potential entrepreneurs with TA, training and know-how and credit.	Components: - Enterprise Development Programme (EDP-SEDO) - 88 mio - Community Development Programme (EDP) - 28 mio - Public Works Programme (CDP) -16 mill - Human Resources Development Programme (HRDP) -8 mill - Institutional Development Programme (IDP) - 7.2 mio.
Competitive Upgrading of SMEs (EIB)		25.00	1998	Competitive Upgrading of SMEs	Risk capital facility provided via the EIB through local banks. (Source NIP 1996-99)	Followed by EIB initiatives to complement IMP: innovative capital initiative; credit line for PSD via Egyptian banks. March 2002: launching of FEMIP (Source: Annual report 2002).



PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
<b>JORDAN</b>						
Industrial Modernisation Programme: Euro-Jordanian Action for the Development of Enterprise 2001-2005	EJADA	40.00	1999	To enhance the capacity of the private sector, in particular SMEs, to contribute to the growth of GNP per capita as well as to facilitate the insertion of Jordan into Euro-Mediterranean Free Trade Area.	<ol style="list-style-type: none"> <li>1. To improve the performance of private industry through the provision of non-financial services for beneficiary enterprises and strengthening SME support institutions.</li> <li>2. To enhance the availability and effectiveness of financial instruments, especially for medium and long-term financing.</li> <li>3. To strengthen the capacity of vocational training and other education provider to contribute effectively to the aims of industry modernisation.</li> <li>4. To strengthen the institutional capacity of the MIT and Ministry of Planning and to assist Jordanian institutions to establish a conducive environment, including policy support to ensure smooth implementation of the Association Agreement.</li> </ol>	<p>Components:</p> <ul style="list-style-type: none"> <li>- Direct, non-financial support to SMEs.</li> <li>- Financial support schemes for SMEs and start-ups at reasonable rates of interest.</li> <li>- Vocational training and human resources development.</li> <li>- Policy support and institutional strengthening.</li> </ul> <p>A Government Decree was issued in June 2003 (with € 7.7 mio budget) for the creation of a Jordan Enterprise Development Corporation that will implement JUMP, a Jordan Upgrading Modernisation programme that will ensure a follow up to EJADA programme after 2005 (Mid-term evaluation of EJADA, page 67).</p>

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
Private Sector Development Programme 1996-2001	PSDP	7.00	1997	To increase real income, growth and employment creation through increased competitiveness and productivity of the private sector.	<p>To intervene in an integrated way in favour of PS development in a number of key areas:</p> <ul style="list-style-type: none"> <li>- to render individual enterprises more efficient and stronger through acquisition of know-how, training and improved management;</li> <li>- to make good quality information on domestic, regional and international markets more widely available;</li> <li>- to promote the establishment of effective and durable collaboration, joint-ventures and partnerships with EU firms;</li> <li>- to help business associations to act as a service providers to their private members;</li> <li>- to help business associations become more effective in their task of improving the environment for the private sector in general and for their members in particular.</li> </ul>	<p>Activities:</p> <ul style="list-style-type: none"> <li>- Business Support services: business upgrading; business collaboration and investment promotion; information and data services.</li> <li>- Development of Business Associations: support to their development through analysing and articulating their members' interests and identifying the types of services they require". (Source: Project Synopsis).</li> </ul>

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
<b>TUNISIA</b>						
Euro-Tunisia Enterprise	ETE	Phase I: 20.00 Phase II: 20.00	Phase I: 1996 Phase II: 2000	Support to the economic transition process in Tunisia and in particular the process of economic modernisation, which should enable Tunisia to face the challenges and retrieve, the benefits related to the liberalisation process foreseen in the EU-Tunisia Association Agreement.	ETE objective is to implement an integrated intervention in favour of the private sector. It aims at increasing the efficiency of enterprises through the acquisition of technical knowledge, the use of performing management and production methods, training and the access to appropriate financial means. The needs in terms of specific information on internal, regional and international markets are also taken into consideration.	ETE should have started in 1997 but actually started end 2000. Promotion of inter-sector fairs, which is said to increase the likelihood of partnership (Source: PSDP Operational Evaluation Report, Oct 2002). ETE and IMP are implemented through intermediate organisations which remain closely related to the Tunisian state (e.g. CEPEX, FAMEX). Private sector organisations are less represented.

PROJECT NAME	ACRONYM	BUDGET (MILLION €)	STARTING DATE	OVERALL OBJECTIVE	SPECIFIC OBJECTIVE(S)	COMPLEMENTARY INFORMATION
Industrial Modernisation Programme	IMP	50.00	2002	Supports the actions of the GoT aiming at an economic and social sustainable development of the country in the context of the EU-Tunisia EPA. Aims at easing the insertion of the Tunisian economy in the Euro-MED FTA by increasing the general level of Tunisian enterprises productivity and fostering industrial reorientation.	Foresee reforms related to: (i) quality-Metrology-Normalisation with support to the upgrading the Tunisian legal framework related to normalisation (technical norms, conformity and evaluation methods) and to the implementation of the national metrology system (insertion of the national metrology system into the official international instances and its conformity with international standards); (ii) reinforcement of the national system of patent management with strengthening of the national industrial property system; and (iii) support to the new system of financial guarantee aimed at improving the access of SMEs to financing.	IMP started in June 2003. (Source: IMP FAs and TAPs.)

## 5. Synthesis of findings from Desk Phase

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### 5.1 Introduction

This section presents the main factual findings collected through the analysis of documents, interviews in Brussels and the survey. They are organised and presented as follows: Section 5.2 on relevance, Section 5.3 on effectiveness, Section 5.4 on sustainability, Section 5.5 on efficiency, Section 5.6 on coherence, Section 5.7 on co-ordination and Section 5.8 on crosscutting issues.

### 5.2 Relevance

The collection of information was mainly focused on the relevance of the specific objective of the PSD support strategy with respect to EC development and cooperation objectives. Indeed, EC support to PSD will be relevant if the low competitiveness of the business sector in partner countries is a major constraint preventing progress towards the EU development and cooperation objectives in these countries<sup>6</sup>. A direct assessment of such a politically fundamental assumption could not be carried out in the framework of this evaluation. However, it was essential and possible to at least verify whether the EC has analysed this assumption and how. Two criteria were considered: Whether the strategy explicitly substantiates the fact that a more competitive private sector contributes to achieving the objectives of the EC development and cooperation policy and whether this justification is shared by the main donors and Member States.

#### 5.2.1 Is the main assumption justified in EC PSD documents?

Regarding the first criterion, it was found that EC PSD policy papers as well as country specific papers issued during the period under review do not provide any demonstration or justification of the contribution of more competitive enterprises to the different goals of the external policy of the EU. The necessity of enhancing the competitiveness of the private sector in order to reduce poverty is in general taken for granted:

##### a) *General PSD policy documents*

- The **Guidelines** for EC support to PSD stress the importance of private sector development for addressing the issue of poverty (ACP), for contributing to the setting up of a free trade area (MED), or for supporting the transition towards a market economy and a security framework (CARDS). Three paragraphs are dedicated to

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<sup>6</sup> These objectives include: poverty reduction; integration in the world economy; sustainable development; peace, political stability and security; and the enhancement of the political, economic and cultural presence of the EU.

stressing (but not to demonstrating) these links, referring to EC Communications and to the World Bank and the DAC documents.

- The **COM(2003)267** (page 2) indicates *“The wide consensus reflects the perception that economic growth creates the resources to combat poverty and that business development and a dynamic private sector are essential for economic growth, providing the main source of employment in developing countries...”* The communication explicitly refers to international sources, the DAC and the World Bank for which specific documents are identified, and other institutions such as the UN and the IFC.
- **COM(2003)587** “Shaping the support to PSD in the Mediterranean” provides some analytical elements featuring the causes of a weak private sector development in the Mediterranean countries.
- The last two documents are recent and had no influence on the programmes under review. The recent evaluation of the economic cooperation between the EC and the MED countries carried out by ADE stresses (page 61) that *“the absence in the period under scrutiny, of any analytical document that would have reflected the EC assessment of the economic and social situations in the various MED countries, indicating which weaknesses it considered as the most acute and how it therefore selected... its intervention.”* and also confirms that the new CSPs covering the period 2002-2006 are an important step forward.
- In an attempt to clarify the definition of EC economic cooperation several references are made to the links between Economic Cooperation and the different goals of EC external policy (ADE, 2002, “Clarifying the definitions of European Commission economic cooperation with third countries”, pages 25 to 31). In this document, Economic Cooperation is defined as having three major components: trade facilitation, direct support to enterprises and improving the institutional and economic environment. The two latter are part of the present concept of PSD support.

#### **b) Country level documents**

No explicit justification or mention has been found in programming or other country documents in relation to the contribution of PSD interventions to achieving EU external policy objectives. An exception is that many country documents mention that PSD will contribute to greater integration into the world economy. Most country programming documents also state that PSD increases economic growth and employment. In some cases it is further stated that an increase in employment contributes to reducing poverty, particularly when programmes target micro-enterprises and the informal sector:

#### **Dominican Republic**

- Under the 9<sup>th</sup> EDF, PSD interventions are no longer seen as a priority in the NIP, since the country can continue to benefit from the various ACP programmes aimed at PSD (EBAS, CDE, regional programmes like Caribbean Export, etc) and possible EIB assistance (Source: CSP and NIP 2001-2007, page 20). However, the Country Strategy Evaluation mentions that PSD may be seen as necessary in the context of a possible Economic Partnership Agreement with the EU. In that case, it should focus on targeting poverty reduction (page 67).

### **Kenya and Zambia**

- The CSP and other country reports mention the linkage from PSD to increased export capacity, to job creation and finally to poverty alleviation, but do not provide any justification. For instance, according to programming documents, the TDP is supposed to contribute to improving the country's terms of trade and to accelerating export and private sector-led growth and employment creation in Kenya.

### **Vietnam**

- The CSP mentions the objective of contributing to the export-led development of Vietnam in coherence with the government's own policy. The strategy is oriented to reform towards a market economy. The promotion of the private sector is an area of the EC-Vietnam cooperation along with reform of State Owned Enterprises (SOEs), employment creation *via* increased numbers of small and medium-sized enterprises, modernisation of Vietnam's economy and maximisation of export and industrial cooperation opportunities.

### **Egypt**

- In the case of the project "Social Fund for Development", the primary objective of the intervention is poverty reduction. The project includes an important component of SME support (with a focus on micro and small enterprises) for which the objective is employment creation.

### **Tunisia**

- The CSP establishes a strategy centred on realisation of the objectives of the Association Agreement (AA), including implementation of the FTA *via* the upgrading of Tunisian industry to meet the challenges of increased external competition, export-based economic growth and promotion of private investment. PSD should contribute to the integration of Tunisia in the world trading system, which contributes to the country's sustainable development. No justification or explanation of the causal link is given.

## **5.2.2 Is this shared by other donors?**

Regarding the second criterion, it was found that other donors share the view that PSD is a critical dimension of economic growth, hence of poverty reduction. Their experience show that, though the link between a more competitive PS and reduced poverty is not really challenged, systematic analysis of this relation allows broadening of the scope of impacts of PSD to poverty reduction and hence designing of the interventions in support to PSD to maximise their effects on goals such as poverty reduction.

### a) *The World Bank*

The WB private sector development strategy (2002) shows a clear concern for linking PSD and poverty reduction. This link also justifies the main features of the WB support to PSD. “PSD (which includes firms and farms) is critical for poverty reduction in two major ways. First, private markets are the engines of productivity growth and thus create productive jobs and higher incomes. Second, complementary to government roles in regulation, funding and provision, private initiative can help provide basic services that empower the poor by improving infrastructure, health and education.” This second aspect does not appear as such in EC policy documents. In order to progress along these two complementary lines, the main dimensions of the WB approach are the following:

- Opportunity: extending the reach of the market
  - a) Enhancing the investment climate, with a special concern for rural areas and for ensuring that politically weak entrepreneurs actually have access to safe property rights and business oriented services, and are protected against harassment.
  - b) Direct public support to firms, under two conditions:
    - It should be done only under a sound investment climate
    - Both financial and advisory support should be aligned with market forces
- Empowerment: improving access to basic services
  - a) Infrastructure (utilities, telecoms)
  - b) Social services (health, education)

### b) *The Development Aid Committee at the OECD*

The DAC orientations for development cooperation in support to PSD (1993) also make the link between PSD and poverty reduction, notably through providing job opportunities, *wealth, dynamism, and knowledge*, but also because PSD contributes to *creating new stakeholders in the economy, advancing the development of a more pluralistic civil society that can lead to more accountable political systems and rising labour standards*.

## 5.3 Effectiveness

The question of effectiveness has been treated by type of intervention. Five types of intervention were identified based on project documents available in Brussels: institutional support; facilitation of investment financing and development of financial markets; support to SMEs through non-financial services; support to intermediate organizations; and investment and cooperation promotion activities. Findings regarding each of these areas of intervention are presented in the following pages. They are based on the analysis of project and country documents collected in Brussels. Table 3.1 shows the list of projects analysed.



**Table 3.1 – Projects and programmes analysed during the desk phase**

Acronym	Intervention	Budget (million €)	Starting date
<b>Dominican Republic</b>			
PRO-EMPRESA	Programa de Apoyo a las pequeñas empresas	9.8	2002
PASP	Programa de Apoyo al Sector Privado	4.2	1996
<b>Ghana</b>			
GRATIS	Ghana Regional Appropriate Technology Industrial Service	Phase II: 3.0 Phase III: 4.3	Phase II: 1994 Phase III: 2000
SMEDP	SME Development Programme	4.8	1995
WWSDP	Woodworking Sector Development Programme	4.8	1998
<b>Kenya</b>			
TDSDP	Tourism Diversification and Sustainable Development Programme	24.0	2001
TDP I	Trade Development Programme I	3.1	1996
TDP II	Trade Development Programme II	8.0	2001
<b>Niger</b>			
AFELEN	Agence de Financement et d'Encouragement de la Libre Entreprise au Niger	Equipment + operating: 3.3 Credit line: 8.6	1993
PASPME/TANYO	Projet d'Appui et de Suivi des PME		2001
<b>Senegal</b>			
Dakar PME	Appui au Développement des PME dans la Région de Dakar	1.9	1995
Ziguinchor DP	Appui au développement économique de la région de Ziguinchor	1.9	1994
St Louis DP	Programme de Développement de la Région de St Louis	7.6	1994
<b>Uganda</b>			
SUFFICE	Support to Feasible Financial Institutions and Capacity Building Efforts	Phase I: 1.7 Phase II: 3.5	Phase I: 1999 Phase II: 2003
<b>Zambia</b>			
EDP I	Export Development Programme	10.0	1993
<b>Vietnam</b>			
PSSP	Private sector support programme	9.0	2003
SMEDF	SME Development Fund	Phase I: 0.9 Phase II: 1.0	Phase I: 2000 Phase II: 2002
SPF	Small Project Facility	2.00	2003

Acronym	Intervention	Budget (million €)	Starting date
Euro-TAP	Technical Assistance Programme for Transition to Market Economy	Phase I: 19.0 Phase II: 11.0	Phase I: 1993 Phase II: 2002
<b>Egypt</b>			
	Competitive Upgrading of SMEs (EIB)	25.0	1998
IMP	Industrial Modernisation Programme	250.0	2000
PSDP I	Private Sector Development Programme	25.0	1996
PSDP II	Private Sector Development Programme	20.0	1999
SDF	Social Development Fund II	155.0	1998
SDF II, EDP - SEDO	Social Development Fund II - <i>Component:</i> Enterprise Development Programme	88.0	1998
<b>Jordan</b>			
EJADA	Industrial Modernisation Programme: Euro-Jordanian Action for the Development of Enterprise	40.0	1999
PSDP	Private Sector Development Programme	7.0	1997
<b>Tunisia</b>			
ETE	Euro-Tunisie Entreprise	Phase I: 20.0 Phase II: 20.0	Phase I: 1996 Phase II: 2000
IMP	Industrial Modernisation Programme	50.0	2002
<b>Regional</b>			
ASIA INVEST	ASIA INVEST	Phase I: 30.0 Phase II: 35.0	Phase I: 1997 Phase II: 2003
AL-INVEST	AL-INVEST	Pilot + Ph I + Ph II: 98.0	1994

### 5.3.1 Institutional support

A stable macroeconomic environment with sound economic fundamentals and a predictable and enforceable legal and regulatory framework (including tax legislation and the financial system) are essential prerequisites for sustainable private sector development. Most donors increasingly stress the fact that the main constraints hampering PSD are found in the public sector and that direct support to enterprises should be avoided as long as these conditions are not reasonably met.

### a) *Interventions*

In the different cooperation regions, a number of legal or economic reforms have been carried out with the support of the EC to improve the macro-economic and institutional environment with the aim of reducing poverty or as part of a debt-reduction programme<sup>7</sup>. In some regions, priority is given to supporting economic and institutional evolution towards an open and competitive market economy. In all cases technical assistance and financial support are provided to help enhance:

- The macroeconomic trends, which have to be sustainable;
- The legal framework, norms and regulations to make them compatible with global market requirements and, in some cases with European norms (MED, CARDS);
- The overall transparency and predictability of political and administrative practices;
- The taxation system, to make it transparent, stable and effectively enforceable;
- Financial markets, to provide sustainable access to credit for financing profitable investments;
- Sectoral policies in different fields such as communications, education and health. Improvement in these sectors is critical for PSD and, at the same time, the private sector may also provide a major contribution to their development.

These interventions cover a large range of institutions and domains. Among the sample of projects and programmes analysed, the following programmes correspond to this type of intervention:

- i) Legal framework reforms such as the drafting of a Competition Law and the creation of the Competition Directorate at the Ministry of Industry and Trade under the Euro-Jordanian Action for the Development of Enterprise (EJADA) in **Jordan**, or the development of the Industrial Property Rights legislative and regulatory framework under the Technical Assistance for Transition to Market Economy (Euro-TAP Viet) in **Vietnam**;
- ii) The development of business services capacities such as the Centre for Business Information (CBIK) under the Trade Development Programme (TDP) in **Kenya** or the establishment of the standards and metrology institution under EJADA (**Jordan**);
- iii) The support to intermediate organisations such as the Export Development Programme (EDP) in **Zambia**, which channelled sector assistance through the corresponding professional organisations.

### b) *Main characteristics*

Most of the interventions analysed are **components of a larger EC project or programme**, although they are not really part of a **sector-wide approach**. Otherwise, no definite common features have been found between these projects, particularly in terms of their type, field, country of implementation, and so on. As indicated above, Commission interventions have been successful in supporting institutional reforms in a variety of countries and regions. A good example of this is Vietnam where Euro-TAP activities fully

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<sup>7</sup> For instance, the World Bank-led HIPC initiative and PRSP.

delivered their outputs while the SME Development Fund (SMEDF) partially achieved its objectives<sup>8</sup>.

The survey, however, shows that the *factors of success* for this type of intervention include: strong demand for services; strong involvement of the beneficiaries; and good correspondence between the needs of the target group and the actions implemented.

The survey shows also that among the *factors that negatively influenced the achievement of objectives* of this kind of intervention are the length of the negotiations and implementation of a new structure, political resistance, unrealistic goals, and environmental obstacles (inadequate conditions for privatization, a non-conductive business environment).

While some PSD projects are supported by local authorities while others are not - owing to lack of capacity or political willingness from partner governments or other reasons - **government ownership** is, as expected, a key element. In some cases, interventions have failed to deliver outputs as planned when the support of the local public sector was insufficient. For instance, in Tunisia the government did not accept the structures created to implement the Industrial Modernisation Programme (IMP) and requested the EC to use existing public institutions. As a consequence, the programme started after a 3-year delay. The survey also mentions lack of consultation with local stakeholders as a factor hampering the implementation of interventions in support of institutional and regulatory reforms.

In other cases, the problem has been rather the lack of **support from the local private sector**. According to the Uganda's CSP 2002 (page 11), past PSD interventions had a limited success in improving the efficiency of public institutions promoting PSD "*due mainly to the lack of genuine private sector involvement as well as to the limited impact of this support in improving the enabling environment.*" While the lack of support of the public sector can be explained by its own policy agenda, a lack of support from the private sector is more surprising and raises questions regarding the appropriateness of the intervention.

An element that also seems to be important is the level of **coordination with other donors** or financial institutions. In Jordan, from 1989 the EU supported broad economic reforms in co-ordination with IMF, WB, USAID and other institutions. These reforms and macro-economic stabilisation are considered fairly successful although the overall process has been slow<sup>9</sup>.

In the field of reforms related to the financial sector and to its institutions, interventions generally have included a **component aimed at reforming the financial sector** and in particular developing its capacity to mobilise savings and mainstreaming them to the targeted enterprises. This reform component **has generally failed**, as it did not lead to changes in the behaviour of the financial intermediaries towards targeted enterprises. This was for instance the case for SMEDF in Vietnam, as the methodology to reach the

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<sup>8</sup> The evaluation of the project (2002) concludes that for some of the components, SMEDF attained its objectives (e.g. lending operations) while for others delivery was not sufficiently in line with programmed activities and expected results (e.g. training activities). It should be noted though that a phase II of SMEDF has been launched (the financing agreement has been signed on April 16th 2003).

<sup>9</sup> Source: Jordan's Country Strategy Paper 2000-2006.

objective was never properly defined, or in Zambia, where no local operator was ready to take over the activities of the programme<sup>10</sup>.

A final striking observation is that while institutional support is a major dimension of PSD support and the relative importance given to that dimension of the EC's PSD support policy is increasing, **EC approaches may differ widely from one region to another and among the Commission's staff**. A first example is that the COM(2003)267 explicitly encourages activities to attract FDI: "*Policy advice should also focus on ways and means of bolstering the role and functioning of the organisations representing the private sector, and encouraging Foreign Direct Investment (FDI) and international economic cooperation*" (page 6). However, this view is not shared by all the Commission staff working on PSD. For example, it was indicated by one Commission official to the evaluation team that "*PSD activities are designed to develop local enterprises and the local business environment, not to attract FDI. There are usually separate activities/programmes for that. Indeed I think a risk is that too many of the economies concerned become too dependent on FDI and indeed PSD programmes should re-balance this.*" Another example of the diversity of views regarding how best to support PSD is presented in Box 3.1 where the approaches of Asia and MED countries are described.

### Box 3.1 - Two approaches to institutional support

#### *Asia Programme*

The importance of the institutional, regulatory and economic environment for the development of the private sector has been highlighted in the framework of cooperation with Asian countries since the early 1990s. In the *Developing Countries of Asia and Latin America Regulation of 1992*, two main lines of cooperation were envisaged: (i) development aid for the poorest countries and population groups and (ii) economic cooperation with countries or regions with high growth potential. Indeed, the innovative approach of the Regulation was that "economic cooperation is aimed at **improving the business and regulatory environment** in partner countries to stimulate two-way trade and investments with the direct participation of the private sector to the benefit both of the Union and the partner country"<sup>11</sup>.

This policy decision has been further reaffirmed in later years. The strategy towards Asian countries, called the New Trade and Cooperation Strategy and proposed in the COM(1994)314, aims to develop closer political relations with the region, accepting its growing relative weight in the world economy and the international political scene. It states that the main thrust of the present and future policy in Asia is related to economic matters and the main objectives are: (i) to strengthen the Union's economic presence in Asia in order to maintain the Union's leading role in the world economy, (ii) to contribute to stability in Asia by promoting international cooperation and understanding, (iii) to promote the economic development of the less prosperous countries and regions in Asia, and (iv) to contribute to the development and consolidation of democracy and the rule of law, and respect for human rights and fundamental freedoms in Asia.

<sup>10</sup> According to the evaluation of SMEDF, there was an impact on the services provided to SMEs (although segmented and concentrated the North and South areas). Nevertheless, it also highlights that fact that, even though, the project activities that should have provided assistance to the banks in the development of new products or marketing strategies to enhance their capacity to increase saving mobilisation were eventually non-existent due to the local economic environment.

<sup>11</sup> COM(1994)314.

Within this framework, interventions to promote private sector development are concentrated at the “macro” level as opposed to the “micro” level. The “meso” level, interventions to support intermediate organisations are carried out through a specific regional programme.

#### *MEDA Countries*

A very different approach is noted in the following case of cooperation with MEDA countries. The COM(2003)587<sup>12</sup> on Private Sector Development support in the Mediterranean indicates that lack of private sector development is a key explanation for the inadequate economic growth of MEDA economies over the last decade. Further, it indicates that the State is still heavily involved in the real and financial sectors, that the reform and privatisation processes have been slow, and that overall the environment is not favourable to PSD: obsolete company laws, investment codes and tax and custom regulations and, more generally, weak legal frameworks (enforcement law and property rights) contribute to a climate of uncertainty.

However, the Communication considers that responsibility for developing an environment more conducive to PSD lies primarily with the partner countries and advocates interventions in another area. As the lack of a well-functioning market for financial services is also highlighted as an important problem, the Communication advocates concentrating resources on solving this specific problem through creation of the programme FEMIP, the “*Facilité Euro-Med d'Investissement et de Partenariat*”. It points out that: “the often unfavourable private sector environment in the region makes the case for a tailor-made private sector development instrument even more compelling”.

### **5.3.2 Development of financial markets**

Commission interventions aimed at providing financial services can be distinguished according to their nature: either support to investment financing and development of financial markets, or support to micro-enterprises through micro-finance.

As far as investment financing and development of financial markets is concerned, the Guidelines for European Commission Support to Private Sector Development emphasise the following:

- Its features take the non-exclusive forms of technical assistance for promoting the overall investment environment or direct capital contributions for financing specific investment projects;
- Its objective is to facilitate investments contributing to improvements in the general economic and social situation of the beneficiary country;
- They should meet demand from local private operators where this demand cannot be met by the local financial system owing to lack of funds or suitable financial instruments;
- They should channel their operations through local financial intermediaries<sup>13</sup> so as to increase their capacity to mobilise local savings; and

<sup>12</sup> Communication from the Commission to the Council: Shaping support for Private Sector Development in the Mediterranean, COM(2003)587.

<sup>13</sup> Financial intermediaries may be *inter alia* commercial or development banks, investment or venture capital funds and other financial institutions.

- They should operate on the conditions applicable to similar operations on the local capital markets<sup>14</sup> and aim for financial profitability while pursuing development objectives.

#### a) *Interventions*

Projects analysed mostly aim at facilitating access by local enterprises to financial resources and include credit schemes adapted to SMEs. For instance, in **Vietnam** the SMEDF includes a component aimed at improving access to credit for SMEs through the establishment of a revolving fund and by working through local financial institutions (five commercial banks). In **Ghana**, the SME Development Programme provides equity capital contributions, term loans and leasing arrangements; the associated funds comprised a Business Development Planning Fund (€ 0.48 million) and an Enterprise Fund (€ 3.5 million). In **Egypt**, the Private Sector Financing Scheme (1995) provided credits for SMEs through Cairo Bank during a period of 2 years.

Other projects were not explicitly targeted on SMEs but reached them indirectly, for instance the Export Financing Facility (EFF) in **Zambia** (a component of the Export Development Programme, EDP) which was established to complement the existing financial arrangements within the Government's policy framework so as to provide additional credit against export documentation and short term credit for procurement of inputs and marginal capital expenditure.

Implementation modalities included revolving funds (SMEDF in Vietnam, EFF in Zambia, AFELEN in Niger); the provision of credit lines (PASP in the Dominican Republic); the generation of an economic network in the private sector easing access by (future) entrepreneurs to the classic banking system (Credit programme in St. Louis, Dakar and Ziguinchor in Senegal); establishment of a Loan Guarantee Schemes (EJADA in Jordan or PASPME/TANYO in Niger); establishment of a credit scheme (GRATIS in Ghana); equity capital contributions; term loans; and leasing arrangements. Resources were mobilised through the establishment of funds (for instance the Business Development Planning Fund and an Enterprise Fund in Ghana) and channelled to beneficiaries through local financial institutions (i.e. a commercial bank).

#### b) *Main characteristics*

According to PSD strategy documents, the objective of these interventions is to facilitate access by local firms to financial instruments by (i) providing credit, in principle at market rates, and (ii) reforming the financial sector, in particular developing its capacity to mobilise savings and mainstream it to the targeted enterprises. However, it was observed that, for commercial banks to use the funding facilities, **the practice has been one of offering credit at rates lower than the market rate**. Moreover, the **reform component generally failed**, as it did not lead to a change in the behaviour of the financial intermediaries towards targeted enterprises, in particular for SMEs and micro-enterprises.

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<sup>14</sup> Flexibility and in particular interest rebates are allowed in three cases: (i) financing of infrastructure projects in less developed countries or in post-conflict situations, (ii) financing of restructuring operations in a context of privatisation and (iii) financing of projects with a significant social or environment component.

This is best illustrated by SMEDF in Vietnam, where rates had to be lowered for funds to be used effectively by local commercial banks and the methodology to reach the objective of familiarising financial intermediaries with SMEs was never properly defined. Other projects of this type were characterised by implementation difficulties, for example in Senegal where the SMEs credit programmes in Dakar, Ziguinchor and St. Louis were reoriented as a result of lack of resources to finance the implementation, deterioration of reimbursement rates, high operation costs, and weakened management. Similarly, the micro-finance component of the Micro-Projects Programme in Uganda (preceding the SUFFICE Programme) has been severely criticised in an evaluation, for both their management and their design.

Figures for the **number of loans granted** are often not given in the documents available for this evaluation but, when they are, they indicate a relatively large variation from programme to programme. Indeed, according to available information, the number of loans provided ranged from 17 in Jordan (Loan Guarantee Scheme of EJADA in the sectors of food and beverage, chemicals/fertilisers, plastic, garment and tourism) to 243 under SMEDF in Vietnam. For the SME credit programme in Senegal, 46 projects were financed in 3 years of implementation of the Dakar component and 78 in 2 years of implementation of the Ziguinchor component.

The same variability can be observed as far as **amounts lent** are concerned. Documents refer to loans reaching FCFA 572 million (around € 87,000) for the SME credit scheme in Dakar and FCFA 330 (around € 50,000) in Ziguinchor. In Egypt, the Small Enterprise Development Organisation (SEDO) component of the Social Fund for Development (SFD) targeted on micro and small enterprises has lent a total of £E 937 million (around € 126 million<sup>15</sup>) with an average loan amounting to around £E 20,778 (around € 2,800).

These results, however, cannot be related to the targets for each of the projects, as these **targets are rarely available on project documents such as financing agreements**. Moreover, when they are available, other documents referring to the projects (EU Delegation Annual Reports, CSP, CSE or even project evaluations) often stipulate other indicators.

Given the development objectives of the EU, **job creation has often been defined as a pre-condition** for support for facilitating access to financial resources. However, it has been observed that such conditionality is not always possible owing to implementation modalities and the objectives specific to private sector operators (e.g. commercial banks). For instance, in Vietnam the selection of projects for access to funding resources was originally conditional on their contribution to employment creation. Nevertheless, in the course of implementation, the risk of default - and therefore the selection process - was transferred to private banks, which used their own selection criteria among which employment creation was not included. More generally there is a potential conflict between the objectives of many such projects (e.g. job creation, growth potential, repayment capacity, etc.) that is rarely tackled at the formulation stage of the project.

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<sup>15</sup> At an exchange rate of € 1 per £E 7.40.



### c) *Micro-credit*

Commission interventions to support PSD have also contributed to the establishment of credit schemes oriented towards micro-enterprises. The objective of such interventions is to create a favourable environment for micro-enterprise development by enhancing the capacities of micro-finance institutions. The provision of technical assistance to these institutions has been the preferred type of activity, while limiting interventions taking the form of grants to exceptional cases.

Micro-finance aimed at supporting micro-enterprises covers a full range of financial services such as loans, savings, insurance and deferred payments or credit cards for the poor. Micro-credit is the most traditional form of micro-finance. According to the PSD Guidelines, given the competitive nature of the private sector and the relatively poor performances of the non-market approach adopted in the past, micro-finance activities should be managed commercially, which should increase their effectiveness and sustainability. Moreover, following a peer review of the Commission's operations on micro-credit<sup>16</sup>, senior management of the EuropeAid Cooperation Office decided that, given the EC's limited comparative advantage as a donor institution, no new credit lines should be launched in the field of micro-finance<sup>17</sup>.

**Few projects on micro-finance were included in the sample of projects analysed.** A possible explanation for this bias is that micro-finance projects are often part of larger (integrated or rural) development programmes which have not been considered as PSD interventions in this evaluation<sup>18</sup>. Yet two projects included a micro-finance component: in Uganda, under the Support for Feasible Financial Institutions and Capacity-building Efforts (SUFFICE) project, seven micro-finance institutions had received loan fund finance and six had received matching grants for capacity building. The first phase of the project had achieved some success in increasing the level of outreach to micro-enterprises, thereby promoting income growth and employment in the micro-enterprise sector<sup>19</sup>. In Jordan, the Social Development Fund component "Financial and Investment Sector Reform" also provided micro-credit in the social and rural domains. Nevertheless, information on the amounts lent, the number of beneficiaries reached or the associated job creation are rarely available in the available documents.

### 5.3.3 Support to SMEs

Interventions in support of SMEs at the micro level in the form of non-financial services form one of the five areas of intervention of Commission support for the development of the business sector<sup>20</sup>. These interventions complement interventions at the macro and meso levels. Their **overall objective is to improve the competitiveness, productivity**

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<sup>16</sup> Carried out in 2003 in the frame of the CGAP's Microfinance Donor Peer Reviews.

<sup>17</sup> Instruction Note 3959 on EC Position with Regard to Credit Lines, 4 March 2004.

<sup>18</sup> See section 2 of Annex 5 for a description of the selection process and a list of DAC sector codes used.

<sup>19</sup> See Monitoring report (2001).

<sup>20</sup> See COM(2003)267, COM(1998)667 and PSD Guidelines.

**and export capacity of third country SMEs**, allowing them to respond to the process of gradual integration into the world economy. The EC strategy to support PSD subscribes to the idea developed by the Committee of Donor Agency for Small Enterprise Development (SEDONORS) that BDS interventions should meet the objectives of outreach<sup>21</sup>, cost effectiveness and sustainability<sup>22</sup>. In addition, these ideas stipulate that these objectives can only be achieved by **creation or reinforcement of business development services (BDS) markets and not by the direct provision of such services by the donors**. Therefore, EC intervention in this area is aimed at focusing on facilitation of a sustained increase in demand for and supply of services. This approach entails giving priority to support for intermediaries and building up the capacity of local providers<sup>23</sup>, basing the strategy on what already exists locally and using market forces.

**Direct delivery of services to SMEs is, in spite of policy orientations, one of the oldest and most widespread activities of PSD support programmes.** The EC has financed many such interventions, some of which are handled by the CDE in the case of ACP countries. The shift towards facilitation has been put into practice rather slowly and, moreover, from the project documents analysed, it is not always possible to discern whether services were provided direct or through the use of local expertise and the reinforcement of BDS markets. In the case of services offered by the CDE, current practice is to use local expertise if possible, and only when that is not available is the request for services sent to headquarters. The survey, on the other hand, points out that 75% of Delegations consider that there has been a shift to an approach based on encouraging local supply of services, although it also points to the fact that, most often, both local and foreign expertise provide BDS to SMEs.

### Box 3.2 - The traditional approach to BDS

“Traditionally, donors and governments have intervened in BDS markets at the level of the BDS transaction: directly providing services to SEs [Small Enterprises] via public BDS providers, or permanently subsidising services delivered by other BDS providers. In the old approach, donors and governments have tended to substitute for underdeveloped BDS markets, possibly crowding out existing or potential commercial providers of services. Traditional approaches have failed to achieve high outreach (access to services by a large proportion of the target population of SEs), since the numbers of SEs served is limited by the amount of subsidies available. In addition, institutional sustainability has been low, since programmes often cease when public funds are exhausted; this effect has often been masked in industrialised countries by the much greater level of funding available.”

*Guiding Principles for Donor Intervention on Business Development Services for Small Enterprises (Committee of Donor Agencies for Small Enterprise Development, Washington, February 2001).*

<sup>21</sup> The principle of outreach refers to the maximisation of the proportion of the target population of SMEs having access to the services proposed.

<sup>22</sup> See for instance “Business development services for small enterprises: Guiding principles for donor intervention” by Committee of Donor Agencies for Small Enterprise Development (2001), Washington.

<sup>23</sup> See COM(1998)667, section 4.2 ‘Main elements of an Integrated Strategy’ and section 3.4 of this annex.

Whereas BDS projects can be identified in all regions, **very little information is available on quantitative targets, expected results and actual results**. In the best cases, some results were found but comparisons with targets were not possible. For example, a survey undertaken under Egypt's PSDP indicated that out of 553 company names listed, 35 reached the last phase of supplied services and completed a business plan, but no target figure could be found. In the case of the Ghana GRATIS project, Phase II mentions an increase of beneficiaries from 11,000 in 1998 to 16,000 per year but Phase III speaks about 'clients' rather than 'beneficiaries', making the comparison impossible. In the Dominican Republic's PASP, five projects were reported to be under implementation, four were approved and fifteen were studies during the take-off phase in 1998. No original target figures were available but the results were considered too low and led to a change of strategy<sup>24</sup>. On the other hand, the survey carried out by the evaluation team indicates that for 50% of the Delegations, the rate of use of services is in line with expectations, for 25% of them it is above expectations and for the remaining 25% below expectations.

Although little quantitative information has been found, several common characteristics among interventions aimed at supporting business development services were identified from the documentary analysis and the survey. These include:

*a) Demand driven-programmes*

Programmes are often **demand-driven** to better respond to the real needs of local business. However, **in many cases demand was lower than expected** at the start of the programme. This was the case of the PASP in Dominican Republic or the TANYO in Niger. The demand for services is affected by its cost, the information available to potential beneficiaries, the appropriateness of the programme to the needs of local business and the local context (the political and economic situation as well as the more specific business environment). Under Jordan's EJADA programme in early 2003, regional political instability brought a dramatic drop in demand for BDS. In the case of Dominican Republic's PASP, when demand was lower than expected, two measures were taken: (i) an information campaign was carried out to inform enterprises on the programme and (ii) the fraction of the cost borne by enterprises was decreased. However, there is no indication that an analysis was made to determine the exact causes of such insufficient demand<sup>25</sup>.

*b) Cost-sharing*

Business development services are usually offered according to a **cost-sharing** principle. To be coherent with the general Commission strategy for support to private sector development, cost-sharing should be applied sensitively and support should tend towards a situation in which private enterprise bears the full cost of the services it uses. Subsidies should be used selectively, for instance on investment restructuring activities, and its use

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<sup>24</sup> Source: Dominican Republic's Delegation Annual Report, 1998.

<sup>25</sup> Further, it is also indicated in the Delegation Annual Report 1998 that it was foreseen to engage foreign experts to design a model in order to identify the needs of potential beneficiaries, the programme however had started two years earlier.

should always be justified in detail. Based on the documents analysed, it is far from being the case, as illustrated below:

According to the PASP Final Evaluation Report (2000, section 5.5), “Under PASP, Dominican Republic, a 50% co-financing was criticised by some of the business services suppliers and beneficiaries. Pressure to increase the Programme’s share arose when a new phase of the EC Caribbean Export offered the opportunity of a cost-sharing rule amounting up to 2/3 of the investment level. The same percentage was offered by the new EU EBAS scheme”. In Egypt, the Independent Programme Review of the PSDP judges that “Cost sharing is not always proportional to the economic and financial dimension of some of the smaller scale enterprises (...) The choice to keep a lower level of cost-sharing is right, since the demand for activities would certainly fall with a sudden increase. An increase should be more gradual”. In Jordan, a comparative study was undertaken and indicated that the services provided under the EJADA programme were much more expensive than those provided under National Fund for Enterprise Support (NAFES, Japan Fund) because it used the services of European experts<sup>26</sup>. To compensate for this fact, the cost-sharing ratio under the EJADA programme was fixed at a lower level than in the case of the NAFES programme.

### c) *Beneficiaries*

Significant variations can be found in **the size and status of the beneficiary enterprises** benefiting from the various PSD interventions in the various regions. This variation can be noted between regions but also within a region or even within a country over time. For example, while the former PASP project in Dominican Republic targeted SMEs employing a minimum of 10 people, the following and ongoing project PROEMPRESA redirected its target to smaller enterprises with a high growth potential. PROMEPRESA justifies this evolution by the fact that other Commission-financed PSD activities (notably EBAS and CDE) cannot reach smaller size enterprises. CDE however targets enterprises with five employees or more. In Egypt, the Independent Project Review of PSDP noted “*a scarce representation of small enterprises and the lower end of medium ones. [...] Only 37% of the total companies diagnosed can be considered SMEs, others are large enterprises*”. According to the Review, the reason was that the project was demand-driven. In Jordan, EJADA’s clients have as many as 600 employees; the clients of NAFES, a similar programme funded by Japan, have fewer than 100 employees; those of Jordan-US Business Partnership (JUSBP), funded by USAID, have between 5 and 250 employees.

From another point of view, some schemes distinguish between **existing enterprises and start-ups**. Under EJADA, which is in fact an Industrial Modernisation Programme (IMP), no assistance was originally given to start-ups because it was not seen as relevant to ‘modernisation’ or to ‘improvement of competitiveness’ (although the Ministry of Industry and Trade stated that it would address start-ups later on). But in a majority of interventions, on the contrary, services are also offered for the creation of enterprises, in particular for projects providing credit lines (as in Senegal, Niger, Mali, Burkina, etc.).

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<sup>26</sup> In terms of services, the difference is that EU experts are seen as having a wider experience in specific areas such as international marketing, conformity with EU standards and certification, state of the art technology, etc.

#### d) *Supply of BDS*

Interventions aimed at developing BDS markets should have simultaneously covered demand, supply and supply-demand transactions<sup>27</sup>. **Little information, however, is available from the documents analysed on the supply of business development services.** Generally, whereas information is not usually given about the evolution of the supply of services in any specific country, information indicates that local consultants and partner organisations become both project actors and indirect beneficiaries. This is the case for instance of the Dominican Republic where PROEMPRESA's new approach states that all project activities will be subcontracted to partner organisations (intermediaries, NGOs, etc) and to local consultancies. This is also the case with the CDE programme that offers specialised training opportunities to local consultants and intermediary organisations, and encourages their own supply of services to local enterprises. According to the survey, the local supply of non-financial services has had a positive evolution since 1994 as it has increased in 92% of the countries and remained constant in 8% of them.

#### e) *Results achieved*

Notwithstanding the often-observed low level of demand, reports indicate wide **use of programme facilities** in some countries - in some cases, after the programme has been adapted (usually by lowering the cost borne by beneficiaries). In Tunisia, despite considerable early difficulties, ETE successfully disbursed all funds and mostly local private operators have used the programme facilities. According to the *Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat* (UTICA), uptake of business upgrading services under ETE was strong (particularly among larger SMEs) even though more attention could be paid to studying the requirements of individual sub-sectors. The impact of ETE also seems significant, as annual sales to export markets have grown by more than 10% for 35% of the enterprises benefiting from the programme.

When analysing the use of programme facilities, **time** should also be taken into account: in Kenya, experience reveals that positive developments may take some time to materialise. This is illustrated by the case of the Centre for Business Information (CBIK-TDP) which, in an evaluation conducted immediately after termination of the project, was negatively assessed in view of its limited use by beneficiary enterprises. The next evaluation, on the contrary, found that a few years after the end of the project, the CBIK had been well appropriated by the beneficiaries and was widely viewed and used by the operators as a most valuable tool.

The degree of **satisfaction** of local enterprises and the usefulness of the services received is hard to assess from the project documentation under review. Information on this subject is rare. In our sample of countries, Ghana's Woodworking programme is the only case where it is mentioned that the forestry certification programme developed for SMEs will be pursued at their own cost. The evaluation of the PASP in the Dominican Republic could only quote one particular case of information on beneficiary satisfaction.

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<sup>27</sup> PSD Guidelines.

### 5.3.4 Support to Intermediate Organizations

At meso level, the Commission's activities in support of private sector development are mainly intended to strengthen the institutional capacities of intermediary organisations or structures, also known as facilitators<sup>28</sup>. These organisations offer services to private sector enterprises and represent them in their dialogue with the authorities. As with other types of intervention, and in line with the international strategy for PSD support<sup>29</sup>, interventions providing support for intermediary organisations should comply with the principles of outreach<sup>30</sup>, cost effectiveness and sustainability.

The PSD Guidelines suggest two different types of cooperation with intermediary organisations according to various criteria. On the one hand, interventions may emphasise strengthening the capacity of intermediary organisations for policy dialogue with the authorities with a view to improving the business and investment environment; strengthening markets for business development services; and supporting the organisation of business-to-business cooperation meetings. On the other hand, where intermediary organisations are more developed, the approach would instead be encouragement of business-to-business partnerships through local intermediary organisations.

#### a) Interventions

In all regions analysed the Commission has supported private sector intermediary organisations in both their functions: representation of the private sector in its dialogue with the authorities, and supply of services to businesses. In most cases these interventions were part of a larger programme.

In some countries, for example **Zambia**, support to representative organisations is considered a priority. In other cases, it is stated that support and training to these representative organisations is necessary to ensure sustainability of assistance to SMEs. That was true of the *Proyecto de Apoyo al Sector Privado* (PASP) in the **Dominican Republic** where institutional reinforcement of intermediary organisations was seen as a pre-condition for more effective political dialogue. In others, such as Tunisia, private sector organisations are less represented: the Euro-**Tunisia** Enterprise (ETE) and the Industrial Modernisation Programme (IMP) are implemented through intermediary organisations that remain closely related to the Tunisian State (e.g. CEPEX, FAMEX).

The focus on the capacity of intermediary organisations to conduct policy dialogue was already highlighted as part of an integrated approach in the COM(1998)667. Nevertheless, only relatively new projects include this aspect and not much information is provided about the results achieved. It applies in **Vietnam** to the EC's support to reinforcement of the intermediary organisations' capacity to enter into a dialogue with the political authorities, where improving this capacity for dialogue is an objective of the recent ongoing SPF project.

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<sup>28</sup> PSD Guidelines distinguish between the roles of 'facilitator' (or service providers) and 'financier' because their objective and interests are different.

<sup>29</sup> See Guidelines of the Donors' Committee for Small Enterprise Development.

<sup>30</sup> The principle of outreach refers to the maximisation of the proportion of the target population of SMEs having access to the services proposed. See also section 3.4.5.

## b) *Main characteristics*

Information about **results achieved in this field is sometimes very limited** in documents collected in Brussels and varies from project to project:

- Under the EJADA project in Jordan, a “participative approach” is reported<sup>31</sup> to have led to the drafting of the Competition Law and the setting up of a new Competition Directorate at the Ministry of Industry and Trade. According to the same source, project effectiveness was the result of strong indigenous support.
- In the case of the Dominican Republic, two events were organised under the PASP project in 1999, notably to discuss steps towards better co-ordination among SMEs. According to its Financing Agreement, the preparation of PROEMPRESA, the project that followed up PASP, was done with the active participation of the private sector. The process had also taken into account recommendations and studies emanating from various workshops organised within the private sector.
- In the case of Egypt’s Private Sector Development Programme Phase I (PSDP-I) that ended in 2001, the aim was to develop the capacity of the Federation of Egyptian Industries and its representation role in the light of the dialogue with the government. But according to the 2001 Independent Programme Review, the project was unable “to reinforce Egypt’s private sector support institutions” and the impact was negligible - notwithstanding some improvements from 1998 - because “Law 153 put serious obstacles to execution of activities since August 1999”.

Little information is also available from documents collected in Brussels on the **actual influence of the private sector representatives on the policy decisions**. According to financing agreements or other project documents, projects like the Industrial Modernisation Programme (IMP) in Egypt have been developed by an *ad hoc* Task Force representing the private sector, various Ministries and academic economists. On the other hand, the evaluation of the DIAGNOS programme reports that in the ACP region governments are perceived as playing an important role in the consultation process while private sector representatives only play a minor role. This was confirmed in field missions undertaken recently during the Trade and Transport sectoral global evaluations<sup>32</sup> to Tunisia, Vietnam, Zambia, Kenya and Ethiopia. They reported that intermediary organisations felt that they do not have much influence on policy decisions or even much interaction with the government.

The survey, on the other hand, indicates that intermediate organisations funded by the Commission are indeed consulted by the government although with different degrees of frequency and that their involvement in policy matters has increased over the years. Further, in many cases intermediary organisations also have contacts with international organisations (sectoral, professional or trade-related international organisations).

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<sup>31</sup> Source: Industrial Modernisation Programme, Mid-Term Evaluation, Final Report, IMC Consulting Ltd, September 2003.

<sup>32</sup> Field missions undertaken in 2003 for the Trade Related Technical Assistance and Transport Sector global evaluations commissioned by the Evaluation Unit of EuropeAid and carried out by ADE.

Commission interventions in support of intermediate organisations have also aimed at allowing them to **provide more and better services to their member enterprises**. In Zambia for instance, EDP I aims to develop export capacity for the coffee, horticulture/flowers, tobacco and cotton textiles sectors. Activities were carried out through intermediary organisations that, in consequence, developed in terms of numbers and membership<sup>33</sup>. In Kenya, TDP I initiated a trade information delivery system in the form of a national trade information centre, the Centre for Business Information in Kenya (CBIK). TDP II continued in this direction by the development of CBIK.

**There is however a real lack of information on EC funding of intermediary organisations:** the documentation consulted provides hardly any indication about the types of services provided to their members or about the evolution of the quantity or quality of the services provided after receipt of EC support. There is also no indication about the interest shown by their members in receiving such services.

### 5.3.5 Partnership activities

Encouragement of the creation of partnerships between EU and ACP businesses or other private sector actors was one of the priority activities for PSD already identified by the Commission in 1998<sup>34</sup>. Such partnerships were seen as a major tool in enhancing business competitiveness and facilitating integration into the global economy. Various types of partnerships were considered, such as joint ventures, licensing or franchising agreements, subcontracting relationships, and so forth.

More recently<sup>35</sup> the Commission's involvement in investment and inter-business cooperation promotion activities in all regions has been directed at improving sustainable and environmentally-friendly development, with a view to increasing the efficiency and competitiveness of the countries concerned, and in particular their export prospects. Activities will mainly take the form of cross-sectoral programmes, like Pro-Invest, Asia-Invest, AL-Invest and other specific projects. Yet bilateral interventions to promote partnership between EU and third countries' firms will continue to be implemented.

According to PSD Guidelines, these interventions are expected to be flexible and tailored to regional specificities and will vary according to the selected approach, whether economic cooperation, comprising the concept of mutual interest, or development cooperation, based more on the participation of intermediaries. Support for intermediate organisations will be relatively greater in the ACP region than in Asia, Latin America and the Mediterranean regions where intermediaries are better established and are more effective. The identification and creation of pro-active networks at all stages is seen as a key element of the support to PSD.

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<sup>33</sup> For the 4 intermediate organisations supported by the EC, membership went up from 240 to 570 between 1994 and 1998.

<sup>34</sup> COM(1998)667.

<sup>35</sup> COM(2003)267 and PSD Guidelines.



*a) Bilateral level*

Interventions to support IO take place in several countries. The PSDP project in **Egypt** aimed to support joint ventures and partnerships. Between 1996 and 2000 the project participated in the organisation of three types of matchmaking event, Europartenariat conferences (in the Netherlands, Spain, Austria and Germany), workshops and seminars (workshop on Strategic Alliance, ECIP Seminar in Cairo and Alexandria, MED Partenariat in Cairo and Euro Partenariat-Cairo). In **Jordan**, the EIIC component of the EJADA programme conducts demand-driven partner research, charging for its services. Interventions include promotion of inter-sector fairs, such as ETE in **Tunisia**; 150 Tunisian and 150 European enterprises participated in fairs and meetings, 600 bilateral contacts were organised, and 15 partnership agreements were signed within one year.

**But figures on the number of agreements resulting from this type of interventions are rare.** In most cases, if information is available, it only relates to invitations and assistance but not on the numbers of letters of intent or agreements signed. No information could be found with regard to partnership promotion activities on projects undertaken in Kenya, Zambia or Vietnam, for instance. The same is true of interventions aimed at promoting foreign direct investment in the partner countries. In Tunisia, the Foreign Investment Promotion Agency (FIPA) activities led to contacts with 200 EU firms, twenty of which visited Tunisia and three of which eventually invested in the country. These observations are confirmed by the results of the survey. There is very little information on this kind of event, whether their nature, results or follow-up.

*b) Regional level*

Whereas programmes like Pro-Invest are recent<sup>36</sup>, other horizontal regional programmes were launched several years ago. That is the case of AL-Invest, which started with a pilot phase in 1993 and whose third phase will start in 2004.

**AL-Invest** is a programme that aims to support in a systematic way investments, transfers of technology, joint ventures and long-term trade agreements between companies of the European Union and Latin America. It works through single-sector meetings, during which European and Latin American companies seek to reach investment and commercial agreements. Its target is to co-finance 50 events per year. Results obtained between 1996 and 2002<sup>37</sup> were:

- 40 meetings per year on average;
- More than 35,000 EU and Latin American participating enterprises;
- 615 trade agreements registered, with an average value of € 273,000;
- 68 investment agreements registered, with an average value of € 704,000;
- A total value of all agreements amounting to € 215 million.

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<sup>36</sup> Pro-Invest was officially launched on 22 October 2002.

<sup>37</sup> Source: AL-Invest website.

The total budget disbursed from 1993 until 2003 amounts to € 98 million and the return on the activities (turnover and investments as compared to EC subventions) was estimated at 7 to 1 over the period 1996-2002<sup>38</sup>.

A high concentration of activities in the largest Latin American countries (Argentina, Mexico, Brazil) was observed. Agro-industry; environment; and machinery and mechanical equipment are the three main sectors in which agreements were signed, amounting to nearly 40% of the transactions.

**Asia-Invest** is in its second phase since 2003. Its specific purpose is to enhance direct business cooperation between economic operators in the EU and Asia, with a focus on SMEs and support for a dynamic private sector in Asia in the process of seizing new business opportunities and development, an objective that would be complemented by a set of interventions aimed at reinforcing the business environment and at stimulating trade and investment flows between the two regions. It provides a range of grants, support instruments for networking and matchmaking and access to an extensive database.

Specific instruments for matchmaking activities were elaborated in response to evolving business needs: Asia-Venture, Asia-Enterprise and Asia-Partenariat. But Asia-Invest also offers technical assistance to Asian enterprises and institutional strengthening support through Asia-Invest Alliance and Asia-Invest Forum. These instruments are complemented by specific cooperation in fields like information technologies and communications (Asia ITC programme) or the search of resource-efficient and sustainable solutions to environmental problems (Asia Pro-Eco).

Only limited information is available at this stage on the results of Asia-Invest. During Phase I (1997-2001), 143 projects were supported, 60 business matchmaking meetings and 70 seminars were organised and 600 commercial partnerships agreements achieved.

**Pro-Invest**, that started operating in late 2002, is a EU-ACP partnership programme for the promotion of investment in ACP countries, with a budget of € 110 million over a period of 7 years, financed by the EDF and managed by a PMU in Brussels. Its activities are in line with the policies of the Lomé Convention and the Cotonou Agreement that offer an increased role for the private sector in the development process. One of its two dimensions is support for the development of long-term partnerships between EU and ACP enterprises, or between ACP enterprises. Its grants are awarded to qualifying intermediary organisations and enterprises on a demand-driven and cost-sharing basis.

Pro-Invest intends to organise on average two major ACP-EU partner-matchmaking events per year in key ACP sectors, and 20-30 smaller events and missions. It will also co-finance 150-200 actions supporting individual projects emanating from these events. Its operations are demand-driven, except for the major key sector programme initiatives. Since the start of its operations in October 2002, the following has been recorded:

- One key sectoral event was organised and two are in preparation;
- 19 sub-sectoral or sub-regional events have taken place;

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<sup>38</sup> Source: interviews with EuropeAid officials. The evaluation report of AL-Invest ("Évaluation Finale du Programme AL-Invest", P-E International, 2001) shows a figure of 8.5% for a shorter period.

- 735 enterprises have participated to date;
- 30 individual actions have been offered to enterprises as post-event support;
- 24 BSD and 35 policy dialogue workshops were organised.

## 5.4 Sustainability

The analysis of sustainability was focused on the extent to which the effects of EC supported interventions were likely to continue after the end of the programme. A number of judgement criteria and indicators were defined to assess this question. However, it proved very difficult to find information on these indicators in project documents available in Brussels. Diverse information was nevertheless found that serve as a basis for an analysis of the sustainability of EC PSD interventions:

### Dominican Republic

- Several sources point to the conditions needed to ensure sustainability. These conditions refer mostly to the institutional environment and government commitment. For instance, the CSP 1996 indicates that “the viability of the strategy will depend on the policies and commitment of the government” (page 15). The CSE 2000 indicates that “interventions like (...) PASP placed little emphasis on improving the policy environment... This probably contributed to the limited impact and sustainability of these interventions” (page 38). The PASP Evaluation report indicates that institutional reinforcement is a pre-condition for a more effective policy dialogue (page 6).

### Kenya

- **TDP** provided support to trade promotion, including overseas trade fairs, product development and adaptation, human resource development, and the establishment of the Centre for Business Information in Kenya (CBIK). The Evaluation of the project concludes as follows: “The trade promotion activities have been effective in terms of exposing Kenyan exporters to foreign markets... These activities would not however appear to be effective in terms of substantially generating new export sales.” At the same time, the results of the Field Survey carried out by the Evaluation team on the impact of the project suggest that the generation of export sales was not negligible. (Source: Trade evaluation interviews and project documents). No figures are given on possible firm creation but exposure to foreign markets is likely to have sustainable impact in increasing trade related know-how of local operators.
- The activities of the **TTF** seem likely to assist significantly the development of the tourist industry. It is currently playing an important role in the revival of the industry, following disruption by terrorist action and the treat of terrorism. In this respect, its impact could be considered sustainable (Source: Trade evaluation interviews).

## Niger

- Few elements on sustainability were found among the documents analysed. According to the Devis-Programme N°2, year 2002 (page 9-10), “the sustainability of **TANYO** will be achieved through institutionalisation: the creation of a new financial establishment and a privatisation process”.

## Zambia

- **EDP** helped local enterprises to increase the volume of their exports, albeit from a very low level. The Tobacco Association of Zambia (TAZ) indicated that the tobacco industry would have collapsed without the EDP. The Zambian Coffee Growers Association (ZCGA) had increased sales from around 1,000 tonnes to 6,000 tonnes. The Zambian Export Growers Association (ZEGA) indicated that substantial increases in exports of flowers and vegetables had been achieved as a result of the EDP. Employment had increased from 2-3,000 in 1995 to about 15,000. The Zambian Association of Manufacturers said manufacturers were rescued by EDP I (probably referring mainly to textile manufacturers). As a sign of sustainability, entrepreneurs had returned to manufacturing. (Source: Trade evaluation interviews). EDP II follows EDP I. Nevertheless, there is no evidence that performance of the sectors concerned would be maintained were EC support to vanish.

## Vietnam

- The sustainability of Vietnam’s **SMEDF** was expected to rely on changing the behaviour of local financial institutions’ practices and on training to be provided to participating institutions. However, training never took place and, in spite of high rates of reimbursement, local operators were not interested in taking over the programme. One explanation is the negative real interest rates at which the programme worked. The programme started at an interest rate of 6.28% but had very limited results; later rates went down to 4.5%. During the period, the inflation rate in Vietnam was 7%.
- Further, there is no information on possible creation of firms due to **EBIC** activities. EBIC activities contributed to increasing Vietnamese operators’ understanding of EU markets and in particular improved their capacity to comply with EU regulations. These aspects should be sustainable. On the other hand, EBIC was interrupted apparently at the insistence of the EU MS. It is planned that some of the EBIC activities be transmitted to EuroCham but both the mission (supporting EU firms’ business in Vietnam as opposed to supporting Vietnamese firms in their attempts to develop exports to European markets) and the resources of EuroCham are unsuited to the continuation of most of the activities once organised and funded by EBIC.

## Egypt

- For the **PSDP**, the main way to ensure sustainability is to be able to transfer the programme into private ownership at the end of the funding period. The FA (1995) indicates, for instance, that, to ensure success and sustainability of the PSDP, *inter alia* the management of the programme “should seek to guarantee that the actions, work-

plans and budgets will meet the needs and criteria of the private sector and that the representatives organisations will be associated with them, thus facilitating the objective of transfer of the Business Support Programme into private ownership at the end of the EU funding period, and if possible at an even earlier stage". Further, that "The fees will reflect local market costs of service provision. Various methods of cost-recovery will be piloted with the aim of ensuring that services can be sustained beyond the life of the project". As for the actual implementation of these measures, it can only be noted that the evaluation of the programme mentions as a sign of high effectiveness the fact that "important support was given to the local consulting industry" (page 8). The PSDP-II also indicates that "the increased use of local consultants will be further encouraged to support the growth of a dynamic Egyptian consultancy sector" (source: NIP 1996, page 3).

## Tunisia

- **ETE** seems to have had a limited impact in terms of firm creation, most of the actions benefiting existing ones. In the latter, employment seems nevertheless to have been increased (no figures were given). To the extent that ETE actions led to the upgrading of enterprises' production and management techniques as well as to the adoption of quality standards, one can expect these effects to be sustainable.

## 5.5 Efficiency

Three aspects were particularly analysed with regards to the efficiency of EC interventions: (i) the deconcentration process and the support given by HQ, (ii) the preference given in some regions to all-country programmes and (iii) the preference given in some regions to promoting local expertise instead of using international support. Further, information on other factors affecting the efficiency of EC PSD interventions was also collected.

### 5.5.1 Deconcentration process

The existing literature does not allow an assertion that deconcentration has allowed faster and more accurate decisions because very little information on the issue is available. However, some indication of the (possible) benefits of the deconcentration process can be pointed out:

- The deconcentration process might have some positive influence on the rapidity of EC decisions. Indeed, in the Dominican Republic, the government and the Delegation have mentioned the slowness of some EDF procedures and in Ghana the delays in the adoption of the strategies are pointed out as a constraint to EC cooperation (see section 5.4)
- According to the TRTA evaluation, Delegations and beneficiaries consider that deconcentration has improved the quality of policy dialogue
- The DIAGNOS evaluation suggests that one person at each EC Delegation is assigned to work with all the EC support instruments within the private sector. This is a step in the same direction as the deconcentration process.

### 5.5.2 All-country programmes

No information about the benefits of the “all-country” approach compared to the “national” or “bilateral” approach with regards to the efficiency of EC interventions could be extracted from the documents consulted. The survey did not provide much information as only a minority of Delegations (2 out of 12 respondents) had been confronted with the multi-country approach.

The survey also asked Delegations their opinion on the desirability of the introduction of the multi-country approach in their country. Results were mixed: 50% were in favour, as they think that more should be done to raise the potential of the region to which they belong and to promote stronger regional integration. 50% were not in favour, mainly because in their view a multi-country approach cannot take into account sufficiently the specificities of each country and target support accordingly.

### 5.5.3 Local experts

No information is given in the consulted documents about the efficiency of programmes using more local expertise compared with programmes relying mainly on European expertise. One exception is the EDAJA programme in Jordan, where a short comparison of the cost and skills of the different suppliers is mentioned. According to it, European experts are more expensive but seem to be more efficient than local experts thanks to their greater experience in EU and international business (international marketing, conformity with EU standards and certification, state of the art technology, etc.) (Source: Mid-Term Evaluation of the Industrial Modernisation Programme, 2003)

Another experience is that of the CDE which works mainly with local (regional) experts and only when specific expertise is not available; it sends a request to its headquarters to look for European experts.

### 5.5.4 Other factors

It appeared that the efficiency of EC PSD interventions was affected by factors other than the three elements mentioned above. In particular, it appears that **delays in the adoption of the PDS strategy or in the implementation of projects** and programmes have been important in several countries (Tunisia, Kenya, Zambia and Ghana).

In the case of Ghana, the CSP 2002 identifies a constraint on the capacity to implement project and programmes on the side of the EC and of the NAO office. It also points out delays in the adoption of sectoral strategies in several areas including PSD.

Some other problems mentioned include **insufficiency or lack of flexibility of resources** and **capacity problems** at the level of programme and project implementation. An additional element affecting the efficiency of EC interventions, at least in one case, appears to be the recruitment procedure. The CSE 1996-2000 of the Dominican Republic indicates that “the Delegation and the government have noted that the EC procedures for the selection of consultants are often slow and unreliable (...) The problem is compounded by insufficient back-up resources and/or insufficient flexibility in the use of resources” (p. 44).

## 5.6 Coherence

The degree in which the PSD strategy and its implementation takes into account other EC strategies, policies or interventions is a key element in enhancing aid effectiveness as well as in avoiding a contradictory approach and wastage of public resources. Coherence is analyzed at two levels: (i) with other European policies and strategies and (ii) with EC support to other sectors in the same country (trade, transport, institutional support, etc).

### 5.6.1 With other EU policies and strategies

**EC PSD policy documents do not tackle the issue of the coherence of Community support to PSD with other European policies or strategies.** There is no analysis of how European policies could affect, positively or negatively, Community support to private sector development in third countries. Yet the objective of enhancing competitiveness of the business sector of third countries in national and international markets can be affected, for instance, by EU trade policy, SPS measures, the Common Agricultural Policy, and so on.

For example, most PSD programmes incorporate the objective of increasing the private sector's competitiveness to expand the countries' or regions' export capacity, thereby contributing to export-led growth. However, this objective can be hampered by the EU trade policy, which limits market access, notably by imposing technical barriers to trade or rules of origin, which become more and more complicated and drastic. Different independent sources highlight this problem; see for instance the assessment by Brenton and Manchin (2000) on the extent to which preferences granted by the EU remain hardly exploited by the beneficiary countries owing to the restrictiveness and complexity of the regime governing the associated rules of origin<sup>39</sup>.

**This absence of analysis is also reflected in country programming and programme documents.** Very few CSPs analyse the coherence of Community support to PSD with European policies or strategies. In most cases they mention one or another European policy but they generally fail to indicate how coherence will be ensured. Similarly, identification documents of PSD programmes seldom if ever address the issue of coherence with other European programmes or policies. Moreover, such aspects, although central to appreciation of the project's impact, are not covered by follow-up, monitoring or evaluation procedures and reporting.

No information can be found in the documents consulted about the existence of complaints from beneficiaries, governments or operators of EC-funded PSD programmes. However, just because the actors do not express an official complaint it does not follow that they totally agree with EU policies. The expression of a disagreement or regrets on the attitude of the EU can emerge during private interviews; an example is Tunisia, which privately expressed regrets that the CAP still maintains a strong protection of EU

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<sup>39</sup> Brenton P. and M. Manchin, "Making EU Trade Agreements Work: The Role of Rules of Origin", CEPS Working Document N° 183, March 2002. According to their findings, only one third of EU imports from developing countries which were eligible for preferences actually entered the EU market with reduced duties.

agricultural markets (Source: TRTA evaluation). The survey (see section 6 of Annex 5) also provided insights on this issue; it shows that out of the 12 Delegations that responded on the section on coherence, 40% found that PSD interventions are affected by other European projects, programmes or policies and 27% stated that complaints about EU policies, regulations or programmes have been expressed by the beneficiaries, the Government or the operators of PSD programmes. The difficulties reported concerned:

- The Common Agricultural Policy
- The regulation on Official Feed and Food Controls (COM(2003)52)
- European trade restrictions on some processed agro-based products
- The too-numerous programmes at “all-ACP”, regional and national levels

### 5.6.2 With other sectors of intervention

The documentation consulted provides no indication at all about meetings between working groups in charge of PSD or the signs of mutual influence between the various EC programmes, or of who was involved in the elaboration of country strategy papers and thus if the various relevant actors were consulted and able to share their experience.

However, for some countries, the documents consulted provide some information on the positive influence of PSD interventions on the other sectors. The main sector which seems to benefit from these PSD projects is the trade and export sector:

- In **Vietnam**, the EBIC is meant to train Vietnamese operators on how to deal with EU standards so as to develop their export capacity on EU markets.
- In **Tunisia**, the ETE-IMP includes a MSTQ component so as to comply with EU regulations and obtain accreditation.
- In **Jordan**, in the frame of the EJADA programme, SMEs receive advice about products that are subject to high quotas or none at all and which could easily enter the EU market. It can be noted that, according to the Mid-Term Evaluation of the programme, “export development assistance was not specified in the FA other than in passing but it came about as a result of a review of the Programme’s impact on export achievements” (page 23).

## 5.7 Co-ordination

Donor co-ordination is important in all sectors of cooperation and even more so in PSD. Interventions at macro and institutional level are particularly sensitive to contradictory approaches between donors: un-co-ordinated approaches may undermine policy dialogue and jeopardize the effectiveness of the intervention. At meso and micro level, lack of co-ordination may induce overlaps, subsidising the same firms or organisations twice. Overall, co-ordination among donors is critical for elaborating a comprehensive approach to private sector development in dialogue with the partner government and for avoiding waste of public monies.



### 5.7.1 Central level

The question was analysed at headquarters and at country level. At central level, **Commission services participate in international fora** such as the OECD-DAC, the Committee of Donor Agency for Small Enterprise Development (SEDONORS) or the Consultative Group to Assist the Poor (CGAP). Discussions are brought to other services at HQ through different channels but the main way is the **PSD Thematic Network**, where different Services meet to discuss PSD-related issues.

### 5.7.2 Country level

At country level, information was collected regarding whether the Delegation participates in multi-donor co-ordination processes; whether conflicts are found between EC-supported and other donors' programmes; and whether multi-donor interventions are successfully carried out. Overall, multi-donor co-ordination on PSD was found to be quite varied. Marked differences exist with respect to the existence and degree of donor co-ordination and the extent of local government involvement:

#### a) *EC participation to multi-donor co-ordination processes*

Most CSPs list the donors active in the country (EU Member States, EIB, USAID, Canada, Japan, UNIDO, World Bank) but do not detail the content of their interventions. Therefore, in most cases the information reported in CSPs is too narrow to assess co-ordination and avoidance of programme overlap.

#### **Coordination activities are implemented in various ways:**

- They are often realised through the creation of a consultative group composed of the main donors in the country (Jordan, Egypt, Ghana and Vietnam). The frequency of the meetings is very variable from one country to another: multi-donor meetings take place from twice a year (Egypt) to several times a month (Ghana).
- Sometimes working groups are developed, each of them taking charge of one sector of intervention in the country. Unfortunately, some working groups are less effective than others, as is the case for PSD working group in Ghana.
- In other cases, coordination is organised only for some aspects of the project, on a case-by-case basis rather than institutionally and systematically (Jordan EDAJA).
- Finally, coordination can take the form of a punctual multi-donor review of the programme, as it is the case in SFD in Egypt.

In most countries, **the EC has taken the lead in donor coordination** (Dominican Republic, Uganda, Jordan, Egypt and Vietnam); sometimes this is because the government does not assume this task (Dominican Republic), at other times it is to serve as a reference point for other donor programmes (Egypt), or else it is undertaken simply because there was a real need to develop this task in the country. Indeed, the EC seems to give now more importance to this coordination function since some country strategy evaluations pointed out that the function was not well handled. But little information about the effectiveness of the coordination process is mentioned in the documents.

Even if most strategy papers make reference to a coordination process between all donors and the country's authorities, in practice things can be somewhat different. The case of Tunisia illustrates this observation, since consultation between EC and other donors is mostly concentrated on the EU MS, and coordination with non-EU MS donors, in particular the EIB, AFD and WB, takes place only infrequently.

Further, in some countries it has happened that donors did not coordinate or carry out complementarity analysis of their programmes. Donor coordination activities were limited to consultation and exchange of information but very little was done in the form of policy dialogue and common decision-making. Each donor developed its own PSD activities and implemented its own PSD support structure, causing institutional proliferation rather than institutional coordination. **This situation made the PSD environment more complex and led to programmes overlaps and an inefficient use of resources.** The case of Senegal is particularly striking. The new country strategy tries to improve the situation through better coordination so as to improve the impact of the interventions and the efficiency of the PSD strategy in the country. Also in Kenya and Zambia, donors have different programming cycles and different budget years and do not share information on their activities and costs, which seriously hamper the coordination process in the country:

### **Dominican Republic**

- According to the CSP 2001-2007 (page 16), the Delegation is developing a coordination function between the various donors as the government does not assume this function. In addition, it is trying to coordinate its support to PSD with other donors and it has engaged in extensive consultations for the preparation of the new project PROEMPRESA, which included a visit to the IDB in Washington (CSE 1996-2000, page 53)

### **Ghana**

- According to the CSP 2002-2007, coordination between donors is carried out mainly through a (no PSD-specific) Consultative Group, which meets 3 times a month. Under this umbrella, several working groups have been formed but some of them, including the PSD group, are less effective than others.
- The main donors involved in PSD are: Denmark, France, Italy, Netherlands, USAID and Canada.

### **Kenya and Zambia**

- In both cases, there is some donor consultation and exchange of information but very little co-ordination in terms of policy dialogue and, according to the interviews carried out for the TRTA evaluation, there are difficulties in co-ordinating actions between donors.
- At the time of the TDP (Kenya) there were very few other donor initiatives in the field of export development (Source: TDP Evaluation). Moreover, staffing problems do not permit the EC Delegation to take on the role in donor co-ordination as envisaged by the Commission.

- Furthermore, donor co-ordination is also hampered by two technical difficulties: (i) donors do not keep good records of their interventions, or at least do not share them, and (ii) donors have different programming cycles and different budget years (Source: Evaluation trade Interviews).

### Senegal

- According to the CSE 1995-1999, donors neither coordinated sufficiently nor carried out complementarity analysis. Coordination was more targeted on exchanging information than on taking common decisions.
- Some years later the CSP 2002-2007 indicates the necessity to take other donor interventions into account and to act “in a coherent and complementary way” in the framework of sectoral policies so as to improve the impact of the interventions.

### Uganda

- According to the CSE 1996-2000, the government approved a strategy for the private sector in July 2000, with 6 working groups to coordinate the work. However, although the EC participated in those working groups, it had difficulty in effectively supporting the government.
- That apart, the evaluation also reported that the EC has been active in donor coordination and that there is still a need to promote a culture of openness among donors.

### Vietnam

- As regards co-ordination aspects, there is evidence of the EC Delegation playing a coordinating role among the 15. The ECD have set up some coordinating mechanisms among MS (regular meetings). In practice, and given the number of stakeholders involved, GoV appear to be the main actor capable of ensuring some degree of coordination and in practice donor co-ordination is in large measure undertaken by GoV. It appears that the EC is becoming more involved, but GoV is keen to work predominantly with the IBRD and UNDP on certain issues (in particular with regard to the nexus between trade policy and the overall development plan) so the EC may not always be in the best position to play a coordinating role. (Source: Trade evaluation interviews).

### Egypt

- The **SFD** is a multi-donor programme funded by the EC, several EU Member States and the WB. A multi-donor review of the programme took place in April 2000 but the subsequent meeting planned for 2003 had not taken place at the time of the desk phase of the evaluation. The **Donor Action Group** (DAG) met in Cairo several times per year but has met less frequently since the SFD programme started running. A Consultative Group meets twice a year. (Sources: several project documents including the multi-donor review (2000), Delegation Annual Report 2000, and CSP 2002-2006)

- According to its FA, the Business Support Programme (the main component of the PSDP) “is intended to complement Member States programmes” and thus a coordination group of EU MS is to be established. Furthermore, it proposes establishing links with MS organisations for export promotion (e.g. Chambers of Commerce) so that the project will be able to draw upon services offered by those organisations and expand business collaboration.
- According to the Independent Programme Review of PSDP (2001), the “component *Info Services* is a reference point for other donor programmes and sources of data”. Unfortunately, the review does not indicate how far it is actually used.

### **Jordan**

- According to the CSR 2002-2006, a Donors and Lenders Consultation Group (DLCG) was created in 2000 at the initiative of the Delegation and EU MS. In addition, the EU established an internal EU Donors Consultation Group. In both cases, care was taken that arrangements were in line with the Council conclusions and MEDA guidelines on aid co-ordination issued in 2001.
- In the case of the programme **EJADA**, “there is co-ordination with other donors, projects and agencies in relation to specific activities”, but on case-by-case basis rather than institutionally and systematically. There is no formal vehicle for coordination other than through the national MiPlan. Additionally, the PMU coordinates its activities with German, Italian, Canadian, Japanese, UNIDO and USAID programmes (mid-term evaluation, page 16-17)

### **Tunisia**

- The CSP 2002-2006 indicates that the country strategy was developed through consultation and dialogue with the Tunisian authorities, the Member States and in coordination with the main donors (EIB, WB, IMF). As in other cases, the CSP refers to other donors’ interventions and programmes but without details.
- Consultation between Delegation and other donors is concentrated (limited) to those organised with other EU MS. From this point of view co-ordination between the EC and the MS was felt to have improved since deconcentration. On the other hand, coordination does not regularly take place with other non-EU MS donors, in particular with the EIB, AFD, or WB. These consultations mainly involve detailed sharing of information but seem to have only limited impact on the implementation of EC interventions. For instance, although it was reported by several interlocutors that the development of synergies and complementary actions could be necessary, the co-financing of activities between donors was not thought to be viable owing to the need to respect different sets of procedures and the risk of delays where one donor might hold up the other. The main co-ordinating role is played by government in the selection of the couple donor/programme. (Source: Trade evaluation interviews).

**b) Conflicts found between EC and other donor programmes**

Very little information about actual or potential conflicting situations between donor programmes was found in the documents analysed. However, in two countries (Senegal and Uganda), a degree of donor competition was observed in the field of PSD. In the first case, the competition was induced by the presence of several donors in the same activities, generating a waste of financial resources. In the second case, the competition was caused by the divergence of points of view between the various actors in the project (SUFFICE).

**Senegal**

- According to the CSE 1999, there is a kind of “fashion” phenomenon that causes donors to focus on the same types of project. This has been the case with PSD interventions. The consequence is several projects with the same objectives or activities, increasing the cost of co-ordination.

**Uganda**

- According to the CSE 2001, while there are a number of coordination initiatives, there is also a degree of donor competition. An example is the SUFFICE project: its implementation resulted in significant conflict both with a DIAGNOS team and with the GTZ team responsible for the financial sector. Furthermore, the evaluation mission received strong complaints about the lack of transparency of the SUFFICE team.
- The CSP 2002, on the other hand, highlights the need to develop a better synergy between EC support and EIB interventions so as to expand the coverage of the investment facility for SMEs.

**c) Multi-donor interventions are successfully carried out**

Few projects are actually multi-donor interventions. It seems that each donor has its own panel of projects to finance and manage, and that co-ordination activities are carried out to share information about what is done in the sector.

For the few projects that are multi-donor, the success of the interventions varies greatly from one country to another. For instance, the GRATIS project in Ghana (co-financed by CIDA and supported by the UK) and the SFD programme in Egypt were globally successful, whereas the micro finance programme in Uganda preceding the SUFFICE project was a failure.

## 5.8 Crosscutting issues

Crosscutting issues such as gender, environment, social issues and governance are identified by the EC as policy priorities that should be reflected in all EC interventions. The evaluation has aimed to assess the degree to which these issues have been taken into account in PSD interventions. This implies first asking whether they were taken into account in the general country strategy and only then whether they were reflected in PSD interventions.

Although most **country programming documents** (e.g. NIPs or CSPs for Tunisia, Jordan, Egypt, Kenya, Ghana, Zambia and Vietnam,) explicitly mention crosscutting issues, they do not give directions for systematic integration of these issues into the cooperation strategy and in particular into the PSD strategy. A good example is the case of Vietnam: crosscutting issues are indeed mentioned in the CSP 2002-2006; in particular, themes such as environment protection and disaster preparedness, gender equality, human rights and democracy culture and education and good governance are supposed to be integrated into EC-Vietnam cooperation. However the CSP remains laconic on how crosscutting issues should be treated, noting that actions related to these issues can be developed when appropriate and on an *ad hoc* basis (the example given is the persistent flooding in central provinces linked to deforestation which calls for a social forestry approach). The CSP also mentions the possibility of using horizontal instruments such as the “environment and tropical forest protection” or the “human rights“, “higher education”, “science and technology” or “energy” budget lines as well as the Commission’s co-financing of NGOs.

### 5.8.1 Gender

Reference to the issue of female entrepreneurship **in PSD projects** is rare and gender-sensitive statistics are almost non-existent in project documents. In some cases project documents recognize that an important share of small and micro-enterprise entrepreneurs are women but this does not imply that women are a specific target of the project. In other cases, gender equality is mentioned in some financing agreements, which state, for instance, that the project management will evaluate the gender impact of the project and integrate it into the different components. Yet the documents generally provide no gender indicators.

#### Dominican Republic

- The FA of the PROEMPRESA programme indicates that about a quarter of small and micro-enterprise entrepreneurs are women but, notwithstanding this fact, that they are not a specific target of the project.
- Women, in Dominican Republic, are also highly represented among employees in the traditional sectors.

#### Ghana

- In the last quarter of 1997, the EC approved a grant of € 200,000 to the Accra City Savings & Loans to provide micro-credit to women entrepreneurs within the informal and small business sectors. The overall objective was to improve women’s access to

non-collateral credit funds to facilitate entrepreneurship development among poor women. It was envisaged that 600 women would be reached with savings and credit facilities over a 3-year period and be provided with training and business management skills.

- A 3-day seminar in 1998 was organised as part of the Africa Gender Training Programme in order to answer the concerns and questions about the practical meaning of integrating gender into development operations.

### **Niger**

- In a report on AFELEN it is mentioned that, of the 58 enterprises operating after receiving support from the project, 26 are female enterprises of which 10 are classified as “good”.

### **Uganda**

- According to the CSE 1996-2000 there is no mechanism for ensuring that the EC Delegation addresses gender issues.

### **Egypt**

- The SFD project, on the contrary, is more attentive to the gender issue. It has adopted a policy that emphasizes women’s role in the small enterprise sector. A Women and Development Unit was created in 1998, which later changed its name into a Gender Unit. Additionally, the SEDO component uses gender disaggregated statistics, women accounting for 32% of the borrowers in 1999. In its Work Plan 2003, it is proposed that training should give equal opportunities to women.
- The FA of the PSDP indicates that “a number of activities (are) to be undertaken to promote the participation of women. Business associations are to be encouraged to target women’s needs within their sector”. Unfortunately, the project’s final evaluation report does not mention whether any action was taken in that direction.

### **Jordan**

- The Special Conditions section of the FA of the EJADA programme stresses in a paragraph titled “Gender issues and the handicapped” that “particular attention will be devoted to the principle of equality of treatment (...) and that the PMU will evaluate the gender impact of the project and integrate gender aspects into the different training programmes”. However, there are no gender indicators among the results indicators of the programme. The mid-term evaluation report does not address crosscutting issues either.

## **5.8.2 Environment**

Recent CSPs usually make reference to crosscutting issues and in one country environment has become one of two priority sectors (Dominican Republic). In another case, EIA will be undertaken for large projects (Jordan). But as for the other crosscutting issues, the CSP

remains laconic on how the environment should be treated, noting only that actions can be developed when appropriate and on an *ad hoc* basis.

At project level, some financing agreements or TOR suggest that the project will actively support activities aimed at solving environmental problems (Egypt) or that they will not support SMEs that act negatively on the environment or do not respect national environmental standards (Jordan). Some have an “opportunistic” perspective on the environmental issue, recognizing its importance as a commercial asset to the tourist industry (Kenya) or recognizing the adoption of environmental standards as a pre-condition for access to the EU market (Tunisia).

The means proposed for reaching entrepreneurs include, for example, sensitising activities in training programmes (Jordan) and political dialogue (Dominican Republic).

### **Dominican Republic**

- Environment has become one of the two priority sectors of the CSP 2001-2007 (9<sup>th</sup> EDF).
- The FP of the PASP specified that the selection criteria for funding should include environmental impacts. The evaluation report indicates that while environmental issues were not prioritised when defining the programme objectives, this issue was taken into account during the management and implementation of the different activities.
- In addition, two factors which seem to have negatively affected the integration of environmental issues into the programme are: (i) the lack of a dynamic entrepreneurial sector in the recycling and use of waste, and (ii) the fact that the programme is defined as being demand-driven and that only seldom have environmental aspects been the focus of requested support.
- A condition accompanying the credit line provided by EIB to the local financial institution was that SMEs benefiting from credit would not cause any damage to the environment.
- The PROEMPRESA programme envisages organising participative seminars to encourage definition of a strategy that includes actions to protect the environment (Financial Agreement, see Annex 3).

### **Ghana**

- One programme aims directly to protect the environment. The Woodworking programme has among its objectives a reduction in wastage of wood in the sector. More and more companies are realising the need to conserve the tropical forests and avoid wasteful depletion of this resource. Companies have been advised on forestry certification and certification programmes have been developed. The target is that, by 2004, 250,000 ha will be certified as “sustainably managed” by the Forest Stewardship Council (Source: Preparation 9<sup>th</sup> EDF PSD programme)



## **Kenya**

- According to the CSP, environment is addressed through different interventions. However, TDP and TNSP project documents do not cover environmental issues. TDSDP is concerned with environmental issues both in recognising the importance of sustaining the environment in the widest context and also in recognising the importance of the Kenyan environment as a commercial asset of particular importance to the tourist industry.

## **Uganda**

- As with gender, according to the CSE 1996-2000 there is no mechanism in the EC Delegation to ensure that environmental issues are routinely taken into account..

## **Zambia**

- According to the CSP, environment is addressed through different interventions. However, EDP project documents do not cover environmental issues.

## **Vietnam**

- EBIC activities did not address crosscutting issues. For instance the footwear and leather sector has had to adapt its business practices to comply with environmental and social standards (e.g. CSR, SA 8000) but no assistance in these matters was provided by EBIC.

## **Jordan**

- The CSP 2002-2006 indicates that “particular attention will be paid to opportunities for mainstreaming environmental benefits in all cooperation” and that EIA is to be done for large projects.
- The Special Conditions section of the FA of the EJADA programme stresses in a paragraph called “Protection of the Environment” that “the project will not support nor contract enterprises that do not respect national environmental standards” and that “the PMU will integrate sensitising to environment problems into training programmes” (FA, page 22). However, the mid-term evaluation report does not address this crosscutting issue.

## **Egypt**

- The NIP 1996-98 indicates that “support to environmental issues will continue mainly through EIB financed activities and sustained by grant funds” (page 4). The CSP 2002-06 mentions that “all MEDA funded actions (are) to be subject to environmental and gender screening and appropriate measures are built into the project structure when necessary” (page 7).
- The IMP programme envisages provision to SMEs of TA on environmental issues.

- The SFD/SEDO envisages contributing to the environment by (i) ensuring that activities are approved by local environmental authorities and (ii) actively supporting activities aimed at solving environmental problems by providing loans (Source: Multi-donor Review 2000, page 102).

### Tunisia

- The adoption of environmental norms was not promoted by ETE, which only contained aspects related to ISO 9000. IMP is expected to promote the introduction of some environmental norms. The identification and formulation report of IMP indeed mentions activities concerning the environment: Group 3 of the component 'Qualité-Métrieologie-Normalisation' envisaged actions aimed at supporting the adoption by Tunisian enterprises of environmental standards and references, e.g. ISO 14000. However, possible environmental issues encountered in Tunisia are not *per se* identified or analysed. Tunisian demands for environment-related assistance are mainly triggered by the fact that EU market access is conditioned by the adoption of environmental standards. According to FAMEX (Fonds d'Accès aux Marchés d'Exportation), there is a need to implement and enforce the existing legislation, which is sensitive and quite strict in environmental matters. For instance, there are now some 400 jeans manufacturers in Tunisia, the activities of which have an obvious negative impact on the environment; however nothing is done to address this issue. There is neither SIA nor monitoring in this field (Source: TRTA Evaluation).

Finally, the CDE has designed a programme based on environmental protection with 3 components:

- Prevention and protection of pollution risks;
- Addressing the demands of international commitments on the environment and sustainable development;
- TA and institutional strengthening, including sensitising and training at both public and private level; enhancement of enterprise creation and consultation in the environment sector; enhancement of investment and partnership. (Source: Annual Report, 2003).

Within this programme, the CDE intends to sensitise the private sector to environmental issues through intermediary organisations. In addition, in the preparation of sector programmes the CDE proposes to give priority to sectors that will preserve, among others, the environment. In the field of timber it has developed three programmes of timber certification and woodworking in Central Africa, the Caribbean and the Pacific.

### 5.8.3 Social Issues

As far as working conditions, child labour, and other social issues are concerned, it appears from the documentation consulted that they did not receive any attention.

In one case (Tunisia IMP/ETE), the identification and formulation report of the programme refers to programmed actions concerning security standards: Group 3 of the component 'Qualité-Métrieologie-Normalisation' envisaged actions aimed at supporting the

adoption by Tunisian enterprises of security standards and references such as OSHAS 18000. However, potential social issues are usually not identified *per se* or analysed. Further, according to one Tunisian source, social issues are not central for Tunisia where standards are already reasonably high. From this point of view, it was suggested that the real challenge is transformation of the Tunisian society as the country moves from a low wage economy to one with higher living standards (Source: TRTA evaluation interviews)

#### **5.8.4 Good governance**

No specific mention was made, in the documentation consulted at country or project level, of action needed to improve good governance. The only exception is Uganda's CSP 2002 which mentions good governance as one of the general objectives to be achieved.



## 6. General survey of EC Delegations

### 6.1 Introduction

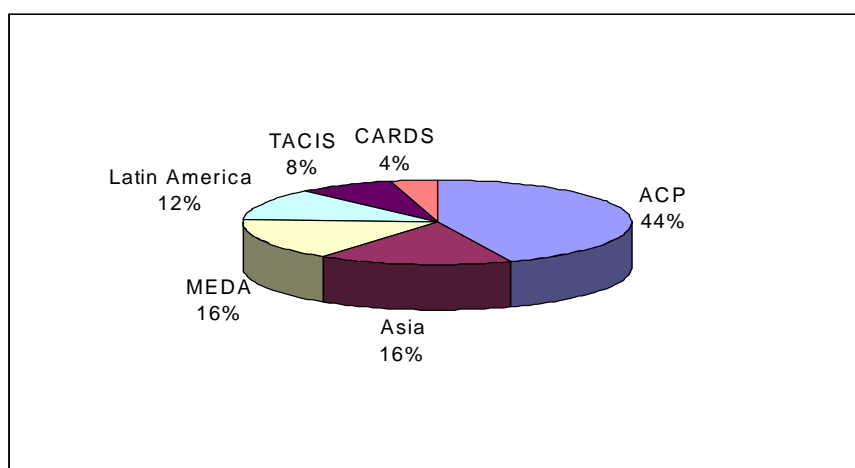
As stated in the evaluation's methodology (see Annex 4), the evaluation team conducted in the Desk Phase a questionnaire survey among third countries Delegations to complete its desk analysis and to test hypotheses relating to the design and implementation of the Commission's PSD policy by reference to specific examples.

In order to collect a significant number of answers without overloading too many Delegations, the evaluators and the Commission decided to ask to 25 Delegations to participate in the survey. The evaluators' choice of Delegations was based on their previous document analysis and on the relative importance that the country strategy gives to Private Sector Development, through its overall PSD programme or through one particular project. The 25 Delegations that were chosen are:

- Bangladesh
- Benin
- Bolivia
- Bosnia Herzegovina
- Burkina Faso
- Dominican Republic
- Egypt
- Georgia
- Ghana
- Indonesia
- Jordan
- Kenya
- Madagascar
- Malawi
- Mauritius
- Mexico
- Morocco
- Niger
- Pakistan
- Peru
- Senegal
- Thailand
- Tunisia
- Uganda
- Ukraine

The chart that follows presents the distribution by programme of the 25 selected Delegations.

**Chart 1 – Selected Delegations –distribution by programme**



The first deadline set for the Delegations' responses to the questionnaire was 18<sup>th</sup> April 2004. By this date, 11 answers had been received. Five other countries had partially answered to the questionnaire and had saved their form in "draft version". Nine countries had not answered at all.

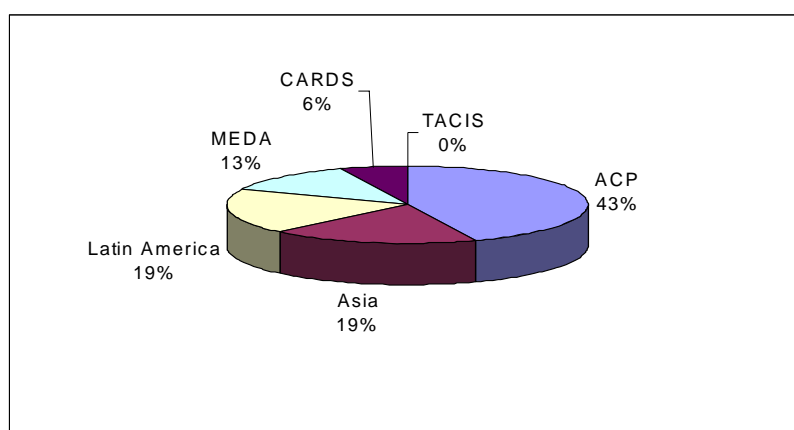
To give more time to the Delegations to complete the questionnaire and collect a larger number of definitive answers, it was decided to extend the time allowed for participation in the survey. The second deadline was accordingly fixed at the 7<sup>th</sup> May, and a reminder was sent to all Delegations. By this second deadline 16 definitive answers were obtained, including two answers which were partial but nonetheless confirmed by their author as correct and exploitable for the analysis (Egypt and Kenya).

With 16 completed questionnaires out of 25, the final answer rate amounts to 64%. The countries that participated were<sup>40</sup>:

- |                      |                   |                         |
|----------------------|-------------------|-------------------------|
| ▪ Bangladesh         | ▪ Ghana           | ▪ Peru                  |
| ▪ Benin              | ▪ Kenya (partial) | ▪ Senegal <sup>41</sup> |
| ▪ Bolivia            | ▪ Madagascar      | ▪ Thailand              |
| ▪ Bosnia Herzegovina | ▪ Mauritius       | ▪ Tunisia.              |
| ▪ Dominican Republic | ▪ Mexico          |                         |
| ▪ Egypt (partial)    | ▪ Pakistan        |                         |

The distribution by programme of the countries that have answered, and on which this analysis will be based, is the following:

**Chart 2 – Countries that have answered to the survey  
Distribution by programme**



<sup>40</sup> Malawi had also begun to answer to the questionnaire in « draft version », but the Delegation has unfortunately not confirmed that the information encoded was correct and could be used by the evaluators for the survey analysis. Its answer has thus not been taken into account in this analysis.

<sup>41</sup> The EC Delegation in Senegal specifies that it does not manage projects specifically "Private sector" related, but has however accepted to participate to the survey.

This distribution by programme is similar to the distribution of the selected Delegations to which the survey was sent. However, one difference is that no TACIS country participated in the survey.

The following descriptive analysis reflects the structure of the questionnaire:

- interventions to support the regulatory and institutional framework;
- interventions to reinforce the financial system and improve access to financial resources;
- interventions to support intermediate organisations;
- interventions to support business-to-business partnership;
- interventions to encourage provision of non-financial services for SMEs.
- EC deconcentration process;
- a multi-country or single-country approach to support for PSD;
- coherence between the EC strategy in support of PSD and other EU policies or programmes;
- co-ordination and complementarity;
- crosscutting issues.

## 6.2 Interventions to support the regulatory and institutional framework

In eight countries, the EC has during the past 10 years implemented one or several interventions in support of the regulatory and institutional framework. In total, 23 projects are presented. For 17 projects a budget is given, which in total amount to € 601,005,417.

The majority of the projects presented are rather recent (after year 2000), but some of them (3) had already begun nearly ten years previously. The expected duration of the projects varied greatly, from one to eight years, the majority varying between 2 and 5 years.

In most cases, the government proposes the intervention. Moreover, 75% of the eight Delegations asserted that the institutional reforms supported by the EC were part of the policy agenda of the government. In other cases, the intervention was proposed by the EC or possibly by another donor.

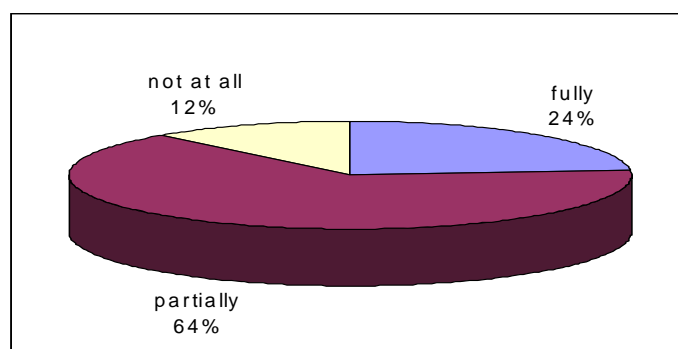
**Table 1 – Who proposed the institutional reform project?**

Government	53%
EC	31%
Other donor	16%

As far as the project results are concerned, the initial purpose was at least partially reached in most cases. Only one intervention did not reached its objective at all, because there had not been any continuity in the project<sup>42</sup>. The chart below presents the success rate of these institutional reforms.

<sup>42</sup> One other intervention is mentioned as being not successful at all, but it is only because the project has not yet started.

**Chart 3 – Was the purpose of the institutional reform reached ?**



The main reason for partial achievement of the objectives is that the projects were still ongoing, which is a totally legitimate justification. Other explanatory factors are the length of the negotiations, implementation of a new structure, political resistance, unrealistic goals, or environmental obstacles (inadequate conditions for privatization, business environment not conducive).

On the other hand, factors of success mentioned were strong demand for services, strong involvement of the beneficiaries or good correspondence between the needs of the target group and the actions implemented.

Finally, most of the Delegations reported that some obstacles had hampered the implementation of these EC interventions. Among these difficulties, we can mention:

- the complexity of the competitiveness factors;
- lack of capacity to implement too ambitious interventions;
- lack of consultation with the stakeholders, failure to include their views in the policy formulation, lack of dialogue with local partners;
- the weakness of the Government authorities: lack of initiatives, weak capacity to create a business-enabling environment, the administration unprepared to implement the changes.

One country observed that a consequence of these obstacles was the underdevelopment of the formal private sector, most business activities remaining in the informal sector.



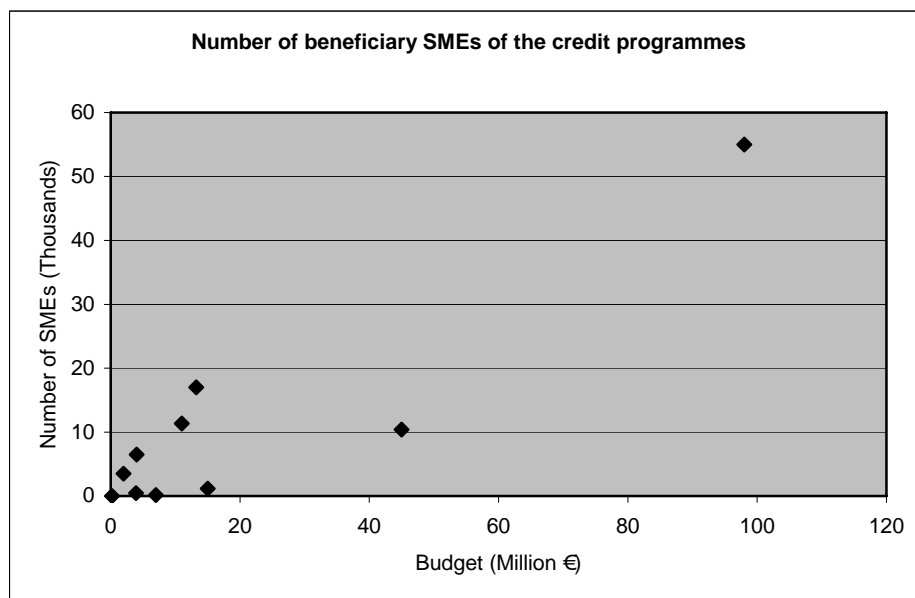
### 6.3 Interventions to reinforce the financial system

For all 16 Delegations, access to financial resources for SMEs and micro-enterprises is a major constraint to private sector development. Facing this situation, the EC has supported programmes to facilitate access to credit for SMEs in 14 of these countries.

In total, 28 projects are presented, including 6 EIB interventions. The number of projects per country varies from 1 to 3. It seems that the EC has been conscious of the problem for some time already, because many projects started before 2000.

The duration of the projects is often rather long: most of the interventions lasted from 4 to 8 years; two interventions had a period of action of more than 10 years.

**Chart 4 - Number of beneficiary SMEs of the credit programmes**



The number of beneficiary SMEs is reported for only 43% of the projects. This number is very different from one intervention to another and it is difficult to say if it is directly related to the project budget (See Chart 4). The budget is mentioned in the questionnaire responses for only 18 interventions, totalling € 656,300,000. The repayment rate is given for very few projects, but in every case it is very high (more than 85%).

Only one country mentions complaints about the creation of unfair competition: “Some donors have criticized [the programme] as market-distorting. However, it is doubtful that banks would otherwise lend to the target clientele (e.g. small traders)”.

Twelve countries stated that the activities would be taken over by local operators after the completion of the programmes, but this expectation has been realised in only 5 of them up until now.

Among the factors hampering implementation of the credit interventions can be highlighted the following:

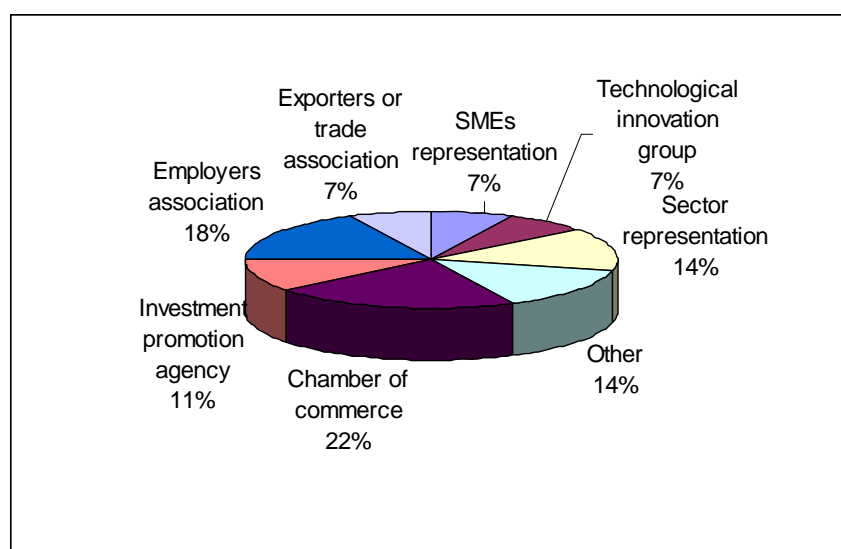
- absence of uniform regulations applicable to MFIs, unclear legislative environment, institutional weakness;
- lack of infrastructure in peri-urban and rural areas, and lack of skilled staff;
- lack of entrepreneurial skills among the borrowers;
- the position of the financial sector: lending to small companies is often perceived as high risk by the banks. The banks' requirements are thus high and not "poor-friendly", the cost of credit and rates of interest are high;
- rigidity of the financial system (no competition);
- lack of communication and information.

#### 6.4 Interventions to support intermediate organisations

The EC supports intermediate professional organizations in ten countries out of the 16. In total, 28 organizations were mentioned. According to the answers given, their number of beneficiary firms varied from 20 to 700. The nature of the organizations was diverse, as shown in chart 5 below.

In almost all countries, the intermediate organizations already existed before the start of the EC programmes. Two Delegations specified however that EC support played an important role in the development of these existing organizations or in the establishment of new intermediaries in the country.

**Chart 5 – Nature of EC supported intermediate organisation**



As far as political dialogue with the government is concerned, each of these intermediaries was occasionally (32%), regularly (32%) or systematically consulted (36%), but never "not consulted". Moreover, 75% of the Delegations noticed that there had been an increase in

their involvement over the years, and felt that the point of view of business sector organizations had been taken into account in the elaboration of policy.

Dialogue with an international organization was also very frequent. In most cases, it was with a sectoral international organization (38%), but some intermediaries have also contacts with a private professional intermediate or professional organization (23%), a trade-related international organization (19%) or some other intermediate organization (15%).

69% of the Delegations considered that factors other than the support from the EC had influenced the evolution of the capacity of intermediate organizations to provide services to their members or to conduct policy dialogue. The main factors cited by the Delegations were:

- the ability of the intermediate organizations to respond to the needs of their members;
- their capacity to generate a self-sustaining service, and thus to ensure their financial sustainability;
- the involvement of the government and the amount of government resources injected into the development of these institutions;
- the public-private dialogue;
- institutional changes, like the recent liberalization of the economy;
- other donor programmes.

Intermediate organizations always have alternative means of financing their activities to EC funding. These other sources of financing are:

- membership subscriptions,
- government subsidies,
- other donor funding,
- income from investments.

Finally, the main factors enhancing the implementation of EC interventions were, according to the Delegations, the availability of financial instruments (such as CDE, EIB, PROINVEST) and the extent of EC financial assistance, and access to competences that do not exist in the country. One country also quoted the high level of political support. On the other hand, factors hampering EC activities are:

- institutional weakness, lack of government awareness and involvement;
- the internal weakness of these intermediate organizations, their lack of capacity to approach and market themselves in Europe;
- the existence of other organizations with similar objectives, resulting in overlapping, and the absence of rationalisation of these structures;
- the strict control of the government on the development of independent organisations.

## 6.5 Interventions to support business-to-business partnership

In half of the countries analyzed, at least one of several partner-seeking meetings was organized within an EC programme.

Little information is given on these events. However, it seems that they are in general relatively recent (after 2000) and that they were very different in terms of size, attracting anything between 25 and 5,000 participants, with significant differences also observed within a given country.

Almost no indication on the number of agreements reached is mentioned in the replies to the questionnaire. Information was given for 3 meetings only, and the numbers put forward ranged from 1 to 176 agreements. Not enough information is available to say if there was a link between the number of participants and the number of commercial agreements reached.

The same difficulty arises as regards the nature and the date of the follow-up of these events: almost no information is available. All that can be highlighted is the experience of Mexico, which followed up each of its 5 partnership meetings with a questionnaire, after a period of six months or one year.

According to the Delegations, partners draw different kind of benefit from these meetings:

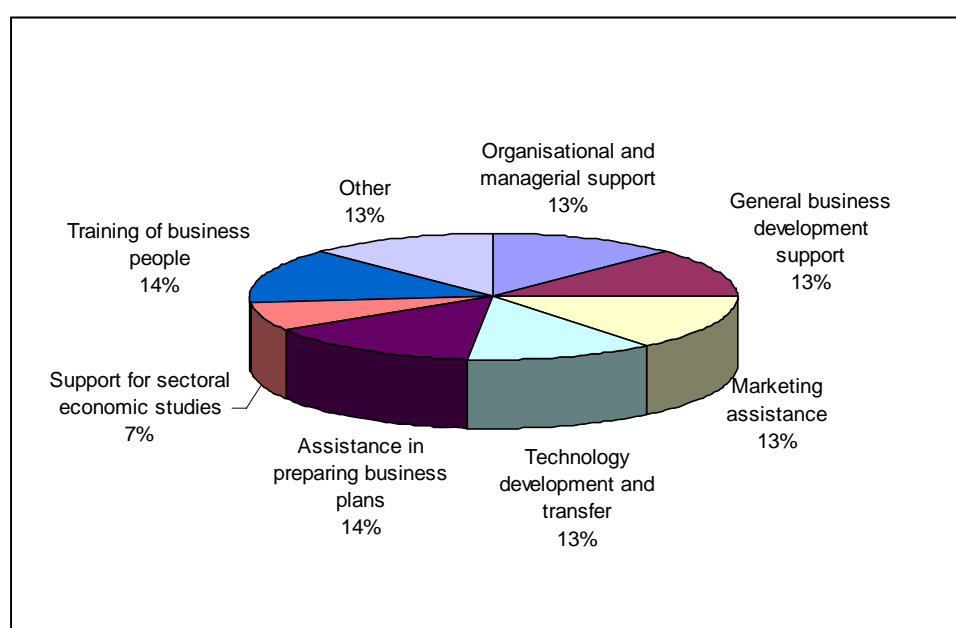
- exchange of views, networking;
- search for partners, sectoral meetings, business contacts;
- exposure to other markets, possibility of establishing alliances with European companies, access to the European market;
- technology transfer, learning of new strategies.

Factors of success in these partnership meetings included the effectiveness of local intelligence, the quality of the events organized and the appropriate targeting of the companies invited. Among the difficulties encountered were the economic crises which forces the SMEs to focus on the short term and thus relegate their efforts for their medium and long-term strategies, or the lack of interest of European business, according to the Delegations.

## 6.6 Interventions aimed at encouraging non-financial services provided to SMEs

In twelve countries out of 16, the EC programme supports the provision of non-financial services to SMEs. The EC often supports several types of service in each country. Overall, the nature of these services is very diversified, as shown in chart 6 below. No specific service is more offered than others. Support for sectoral economic studies is the only type of service that seems a little less supported by the EC.

**Chart 6 – Nature of non-financial services to SMEs**



Among the other type of non-financial services supported were quality and accreditation services, human resource management services, technical assistance, provision of infrastructure and equipment, market studies and other specific services (e.g. export related services).

Most often, both local and foreign expertise provided these non-financial services to SMEs. For 50% of the Delegations, the rate of use of services was in line with expectations, 25% of them felt that it was above expectations, and for the last 25%, the use of services was below expectations.

In all countries, the local supply of non-financial services had had a positive evolution since 1994 since it had increased in 92% of the countries and remained constant in 8% of them. No decrease of the supply had been observed in any of the 12 countries.

Other positive trends: 75% of the Delegations considered that there had been a shift from a direct provision of services to an approach based on encouragement of local supply of services in their country. For them, local supply of services presents a range of advantages:

it is more economical than an EC funded supply, delays tend to be shorter and procedures are shorter and less complicated. Moreover, private services establish a long-term relationship between the enterprise and the consultant, which EC support does not allow. On the other hand, the quality of local services may not be of the same level. Some countries encouraged a demand-driven approach from the enterprises, and a partially subsidised system for promoting the flow of non-financial services.

Unfortunately, little provision was made to ensure that the non-financial services provided with the support of the EC would continue to be provided after completion of the project or programme. Among the 6 Delegations that answered the question, three stated that provisions for sustainability (such as the transfer to a private organization, strengthening of specific institutions or financial support to the government) had been made. The other three admitted that little or nothing had been provided for in project documents to ensure the maintenance of service provision.

## 6.7 EC deconcentration process

The deconcentration process has shifted a number of responsibilities from Headquarters to the Delegations. The questionnaire investigated the effects this process had had on the design and implementation of interventions in favour of private sector development and highlighted in this respect five themes: identification of needs, the decision process, intervention costs, the workload of project managers at the Delegation and the efficiency of interventions.

On the basis of the responses to the questionnaire, the main effects of deconcentration may be summarized as follows:

- better identification of needs (except in those countries where the Delegation was already closely involved in the identification process) due to a closer interaction with private sector actors and a better understanding of the situation in the country;
- a speeding up of the decision-making process: less time-consuming interaction with Headquarters and a smoother interaction with local actors;
- intervention costs that are mostly comparable or lower;
- a heavier workload due to the more extensive involvement of the Delegation in all phases of the project cycle;
- greater efficiency due to better identification of need and a reduction in delays, without any increase in costs.

12 of the 16 Delegations that completed the questionnaire responded to the section on the deconcentration process (two of which did not respond to all questions).

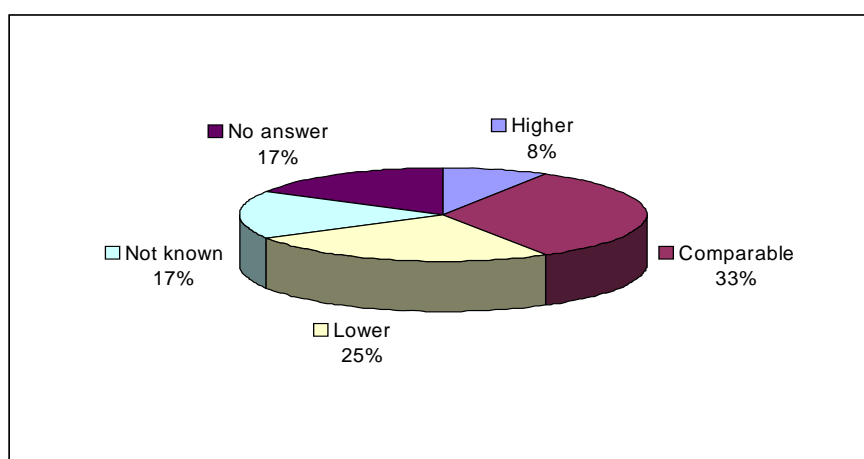
Two thirds of respondents considered that deconcentration led to a better identification of needs. The main reason given is the fact that being “on the ground” permits better contact and closer interaction with private sector actors (potential partners, beneficiaries, stakeholders, etc.) and, accordingly, better understanding of the situation. The task managers are also more involved with the content of the projects and tend to have a more

proactive approach. In turn, as mentioned by one Delegation, national authorities better recognize the role of the Delegation. From a more procedural point of view, one Delegation also indicated that deconcentration allowed for greater involvement of the Delegation in the preparation of the Country Strategy Paper and thus in identification of needs. However one-third stated that the Delegation had already been strongly involved in the identification process before and considered that deconcentration did not lead to any improvement in that respect.

Delegations were nearly unanimous in saying that the deconcentration made it possible to speed up the decision-making process during the identification and implementation stages of the interventions. The explanation in most cases is rather obvious: it is precisely the decision process that has been deconcentrated and as there is no (or less) need to consult Headquarters, time-consuming interactions between the headquarters and the Delegation have been significantly reduced. In addition, the above-mentioned closer interaction with private sector actors and a better understanding of the situation in the country also contributed to speeding up the decision process. It was however stated by one Delegation that the fact that decisions with respect to *commitments* still rest with Headquarters may create delays in the analysis of new application files. Further, one Delegation considered that the duration remained unchanged owing to legislative barriers that were rather specific to the country in question. One Delegation considered that it was too early to give an opinion on this, although it expected a speeding up of the process.

In terms of the evolution of the costs of interventions before and after deconcentration, opinions are more scattered, as shown in the chart below.

**Chart 7 – Level of intervention costs before and after deconcentration**



Most Delegations that answered to the questionnaire stated that the costs are comparable. However few explanations are given in this respect. One Delegation states that external expertise is still required; others simply state that they do not observe any change. Those that consider costs to be lower cite closer interaction with partners, reduction in reporting and monitoring time and greater efficiency in general. Some Delegations indicated that they

had no means of comparison. No clear explanation was available from the Delegation that considered costs to be higher.

Except in one case, Delegations were unanimous in saying that as a consequence of deconcentration, the workload (related to implementation procedures) of project managers at the Delegation has increased. The main reason is that the Delegation participates much more in all the phases of the project cycle (including identification and project formulation) and has to carry out all the tasks related to this increase of responsibilities, such as managing calls for proposals, negotiating contracts, monitoring and project implementation, reporting, and so on. Some however indicated that more resources had been made available to carry out the additional tasks. One Delegation stated that there was no increase in the workload, precisely because the additional tasks had been compensated for by the allocation of additional resources.

All Delegations that responded to this question (11) considered that deconcentration had made the EC interventions for supporting PSD more efficient. This improvement in terms of efficiency is related to the issues discussed above. The better identification of needs and closer co-ordination with PSD actors are indeed cited as factors that promote efficiency, as well as the reduction of delays in the decision-making process. But one Delegation underlined the fact that the lack of deconcentration of financing instruments is one of the factors that hampers efficiency.

## **6.8 A multi-country or single-country approach for the support to private sector development**

In some regions, preference has been given to providing support for the development of the private sector at a multi-country level instead of at country level. This might have effects on the design and implementation of the EC interventions in support of the development of the private sector.

On the 12 Delegations that responded to this theme, only two had been confronted with an evolution towards a multi-country approach for the implementation of EC interventions, one Delegation considering that it was too early to decide this, and another not responding. With respect to the issue of speeding up the decision-making process during the identification and implementation stages of interventions, one of the respondents for which a multi-country approach materialised stated that in his view the centralized approach is faster and more efficient in managing decision-making than multiple national programmes where too many authorities are involved. In terms of workload one of these two Delegations stated that centralized management leads to a reduction in administrative work, while the second thought the workload to be still comparable with the previous situation but expecting an increase when parts of the multi-country programmes become deconcentrated. Not much information was provided by these two respondents either in terms of cost of the multi-country approach (one just stating that expertise costs do not depend of the multi-country approach), or in terms of efficiency of the approach (one respondent suggests that a more efficient formula could be the combination of the multi-country and deconcentrated bilateral approaches).



Only a minority of Delegations (2 out of 12 respondents) had been confronted with the multi-country approach. Given this limited number of cases it is difficult to draw conclusions in relation to the speed of the decision-making process, increase of workload, especially since the opinions expressed do not really converge.

The remaining Delegations were divided when it comes to deciding whether or not they thought the introduction of the multi-country approach in their country was desirable or not:

- 50% were in favour, as they thought more should be done to realise the potential of the region to which they belong and to promote a stronger regional integration;
- 50% were unfavourable, mainly because in their view a multi-country approach cannot take into account sufficiently the specificities of each country and target the support accordingly.

The question of whether the Delegations think evolution towards the multi-country approach is desirable in their region was only posed to those Delegations not yet confronted with such an evolution. 50% (5 Delegations) of those respondents were in favour of such an evolution and 50% did not think that such an approach would be desirable in their region. Those that were favourable to the multi-country approach stated that there is a need for more regional coherence and underlined the benefits of existing regional programmes to realise the potential of a specific region and promote regional integration. On the other hand the Delegations that were not favourable underlined the differences in institutions, regulatory framework, economic development, political situation, and so on... of countries in a given region. In their view, in multi-country programmes instruments are not enough adapted to specific needs and the development stage of a specific country. In one case difficult political relations between two countries of a same region were invoked and in another case the multi-country approach was described as being too slow and bureaucratic.

## 6.9 The coherence between the EC strategy to support PSD and other policies or interventions

The coherence between the EC strategy for supporting PSD and other policies is a difficult issue to assess on a questionnaire basis alone. More direct dialogue and interviews with the Delegations are desirable to ensure good comprehension of the matter and an adequate assessment of the issue. This section presents the first elements that can be drawn from the survey, and it was proposed at the time of the Desk Phase that a more detailed analysis of this issue would be undertaken in the second phase of the PSD evaluation, during the field missions.

Among the twelve Delegations that answered the coherence questions, 40% thought that achievement of the objectives of EC projects to support development of the private sector was enhanced or hampered by other EC projects, programmes or policies. Moreover, 27% said that complaints about EU policies, regulations or programmes had been expressed by the beneficiaries, the Government or the operators of PSD programmes. The difficulties reported are:

- The Common Agricultural Policy; the new regulation on Official Feed and Food Controls (COM/2003/0052) will be an obstacle for agricultural exports to Europe.
- The European trade restrictions that are perceived to be hampering the export of some processed agro-based products into Europe.
- The excessively numerous programmes at ALL-ACP, at regional and national levels, which seem to do the same thing.

In general the Delegations have developed contacts with other Delegations and with Headquarters in Brussels. 67% of Delegations have contacts with fellow officers in charge of PSD from other Delegations in the same region but none of them have contacts with Delegations in other regions. Also, 67% have developed contact or co-ordination activities with fellow officers in charge of regional or multi-country PSD programmes such as Pro-Invest, AL-Invest, Asia-Invest, CDE or other PSD-related multi-country programmes from which their country could benefit: 42% with the officer in charge in Brussels and 25% with the management unit in their region. 33% have no contacts with other Delegations.

Finally, only 25% of the Delegations are aware of the EC experience of private sector support within Europe.

## 6.10 Coordination and complementarity

As with the coherence issue, the co-ordination and complementarity question is a difficult issue to assess on a questionnaire basis alone. More direct dialogue and interviews with the Delegations are desirable to ensure a good comprehension of the matter and an adequate assessment of the issue. This section presents the first elements that can be drawn from the survey, and it was proposed during the Desk Phase that a more detailed analysis of this issue would take place in the second phase of the PSD evaluation, during the field missions.

Among the 14 Delegations that answered the co-ordination questions, only 57% report that there is a multi-donor co-ordination group on Private Sector Development Support in their country, and moreover that those groups were very recent (after 1998 except for one country). The co-ordination meetings are organized quarterly or occasionally (on demand). Among the participants in the co-ordination group, one generally finds the main donors of the country involved in the sector, the Private Sector Ministry and other representatives of the government. In two countries the EC leads the co-ordination group. In general, there is some attempt to distribute tasks between the different donors.

A wide range of issues is discussed during the meetings. The main subjects are:

- information sharing on policy and PSD strategy, presentation of the different donor programmes;
- new interventions aimed at improving co-ordination and coherence between partners;
- needs, obstacles, discussions on how to overcome political obstacles;
- business environment, recent political and economic developments affecting the private sector;

- search for funding;
- ensuring that multilateral and bilateral support is deployed as efficiently and effectively as possible.

Most Delegations that gave an opinion thought there to be some convergence of views between the EC approach to PSD support and other donor programmes and policies. However, in 69% of the countries, there is no specific multi-donor programme to support PSD; among these, however, three countries mention that an effort is being made to establish such a programme.

Finally, 92% of the Delegations felt that achievement of the objectives of the EC projects in support of development of the private sector had not been hampered by any other project, programme or policy of a Member State. Only one country mentioned a Member State intervention as creating an obstacle for one of its EC-funded PSD projects.

## 6.11 Crosscutting issues

Crosscutting issues, such as gender issues, the environment and good governance, are identified by the EC as policy priorities that should be reflected in all EC interventions. Rather than attempting to assess the actual contribution made by PSD interventions to progress on these issues, the questionnaire aimed at finding out to what extent these issues are currently integrated into PSD interventions.

11 of the 16 Delegations that responded to the questionnaire answered the questions related to crosscutting issues. For the 5 Delegations that did not respond to this theme, it is not clear whether or not crosscutting issues were integrated into PSD interventions. The table below summarizes, for the Delegations that responded to this question, which crosscutting issues were taken into account and at what stage of the project cycle, and how they were integrated. The figures indicate the number of Delegations that ticked a particular box.

Overall the table shows that, at least at the identification and implementation stage, each crosscutting issue has been mentioned by around 50% of the responding Delegations. In terms of the evaluation stage (last row) this is only the case for a minority, which becomes even smaller when it comes to taking crosscutting issues taken into account as eligibility criteria – although this could function as a strong incentive – or through inclusion of an impact assessment. The same is true for developing specific monitoring indicators and providing guidance to public authorities. More has been done in terms of encouraging private sector initiatives for good practices. Overall, gender issues seem to have been taken slightly more into account than environment and good governance issues.

How have crosscutting issues been taken into account?	Gender issues	Environment	Good governance
At identification stage	5	6	5
At implementation stage	5	5	6
As eligibility criteria for projects or beneficiaries	3	1	2
By developing specific monitoring indicators	2	1	2
By encouraging private sector initiatives for good practices	5	4	3
By providing guidance to public authorities on how to deal with crosscutting issues	1	3	1
Through the inclusion of an impact assessment	1	2	0
At evaluation stage	4	3	3

A closer look at the answers shows that 10 of the 11 Delegations that responded have at one moment or another integrated at least two crosscutting issues. Most of them have had a rather constant approach to the issues, integrating them at several stages of the project cycle and using them in different ways.

Only 5 Delegations responded to the question whether they thought certain crosscutting issues that should be taken more into account in the design and implementation of EC PSD interventions so far. Three Delegations considered that this was not necessary. One Delegation stated that education and human resources development needed to be better in line with PSD. The fifth one stated that more needed to be done in terms of gender, notably in terms of support to the work of women, support to organizations representing women and support to female entrepreneurs.

Finally, an issue that was raised by one Delegation was the difference of perception of gender issues in Europe and in some of the beneficiary countries and the need to establish in this respect a framework that is acceptable to both parties.

In 10 of the 11 countries that responded to the questions on this theme, crosscutting issues (at least two) have been taken into account at one stage or another of the project cycle.

Crosscutting issues have been integrated mostly at the identification and implementation stages. They have also been taken into account by encouraging private sector initiatives for good practices.

Some suggestions have been made for improvement, such as incorporating education as a crosscutting issue or giving more attention to 'cultural differences' when dealing with gender issues.

## 7. Survey on the Thematic Network to EC Delegations

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### 7.1 Introduction

This annex presents a complementary survey conducted during the Field and Synthesis Phase of the PSD evaluation. It focuses on the exchange of information and tools between HQ and Delegations and the interviewees were EC staff in charge of PSD interventions in the 16 Delegations that replied to the first survey (see section 6 of Annex 5).

These interviews aimed at analysing the knowledge and use by the Delegations of the information and tools provided by HQ through the PSD website and assessing the needs of the Delegations in this respect within the context of deconcentration. The interviews also investigated the types of useful information and tools that could be provided from Delegations to HQ.

There were both face-to-face and telephone interviews, as well as exchanges over e-mails. The face-to-face interviews took place during the five country missions. Telephone interviews and e-mail exchanges were held for a sample of 11 Delegations. For purposes of confidentiality, the sources of the quotations included in the slides have been masked.

The following pages present, in the form of a slide presentation, the purpose and method used to carry out the survey and then presents the findings which in turn are divided in two parts:

- Knowledge - presenting findings regarding the knowledge and use by the Delegations of the information and tools provided by Headquarters through the PSD network website.
- Needs - presenting the types of useful information and tools that could be provided from Delegations to Headquarters and the needs of the Delegations in this respect within the context of deconcentration.

## 7.2 Presentation of results

### Agenda

- Purpose and method
- Findings

### Purpose and method

- **Purpose: Obtain feedback from Delegations on their**
  - **Knowledge and use** of the PSD network website and of the information/tools provided through it. (survey section 1)
  - **Needs** in terms of the exchange of thematic information/tools (survey section 2):
    - Type of information.
    - Channels.
- **Method: Through a survey**
  - Interviews with 16 EC Delegations implementing PSD programmes:
    - Telephone / email interviews with 11 delegations\*.
    - Face-to-face interviews during the 5 country missions.
  - Regions covered:
    - ACP: Benin, Dominican Republic, Jamaica, Kenya, Madagascar, Zambia.
    - Asia: Thailand, Pakistan, Vietnam, Bangladesh.
    - MEDA: Morocco, Tunisia.
    - Latin America: Bolivia, Mexico, Peru .
    - CARDS: Bosnia and Herzegovina.

## Agenda

- Purpose and method
- Findings
  - Section 1: knowledge

### The delegation's knowledge about the existence of the PSD network website and its use is limited

**Question 1.1:**  
Are you informed of the existence of the PSD network website?

Response	Percentage
No	67%
Yes	33%

survey answers (total 16)

↓

**About a third of respondents know about the PSD network website**

**Question 1.2:**  
Do you use the PSD network website?

Response	Percentage
No	94%
Yes	13%

survey answers (total 16)

↓

**Only 2 respondents (out of 16) have used the PSD network website**

## Interviewees' comments explaining limited knowledge and use of the website

### Knowledge (q.1.1)

- Reasons invoked for not being informed about the website include:
  - Delegation staff (involved with PSD) were not «pro-actively» informed about the existence of the PSD network and/or website.
  - High turnover of staff at the Delegations and lack of info sharing between rotating staff.

### Use (q.1.2)

- Reason invoked for limited use of the website include:
  - Staff is not informed about the website's existence.
  - The website contains too limited information that responds to their needs (see section 2).
  - A website is not sufficiently pro-active as a channel for exchange of info/tools (see section 2).

## Given limited knowledge of the website, it is difficult to draw conclusions about what sections of the website are being used

### Survey questions:

- **Sections of the website used:**
- **For what purpose:**

### Survey answers (2 respondents):

- Project examples. (Financing proposals, examples of TOR)
- Documents. (Guide to PSD)
- When designing programmes



**Given the lack of knowledge of the website's existence and limited use of it, very few insights could be generated on the use of the information/tools available through the website**



## Agenda

- Purpose and method
- Findings
  - Section 2: needs

## The survey answers on needs are presented in two steps

**Step 1:**

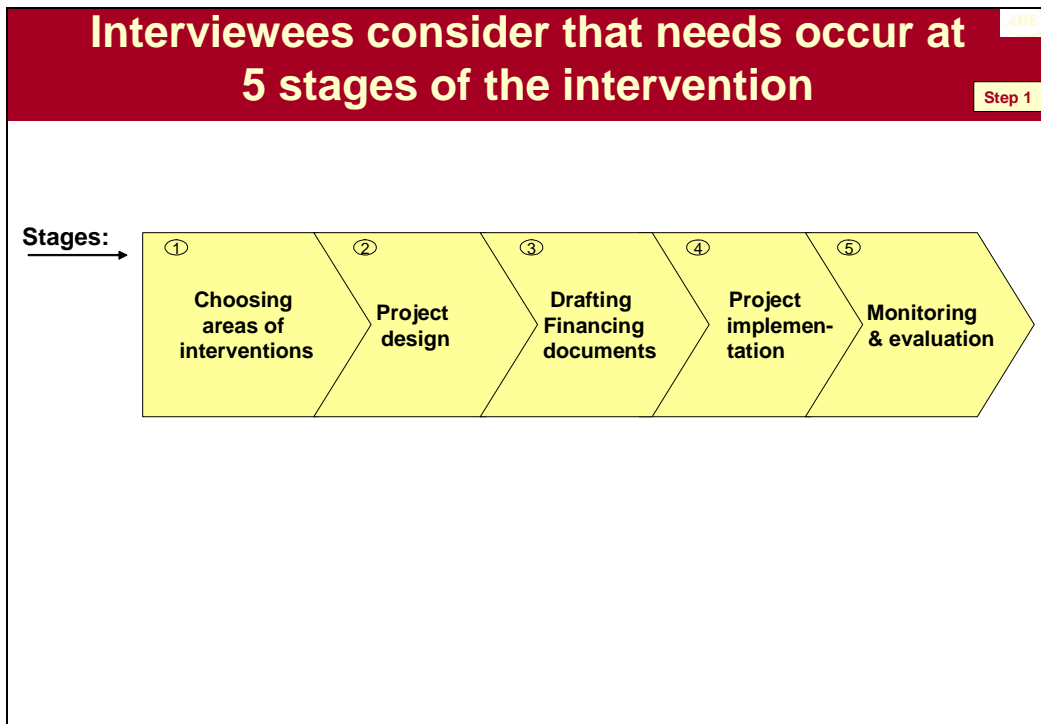
- Interviewees' views on their needs in terms of exchange of information/tools.

→

**Step 2:**

- Interviewees' views on the most appropriate channel to respond to their needs.

\*Findings on exchange of information *between headquarters and delegations* (in both directions) and between *between delegations* will be treated together



## Interviewees mention the following existing support mechanisms ADE

Step 1

Note: The following is based on interviewees' expressed knowledge of current support

	① Choosing areas of interventions	② Project design	③ Drafting Financing documents	④ Project Implementation	⑤ Monitoring & evaluation
↓ Current support					
<b>PSD network</b>	Guidelines on PSD	Guidelines on PSD	Examples of FP and TOR		
<b>Other Delegations</b>	Ad-hoc sharing best-practices	Ad-hoc sharing best-practices			
<b>Beneficiary government</b>	Information on country needs & other donor activities	Information on country needs & other donor activities			
<b>Other donors</b>	Consultation meetings + literature research	Consultation meetings + literature research			
<b>Identification missions</b>	Identifying country needs + formulation of activities	Identifying country needs + formulation of activities			
<b>Quality support group</b>			Feedback on Project proposal		
<b>Country desk</b>	Support in choosing areas of intervention	Support in choosing activities	Drafting financing agreement		Support in designing the TOR
<b>External consultants</b>		Designing a project		Implementing the project	Design and implementation of monitoring

## But most interviewees agree that current support mechanisms are not sufficient

ADE Step 1

Current support ↓ **What interviewees think about current support include:**

<b>PSD network</b>	<ul style="list-style-type: none"> <li>Limited knowledge and use by the Delegation.</li> </ul>
<b>Other Delegations</b>	<ul style="list-style-type: none"> <li>Mainly inter-regional and ad-hoc.</li> </ul>
<b>Beneficiary Government</b>	
<b>Other Donors</b>	<ul style="list-style-type: none"> <li>Limited to the delegation's country.</li> </ul>
<b>Identification missions</b>	<ul style="list-style-type: none"> <li>Delegations may be left with lots of decision-making at the end of the mission.</li> <li>Quality of teams vary.</li> </ul>
<b>Quality support group</b>	<ul style="list-style-type: none"> <li>Input is given mainly on formal aspects.</li> </ul>
<b>Country desk</b>	<ul style="list-style-type: none"> <li>Desk usually only have info about their own country.</li> </ul>
<b>External consultants</b>	<ul style="list-style-type: none"> <li>Their knowledge about PSD varies.</li> </ul>

## Need for support when choosing areas of interventions

ADE Step 1

▪ **Need:**

- To make **informed decisions** when choosing areas of PSD interventions for the country and learn how to put theory into practice.
  - « We know that our ultimate objective is poverty reduction, but we don't know what's needed nor what works best in PSD to achieve that goal. » i3
- To conduct a **constructive dialogue** with local authorities.
  - « I would like to have my own arguments when discussing with the government » i1

▪ **Concrete requests:**

- Examples of PSD strategies deployed in other countries (especially countries in the same region or with similar characteristics).
  - « PSD is not a science, so it's difficult to do much more theory beyond the (useful) PSD Guidelines. We need example of strategies deployed in similar countries to see how the Guidelines work in practice. » i2
  - « Showing the government successful strategies deployed in other countries is key for persuasion during our dialogues. » i2
- Methodologies applied in the European context; insights on sector-wide approaches; synergies between PSD and trade issues.

Note: ix = Interviewee from Delegation in country x

## ADE

# Need for support when designing projects

Step 1

- **Need:**
  - To be **aware of available projects/instruments** to reach objectives in an area.  
*« Our programme to support companies to move towards finalised production could be used in other parts of the region. » i14*
  - To be **informed of best-practices** when designing a project.
- **Concrete requests:**
  - comprehensive list of projects and instruments classified per country and topic;
  - best practices on how to design a project:
    - Type of programmes and instruments that work well:
      - Examples: How to increase access to finance (i3), How to foster public/private partnerships in the sector (i5)
    - Guidelines to design a certain programme:
      - Examples: Components to include (i13), Priorities (i3), Which local actor to involve, Key success factors and general lessons learned (i1, i4, i14)
    - How can regional cooperation be maximized:
      - Example: networking between different delegations and HQ on possible synergies and linkages (i4), information sharing of activities in similar regions (i7)

Note: ix = Interviewee from Delegation in country x

## ADE

# Support in drafting financing agreements

Step 1

- **Need:**
  - Lack of knowledge on how to **concretely draft FAs**.  
Note: Some however felt they were getting enough support from the country desk.
- **Concrete requests:**
  - Models or examples of financing agreements for PSD projects. (i5)

Note: ix = Interviewee from Delegation in country x

## Support in project implementation

ADE

Step 1

- **Need:**
  - To know best ways to **interact with all relevant stakeholders.**
  - To be aware of **procedures when recruiting consultants.**
- **Concrete requests:**▪ For stakeholders, best-practices on:
  - How to approach local authorities. (e.g. chamber of commerce.) (i13)
  - How to organize promotional activities. (e.g. what's the best way to increase awareness of the project among beneficiaries.) (i13)
  - Best tools/guidance to avoid conflicts of interests. (i7)
  - TA component (e.g. models of TA tender dossier) (i5)

Note: ix = Interviewee from Delegation in country x

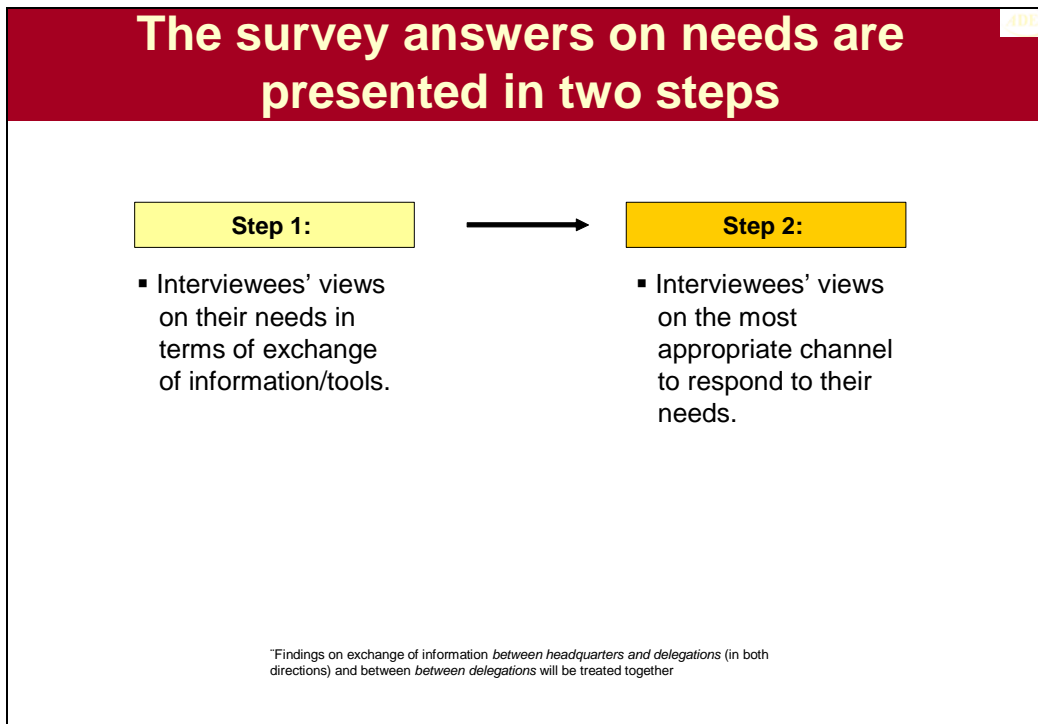
## Support in monitoring & evaluation

ADE

Step 1

- **Need:**
  - To know what are the best **tools for monitoring.**
- **Concrete requests:**▪ Example include:
  - What are the key indicators applied to PSD? (i5)
  - What is best frequency for monitoring activities? (i13, i2)
  - « I have implemented a weekly monitoring system which was proven to be very effective and which I would like to share with other delegations for their future PSD activities. » i2

Note: ix = Interviewee from Delegation in country x

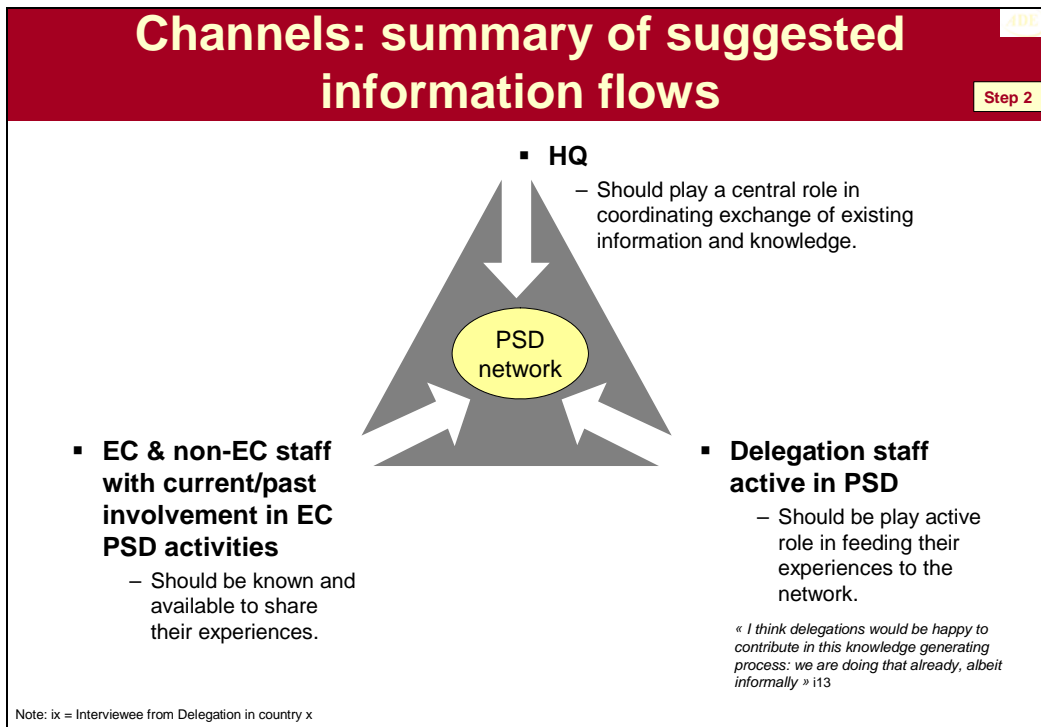


## In terms of channel provision, most agree that it is important to be pro-active

Step 2

- **A comprehensive website is a good basis, but not sufficiently pro-active**
  - « We need a comprehensive website that includes a lot of data, not just few examples. » i2
  - « A website is a good start, but is too passive, considering that it takes time for delegation to constantly look for updated information. A regular newsletter for example would be more pro-active. » i1
- **Suggested pro-active channels include**
  - Regular newsletter (most delegations)
    - « My ideal newsletter would be on a monthly basis, containing:
      - The main EC PSD activities in my region and in other parts of the world.
      - A review of finished projects: what are the best practices, the difficulties encountered, the monitoring process used.
      - The latests reports available (list of evaluations, newly published reports from other donors, etc.) » i13
  - Discussion seminars. (i14, i1, i10)
  - Training. (i1, i7)
  - A reference base of staff (EC and external consultant) that has been involved in PSD which can be contacted. (i1, i2, i7)
  - Email flashes when there are new key info/things on the website. (i7)
- **Formalities in the channels should be minimized**
  - « There is a need for support from the headquarters, but it is important that this support takes place through informal channels in order to avoid delays due to procedures. » i10

Note: ix = Interviewee from Delegation in country x







## 8. Other donors' PSD strategies

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### 8.1 World Bank<sup>43</sup>

The current World Bank Group Private Sector Development (PSD) strategy was released in April 2002. The PSD strategy places particular emphasis on improving the investment climate and enhancing the delivery of basic services, especially to poor people. To this end it argues for policy reforms and commercial disciplines on World Bank Group (WBG) support to the private sector. It also stresses the need to systematically engage stakeholders, in particular the private sector, in the diagnosis of development issues, identification of reform priorities and implementation of programmes and projects.

PSD requires a good balance between the complementary functions of the State and the private sector. It is about judicious refocusing of the role of the State, not about indiscriminate privatisation. Sound government policies that provide room for private initiative, and that set a regulatory framework which channels private initiative in ways that benefit society as a whole, are critical. This in turn requires institution-building and capacity-building. Within this framework, direct public support to private firms may be desirable to enable entrepreneurs to enter markets or open up new ones. Public policy for the private sector and direct support to the private sector need to form part of a comprehensive approach to development and reflect country and sector conditions.

The first pillar of such an approach is enhancing the investment climate which in fact covers the legal and regulatory environment, the quality of the financial sector and a sound macroeconomic environment. Indeed the critical features of a sound investment climate include a rational governance system that allows firms to pursue productive activity without harassment, contracts and property rights to be respected and corruption to be reduced. Equally important is an infrastructure that allows private entrepreneurs and their employees to operate effectively. Competition and, where necessary, regulation are essential to channel private initiative in socially useful directions. A sound financial sector is required to allow firms to enter the market and operate effectively as well as to help restructure failing firms. A stable macro-economic environment and an economy which is open to trade are also elements of a good investment climate. Overall, enhancing the investment climate is about better public policy for the private sector, including the required supporting institutions.

The second pillar complements investment climate improvements and aims at unleashing supply response by providing direct support to formal small and medium firms as well as to entrepreneurs in informal settings. Such support may include both finance and advice. Several decades of attempts to provide such support have revealed the key success factors. First and foremost, successful direct support to firms requires a sound investment climate that provides incentives to use public support well. Second, both financial and advisory support needs to be aligned with market forces. Financial terms of loans and investments

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<sup>43</sup> World Bank (2002), Private Sector Development Strategy – Directions for the World Bank Group, <http://rru.worldbank.org/Documents/PapersLinks/699.pdf>.

should not be subsidized. Any subsidy should be transparently targeted on institution-building and capacity-building objectives which justify subsidy on grounds of externalities, for example some forms of vocational training.

## 8.2 Inter-American Development Bank<sup>44</sup>

In the Private Sector Development strategy (PSD), released in January 2004, the Inter-American Development Bank group<sup>45</sup> (IDB) has reinforced the essential role of the private sector development in promoting growth, poverty reduction and social equity. It has focused on the fact that, with the financial and non-financial instruments, the IDB could help governments in providing public goods, regulating markets, promoting positive externalities and overcoming market failure. However, the IDB seeks more direct involvement at both firm and investment levels. To achieve this objective, the IDB has developed **four strategic orientations**:

**Development of an enabling environment for business.** The IDB will intensify its work on the identification and elimination of barriers to private-sector-led development based on collaboration and transactions with public and private sector and in coordination with other multilateral institutions.

**Financial support for specific private sector projects.** Investment and financing transactions will continue to be a central focus of IDB operations as the region works to improve its legal and regulatory framework, increase macroeconomic stability, and enhance the institutions needed to deepen its financial and capital markets.

**Leveraging development impact in underserved markets.** The IDB will focus on smaller scale firms and on issues relating to informality, while addressing the special needs of small, low-income countries. It must also address the needs of markets that are underserved owing to temporary adverse circumstances.

**Engaging the private sector in dialogue and action.** With its experience and involvement in the region, the IDB can bring together the private sector, public sector, civil society and international institutions for discussion to build a common vision and identify joint actions for private sector development. The IDB can promote corporate social responsibility and issues of common interest that further economic and social development.

To implement these four strategic orientations, the IDB has decided to work on **four action areas**. The first will be a country action focus, which means that each country will have a special intervention through the elaboration of a Country Private Sector Development strategy. The second will develop co-ordination and joint action for the IDB group in order to maximize the role of each operational unit within IDB in favour of

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<sup>44</sup> Inter-American Development Bank (2004), *Private sector development strategy*, <http://www.iadb.org/sds/doc/PSDstrategyPSCC4edited.pdf>.

<sup>45</sup> The IDB group is composed of the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC) and the multilateral Investment fund (MIF).

private sector development. The third has to do with broadening the scope of action and therefore uses the IDB instruments (lending, investment and technical assistance) in all sectors of private activity. Moreover, individual transactions will be carried out by units of the IDB so as to provide the most appropriate interventions. Finally the fourth action area will consist of developing a strategic partnership with the private and public sector as well as with other multilateral, bilateral and regional institutions.

### 8.3 Asian Development Bank<sup>46</sup>

Given its focus on a region with a predominance of countries in transition from a centrally planned to a market economy, the ADB PSD strategy is developed around the precept that while governments should shift away from commercial business, they must develop a capacity to create and sustain the legal and market institutions needed to facilitate and regulate private sector activities. The process of creating the enabling environment for domestic and foreign private investors and shifting the role of government from owner-producer to facilitator-regulator, and the large adjustment costs associated with such a shift, are both major challenges for which the Developing Member Countries (DMCs) need ADB continued and intensified support.

ADB has long been involved with PSD. The institutions draw two lessons from its experience with private enterprises. First, the right policy environment is vital for the long-term viability of these businesses. While ADB has assisted DMCs in developing an enabling environment for the private sector, the Asian financial crisis has called for more comprehensive DMC efforts with ADB support. Second, ADB assistance in addressing development challenges, if channelled through both public and private sector windows combined, can provide synergistic solutions resulting in greater benefits for the host DMC. Such a combination requires public sector assistance to take more systematic account of private sector interests and concerns, and private sector assistance in its turn to promote development impact in its activities.

In the year 2000 the ADB issued renewed the strategic orientation of its PSD interventions. Traditionally its strategy focused mainly on its direct non-government-guaranteed assistance through Private Sector Organisations (PSO). The “new” strategy goes beyond that and addresses the more complex challenge of how both ADB public and private sector operations can better promote private sector-led growth. The strategy is built around three main thrusts (Creating Enabling Conditions, Generating Business Opportunities, Catalysing Private Investment) so as to impact on the private sector’s contribution to pro-poor growth.

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<sup>46</sup> Asian development Bank (2000), Private Sector Development Strategy.



## 9. PSD-specific Indicators

### 9.1 Introduction

This section presents a set of PSD indicators developed by a Committee of Donors set up to develop common indicators for assessing performance of PSD programmes according to key criteria. Indicators are presented for the following areas of intervention:

- Business Environment
- Business Development Services

### 9.2 Business environment

Extracted from a report published by the Committee of Donor Agencies for Small Enterprise Development, the following chart is an attempt to describe the relationship between donor interventions that aim to reform the business environment for small enterprises; the instruments used for this purpose; indicators of change that may be used to measure the outcomes of donor assistance; and indicators of possible impact.

Focus of donor intervention	Donor-support reform instruments	Indicators of change (outcomes)	Indicators of possible impact
<b>Macroeconomic policies and strategies</b>			
Private sector development strategies	TA for reviewing and drafting strategies  Bench-marking of investment climate  Study tours for ministers and senior bureaucrats	New or revised private sector development strategies prepared and adopted by government  Improvements in investment climate ratings  Greater understanding among policy-makers for the role the private sector can play in development and poverty reduction	Increased investment in private sector
Privatization strategies	TA for reviewing and drafting strategies	Decline in the number of State-owned enterprises	Decline in government funds lost through SOEs  Increased investment in private sector

Focus of donor intervention	Donor-support reform instruments	Indicators of change (outcomes)	Indicators of possible impact
<b>Policy, legal and regulatory framework</b>			
Small enterprise promotion policies	TA for policy drafting	New or revised laws prepared and adopted by government	Greater precision in government efforts to promote, govern and monitor the small enterprise sector Fewer undesired market distortions created by government Better synergies forged between small enterprise development and national development strategies Reduced marginalisation of the small enterprise sector
Business regulations	Regulatory impact assessment	Improved understanding between policy-makers and regulators of the impact of regulations on business behaviour	More efforts are taken to reduce the undesired impact of regulations on small enterprises Less regulatory bias against small enterprises
	TA for improving regulations	New or revised regulations prepared and adopted by government	Fewer obstacles or constraints on small enterprise activities (e.g., fewer procedural steps for compliance)
Property rights and contract enforcement	TA for improving property laws and regulations	New or revised property laws and administration procedures prepared and adopted by government	Fewer disputes involving claims over property
	TA for improving contract laws and enforcement mechanisms	New or revised contract laws and enforcement mechanisms prepared and adopted by government	Shorter times for small enterprises to obtain a judgement from commercial courts
Tax, trade and labour issues	TA for improving specific policies, laws and regulations	New or revised policies, laws and regulations	

Focus of donor intervention	Donor-support reform instruments	Indicators of change (outcomes)	Indicators of possible impact
<b>Governance systems</b>			
Improving the performance of government ministries	Organizational capacity building (training, organizational development)	Government ministries have clear implementation strategies and work plans	Greater responsiveness by government to the current needs and opportunities of the small enterprise sector
		Staff have been trained and are better equipped to perform their functions effectively	
Improving the performance and accountability of regulators	Organizational capacity building	Regulators operate in a more transparent and accountable manner	Less corruption and rent-seeking by regulatory authorities Fewer regulatory obstacles and constraints to small enterprise activities Greater involvement of the private sector (especially small enterprises) in regulatory activities (e.g., self-reporting, business associations involved in self-regulation and managing regulatory functions)
		Staff have been trained and are better equipped to perform their functions effectively	Greater efficiency within regulatory authorities
Improving the representation and advocacy of small enterprises	Supporting the development of business representative organizations	Increase in the number of small enterprises participating in chambers of commerce and other forms of business organization	Improved representation of small enterprises in chambers of commerce and other forms of business organization Improved benefits for small enterprises to join chambers of commerce and other forms of business organization

Focus of donor intervention	Donor-support reform instruments	Indicators of change (outcomes)	Indicators of possible impact
	Support for public-private dialogue	Chambers of commerce and other forms of business membership organizations have a clear advocacy agenda	Stronger 'voice' for reform within the small enterprise sector
		Increase in the number of formal and informal consultations between government and chambers of commerce and other forms of business membership organizations	

Source: Committee of Donor Agencies for Small Enterprise Development (2004), Working Group on Enabling Environment.

### 9.3 Business Development Services

Extracted from a report published by the Committee of Donor Agencies for Small Enterprise Development, this table represents the current state of efforts to develop a set of common indicators that are valid, practical and useful for assessing performance of BDS programmes according to key criteria.

GOAL 1: INCREASE OUTREACH					
ASSESSING BDS MARKETS					
Objective	Indicators	Market		Program	
		1	X	1	X
	<b>YEAR:</b>				
Expanding the Market for BDS	Market Size: number of SEs acquiring the service through any transaction type				
	Market Size: number of SEs purchasing the service				
	Market Size, supply: volume of annual sales				
	Market Penetration: % of potential SE market acquiring the service				
	Awareness: % of SEs aware of the service				
	Reach: % of those aware who have purchased services at least once				
Developing a high quality, diverse, competitive market	Number of BDS suppliers	n/a	n/a		
	Number of service products	n/a	n/a		
	Number and proportion of multiple-purchasers out of all purchasers (retention)				



	Satisfaction with last service purchase				
Deepening the market: reaching underserved groups	Number and % of SE customers purchasing BDS who represent targeted populations				
	% of potential SE target market acquiring the service				

<b>GOAL 2: SUSTAINABILITY AND COST-EFFECTIVENESS</b>				
<b>ASSESSING BDS SUPPLIERS AND FACILITATORS</b>				
<b>Objective</b>	<b>Indicators</b>	<b>Yr1</b>	<b>YrX</b>	
Achieve supplier sustainability	BDS supplier profitability (ratios to be determined.)			
	Profitability of particular BDS Service (ratios to be determined.)			
Improve programme cost-effectiveness	Simplified cost-benefit assessment comparing total, cumulative programme costs to aggregate program benefits (sum of impacts as defined below) for entrepreneurs.			
	Total programme cost per customer served.			
	Total programme cost per supplier assisted.			

<b>GOAL 3: IMPACT</b>				
<b>ASSESSING BDS CUSTOMERS, SMES</b>				
<b>Objective</b>	<b>Indicators</b>	<b>Yr1</b>	<b>YrX</b>	
Increase customer acquisition of BDS (increase sales)	Percentage of customers reporting high satisfaction with a business development service.			
	Repeat customers: % of all customers who purchase at least twice.			
Increase customer use of business development services	Percentage of customers who applied the business service to their business, as defined by the programme. (e.g.: percentage who accessed new markets, developed new products, improved management practices, started keeping formal accounts, reduced costs, etc.)			
Increase customer benefits from BDS	Change in estimated gross profit, from before and after receiving the service (if gross profits prove too difficult to collect, the PMF field research team is also considering using sales data alone.)			
Attribution of the change to the BDS	Of the businesses that improved their estimated gross profits, what percentage attributes the change to the BDS?			

Source: *Committee of Donor Agencies for Small Enterprise Development (2001), Guiding Principle for Donor Intervention on Business Development Services.*



**Annex 6**  
**Country Note Zambia**



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## List of Acronyms

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ACP	Africa – Caribbean - Pacific
BDS	Business Development Services
CAP	Country Assistance Plan
CAS	Country Assistance Strategy
CB-PSDP	Capacity Building for Private Sector Development Programme
CCI	Cross Cutting Issues
CDE	Centre for the Development of the Enterprise
CEC	Commission of the European Communities
CG	Consultative Group
CRIS	Common RELEX Information System
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DCI	Development Corporation of Ireland
DFID	Department for International Development
EBAS	Europe-ACP Business Assistance Scheme
EC	European Community
ECHO	European Community Humanitarian Aid Department
EDF	European Development fund
EDP	Export Development Programme
EFF	Export Financing Facility
EIB	European Investment Bank
EPZ	Export Processing Zones
EU	European Union
FA	Financing Agreement
FINNIDA	Department for International Development Cooperation
GART	Agricultural Research Trust
GDP	Gross Domestic Product
GOZ	Government of Zambia
GRZ	Government of the Republic of Zambia

GTZ	German Technical Cooperation
HIPC	Highly Indebted Poor Country
HIV	Human immunodeficiency virus
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
KSSDP	KCM SME Suppliers' Development Programme
LDT	Livestock Development Trust
MCTI	Ministry of Commerce, Trade Industry
MEDA	Euro-Mediterranean Partnership
MSDP	Mining Sector Diversification Programme
NIP	National Indicative Programme
NORAD	Norwegian Agency for Development Cooperation
NTEs	Non-Traditional Exports
NTMS	Non-Traditional Mining Sector
PAs	Producer Associations
PCM	Project Cycle Management
PIU	Project Implementation Unit
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSDP	Private Sector Development Programme
REA	Rural Electrification Authority
REF	Rural Electrification Fund
SAF	Structural Adjustment Fund
SEED	Support for Economic Expansion and Diversification
SIDA	Swedish International Development Cooperation Agency
SMEs	Small and Medium Enterprises
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WTO	World Trade Organisation
ZBF	Zambian Business Forum
ZCGA	Zambia Coffee Grower's Association



ZIBAC	Zambian International Business Advisory Council
ZIC	Zambia Investment Centre
IO	Intermediate Organisation
NAO	National Authorizing Officer
BoZ	Bank of Zambia
HQ	Headquarters
ROADSIP	Road Sector Investment Program
PMU	Project Management Unit
RSA	Republic of South Africa
MSCF	Mining Sector Credit Fund
SSM	Small Scale Miners
AWP	average wholesale price
NSOs	non-state organizations
DISS	Department of Infrastructure Support Services
LuSE	Lusaka Stock Exchange
MMMD	Ministry of Mines and Mineral Development
COMESA	Common Market for Eastern & Southern Africa
ZCCM	Zambia Consolidated Copper Mines
ASYCUDA	Automated System for Customs Data
CB-PSDP	Capacity Building for Private Sector Development Programme
PFI	Private Finance Initiative
MFI	ministry of Finance and Investment
NGOs	non-governmental organizations
SEDB	small enterprise development board
APDF	Africa Project Development Facility
KCM	Konkola Copper Mines
NRDC	Natural Resources Defense Council
ZEGA	Zambia Export Growers Association
JICA	Japan International Cooperation Agency
CLUSA	Cooperative League of the United States



# 1. Introduction

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## 1.1 Mandate

The 2003 evaluation plan of the EuropeAid Cooperation Office provided for the Evaluation Unit to undertake an evaluation of European Community (EC) Support to Private Sector Development (PSD) in third countries. The aim of this sector-based evaluation is to contribute to improving the coherence of the Commission's sector-based approach through an assessment of the EC co-operation activities in PSD in the context of the objectives of the various national and regional co-operation and development programmes. It also aims at enhancing coherence between objectives in private sector development support and the European Union's (EU) other policy objectives.

## 1.2 Background

The evaluation is being carried out in two separate phases. Between October 2003 and June 2004, a **Desk Evaluation** of the 'European Community Support to Private Sector Development in Third Countries' over the period 1994-2003 was carried out. This desk evaluation was based on an analysis of documents collected in Brussels and complemented by interviews with Commission officials and a questionnaire sent to a sample of Delegations. The evaluation's final report presented a set of Evaluation Questions, evidence in support of a response for each of these questions, a thorough analysis of this evidence and preliminary conclusions and recommendations.

The "desk" approach was confronted with certain limitations: strategic and policy aspects could be well covered through documentation analysis and interviews in Brussels, but more specific aspects regarding implementation and impact of projects and programmes were difficult to assess without field missions. For this reason, the Evaluation Unit of EuropeAid requested ADE to complement the Desk Evaluation by a Field and Synthesis Phase.

The **Field and Synthesis Phase** of the evaluation basically entails, first, adjusting the methodology to the new tasks; second, complementing the information base mainly through five country studies; third, integrating these new findings with those from the Desk Evaluation; and finally, analysing this information base to reach an overall assessment of EC support for private sector development in third countries.

## 1.3 The role of country studies

Country studies offer value added as they allow a better understanding of how Community support to PSD is implemented in the field. Country studies were carried out through a detailed analysis of country- and programme-related documents and complemented with a field mission. **The aim was to collect information that will contribute to answering the Evaluation Questions at the global (not-country specific) level** and not to carry out a sector-based evaluation at country level.

The countries analysed were selected through discussions with the Reference Group. It was agreed that five countries from four cooperation programmes would be included: two Africa-Caribbean-Pacific (ACP) countries (Zambia and Jamaica), one Euro-Mediterranean Partnership Country (MEDA) country (Morocco), one Asian country (Vietnam), and one Latin-American country (Mexico). **Zambia** was chosen given that Private Sector Development is one of the two focal sectors of Community cooperation, the (potential) links between the different sectors of intervention (PSD and transport) and the different instruments used (projects and budget support). Additionally, the government has reinforced its commitment to provide an environment conducive to private sector development in dialogue with the business sector and, further, the international donor community is actively involved in the sector.

#### 1.4 Purpose and Contents of the Country Note

The purpose of this Country Note is to provide a summary of the main findings of the country study. It is important to note that the report is of descriptive nature: it is limited to presenting the information collected and it does not attempt to analyse it or to reach judgments based on these findings. While the report contains a section on conclusions, these are not assessments or recommendations, which will instead be proposed at a later stage of the evaluation and at a global level. In addition, the required limit on the length of the report implies a focus on key findings only. Country notes will be published as annexes to the final report of the global evaluation.

**Section 1** introduces this Country Note and gives the general background to the country study. **Section 2** presents data collection methods and its limits. **Section 3** presents the country context: it describes the main features of the country, its economic, social and political context, main government policies, and Community cooperation as well as a view of other donors' interventions in the sector. This section is complemented by a snapshot of the country presented in Annex 7. **Section 4** presents key findings for each of the nine Evaluation Questions. These findings are at criteria level and based on a more detailed matrix (presented in Annex 6) where information is presented at indicator level (see Section 2 on Data Collection Methods). **Section 5** presents the main conclusions derived from the country study. These conclusions will help with the structuring of the analysis stage of the evaluation.

## 2. Data collection methods

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### 2.1 Data collection tools

During the Desk Evaluation the team proposed a set of **Evaluation Questions** reflecting the main issues to be analysed. These questions relate to one or other of the Development Assistance Committee (DAC) evaluation criteria, to the 3Cs or to cross-cutting issues. For each of these evaluation questions, at least one Judgement Criterion was proposed and for each criterion, several indicators were proposed. The questions were discussed with the Reference Group and were validated by the Evaluation Unit of EuropeAid. Evaluation Questions help focus the evaluation process and structure the analysis. They help to reach an overall assessment in a more objective and transparent way as judgement criteria (the way the Questions will be treated) are announced in advance. Further, the list of indicators constitutes a basic “check list” for collecting information on the field and at headquarters (HQ), making possible an effective and focused collection of information.

The tables comprising Evaluations Questions, Judgement Criteria and Indicators, already completed with information collected for Zambia, are presented in **Annex 6**. A shorter version of these tables comprising only Evaluations Questions and Judgement Criteria is presented in **Section 4** of this Country Note. The answer to whether or not the criterion is met is based exclusively on the information at indicator level in Annex 6. Only Question, Criteria and Indicators that are relevant to Zambia are presented in this Country Note.

To further organize the information, the team produced **Programme Sheets** presenting basic information for each of the programmes analyzed. These Programme Sheets are presented in Annex 5. They serve as a background to Evaluation Question Grids where the team has avoided including long descriptions of the programmes implemented.

### 2.2 Data collection before the mission

For the overall evaluation, information was already gathered in Brussels during the Desk Evaluation. The Commission’s strategy documents were reviewed; EC programmes relating to the private sector were identified, notably for Zambia, using the Common RELEX Information System (CRIS). Finally, Commission officials involved in private sector support were interviewed to complete this information. For the country study, specific information was collected before the mission regarding both the country and Community interventions in support of PSD. Based on the complete set of information, the team started to complete Programme Sheets and Evaluation Question grids in advance of the missions. An exception was the Zambia mission, which was chosen as the pilot in order to test the approach and data collection tools. Indeed, after the mission, the team adjusted the Evaluation Question grids and refined the approach.

### **2.3 Data collection during the mission**

The evaluation team conducted structured interviews with the Commission Delegation, local authorities, programme management units, intermediate organisations and beneficiaries. The evaluation team also analysed more precisely a set of PSD programmes which is supposed to constitute a representative sample of the EC's PSD interventions in Zambia (see Annexes 4 to 6). On the basis of the information collected, the team finalized the Evaluation Question grids for Zambia.

## **3. Brief description of the context**

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### **3.1 General economic, political and social context**

Zambia is a landlocked country in Southern Africa with a population of 10 million. Since the 1970s Zambia has experienced negative growth with an associated sharp decline in real income (from \$590 per capita in the early 1970s to \$330 in the 1990s) and deteriorating social indicators (World Bank, 2004). This experience has been caused primarily by the country's high dependence on copper mining, the price of copper declining throughout the period. In addition to this external shock, a series of internal failures (including a too-slow process of diversification away from copper, a high rate of external borrowing, and protectionist policies) exacerbated Zambia's poor performance.

Since the 1990s the government has initiated structural reforms and liberalisation policies, including privatisation of state-owned enterprises (incl. the copper mining sector in 2000), price control elimination, liberalisation of exchange rates and interest rates. This transition towards a market economy led to an initial contraction of Gross Domestic Product (GDP) from 1991 to 1995 (0.6% p.a.), followed by modest growth during the 1996-2000 period (1.4% p.a.) and higher growth during 2000-2003 (4% p.a.) (International Monetary Fund (IMF), 2004). Growth in recent years was largely driven by the agriculture, manufacturing and trade sectors, reflecting Zambia's attempts to diversify away from copper. These economic reforms took place in parallel with significant political progress, starting in the 1990s with the emergence of a multi-party system and the rise of opposition parties in 2001.

Despite the economic and political developments of the last 15 years, economic and social indicators remain low in Zambia. In 2003, poverty rate remains high at 73% and life expectancy is 37 years compared to 49 years in 1970-75 (World Bank, 2004) Zambia is ranked 163rd out of 175 in the 2003 United Nations Development Programme (UNDP) Human Development Index UNDP (2003). In terms of macro-economic variables, the inflation rate remained above 20% during the 2000s and foreign debt is more than twice the country's GDP. Zambia's key challenges are poverty reduction, fighting Human Immunodeficiency Virus (HIV) (20% of adult population), poor governance and its high debt level (World Bank, 2004b).

### **3.2 Description of the economy**

Zambia's economy is dependent mainly on services (51% of GDP), followed by industry (41% of GDP, of which manufacturing accounts for 11.3%) and agriculture (19.3%) (World Bank, 2004). In terms of sub-sectors, Zambia's economic composition has changed significantly since independence and throughout the 1990s.

- Mining's share of national output dropped from 50% in the 1960s to 20% in the early 1990s and then to about 8% in 2003 (IMF 2004).
- In 2003, the largest sectors in Zambia were agriculture, manufacturing and trade, accounting together for 45% of GDP (IMF 2004).
- Growth in mining and agriculture also had positive spill-over effects on the manufacturing sector from the mid-1990s, particularly in agro-processing (agro-related industries account for 84% of manufacturing value added), textiles, leather, and furniture.
- Despite the relative drop in mining, this sector has been a key driver of growth in Zambia's economy since 2001. This is largely a result of the privatisation of the mining sector in 2000, leading to increased efficiency and production, especially in copper and cobalt which account for 60% of exports (World Bank, 2004).
- Other key drivers of growth include trade, construction and tourism. Wholesale and retail trade benefited mainly from the structural reforms in the economy, while increased investment and revival of the mining sector boosted construction. Infrastructure improvements and the upgrading of Livingstone airport are expected to help boost the tourism sector.

### 3.3 Assessment of Zambia's business environment

In its PSD Reform Programme Report (Government of Zambia (GOZ), 2004), the GOZ identifies two particular areas of weaknesses related to PSD:

- 1) *An investment climate that is not conducive to business growth:* "Zambia suffers from a poor investment climate. A high degree of instability in the macroeconomic framework (double-digit inflation, high interest rates) is combined with excessive regulations - whose implementation is often unpredictable - poor infrastructure (particularly in transport and telecommunications), a weak civil service and a lack of skilled manpower".
- 2) *A weak private sector:* "Formal enterprises are few and relatively small, exporters are rare and the informal sector is one of the largest in Sub-Saharan Africa".

The report also elaborates on key obstacles to the development of the country's private sector that are mentioned in the PSD Reform Programme, summarised below:

#### 3.3.1 Stability and Security

1. Macroeconomic policy uncertainty.
2. Long delays in dispute settlements.
3. Limited availability of land for commercial/industrial use.
4. Corruption.
5. Need to further enhance public/private dialogue.



### **3.3.2 Regulation and Taxation**

1. Contradictions between the Investment Act and related legislation.
2. Complex and bureaucratic tax administration system.
3. Cumbersome customs administration.
4. Bureaucratic immigration procedures.
5. Slow land development approvals.
6. Complex and time-consuming company registration and licensing procedures.
7. Weakness of public agencies serving the private sector.
8. Complex tourism licensing procedure.
9. Cumbersome and costly environmental impact assessment process.
10. Stop/start approach to Export Processing Zones (EPZ) legislation.
11. Lack of preferred procurement policy for local Small and Medium Enterprises (SMEs).
12. Limited migration from informal to formal sector.

### **3.3.3 Finance and Infrastructure**

1. High cost of capital / private sector crowded out of debt market by Government.
2. Difficulty for SMEs to access finance.
3. Lack of credit culture.
4. Weak Corporate Governance.
5. Poor quality of telecommunication services.
6. High cost of telecommunication.
7. Lack of reliable and cost-effective power supply.
8. Lack of investment and growth in provision of water supply and sanitation services; and in solid waste management.
9. High transport costs due to limited development of road infrastructure.
10. Inadequate regulatory environment to support Government's decision to encourage private participation in infrastructure.
11. Inadequate accommodation due to lack of investments in housing.
12. Lack of industrial infrastructure for export-oriented production.
13. Lack of serviced stands.

### **3.3.4 Workers and Labour Markets**

1. Restrictive labour laws related to retirement and retrenchment.
2. Lack of HIV/AIDS workplace policy guidelines for the public/private sector.

GOZ's assessment of business constraints in Zambia corresponds to the assessments carried out by other donors and institutions. For example, the Global Competitiveness Reports, which expresses the views of business leaders in every country, lists access to finance, inflation and corruption as the three key obstacles to doing business in Zambia. See also Zambia Snapshot (Annex 7).

### 3.4 Government overall policy and PSD policy

In its Poverty Reduction Strategy Paper (PRSP) 2002-2004, Zambia sees the revival of its economy (and associated job creation and state tax revenues), as key to reducing poverty. Key focus areas include:

- Diversification of Zambia's economy, and in particular:
  - enhanced agricultural productivity through:
    - creation of conditions enhancing long-term innovative improvements in productivity of agricultural resources;
    - strengthening of credit markets for financing new investments;
    - improvement of marketing infrastructure to boost sales;
    - infrastructure development (especially rural roads);
    - export-oriented growth in key products of comparative advantage (coffee, cotton, groundnuts, flowers, paprika).
  - other growth sectors (especially mining, manufacturing and tourism):
    - in mining, the strategy focuses on preventing premature closure of existing mines;
    - in tourism, national interventions include rehabilitation of roads in tourist areas, rehabilitation of museums, tourist marketing, and human resource development. Zonal developments include intense development work in identified tourist areas to make them attractive to tourist investment;
    - in industry, the focus is on choosing winners or industries that have the best chances of export success.
- For growth to occur in the key sectors identified above, certain basics need to be in place:
  - transport infrastructure: functioning rail and road transport are key;
  - rehabilitation of electrical energy infrastructure;
  - PRSP-linked focus on social sector activities with a view to enhancing their service delivery effectiveness;
  - governance:
    - at economic level, appropriate priorities for spending public resources and improving government's ability to implement programmes;
    - at political level, separation of powers, legislative development, upholding of the rule of law, improving oversight, and stamping out corruption.

### 3.5 EU support to Zambia

EU co-operation with the Republic of Zambia is funded through the European Development Fund (EDF) and other financing instruments including certain budget lines (particularly European Community Humanitarian Aid Department (ECHO), SYSMIN and FLEX). This evaluation covers two programming periods, corresponding to the 8<sup>th</sup> and 9<sup>th</sup> EDF.

At bilateral level, support through the 8<sup>th</sup> EDF amounts to €138m, and together with Structural Adjustment Fund (SAF) and SYSMIN packages represents a total aid of over €300m. Out of the €138m, the resources were allocated predominantly to the productive sectors (54%). Other allocations were to the social sectors (24%), macro-economic management and policy formulation (15%) and non-focal interventions (7%).

Three key PSD programmes under the 8<sup>th</sup> EDF are:

- **The Mining Sector Diversification Programme (EU-MSDP)**, whose objectives are “to increase export earnings through economic diversification, to generate employment opportunities, and to contribute to poverty alleviation”.
- **The Private Sector Development Programme (EU-PSDP)** that “can be used to build an expanded programme of measures that will assist the further development of the market economy”.
- **The Export Development Programme (EU-EDP)**, whose objective “was to further improve the performance of the non-traditional export sector. It operated for five years from June 1994 to June 1999. Then the Enhanced Exporter Support Mechanism (EESM) was launched and a second phase (EDP II 2001-2005) was launched in 2001 with similar objectives”.

Other programmes aimed at improving the competitiveness of the business sector include the Micro Credit Delivery for Empowerment of the Poor; Structural Adjustment and SYSMIN Support programme; Regional Harmonisation of Customs and Trade Statistics Systems; and the Urban Markets Development programme.

Under the 9<sup>th</sup> EDF, EC’s assistance to Zambia amounts to €351m. This is divided into two envelopes: envelope A (€240m) covering macroeconomic support, sector policies and programmes in support of the focal and non-focal sectors, and envelope B (€111m), designed to cover unforeseen needs such as emergency assistance.

The two focal sectors of intervention are transport and capacity building. In terms of contributing to the development of the private sector, the following are the Commission’s justification for choosing these sectors:

- Transport (€90m): Roads are of crucial importance for accessing local and regional markets and for transportation of agricultural inputs and produce between the market place and individual farmers. Note that transport is not an expected result that is part of the EU PSD strategy.
- Institutional development and capacity building (€40m):
  - up-grading of institutional and manpower conditions in the public sector is urgently needed as part of the government’s strategy to improve the market environment for the private sector and the incentive for economic growth;
  - the government must improve its capacity to adapt to the role of the private sector as a partner, and in particular its response to the private sector’s presentation of its interests to government.

Under the 9<sup>th</sup> EDF, an important non-focal sector of intervention for considered by the Country Strategy Paper (CSP) to have an impact on PSD is macroeconomic stabilization. Note that this area is not part of EU PSD strategy.

In terms of PSD, it was concluded that the private sector plays a key role in the Zambian economy, particularly in terms of employment generation and tax revenue for the government. In terms of areas of interventions, the Commission shifted its strategy away from direct interventions (the “micro” level) towards targeting the “meso” and “macro” levels, including:

- assistance to government in providing an improved environment for business activities,
- improvement of infrastructure, mainly in the road system,
- provision of loans and capital.

According to the CSP, the Commission’s shift from the micro to the meso and macro levels does not necessarily suggest a shift in the Commission’s understanding of the main constraints to PSD, but rather is the result of:

- an absence of adequate sector policy for key growth sectors (agriculture and tourism);
- the dominant role given by other donors to private enterprise for the development of these sectors;
- the expertise of the Commission in the chosen focal sectors.

At regional level Zambia participates in 11 regional programmes funded by the EDF totalling €77m in commitments. Additionally, Zambia has or had access to “all-country” programmes such as Europe-ACP Business Assistance Scheme (EBAS) (10 programmes between 2000 and 2003), DIAGNOS and Pro-Invest and to support from the Centre for the Development of the Enterprise (CDE).

### **3.6 Other donors interventions to support PSD**

This is a brief summary of donor PSD interventions in Zambia, based on Zambia’s PSD Reform Programme.

#### **3.6.1 The World Bank Group**

The World Bank’s current Country Assistance Strategy (CAS) emphasises economic growth and diversification, and specifically identifies tourism, agribusiness and gemstones as potential growth sectors. Current interventions that focus specifically on private sector development include:

- support for Economic Expansion and Diversification (SEED),
- enterprise Development Project (EDP),
- IFC’s KCM SME Suppliers’ Development Programme (KSSDP).

### **3.6.2 Department for International Development (DFID)**

DFID's past and ongoing support to PSD-related activities under DFID's previous Country Assistance Plan (CAP) has focused primarily on micro-level interventions. These are scheduled to end shortly, and include portfolio financing and capacity building support for microfinance institutions. Under the current CAP (2003-07), DFID plans to increase support to PSD significantly at macro level with the objective of 'improving the enabling environment for pro-poor private sector growth, particularly in agriculture'. Interventions that have already been implemented in support of this CAP objective include: support to the Zambian Business Forum (ZBF), fast-track support to Ministry of Commerce, Trade Industry (MCTI), and support to Zambian International Business Advisory Council (ZIBAC).

### **3.6.3 United Nations Development Programme (UNDP)**

Past support to private-sector-related activities has included: support to the privatisation process, support to the Zambian Investment Centre, and support to the Lusaka Stock Exchange. UNDP does not currently support the private sector directly, although may consider doing so again in the future if the Government continues to demonstrate commitment to economic development.

### **3.6.4 United States Agency for International Development (USAID)**

USAID's economic growth programme under its previous Country Strategic Plan 1998-2004, the strategic objective of which was to 'Increase Rural Incomes of Selected Groups', has focused on effective dialogue with and support to Government of the Republic of Zambia (GRZ) to improve the overall economic policy environment, reduce barriers to trade, and promote investment with an emphasis on agriculture. It has also built up public and private sector capacity for policy dialogue, analysis, conceptualisation and formulation. USAID efforts have also enhanced business skills and fostered market linkages to optimise rural incomes by generating opportunities along the chain between and among producers, suppliers, processors and consumers.

USAID's Private Sector Development strategy, under USAID's new Country Strategic Plan (2003-10), continues to focus on the agricultural and natural resources sectors.

### **3.6.5 Swedish International Development Agency (SIDA)**

SIDA'S support to PSD under its Country Strategy for Development Co-operation in Zambia for 2003-7 has focused, and will continue to focus, on three main pillars of intervention, all of which aim to 'Make Markets Work for the Poor' and contribute to the achievement of priorities set out in GOZ's PRSP, namely:

- enabling Environment,
- financial Sector Development,
- public-private participation.

### **3.6.6 The Royal Netherlands Embassy**

The Royal Netherlands Embassy's support in Zambia is currently evolving from a focus on rural development to greater focus on economic and private sector development, with interventions increasingly providing support at macro-level. Current PSD funding under the Embassy's Development Cooperation Agreement for the period 2003-8 includes support for:

- Agricultural Consultative Forum.
- Agricultural Research Trust (GART).
- Livestock Development Trust (LDT).
- Zambia National Farmers' Union.
- NRDC/ZEGA Training Trust.

### **3.6.7 Norwegian Agency for Development Cooperation (NORAD)**

NORAD's support to private sector development focuses on interventions in the agricultural and tourism sectors.

### **3.6.8 International Fund for Agricultural Development (IFAD)**

IFAD's strategy for Zambia prioritises support for agricultural market linkages and rural finance.

### **3.6.9 Development Corporation of Ireland (DCI)**

DCI's support to Zambia focuses primarily on social development in the education, water and sanitation, and health and HIV/AIDS sectors.

### **3.6.10 Danish International Development Agency (DANIDA)**

Danida's current support in Zambia focuses on interventions in education, health, infrastructure (e.g. roads), good governance, water and sanitation, agriculture, and the environment.

### **3.6.11 German Technical Corporation (GTZ)**

GTZ's direct support to the private sector focuses on providing technical assistance and vocational training to the informal sector through the 'STEP-IN' programme, and the provision of an advisory service for private business.

### **3.6.12 Department for International Development Cooperation (FINNIDA)**

FINNIDA's support is guided by the PRSP and primarily focuses on social sectors such as health and education, and on natural resource management such as provision of support to GOZ's Forestry Department.

## 4. Findings

This section presents key findings for each of the Evaluation Questions relevant at country level (questions 2 to 9). Findings have been synthesised at criteria level based on a more detailed matrix (presented in Annex 6) where information is presented at indicator level.

### EQ 2 – Overall design of the strategy

<p><b>Is the Commission of the European Communities (CEC) PSD strategy in terms of “expected results” well designed to ensure the realisation of the purpose of strengthening the business sector with a view to contribute to the overall objectives of the EC external policy?</b></p> <p><b>A. To what extent is each area of intervention (“expected results”) relevant in terms of contribution to the purpose?</b></p> <p><b>B. Is its success dependent on certain conditions (another expected result or some other ‘external’ factor)? If yes, which ones? Have they been identified in CEC PSD strategy documents?</b></p> <p><b>C. Is the set of fields of actions comprehensive (are some essential fields missing (for example, role of champions)?</b></p> <p><b>D. Is it well structured:</b></p> <ul style="list-style-type: none"> <li><b>i) Are there potential complementarities and synergies between expected results and have they been identified?</b></li> <li><b>ii) Are there possible contradictions between fields and have they been identified?</b></li> <li><b>iii) Should there be a prioritisation?</b></li> </ul>		
2B.1 Conditions to reach the expected results exist		
<p>The following table present the assumptions made at different levels (overall objectives and / or purpose) for four of the PSD programmes in Zambia. These assumptions can be considered as “conditions” needed to the achievement of the objectives. It can be noted that assumptions mainly refer to the commitment of the government to the sector, to economic growth, and to macroeconomic stabilization.</p>		
<b>Programme</b>	<b>Level</b>	<b>Assumption</b>
Export Development programme (EDP)	Programme purpose: Increase output and exports in selected export-led sub-sectors.	Macroeconomic environment does not deteriorate.
Private sector development programme (PSDP)	Overall objective: To contribute to a strong and responsive private sector and increased employment generation, in accordance with the aims of the Government’s Policy Framework Paper 1995-1998 and with the strategy of the 8th EDF.	GRZ remains committed to private sector development and provides the necessary legislative and fiscal environment.
	Programme purpose: To improve the performance of private micro, small and medium enterprises in targeted economic sectors.	It is possible to differentiate programme effects from externalities.

Mining Sector Diversification programme (MSDP)	Overall Objective: Poverty Reduction.	<i>None</i>
	Programme purpose: The sustainable development of the non-traditional mining sector (NTMS).	Economic growth through consistent implementation of structural adjustment.
Capacity Building for Private Sector Development Programme (CB-PSDP)	Overall objective: To strengthen the institutional capacities of the Zambian public and private sectors to manage the economy and promote private sector led development.	<i>None</i>
	Purpose: To build capacities for public-private dialogue as a basis for improving the policy and institutional environment for private sector development.	Government maintains its commitment to economic recovery through private sector led growth. Government continues the process of reform of the public sector.
2D.1 There is potential complementarities and synergies between expected results		
<p>Complementarity and synergies can be found between the objective of reinforcing Business Associations and the provision of Business Development Services (BDS) services and support to micro-enterprises. In the PSDP for example, the support for micro-enterprises and the provision of BDS to SMEs (Windows 1 and 3) was achieved through intermediary associations, thereby reinforcing the latter. Similarly in the EDP, BDS was provided through Professional Associations, thereby reinforcing the latter.</p> <p>It is worth noting however that while the provision of BDS through intermediary organizations meets the expected result of reinforcing intermediary organisation, it only partially meet the result of creating a local BDS market, given that intermediary organisation do not aim at selling BDS after the end of the intervention.</p>		
2D.2 Prioritisation of areas of intervention (expected results) leads to a better realisation of the purpose		
<p>The 8<sup>th</sup> and 9<sup>th</sup> EDF mention that interventions in several key areas such as macro-economic stability, institutional capacity and transport are conditions for the developing the private sector. The CSP 2001-2007 states explicitly for example that “for all forms of private sector development, considerable improvement in the availability of economic infrastructures and human resources are urgently required.” But these documents do not explicitly state that a prioritisation in these areas will lead to a better realisation of the purpose of creating a more competitive business sector in Zambia. Donors also do not seem to focus on one priority area of intervention (for example, UNDP focus in institutional capacity while the GTZ focuses on direct technical assistance to the government), which suggest that donors do not necessarily identify one priority area of intervention.</p>		



### EQ 3 – Relevance of PSD strategy in a given country

<p><b>For a given country,</b></p> <p><b>A. Does the selection of the areas of intervention correspond to the CEC PSD strategy?</b></p> <p><b>B. Does the selection of the areas of intervention correspond to clearly identified priority needs of this country to increase the competitiveness of the business sector with the view to contribute to the overall objectives of the EC external policy?</b></p>											
<p>3A.1 The areas of intervention (expect results) in Zambia correspond to the areas proposed in the EC PSD strategy</p>											
<p>The selected areas of intervention (expected results) in the 8<sup>th</sup> and 9<sup>th</sup> EDF for Zambia generally correspond to the Commission’s PSD strategy as formulated in the Commission’s Communication strategy for PSD (2003) and EC Guidelines for EC Support for PSD (2003):</p> <table border="1"> <thead> <tr> <th>PSD programme</th> <th>Expected Result (as per Intervention Logic)</th> </tr> </thead> <tbody> <tr> <td>Private Sector Development Programme (PSDP)</td> <td> <ul style="list-style-type: none"> <li>▪ Enterprises’ management and organization improved.</li> <li>▪ Financial markets are reinforced and their capacity to finance investment is increased.</li> <li>▪ Capacity of intermediary organizations is enhanced.</li> <li>▪ More effective non-financial services.</li> <li>▪ Development of micro-enterprises.</li> </ul> </td> </tr> <tr> <td>Export Development Programme (EDP)</td> <td> <ul style="list-style-type: none"> <li>▪ Capacity of intermediary organizations is enhanced.</li> <li>▪ More effective non-financial services.</li> </ul> </td> </tr> <tr> <td>Mining Sector Diversification Programme (MSDP)</td> <td> <ul style="list-style-type: none"> <li>▪ Enterprises’ management and organization improved.</li> <li>▪ More effective non-financial services.</li> </ul> </td> </tr> <tr> <td>Capacity Building for Private Sector Development Programme (CB-PSDP)</td> <td> <ul style="list-style-type: none"> <li>▪ Macro-economic, legal and regulatory framework more conducive to PSD.</li> </ul> </td> </tr> </tbody> </table>		PSD programme	Expected Result (as per Intervention Logic)	Private Sector Development Programme (PSDP)	<ul style="list-style-type: none"> <li>▪ Enterprises’ management and organization improved.</li> <li>▪ Financial markets are reinforced and their capacity to finance investment is increased.</li> <li>▪ Capacity of intermediary organizations is enhanced.</li> <li>▪ More effective non-financial services.</li> <li>▪ Development of micro-enterprises.</li> </ul>	Export Development Programme (EDP)	<ul style="list-style-type: none"> <li>▪ Capacity of intermediary organizations is enhanced.</li> <li>▪ More effective non-financial services.</li> </ul>	Mining Sector Diversification Programme (MSDP)	<ul style="list-style-type: none"> <li>▪ Enterprises’ management and organization improved.</li> <li>▪ More effective non-financial services.</li> </ul>	Capacity Building for Private Sector Development Programme (CB-PSDP)	<ul style="list-style-type: none"> <li>▪ Macro-economic, legal and regulatory framework more conducive to PSD.</li> </ul>
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Capacity Building for Private Sector Development Programme (CB-PSDP)	<ul style="list-style-type: none"> <li>▪ Macro-economic, legal and regulatory framework more conducive to PSD.</li> </ul>										
<p>In the 9<sup>th</sup> EDF, the CSP states that transport (the other focal area of intervention in Zambia) has an important impact on PSD, a view that is shared by most of the interviewees. However, the role of transport - and more in general, of infrastructure – in private sector development in third countries is not developed in EC PSD strategy documents.</p>											
<p>3B.1 The selected areas of intervention (expect results) correspond to clearly identified needs of Zambia in terms of PSD</p>											
<p>Overall, literature and interviewees confirm that the selected areas of intervention under the 8<sup>th</sup> EDF correspond to clearly identified needs of Zambia’s PSD. This was particularly true for Business Development Services and Access to finance. The Global Competitiveness report mentions access to finance as key obstacles to do business in Zambia in the World (World Economic Forum, 2004). The GOZ PSD Reform Programme (2004) mentions for example the limited access to finance, macroeconomic instability and lack of certain aspects of business management skills, as some of the enduring obstacle for PSD growth.</p> <p>The Commission’s PSD strategy under the 8<sup>th</sup> EDF is also in line with Zambia national policies 1995-1998 regarding the attainment of macroeconomic stability, liberalisation of the economy (privatisation, facilitation of production, encouragement of improved productivity and competitiveness, reduction of import dependency, and increase in tradition and non-traditional exports) (GOZ, 1995).</p>											

In the 9<sup>th</sup> EDF, the Commission's focus on the Institutional Development and Capacity Building, is in line with generally recognised needs of Zambia in terms of PSD (as confirmed by literature e.g. World Bank reports and the Global Competitiveness Report and interviewees). Some interviewees however raised doubts regarding the relevance of focusing on institutional support only, as opposed to a more balanced allocation between macro and micro level intervention. The main reason being certain mistrust on the capacity of the government to improve its performance in spite of the support to be received from the EC. This is reflected on the view that the effects of donors' support to the government are rarely felt by the private sector and that companies can very well survive and grow despite a weak public sector performance. Further, the shift from micro to macro level is perceived by some interviewees as a result of changes in the EC approach rather reflecting identified needs of the sector in Zambia.

Regarding national policies and priorities for the private sector, the CSP 2002-2007 states that "of all constraints the most significant seem to be the absence of political commitment to the sector, and weakness of public and private sector institutions to formulate and implement policy" and that therefore the task of defining and designing appropriate responses is especially challenging. As a consequence, if the PSD strategy proposed under the 9<sup>th</sup> EDF corresponds to the broad mid-term objectives of the government, it cannot correspond to national priorities or policies for the sector given that these are inexistent. The response strategy proposed, however, is one to encourage the government to elaborate and own such policies.

## EQ 4.1 – Effectiveness - Business environment

<b>To what extent did EC interventions make the institutional, macro-economic and legal and regulatory framework more conducive to PSD?</b>	
41.1	EC support to the institutional setting has contributed to the development of the business sector
<p>No EC support in Zambia aimed at this expected result under the 8<sup>th</sup> EDF.</p> <p>Under the 9<sup>th</sup> EDF, the second focal sector is Institutional Development and Capacity Building. Under this sector, the second component will “address the need to develop capacities for public-private dialogue as a basis for building a policy and institutional environment to promote private sector-led economic growth, particularly in the areas of investment, export promotion and trade”. At the time of the mission (February 2005), the programme had not yet started but the financing proposal was in the process of approval. It was stated in the CSP 2000 that “in the absence of clear Government policy the task of defining and designing appropriate responses is especially challenging.” However, in these five years the government and the private sector have taken a number of initiatives among which the PSD Reform Programme, a policy agenda to develop the private sector. It is likely that the CB-PSDP programme will need to adapt to the new context, otherwise it may end up not being in line with the progress on the government’s side, which may therefore impact the programmes effectiveness.</p>	
41.2	EC support to macroeconomic stabilization has contributed to the development of the business sector
<p>It is expected that macroeconomic support given to the GOZ, although not considered as a PSD intervention as such, will contribute to the reduction of the government’s internal debt and as a consequence that it will entail a reduction of interest rates. So far the effect is not significant although interest rates have started to decrease. So far little effect has been noticed. The 2003 Joint Annual Report (European Commission, 2003), states that “the achievement of macroeconomic stability is seriously hampered by the difficulties with the budget. In 2003 the Government succeeded to sustain economic growth, curb the inflation rate and keep a smooth depreciation of the exchange rate. However, as already mentioned, fiscal imbalances could compromise macroeconomic stability and, ultimately, economic growth and poverty reduction. The Report also states that “the success of macroeconomic objectives, as well as the reduction of poverty will depend on how well the Government balances its expenditures in the light of competing demands from different sectors and scarce resources. The lack of a Poverty Reduction and Growth Facility (PRGF) programme with the IMF in the second half of 2003 led to the withholding of programme support by some donors and failure to reach the Highly Indebted Poor Country (HIPC) completion point.”</p>	
41.3	EC support has achieved the removal of legal and regulatory barriers to the development of the business sector
<p>The <u>MSDP</u>, which has one component that is focused on assuring effective and fair mining regulations and taxation policy, is not completed until 2007 and so cannot be assessed in terms of effectiveness; there also exists no evidence to suggest the likely effectiveness of this programme.</p>	

## EQ 4.2 – Effectiveness - Reinforcing financial markets

To what extent did EC interventions reinforce financial markets?	
42.1	The appropriate framework for supplying well-developed and efficient financial services for SME is reinforced
<p>Overall, programmes aiming at improving access to credit for MEs or SMEs were focused on directly facilitating access to credit to beneficiary firms rather than on contributing to improve the way in which local financial markets work in view to facilitate access to credit in a durable manner. Even within that narrower objective, effectiveness was limited.</p> <p>One window of <b>PSDP</b> aimed at improving access to finance through the actual credit line of the programme itself, and not through a reinforcement of the Zambian banking sector's capacity to provide more access to finance after the end of the intervention. The financing Agreement (FA) states that this "is a temporary financial support to be removed as soon as the formal financial system is able to provide investment finance on its own resources." This suggests that from its inception, this window of PSDP was not designed to be effective in the reinforcement of the financial sector after the completion of the programme. Further the <b>PSDP</b> final evaluation report states that the most influential factor in determining the lack of success of the Apex Financing Facility stems from flaws in the design and methodology of the window.</p> <p>In terms of improved access to credits during the life of the PSDP programme, the final evaluation reports and interviews confirm that increased access to finance has been limited. Reasons include that only a few companies received loans in the first place; and because of the high default rate, many who did borrow will find it more difficult to borrow in future, because they now have poor credit histories.</p> <p><b>MSDP</b>, which involves the provision of capital and equipment for small and medium-sized enterprises, also does not fully correspond with the expected results of reinforcing a financial market. While this programme will only be completed in 2007, it can already be stated in advance that given its objectives, it will be limited in reinforcement of the financial sector after the completion of the programme.</p> <p>The <b>EDP</b> programme had a component through which a revolving fund was provided to three intermediary organisations with the aim of facilitating credit to access member companies. In two cases, default rates were so high that at the end of the programme the fund had almost disappeared. Only in one case repayment rates were correct.</p>	

### EQ 4.3 – Effectiveness - Intermediate organisations (IO)

<p><b>A. To what extent did EC interventions help IO to increase their capacity to conduct a policy dialogue with the government;</b></p> <p><b>B. To what extent did EC interventions help IO to improve the quality or quantity of the services provided to and used by its members?</b></p>
<p>43A.1 Intermediate organizations have successfully promoted the interests of the private sector as a result of EC support</p>
<p>The <b>PSDP</b> programme stated as one of its objectives to “enhance the capacity of advocacy organisations to conduct a fruitful policy dialogue with the government”, which corresponds to one of the expected results in the EU PSD strategy. However, no activity was actually foreseen or carried out aiming at that objective.</p> <p>The <b>MSDP</b> has one component to strengthen existing or new small-scale mining associations through formal and on-the-job training and with short-term expertise. “The support would allow these private associations fully to play their role as a communication channel with the government, and as promoters, co-ordinators and self-regulators of the sector”. So far there is no evidence to suggest the likely effectiveness of this programme.</p>
<p>43B.1 Intermediate organizations provide more and better services to their members as a result of EC support</p>
<p>Despite the lack of quantitative targets in the logframe, several indicators assessed by the final evaluation report together provide strong evidence that the capacity building has to a high degree been effective. The final evaluation report show four types of impact indicators (detailed in Annex 6) which together provide strong evidence that indeed the capacity building has to a high degree been effective. The final evaluation report concludes that in view of the weakness of most of these organisations, this is to be considered a very good result.</p>

## EQ 4.4 – Effectiveness - Investment promotion and b-to-b cooperation

To what extent did EC interventions increase trade, investment and general b-to-b cooperation?	
44.1	EU interventions increased trade, investment or general b-to-b cooperation
	<p>The financing agreement for <b>PSDP</b> included a component dealing with investment and partnership promotion. The overall objective of the window was to attract foreign investment to Zambian businesses through joint venture partnering and improved access to foreign technology, markets and capital from South Africa and EU countries.</p> <p>According to the PSDP final evaluation report, “due to the short period that the facility has been operational it is quite difficult to measure impact that could be directly attributable to the activities under Window 5. Support to Zambia Investment Centre (ZIC) clearly was useful as it contributed to ZIC’s efforts to realise its mandate to attract foreign investment to Zambia. The quality of promotional material on Zambia produced and disseminated has led to a number of enquiries on investment prospects in Zambia. The promotional visits by ZIC to investment and trade exhibitions have also resulted in a number of enquiries and contacts between companies in Zambia and those in EU countries and RSA”.</p> <p>Further, according to the interviews carried out by the evaluation team, most companies who benefited from the Commission’s programmes (<b>PSDP</b> or <b>EDP</b>) aimed at establishing partnerships during trade-fairs claim that the impacts were large for their companies.</p> <p>On the other hand, according to the PSDP final evaluation report “delays in obtaining approval from National Authorizing Officer (NAO)/EU were cited by ZIC as having contributed to the slow and frustrating pace of progress of activities under this facility. We also noted that there were delays by ZIC in seeking approval for activities to be undertaken resulting in about 22,000 Euros disbursed by EU for the first programme being time barred as it was not utilised by the deadline of 31st March 2004”.</p>

## EQ 4.5 – Effectiveness - BDS

**To what extent did EC interventions aiming to provide non-financial services create a competitive business development services markets?**

45.1 EU interventions aiming to provide non-financial services create a competitive business development services markets

Given that most BDS-related programmes (PSDP, EDP, and MSDP) only partially corresponds to the expected results of BDS, in that they aimed at providing direct non-financial assistance to companies rather than creating a local BDS market, the impact on the latter was from the start bounded to be limited. In that regard, BDS-related programmes have not incorporated the lessons learned and new orientations as proposed by *“BDS for Small Enterprises: Guiding principles for donor intervention”*, to which the EC subscribes.

Within their narrower objectives, EC’s programmes were effective and had a positive impact on beneficiary companies. Indicators include increased turnover, investment, employment and exports. These results must however be put into context given the limited number of companies targeted under the programme in relation to the total numbers of companies in Zambia. Moreover, several interviewees noted that there were some missed opportunities to lift companies/industries to become truly competitive nationally and internationally. For example EDP I and II were configured in such a way that beneficiaries of EDP I could not be selected in EDP II. Many people involved in the programme think that it would have been more advisable to focus on a selected number of companies and help them achieve a higher level of competitiveness. This raises the following question: to what extent more focus on a selected number of beneficiaries (e.g. the creation of winners with potential spill-over benefits on the whole industry) would have had more impact than spreading these services over a wide number of companies in different industries.

Two additional issues should be considered when measuring effectiveness: attribution and cannibalization effects. To what extent were results a consequence of the programme? According to beneficiaries and the management of the programme, a significant share of the improved performance can indeed be attributed to the support provided by the PSDP. The evaluation report also indicates that even if only half of the effects can be attributed to the support provided, the result would still be impressive. In terms of cannibalization, the question is to what extent the performance of beneficiary companies was made at the expense of other Zambian companies. Interviews confirmed that the cannibalization effect was minimal. The principal reason given was that Zambia is a growing economy with no bottlenecks on the supply-side so that any growth of one company or industry is a net-benefit to the economy as a whole.

In terms of reinforcement of the local BDS market, most interviewees felt there was no particular increase in use of local BDS. While some companies feel their experience with EC non-financial assistance stimulated their demand for the local BDS market, many others feel that demand for BDS was always present, but that the problem has always been on the supply-side: lack of quality services (not only lower than international standards but also than neighbouring countries like South Africa and Zimbabwe) at an affordable price (see 5.6).

## EQ 4.6 – Effectiveness - Development of micro-enterprises

<b>To what extent did EC interventions help develop micro-enterprises?</b>
46.1 EU interventions have contributed to the development of micro-enterprises
Window 1 of <b>PSDP</b> aimed at providing business development services to micro-enterprises (MEs) with the purpose to improve their financial performance. According to the <b>PSDP</b> final evaluation report, this window has been effective in reaching its stated objectives. The impact study shows that in a period of on average 1½ years after the BDS event, the enterprises report a positive impact directly attributable to the programme. This includes a 42% average increase of turnover in real prices, an increase of employment with at least one extra employee for 50% of the MEs, and 48% of the MEs entered new markets.



## EQ 5 - Sustainability

<b>To what extent are the effects (expected results) of the interventions likely to continue at the end of the EC support?</b>	
5.1	The effects of EC PSD strategy in Zambia is likely to be long-lasting
<p>The <b>CSP 1996-2000</b> defines assumptions only at the level of the overall cooperation strategy. It indicates that the viability of the Community's aid strategy in Zambia is dependent "on the maintenance and development of the current democratic system, the guarantee of human rights, the rule of the law, and freedom of speech, to which the present government is firmly committed."</p> <p>As mention in 3B1.2, the <b>CSP 2002-2007</b> presents in its Annex 9 an analysis of the main challenges faced in terms of institutional development and capacity building and more in particular of the aspects related to the private sector. It is stated there that Zambia can move towards full economic recovery and "to do so, the process of market reforms need to be intensified and obstacles removed at the macro, meso and micro levels. Overall, a more supportive policy and institutional environment is required to encourage further development of the private sector." Yet, it is also explained that "<i>of all constraints the most significant seem to be the absence of political commitment to the sector, and weakness of public and privates sector institutions to formulate and implement policy.</i>"</p> <p>Overall, risks have not materialized and on the contrary, the government has move forward regarding policies towards the private sector and has formulated a Private Sector Reform Programme in dialogue with private sector representatives and, to a lesser extent, the donor community. The challenge now being to be able to articulate donor funded programmes that are already on going or well advanced in their programming process with the new government orientations.</p>	
5.2	Institutional, macroeconomic, legal and regulatory improvement is not disappearing / has not disappeared after EC intervention
<p>As mentioned above in 5.1.2, "the achievement of macroeconomic stability is seriously hampered by the difficulties with the budget (...) fiscal imbalances could compromise macroeconomic stability and, ultimately, economic growth and poverty reduction". Further, the Joint Annual Report 2003 indicates that "the private sector continues to suffer from the macro-economic situation with high inflation and high interest rates, which has rendered the access to affordable capital virtually impossible. The government's economic policy aims at creating an enabling environment for private sector led growth".</p> <p>Although it was not a PSD intervention, it is worth to notice that the CSP 2002-2007 states that the capacity building provided under the 8<sup>th</sup> EDF to the Ministry of Finance and Economic Development has not been sustainable, according to an evaluation study. The evaluation showed that individual short term consultants could not introduce the required change in the system and solve a long-term capacity problem".</p>	
5.3	Reinforcement of financial markets is long-lasting
<p>Overall, programmes aiming at improving access to credit for MEs or SMEs were focused on directly facilitating access to credit to beneficiary firms and not on contributing to improve the way in which local financial markets work in view to facilitate access to credit in a durable manner.</p> <p>This is explicitly stated in the FA of the <b>PSDP</b>, which indicates that the financial service window "is a temporary financial support to be removed as soon as the formal financial system is able to provide investment finance on its own resources." The programme does not indicate when or why the formal financial system will be able to provide such services.</p> <p>The PSDP final evaluation report indicates that "no possibilities for sustainability were built into the Apex Financing Facility:</p>	

▪	The funds could not revolve, since the decision to remove the revolving nature of the funds was made before any funds could be revolved.
▪	Unsustainable, concessionary interest rates were built into the initial programme design.
▪	Long term management of the inputs is dependent upon continuation of the contract between Grant Thornton (or any alternative), and the PSDP, which ends on October 31 <sup>st</sup> 2004”.
5.4	Reinforcement of IO position is not lost after EC intervention finishes
<p>In PSDP, the capacity building component (Window 4) has enhanced the degree the sustainability of BDS for MSMEs. Despite the discontinuation of the funding, the improved leadership and management capacity of the Intermediaries, as well as the edition of Technical Guide for BDS Providers will result in the mobilization of alternative sources. Moreover, the high numbers of participants per intermediary will alleviate the problem of high rotation of leaders.</p>	
5.5	Business-to-business cooperation, trade and investment continues to expand after EC intervention
<p>According the PSDP final evaluation report, delays in the commencement of activities has negatively impacted the sustainability of the programme. No explanation on that matter was available. Sustainability of the future will strongly depend on dedicated support from the Government as it is a key player in dissemination of information about Zambia to prospective investors.</p>	
5.6	A competitive BDS market continues to function after EC intervention has finished
<p>A competitive BDS marker is unlikely to function after EC intervention. This is explained both by a demand and a supply-side problem. On the demand side, the current economic climate and discussions with some of the intermediaries assisted lead the PSDP final evaluation report to conclude that a significant number of SMEs will still require subsidised BDS services and would not be able to fund the full cost of BDS interventions. On the supply-side, the evaluation report concludes that capacity has not yet been built in a local institution that could continue to provide the kind of intervention that the PSDP programme was designed to provide. Companies interviewed confirmed that the problem is rather more on the supply-side, given that many companies who really want BDS purchase it from overseas. It should be noticed that as for programmes aiming at facilitating access to financial services, the focus was more on the direct provision of services rather than to contributing to create the conditions for a well-functioning services market, as proposed by the <i>BDS for Small Enterprises: Guiding principles for donor intervention</i> to which the EC subscribes.</p>	
5.7	Micro-enterprises continue to develop
<p>At the programme level, it can be concluded that no sustainability is ensured. The programme was designed using a project approach rather than an institutional approach, and the reason for doing this were that no single existing institution could be identified that was mandated and equipped to carry out the wide scope of activities envisaged for PSDP. The report concludes that it would have been desirable that a long term strategy would have been worked out to ensure that sustainability could eventually be achieved, together with an exit strategy for the donor.</p>	

## EQ 6 – Efficiency

<p><b>To what extent have the organisational set-up or management systems and processes contributed or hindered the efficiency of the EC interventions to support private sector development? Four aspects are of particular interest to our evaluation:</b></p> <p><b>A. The deconcentration process and the support given by HQ</b></p> <p><b>B. The preference given in some regions to all-country programmes</b></p> <p><b>C. The preference given in some regions to promote local expertise instead of using international support</b></p> <p><b>D. Other organisational set-up or management systems and processes</b></p>
<p>6A.1 The deconcentration has contributed to the efficiency of the EC interventions</p> <p>The deconcentration process may affect – positively or negatively – different aspects of EC interventions. Although most interviewees believed that it was too early to assess the effects of deconcentration, several issues were raised:</p> <ul style="list-style-type: none"> <li>▪ Regarding speed of decision making process, it was believed that, at least in its early stage, the deconcentration did not lead to an acceleration of the decision making process but even slowed it down. Among the reasons explaining this initial situation the following were proposed: lack of clarity regarding who was responsible of what; heavier workload transferred from headquarters to Delegation without having the necessary resources; people were afraid of making mistakes. An additional concern was the risk of reproducing at the Delegation the defaults of a ‘mini bureaucracy’.</li> <li>▪ Regarding workload at the Delegation, it has indeed increased but it is also true that new staff has been engaged. The question was whether the new staff had the necessary qualification to face the new responsibilities and, if not, if relevant training and support from headquarters is available.</li> <li>▪ Regarding support from headquarters, the main point was that lesson learning and sharing experience between different countries / regions has been limited in the past and that deconcentration – coupled with the high of rotation of personnel - may worsen the situation. Support from headquarters is therefore considered to be a key element to avoid this risk. It is considered that there is not enough support from headquarters in terms of project identification, design and implementation.</li> </ul>
<p>6B.1 The use of “all-country” programmes has contributed to the efficiency of the EC interventions</p> <p>Zambia has access to “all-country” programmes and some of the firms interviewed had received support through the CDE and EBAS. However, there is very little knowledge of these programmes in the country both among potential beneficiaries and at the Delegation.</p>
<p>6C.1 The use of local expertise has contributed to the efficiency of the EC interventions</p> <p>There has not been a systematic use of local expertise partly due to the lack of capacity in Zambia. Although an interesting example is to be taken from the management of the <b>PSDP</b>. Indeed, it comes from interviews that the management team played a key role to ensure the successful implementation of the programme and, according to the programme manager, the value added of local experts in the management team was significant given their knowledge of the sector.</p>
<p>6D.1 The organisational set-up and management system has contributed to an efficiency implementation of the programme</p> <p>This criterion and its corresponding indicators were defined after the pilot mission in Zambia. Therefore, the information collected does not necessarily correspond to the indicators proposed below. The evaluation team collected the following information:</p>

- EDF procedures were considered too slow and heavy by stakeholders, producing an administrative burden and hampering the effectiveness of interventions. Some sources declared their strong preference to work with other donor agencies.
- Procedures within the programmes were also considered as too slow and heavy by some beneficiary firms while other firms considered that procedures were simple.
- Many firms considered that there was a lack of sufficient information on what a program can offer. For instance, regarding PSDP, firms were aware of the existence of one window but not of the other ones. Further, some firms considered that the information on the existence of the programme was also too limited.

Lack of clarity in terms of eligibility and selection. It was not clear for firms who were eligible to the programme and how the decision was taken once the application was presented.

## EQ 7 – Coherence (within EU action)

<p><b>A. To what extent does the <u>EC PSD policy in general</u> take into account other EU strategies and policies?</b></p> <p><b>B. To what extent does the <u>EC PSD support strategy within a country</u> strategy take into account:</b></p> <ul style="list-style-type: none"> <li><b>i) The support given to other sectors within the same country strategy?</b></li> <li><b>ii) Other EU strategies and policies</b></li> </ul> <p><b>C. To what extent do national or regional <u>EC PSD programmes within a country</u> take into account:</b></p> <ul style="list-style-type: none"> <li><b>i) Other PSD programmes within the same country</b></li> <li><b>ii) The support given to other sectors within the same country</b></li> <li><b>iii) Other EU strategies and policies</b></li> </ul>
<p>7B.1 The EC PSD support strategy within a country takes into account other EC interventions</p>
<p>EC support to Zambia through the <b>9<sup>th</sup> EDF</b> is focused on the transport sector and on institutional development and capacity building. The CSP 2002-2007 acknowledges that the two focal sectors reflect “the strategic importance of improved infrastructure – availability of road network as well as of human and organizational capacities – for private sector driven economic growth and poverty reduction.” However, the emphasis is more on how <b>transport</b> can unlock economic growth and develop the private sector. Among the factors that justify the choice of transport as first focal sector of EC support to Zambia, it is mentioned that “in the PRSP discussions and Road Sector Investment Program (ROADSIP), transport is recognised as crucial for the development of all key sectors” (...) and that “the establishment and maintenance of well-functioning transport system is imperative for the development and integration of markets in all sectors of the <i>Zambian economy</i>”. Private sector interviewees confirmed that an improved transport infrastructure will strongly improve the competitiveness of the business sector.</p> <p>The CSP also describes the importance of <b>regional trade</b> for Zambia. Yet, no mention is made of the effects or possible articulation between bilateral and regional interventions.</p> <p>The CSP states that the “coherence between development co-operation policy and other EC policies (<b>trade, agriculture, environment</b>, etc.) relevant for Zambia will be assessed on a permanent basis”. However, no evidence of such assessments was found during the mission.</p> <p>Improvement in coherence between PSD policies EU trade policies was seen by private sector beneficiaries as particularly important as the latter state to have been affected by other EU policies (e.g. the impact of EU phyto-sanitary regulations).</p>
<p>7C.1 National or regional EC PSD programmes within a country take into account other EC interventions</p>
<p>PSD programme documents rarely refer to other EC PSD programmes in the same country, let alone analyse possible complementarities, synergies conflicts or overlaps. Documentation and interviews identify no apparent incoherence in programme implementation but also do not mention any explicit attempts at maximising synergies or minimizing overlaps between PSD programmes. In the case of EDP and PSDP for example, there has been little attempts in ensuring that target companies do not benefit simultaneously from both programmes. Such coordination is apparently left for programme managers.</p>

## EQ 8 – Coordination (with other donors)

<b>To what extent is there coordination between donors, both at central and at country level?</b>	
8.2	The EC actively participates to multi-donor coordination process at country level
	<p>In the PSD sector, donor coordination has traditionally been weak and mainly consisting of donors informing the others about its own activities. However, the realization of several programmes overlapping, especially at the micro level, has encouraged the donor community to establish more formal mechanisms of coordination. The overlap of micro-level PSD programmes funded by donor agencies is illustrated in the PSD Reform Programme report which lists 21 donor-funded programmes aiming at improving the limited capacity of the Zambian private sector (see the list in Annex 6).</p> <p>Recent developments on the private sector have further encouraged donor coordination. In particular, the Zambia Business Forum in late 2004 and the update of the government's Private Sector Development Reform Programme have acted as platforms of discussion between the government, the private sector and the donor community. The Private Sector Development Reform Programme report describes different donor interventions in PSD and proposes linkages between these interventions (some are already being implemented, others are at the preparation stage) and the programme proposed. Further, the donor community has been invited by the government to participate to the Domestic Business Council as member of the Steering Committee and thus donors have started to meet in order to coordinate their positions regarding government's PSD Reform Programme.</p> <p>However, so far there are not many examples of distribution of tasks among donors involved in PSD support and only three PSD-related programmes (out of a sample of some 23 programmes) have been identified by the team as being funded jointly by more than one donor agency. None of them were funded by the EC.</p>

## EQ 9 – Cross-cutting issues (CCI)

<b>Do the EC PSD interventions show concern for cross cutting issues such as promoting women led enterprises, ensuring acceptable working conditions notably for women, protecting the environment and promoting better governance practices?</b>	
9.2	CCI are taken into account in the PSD strategy and by programmes in Zambia
<p>Although the CSP 2001-2007 mentions that the EC co-operation policy establishes that “systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: genders issues, environmental issues and institutional development and capacity building”, there is no mention of such issues in the support strategy to Zambia or of how these CCI will or can be mainstreamed in the proposed sectors of intervention. As shown in indicators 9.2.2 to 9.2.4, CCI are not included in PSD programmes.</p> <p>On the contrary, the CSP refers to the government approach to some cross-cuttings issues. For instance, the government has published in 1999 a white paper concerning <b>democracy, human rights and good governance</b> (National Capacity Building Programme for Good Governance). The GOZ also presented a National <b>Gender</b> Policy in 2000, the vision of this policy is “to achieve full participation of women and men in the development process at all levels, in order to ensure sustainable development and attainment of equality and equity between sexes”. Finally, the government has a National <b>Environment</b> Action Plan that has made Environmental Impact Assessments obligatory in most development activities.</p> <p>At the programme level, the Mining Sector Development Programme and that the gender issue will be closely monitored throughout the project. But the logical framework provides no indicators for monitoring gender issues. It does however contain monitoring indicators for good governance. In the EDP, one component of the project aims at promoting the employment of young women but no indicators were provided for in the logical framework to monitor women employment.</p>	
9.3	A CCI is treated through a specific project or programme in the frame of the PSD support in Zambia rather than as an horizontal issue
No example available.	





## 5. Conclusions

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### 5.1 Relevance and Design

The areas of intervention (expected results) chosen to support PSD in Zambia correspond to the areas proposed in the EC PSD strategy (See 3A.1).

The programmes implemented address some important constraints affecting the country's private sector (See 3B.1). Yet,

- EC support to PSD in Zambia was programmed, particularly under the 9th EDF, in spite of the fact that – according to the CSP 2002-2007 - “of all constraints the most significant seem to be the absence of political commitment to the sector, and weakness of public and private sector institutions to formulate and implement policy”. Therefore, the proposed approach was a gradual, iterative and flexible one to design a capacity building programme. By the time of the mission (February 2005) the programme (CB-PSD) had not yet started.
- On the other hand, since the 9th EDF programming, the government and the private sector have taken a number of initiatives among which the PSD Reform Programme, a policy agenda to develop the private sector.
- Therefore, it is likely that the CB-PSD programme will need to be adapted to the new policy context. Otherwise it may end up not being in line with the progress on the government's side, which may therefore impact the programme's relevancy.

While the PSD programmes under the 8th EDF were mainly focused at the micro level (EDP, PSDP, MDSP), the 9th EDF programme (CB-PSD) is mainly focused at the macro/institutional level. Some stakeholder doubt about the relevance of focusing on institutional support. (See 3B.1.1)

- The main reason is certain mistrust on the capacity of the government to improve its performance in spite of the support to be received from the EC.
- Further, the shift from micro to macro level is perceived by some stakeholders as a result of changes in the EC approach rather reflecting identified needs of the sector in Zambia.

### 5.2 Effectiveness

EC programmes to support PSD usually attained expected outputs but were designed in a way that most often they could not attain sufficient outreach. Lessons from the “BDS for Small Enterprises: Guiding principles for donor intervention”, to which the EC subscribes, were not taken into consideration:

- In financial- and non-financial services to companies, the programme's key objective is the provision of these services during the life of the programme, rather than the reinforcement of local providers of these services. Further, this implies that the programme's objectives only partially correspond to the EC PSD strategy as presented in the COM(2003) 267 and the Guidelines to PSD support (See 42.1, 45.1).
- Some programmes aim at a wide scope of beneficiaries, thereby missing opportunities to achieve higher impacts in a selected few. In the provision of non-financial services, more selectivity, i.e. the creation of winners with potential spill-over benefits on the whole industry, could have had more impact than spreading these services over a wide number of companies in different industries (See 42.1).

### 5.3 Sustainability

Factors ensuring sustainability were not built into some programmes, reflecting a focus on outputs during the programme life rather than sustained impacts. Nevertheless, this statement should be qualified according to the type of programme:

- This applies particularly to programmes dealing with financial- and non-financial services for enterprises. In such cases, as mentioned for effectiveness, lessons from the "BDS for Small Enterprises: Guiding principles for donor intervention" were not taken into consideration (See 5.3, 5.6, 5.7).
- On the other hand, programmes or activities that involved reinforcement of institutional and human capacity are more likely to be long-lasting. The reinforcement of IO position through capacity building has enhanced the degree of sustainability of the services provided by these organizations to their members (See 5.5).

### 5.4 Coherence

Coherence with other EC interventions can be largely improved. Bilateral and regional cooperation could be reinforced by better exploiting complementarities and synergies. In particular:

- Transport is the first focal sector and at the same time considered one of the main constraints faced by the private sector in Zambia. However, potential synergies are not sufficiently exploited (See 7B.1.1).
- The EC provides macroeconomic support and it is expected that this will contribute to the reduction of the government's internal debt and as a consequence to a reduction of interest rates; one of the main constraints to private sector development. Potential synergies are not exploited either (See 41.2.2).

- The EC also provides support to Zambia through its regional cooperation programme (COMESA). Further, the CSP also describes the importance of regional trade for Zambia. Yet, no mention is made of the effects or possible articulation between bilateral and regional interventions. For instance, no mention of the customs harmonization programme is made by the PSD strategy or programmes (See 7B.1.1).

Coherence within PSD support could also be improved (See 7C.1).

- Documentation and interviews identify no apparent incoherence in programme implementation but also do not mention any explicit attempts at maximising synergies or minimizing overlaps between PSD programmes. In the case of EDP and PSDP for example, there has been little attempts in ensuring that target companies do not benefit simultaneously from both programmes.

## 5.5 Coordination

Donor coordination has traditionally been weak in the PSD sector and mainly consisting of donors informing the others about its own activities. The realization of several programmes overlapping, especially at the micro level, has encouraged the donor community to establish more formal mechanisms of coordination. The overlap of micro-level PSD programmes funded by donor agencies is illustrated in the PSD Reform Programme report which lists 21 donor-funded programmes aiming at improving the limited capacity of the Zambian private sector (See 8.2).

## 5.6 Cross-cutting Issues

In the CSP 2002-2007, there is no mention of crosscutting issues and how they will or can be mainstreamed in the proposed sectors of intervention. In some programme documents cross cutting issues are mentioned (it is the case of two of the programmes) but none of the programmes actually incorporate these issues in their implementation (See 9.2).



## **ANNEXES**



## Annex 1 - People interviewed

### Delegation / PMU / Technical assistance

Organisation / Institution	Name	Title
DEC – Zambia	Jenny Correia-Nunes	Counsellor – Head of Section Private Sector, Food Security
DEC – Zambia	Jans Kristensen	Third Secretary - Regional Co-operation
DEC – Zambia	Chilambwe Lwao	Programme Officer – Private Sector
Project Management Unit (PMU) – PSDP	Chris Sealy	Program Manager
PMU – TDP	Mike Brennan	Program Manager
Ministry of Finance and National Planning – NAO Office	Thomas Krimmel	Team Leader – EC Support

### Donors

Organisation / Institution	Name	Title
SIDA	Kristina Kuhnel	Counsellor
DfID	Su Barton	Counsellor
USAID	D. Griffiths	Economic Growth Team Leader
World Bank	David Satola	Senior Counsel

### Local Authorities

Organisation / Institution	Name	Title
Ministry of Finance and National Planning – NAO Office	Benny Chundo	
Ministry of Finance and National Planning – NAO Office	Temwani Chihana	Administration & Financial Management Advisor
Ministry of Commerce, Trade and Industry	Dipak Patel	Minister
Ministry of Commerce, Trade and Industry	Gerald Tembo	Director Department of Domestic Trade and Commerce

## Beneficiaries

Organisation / Institution	Name	Title
Agridev	Rudy van Gent	Managing Director
Bimzi	Mr Mande	
Bimzi	Ms Wright	
Cheetah Zambia Ltd	Mark Terken	Managing Director Manager Marketing & Development
Forest Fruits Ltd	Daniel Ball	Managing Director
Grant Thornton Associates	Edward Mupeso	Senior Consultant
Grant Thornton Associates	Hakainde Hichilema	Chief Executive and Representative of the Business Forum
Kabulima Organic Farmer's Association	Trevor Watson	Committee Member
Melcome Industries Ltd	Liju K. Varghese	General Manager
Mukambi Safari Lodge	Edjan van der Heide	
Polymer Mouldings	Mr Gohill	
Zambia Sugar	Mr Lovemo	
Zambia Coffee Grower's Association (ZCGA)	Charles Siddle	
ZCGA	Joseph Taguma	General Manager



## **Annex 2 - Documents consulted**

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### **1. Private sector Development Documents**

European Commission (1996), The European Commission Co-operation Partnership, A Presentation of the Cooperation Strategy 1996-2000.

European Commission (1998), COM (1998)667 – A European Community Strategy for Private Sector development in ACP countries.

European Commission (2003) Guidelines for EC Support to Private Sector Development.

European Commission (2003), COM (2003)267 - EC Co-operation with Third Countries: The Commission's approach to future support for the development of the Business sector.

European Commission (2003), EU Economic and Commercial Counsellors' 2003 Report.

### **2. Country Documents**

European Commission - Zambia (1996) Country Strategy Paper and Indicative Programme 1996-2000.

European Commission - Zambia (2001) Country Strategy Paper and Indicative Programme 2001-2007.

European Commission (2002), Co-operation between the EC and the Republic of Zambia Joint Annual Report 2002.

European Commission (2002), Co-operation between the EC and the Republic of Zambia Joint Annual Report 2001.

Government of Zambia (2004), PSD Reform Programme Report.

IMF (2004), Zambia: Selected Issues and Statistical Appendix.

UNDP (2003), Human Development Index.

World Bank (2004), Zambia Country Assessment Strategy.

World Bank (2004a), Zambia at a glance.

World Bank (2004b), Zambia Country Assessment Evaluation.

World Bank (2004c), Snapshot of business environment Zambia.

Zambian Government (1995), "Policy Framework Paper 1995-1998".

### **3. Project documents**

Private Sector Development Programme (8 ACP ZA 3):

- Project Synopsis.
- Financing Agreement (2003).
- Financing Agreement (1998).
- Technical and Administrative provision for implementation (1998).
- Monitoring report (2003).
- Monitoring report (2000).
- Implementation schedule (2002).
- Logical framework.
- PSD Final project completion report (2004).

Micro credit delivery for the empowerment of the poor (7 ACP ZA 84):

- Project Synopsis.
- Financing Agreement (1996).
- Technical and administrative provision for implementation (1996).

SWARP Spinning Mills II. (7 ACP ZA 67):

- Project details.

Export Development programme II (8 ACP ZA 28):

- Project Synopsis.
- Financing Agreement (1999).
- Technical and administrative provision for implementation (1999).
- Monitoring report (2004).
- Logical framework.

Lumwana study (8 ACP ZA 53):

- Project details.

Mining Sector Diversification Programme (8 ACP ZA 36):

- Project Synopsis.
- Financing Agreement (2000).
- Technical and administrative provision for implementation (2000).
- Logical framework.

Structural Adjustment and Sysmin Support Programme (8 ACP ZA 36):

- Project Synopsis.
- Financing Agreement (2000).
- Technical and administrative provision for implementation (2000).
- Logical framework.

Regional Harmonisation of Customs and Trade Statistics Systems (8 ACP ROR 001):

- Financing Agreement (1999).
- Technical and administrative provision for implementation (1999).
- Logical Framework (1999).
- Monitoring report (2004).

Urban Market Development Programme:

- Financing Agreement (2003).
- Technical and administrative provision for implementation (2003).



## Annex 3 - Map of the country



Source: CIA World Factbook.



## Annex 4 - List of projects / programmes

Project number	Project title	Planned (million €)	Source of financing	DAC Code description
8 ACP ZA 3	Private sector development programme	8.79	EDF 08	Privatisation
8 ACP ZA 28	Export Development Programme Ph. II (EDP II)	6.50	EDF 08	
8 ACP ZA 36	Mining sector Diversification Programme	30.00	EDF 08	Industrial Development
8.ACP.ZA 37,38,39,40,41, 42,43 & 44	Structural Adjustment and Sysmin Support programme	109.00	EDF 08	
8.ACP.ROR 001	Regional Harmonisation of customs and Trade Statistics Systems	12.6	EDF 08	Trade
8.ACP.ZA 59	Urban Markets Development programme	16.5	EDF 08	
7 ACP ZA 84	Micro credit delivery for empowerment of the poor	1.51	EDF 07	Informal / Semi-Formal Financial Institutions
7 ACP ZA 67	SWARP Spinning Mills II	6.00	EDF 07	Textiles, Leather And Substitutes
8 ACP ZA 53	Lumwana study	7.00	EDF 08	Industrial Development





## Annex 5 – Programme sheets

### Programme No 1 Private Sector Development programme

#### 1. Project identification data

Title	Private Sector Development Programme
Number	8.ACP.ZA 3
Source of financing	
Financing decision	
Financing agreement	
Start date	10/11/1999
Planned end-date	31/10/2004
Total Budget	EUR 8.785.000,00
EC Budget (committed)	EUR 8.785.000,00
EC Budget contracted as of 30/04/2003	EUR 7.591.690,00
Disbursements as of 30/04/2003	EUR 5.225.850,00
Beneficiary	MEs, SMEs, Intermediary organisations
Operator (if different from Beneficiary)	

#### 2. Budget

Budget Item	€	%
1. Non financial Support to MEs / Infrastructure Support (Window 1)	1.310.000	15%
2. Financial Support (credit line) to SMEs Window 2	2.100.000	24%
3. Non-Financial Support to SMEs (Window 3)	2.690.000	31%
4. Capacity Building of Intermediaries (Window 4)	885.000	10%
5. Foreign Investment Promotion	250.000	3%
6. Management of the Programme	1.000.000	11%
7. Mid-term Review / Evaluation	100.000	1%
8. Contingencies	200.000	2%
9. External Monitoring and Financial Audit	250.000	3%
<b>Total</b>	<b>8.785.000</b>	<b>100%</b>

*Note: This does not include TESF (budget of EUR 2.000.000).*

### 3 Global objectives

- To contribute to a strong and responsive private sector and increased employment creation, in accordance with the aims of the Government's Policy Framework Paper 1995-1998 and with the strategy of the 8<sup>th</sup> EDF.
- To improve the performance of private micro, small and medium enterprises in targeted economic sectors.

### 4 Specific objectives

- To achieve improved performance and expansion of private enterprises in Zambia, using differentiated support approaches for the Micro-enterprises (MEs) sector and for the Small and Medium Enterprises (SMEs) sector that will lead to increased employment and business opportunities.
- To strengthen providers of non-financial services to MEs and SMEs.
- To enhance the capacity of advocacy organisations to conduct a fruitful policy dialogue with the government.

### 5 Activities

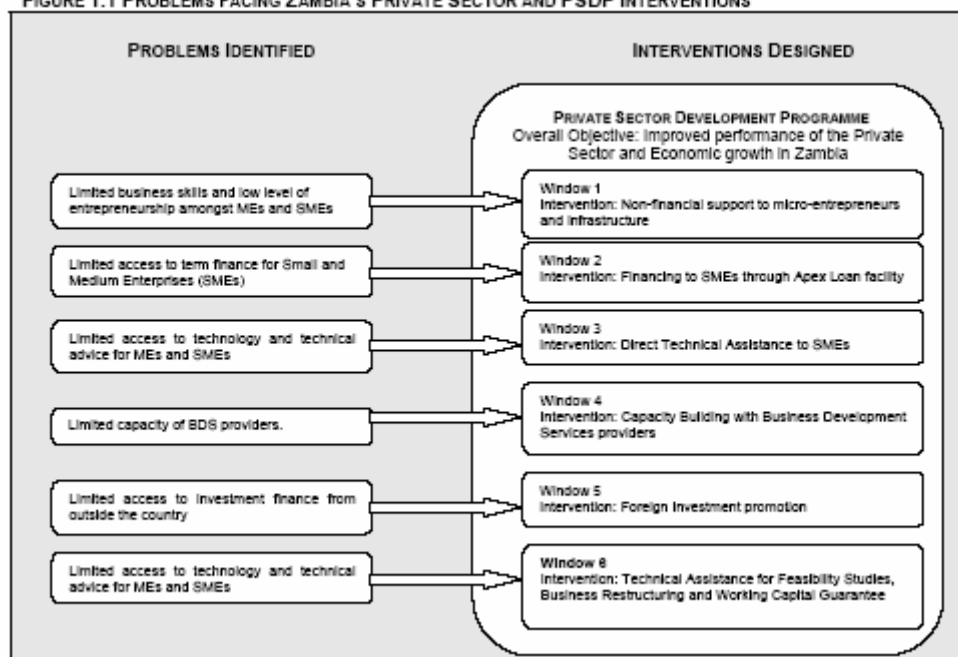
1. **Non-Financial Support to Micro-Enterprises (Window 1):** Support to MEs through a non-financial facility administered directly by the Project Implementation Unit (PIU) and delivered by intermediary service providers throughout Zambia. This support also includes a fund for small infrastructural improvements to establish better trading conditions.
2. **Financial Support to SMEs (Window 2):** Support to SMEs through an Apex line of credit managed by Grant Thornton Associates and administered by five commercial banks.
3. **Non-Financial Support to SMEs (Window 3):** Provision of technical assistance to SMEs who are interested in restructuring their businesses, incorporate new technology, and enter new markets. The assistance is managed by the Centre for Development and Enterprise (CDE), previously called the Centre for Development of Industry (CDI).
4. **Capacity Building of Intermediaries (Window 4):** Institutional capacity building and support for non-financial intermediary or service organisations to MEs and SMEs.
5. **Securing Foreign Investment (Window 5):** Foreign investment promotion through a Memorandum of Understanding and implemented by the Zambian Investment Centre.
6. **Support to Trade and Enterprise (Window 5):** The Trade and Enterprise Support Facility has four subcomponents:
  - feasibility studies;
  - working capital guarantees;
  - business re-engineering;

- listings on the Lusaka Stock Exchange. Grant Thornton manages the counter-value funds of the TESF and reports to a sub-committee of the PSDP Steering Committee.

The project's activities, therefore, cluster around three main focus areas of ME and SME support:

- enterprise development,
- institutional capacity building,
- foreign investment promotion.

FIGURE 1.1 PROBLEMS FACING ZAMBIA'S PRIVATE SECTOR AND PSDP INTERVENTIONS



## 6. Results

The revised 'overall' project log frame identifies 10 results:

- expansion of ME capacities;
- an improvement in the capabilities of the intermediaries (including government-funded institutions);
- an increased awareness among the people of Zambia of the opportunities in MEs;
- improved infrastructure facilities for MEs operations;
- the removal of (regulatory) barriers that obstruct the development of MEs, especially at local and district level;
- new SMEs. Rehabilitated SMEs, SME production capacity expanded;
- the term loan component of the portfolios of financial institutions increases;
- SMEs have improved access to foreign technology and markets and compete more effectively in foreign markets;

- improved access to foreign capital, particularly from South Africa and the EU;
- improved government policy response to the private sector voice.

## 7. Impacts

### *Window 1: Non Financial Support to Micro Enterprises*

PDSP has demonstrated that BDS (mainly training) to MEs effectively impacts business growth and product diversification. The impact study shows that in a period of on average 1½ years after the BDS event, the enterprises report:

- A 73% average **increase of turnover** in current prices, which is estimated at **42%** in real prices. This would amount to an annual real growth of 20%, which is very high for MEs.
- An **increase of employment** with at least one extra employee for 50% of the MEs.
- 48% of the MEs entered **new markets**.

How did the BDS result in business growth? MEs provided the following answers:

- 10% reported to have introduced new products,
- 43% adopted new business management and financial management practices,
- 20% developed and used business plans.

These changes can directly be related to the BDS provided. It is also quite plausible that these changes indeed contributed to a large extent to the business growth data quoted above. Even if only half of it can be attributed to the BDS events, the result would still be impressive.

It is concluded that PDSP has facilitated very effective BDS interventions for micro-enterprises.

### *Window 2: Financial Support to SMEs*

On a more localised level, Window 2's purpose was *'to improve the access to working capital and term finance for small and medium enterprises'* as measured through SMEs reporting reduced barriers to credit provision & access. Other than for the few who received loans, the provision and access has not improved. Also, because of the high rate of default, most of those who did borrow will find it more difficult to borrow in future, because they now have poor credit histories.

### *Window 3: Non financial support to SMEs*

Support to SMEs through window 3 has been effective generally. This is particularly so for the tourism sector. Window 3 was particularly effective in supporting SMEs in the tourism sector through the Tourism Council, to sell Zambia as a tourist destination through attendance at tourism promotional fairs. The tourism marketing and promotional activities supported by PSDP have benefited more players in the sector than those SMEs directly supported to attend tourism promotion fairs and exhibitions.

By far the greatest improvement that appears to have been effected by window 3 is improvement in the ability of SMEs to access markets and attract more customers and improvement in productivity at the entity level.

The impact study of June 2004 revealed the following general results for window 3:

- investment increased by an average of 8% in targeted SMEs,
- turnover increased by an average of 30.5% in targeted SMEs,
- employment increased by an average of 8.5 % in targeted enterprises.

Exports increased by an average of 36.9% for targeted companies. The 2001 logical framework set the expected result as ‘SMEs in the programme develops profitable trading relationships with EU/SADC markets.

Causality between recorded results of the impact assessment and interventions through window 3 for targeted companies is rather difficult to establish as there was no control group of SMEs established as a reference point.

#### ***Window 4: Capacity Building with Service Providers to Small, Medium and Micro Enterprises***

Four different impact indicators can be used to assess effectiveness:

- a. 64 % of the members of intermediaries report improvement of their services; this is a sign that Intermediaries have become more responsive to member’s needs. This was one of the purposes (and sometimes the explicit strategy) of capacity building efforts.
- b. The membership of all Intermediaries increased by 22%; this is likely to be largely a result of the above finding (a) and can consequently be linked to capacity building.
- c. It is interesting to note that the specific improvement reported refers partly to PDSP supported activities, and partly to activities undertaken by the Intermediary on their own account. This indicated that the capacity building was effective.

84% of the Intermediaries reported improvement of their services (self assessment). This is an expression of ‘satisfaction’ with the capacity building received from PSDP.

The four types of impact indicators together provide strong evidence that indeed the capacity building has to a high degree been effective. The perception of the Intermediaries is clearly more optimistic (84%) than the assessment of the members (64%), but that is to be expected. If the latter is taken as the more reliable indicator, it can be concluded that 2/3<sup>rd</sup> of all capacity building has resulted in substantive improvement in services. In view of the weakness of most of these organisations, this is to be considered a very good result.

#### ***Window 5: Foreign Investment Promotion to Zambian Businesses***

- Due to the short period that the facility has been operational it is quite difficult to measure impact that could be directly attributable to the activities under Window 5. Support to ZIC clearly was useful as it contributed to ZIC’s efforts to realise its mandate to attract foreign investment to Zambia.

- The quality of promotional material on Zambia produced and disseminated has led to a number of enquiries on investment prospects in Zambia.
- The promotional visits by ZIC to investment and trade exhibitions have also resulted in a number of enquiries and contacts between companies in Zambia and those in EU countries and Republic of South Africa (RSA).

#### *Window 6: Trade Enterprise Support Facility*

Impacts were satisfactory for feasibility studies, credit guarantee and business re-engineering components, but indeterminate for the Lusaka Stock Exchange (LuSE) component.

### **8. Problems encountered**

#### *Window 2: Financial support to SMEs*

The most influential factor in determining the lack of success of the Apex Financing Facility stems from flaws in the design and methodology of the Window.

#### *Window 3: Non Financial Support to SMEs*

- The project did not develop a formal impact monitoring mechanism to track changes/progress of beneficiaries' operations. A 'mini' impact assessment of beneficiaries was conducted in 2002 for those interventions/projects that had been completed by 31<sup>st</sup> December 2001. The assessment yielded only 16 responses. Monitoring of the impact of support on individual enterprises was not formalised.
- Following changes in the BDS paradigm in 2001 requiring entrepreneurs to pay the full cost of Business Development Services, CDE did not make a deliberate attempt to raise the promoters' cost contribution ratio above 1/3. This continued to create the impression as noted in the PSDP Impact Assessment Report for window three of the perception that '...EU will always be there for subsidising activities...'.  
.
- All project applications had to be vetted and cleared by CDE headquarters. This contributed to some administrative delays particularly in the initial phase of the programme.

#### *Window 4: Capacity building with service providers to Small, Medium and Micro Enterprises*

- The level and trend in cost sharing was not part of the MIS. It was decided on ad hoc basis.
- It is important to maintain a clear distinction, conceptually as well as strategically, between Intermediaries and BDS providers.

- Synergy between the windows 4 and 1, as well as 4 and 3, was less strong than one would have expected. There was no strategy it seems to maximise the synergy because the demand led approach took precedence.

#### *Window 5: Foreign investment promotion to Zambian Business*

Delays in obtaining approval from NAO/EU were cited by ZIC as having contributed to the slow and frustrating pace of progress of activities under this facility. We also noted that there were delays by ZIC in seeking approval for activities to be undertaken resulting in about 22,000 Euros disbursed by EU for the first programme being time barred as it was not utilised by the deadline of 31st March 2004.

#### *Window 6: Trade Enterprise support facility*

Impacts were satisfactory for feasibility studies, credit guarantee and business re-engineering components, but indeterminate for the LuSE component.

## Programme No 2 Export Development programme (EDP II)

### 1. Project identification data

Title	Export Development Program (EDP II)
Number	8.ACP.ZA 28
Source of financing	
Financing decision	10885/1 (1) PFI of 21/12/1992
Financing agreement	FED/ZA/05017/002
Start date	01/06/2001
Planned end-date	31/05/2005 (but likely: 31/12/2007)
Total Budget	EUR 6.500.000,00
EC Budget (committed)	EUR 6.500.000,00
EC Budget contracted as of 02/06/2004	EUR 3,318,354
Disbursements as of 02/06/2004	EUR 2,446,849
Beneficiary	Companies
Operator (if different from Beneficiary)	

### 2. Budget

Budget Item	€	%
1. Export Financing Facility	2.000.000	30,77
2. Product Marketing Assistance	850.000	13,08
3. EDP II Secretariat	200.000	3,08
4. Short term Technical Assistance	2.450.000	37,69
5. International Promotion of Zambian NTEs	250.000	3,85
6. Mid Term and final evaluations	100.000	1,54
7. External Financial audit	50.000	0,77
8. Contingencies	600.000	9,23
<b>Total</b>	<b>6.500.000</b>	<b>100,00</b>

### 3. Global objectives

- The overall objective of this programme is to contribute to the GDP growth, poverty alleviation and employment in Zambia.
- The project concept is to achieve an increased value, volume and competitiveness within the non traditional export sector.



#### **4. Specific objectives**

The purpose of EDP II is to increase output, exports and productivity in selected export-led sub-sectors.

#### **5. Activities**

##### **1. Export Financing Facility**

Financial support will be provided through the Export Financing Facility (EFF), a short-term credit line, acting like a Revolving fund, whereby the participating Producer Associations (PAs) have access to short-term finance, on behalf of their members for production and / or seasonal inputs, minor capital items and pre- and post-shipment finance.

##### **2. Technical Assistance:**

- the programme will provide long-term technical assistance for the coordination, management and monitoring functions;
- short-term technical assistance to the PAs will be delivered on request by each PA through the Annual Work Programme;
- it will benefit new targeted PAs and groups of companies;
- the short-term technical assistance will focus on the improvement of production and marketing cycles, research and market development, extension and training procedures, other specialised requirements of the Pas.

##### **3. International Promotion of Zambian Non-Traditional Exports (NTEs)**

Finance of the promotion of Zambian NTEs through selected activities:

- cover of participation costs in international trade fairs and conventions,
- preparation and dissemination of promotional literature,
- development of internet-based information and marketing system.

#### **6. Results**

The main results are:

- accessibility to credit by additional NTEs sub-sectors enhanced;
- management, organisational and technical capacities of the targeted Pas, their members and groups of companies strengthened;
- competitiveness of producers strengthened;
- greater awareness of Zambian NTEs in the major exports markets.

#### **7. Impacts**

EDP was seen as rather successful, especially to lift companies from stage 1 to 5. Several missed opportunities however were identified: companies that benefited from EDP and who were on the right track, but than aid was pulled back. These companies will survive, but much more could have been done with them. It was less successful however in lifting the companies from stage 5 to 10.

- The experience of the ZGCA association confirms the above: PSDP; and
- EDP helped ZGCA to:
  - improve the quality of its products,
  - finance Buying the necessary inputs for coffee growing,
  - ➔ without Financial support, many coffee growers would have not survived.

The impact is measurable: change from 1995 to 2003 includes:

- output more than tripled (from 2000 to 7000 m<sup>2</sup>);
- increased exports from 0% to 5% of turnover;
- increased productivity from 1.8m<sup>2</sup> / hectare to 3m<sup>2</sup> / hectare;
- report: These results were achieved despite depressed international coffee prices (resulting from Brazil supply boom).

Most of the impact can be attributed to PSDP and EDP.

EC programmes are effective in reaching the purpose (making companies more competitive), but not sufficiently. As a result of lack of forward lookingness or flexibility, EC beneficiaries cannot become truly competitive champions. Instead, EC interventions are good for lifting companies or giving them a one-off boost, but generally stop there.

ZGCA does not feel EDP went far enough to become truly competitive in the international coffee market: EDP helped ZCGA and its members grow initially by responding to critical needs (improving product quality, improving productivity). But to truly grow, ZCGA must take steps to penetrate of specialized market e.g. Japan and USA; ZCGA's members must further improve on key areas, including a. Promoting their "image" (requiring marketing) b. Improving product quality c. Long-term finance d. Helping growing beans towards a finished product.

These activities could have been carried out under EDP II, but the Terms of Reference of EDP II stated that aside from few exceptions, EDPII must target new companies / associations (i.e. no companies / associations that benefited from EDP I).

## **8. Problems encountered**

EDP programme was effective in reaching the purpose (making companies more competitive), but not sufficiently. As a result of lack of forward lookingness or flexibility, EC beneficiaries cannot become truly competitive champions. Instead, EC interventions are good for lifting companies or giving them a one-off boost, but generally stop there.

EC is not always equipped to deal with dynamism of private sector For EDP II, a study was carried to choose promising sector. But by 2003, when program was launched, market realities have changed.

## Programme No 3 Mining Sector Diversification programme

### 1. Project identification data

Title	Lumwana Study
Number	8.ACP.ZA 36
Source of financing	
Financing decision	
Financing agreement	6308/ZA
Start date	08/11/2001
Planned end-date	30/11/2007
Total Budget	EUR 30.000.000,00
EC Budget (committed)	EUR 30.000.000,00
EC Budget contracted as of	n.a.
Disbursements as of	n.a.
Beneficiary	
Operator (if different from Beneficiary)	

### 2. Budget

Budget Item	€	%
1. Mining Facility	18,000,000	60
2. Service contracts (long and short-term, incl. equipment for long-term experts)	6,505,000	22
3. Annual work Programme costs (incl. training and office equipment)	3,890,000	13
4. Monitoring/Mid-term reviews/Evaluation	167,000	0
5. Contingencies approx. 5%	1,438,000	5
<b>Total</b>	<b>30,000,000</b>	<b>100,00</b>

### 3. Global objectives

- To increase export earnings through economic diversification.
- To generate employment opportunities.
- Contribute to poverty alleviation.

### 4. Specific objectives

To improve utilisation of natural resources in the non-traditional mining sector through the miners' and processors' improved ability to produce, market and sell an improved quality product.

## 5. Activities

### 1. Mining sector credit facility:

Facilitate access to adequate capital and equipment for SMEs in the non-traditional mining sector (incl. downstream processing and marketing).

### 2. Business assist scheme component:

- improve the level of business management (training courses);
- raising the level of mining and processing skills (investigation into optimal technology use, training courses on basic mining and processing skills, dissemination of mine safety regulations, training on environmental issues);
- assurance of fair returns to miners for their products (valuation expert made available to raise marketing and negotiating skills of small-scale miners; investigation into ways of branding Zambia small-scale mining; Associations disseminating marketing information to producers; organization of gemstones exhibitions);
- raising the added value component of mining products (demand-led courses for miners and processors in several processes of the gemstone value chain; added-value strategy study).

### 3. Institutional and infrastructure strengthening component:

- strengthening the mining associations (formal and on-the-job training and with short-term expertise) to fully play their role as a communication channel and as promoters of the sector;
- make adequate geological data readily available to small-scale miner and prospector (entering small-scale geological data into a national database);
- assuring effective and fair mining regulations and taxation policy (adaptation of mining regulations);
- improving road access in the mining areas (technical advice and financial support for the priority roads through annual work programmes).

## 6. Results

- Adequate geological data readily available to the small-scale miner and prospector.
- Small-scale miners and processors better able to manage their business.
- Small-scale miners equipped with adequate mining, safety, valuation and processing skills.
- Improved access to adequate capital and equipment for small-scale miners and processors.
- Small-scale miners and processors obtain a fair market price for their products.
- Added-value created for gemstones, dimension stones and other products.
- Several strong well-managed mining associations involved in development of the sector.
- Effective and fair mining regulations and taxation policy in place.
- Road accesses in the mining areas improved.

## 7. Impacts

*(Source: Mining Sector Diversification Programme (8ACPZA036) Mid – Term Review / Evaluation.)*

### **The MSDP has made an impact on the Small Scale Miners in Zambia:**

- The organisation created at Exploration House, provides a focus for small-scale, non-traditional mining activities in Zambia. It is accessible and provides an active link to the mining industry. In many ways, it provides a greater focus on the Small Mines Sector than the Ministry of Mines and Mineral Development (MMMD).
- The Mining Sector Credit Fund (MSCF) has had little impact, other than to create frustration amongst the founding and key stakeholders. The MSDP has made great efforts to deliver access to finance in the small mines sector, including a proposed small-scale lending facility.
- The training programmes have been extensive, but have received mixed reviews. Overall, they are delivering a knowledge base to the small-scale miners, but there have been criticisms of the theoretical aspects of the contents. Support of the providers, e.g. University of Zambia School of Mines, will assist long-term stability of the programme.
- The Regional Advisor and Technical Advisor schemes have been well received and are in general effective. The Lusaka-centred nature of the operation has been criticised, but the advisors frequently travel to the regions.
- Marketing and value addition initiatives have resulted in greater awareness of markets and the products, but these have attracted criticism, some reflecting personal jealousy, some relating to fundamental problems, e.g. the problem of supply. There is a balance required between production, grading and value addition on the ground with penetration of international markets where quantity, quality and consistency are paramount. In terms of increase in export income, it is difficult to make judgement. In recent years, exports have increased and then declined but overall, there seems to have been a steady increase. Unfortunately, data collection and statistics used by Government make it impossible to measure the short-term impact of the MSDP programme.

## 8. Problems encountered

*(Source: Mining Sector Diversification Programme (8ACPZA036) Mid – Term Review / Evaluation.)*

- The MSDP programme, as it stands, is failing to meet the originally defined needs of the Small Mines Sector in Zambia, principally because access to the programme's key component, MSCF, has proved beyond the reach of the majority of small scale miners for whom the programme was originally intended.
- The MSDP has little control over the funding process, but it is the failure of the MSCF by which they are judged.
- In the areas where the MSDP has control, the PMU has made progress, especially in the delivery of training and technical assistance.
- In the area of Institutional and Infrastructure Strengthening, significant results have been achieved in the development of Mining Associations.

- The intervention in the MMMD has been slow and road construction is shelved, pending discussions on the re-allocation of the funds to support the Small Scale Miner (SSM).
- Delays in project implementation are frequently the consequence of complex decision-making procedures that have hampered the start-up of activities.

## Programme No 4 Structural Adjustment and Sysmin Support programme

### 1. Project identification data

Title	Structural Adjustment and Sysmin Support programme
Number	8.ACP.ZA 37,38,39,40,41,42,43,44
Source of financing	
Financing decision	
Financing agreement	ZA / 200 / 006
Start date	08/11/2001
Planned end-date	30/11/2007
Total Budget	EUR 109.620.000,00
EC Budget (committed)	EUR 109.620.000,00
EC Budget contracted as of 02/06/2004	n.a.
Disbursements as of 02/06/2004	n.a.
Beneficiary	
Operator (if different from Beneficiary)	

### 2. Budget

Budget Item	€	%
1. 8 ACP ZA 37	20,200,000	18%
2. 8 ACP ZA 38	19,500,000	18%
3. 8 ACP ZA 39	3,030,000	3%
4. 8 ACP ZA 40	2,920,000	3%
5. 8 ACP ZA 41	2,020,000	2%
6. 8 ACP ZA 42	1,950,000	2%
7. 8 ACP ZA 43	10,000,000	9%
8. 8 ACP ZA 44	50,000,000	46%
<b>Total</b>	<b>109,620,000</b>	<b>100%</b>

### 3. Global objectives

- Assist the GRZ to implement its economic reform programme.
- Provide rapid support to the Government enabling it to settle the accumulated trade creditors to Zambia Consolidated Copper Mines (ZCCM) and thus avoiding a potential collapse in the mining supporting industry (SYSMIN).
- Facilitate increases in the level and quality of social sector and economic sector expenditures by supporting the restructuring of the Government budget through domestic debt reduction. (SAF).

#### **4. Specific objectives**

SAF: Focus on two priority areas for domestic debt reduction:

- government expenditure arrears,
- ZCCM debts.

SYSMIN: To enable GRZ to:

- settle ZCCM's trade creditors and to comply with its obligations toward the mining community ;
- assist ZCCM to clean up its balance sheet and continue operations toward a final stage to privatisation.

#### **5. Activities**

n.a.

#### **6. Results**

SYSMIN:

- All selected trade creditors will be fully settled through a combination of funding provided under the proposed programme, GRZ and possible other donor financing.
- Foreign exchange resources and Zambia's balance of payments will automatically benefit as soon as funds are transferred into the special account in Bank of Zambia (BoZ), which is expected to be in November – December 2000.

#### **7. Impacts**

n.a.

#### **8. Problems encountered**

n.a.



## Programme No 5 Regional Harmonisation of Customs and Trade Statistics Systems

Note: this only refers to Phase II of the programme (not Phase I from 1994 to 1998)

### 1. Project identification data

Title	Regional harmonisation of customs and trade statistic systems
Number	8.ACP.ROR 001
Source of financing	
Financing decision	
Financing agreement	REG/7332/000
Start date	15/05/2000
Planned end-date	31/12/2003
Total Budget	EUR 12,600,000 (but monitoring report says 13,598,975)
EC Budget (committed)	EUR 12,600,000
EC Budget contracted as of 02/06/2004	n.a.
Disbursements as of 02/06/2004	8,589,367
Beneficiary	
Operator (if different from Beneficiary)	

### 2. Budget

Budget Item	€	%
1. LT experts (6 pers./years)	2,816,000	22%
2. ST experts (11 pers./years)	5,044,300	49%
3. Equipment	1,402,500	11%
4. Other average wholesale price (AWP) costs	2,746,000	22%
5. Miscellaneous 5%	591,200	5%
<b>Total</b>	<b>12,600,000</b>	<b>100%</b>

### 3. Global objectives

To advance regional integration in the Common Market for Eastern & Southern Africa (COMESA) region through the facilitation of trade.

#### **4. Specific objectives**

To establish an integrated and effective customs and external trade statistics system (e.g. Automated System for Customs Data (ASYCUDA) system, Eurotrace, COMESA-CD and COMESA Common Statistical Rules).

Note: For Phase I of the programme, the objectives were mainly to:

- install directly or provide assistance to install computerised custom systems (Asycuda) and trade data systems (Eurotrace) at the national and regional level ;
- design procedures to harmonise customs and statistical practices in the region ;
- provide training to national and regional beneficiaries.

#### **5. Activities**

- Support to the implementation of harmonised procedures in statistics and customs.
- Upgrading the existing systems.
- Preparation of the common tariff nomenclature.
- Design and implementation of service level agreement.
- Design of appropriate information processing and dissemination mechanism.
- Technical activities covering the installation or upgrade of Asycuda and Eurotrace and the installation of electronic data transmission systems among customs, national statistics office and COMESA.
- Training of customs and statistical staff (incl. trainers on Asycuda and Eurotrace).
- Best-practice customs procedures.
- Use of harmonised customs and statistics documents.
- Data publication techniques.

#### **6. Results**

- Harmonisation and improving of national customs practices.
- Strengthening capacity at the national and regional levels for producing high quality trade statistics.
- Improving links between customs and departments and Non-State Organizations (NSOs).
- Establishing a regional trade information system used by the COMESA business community and other private and public stakeholders.

#### **7. Impacts**

n.a.

#### **8. Problems encountered**

n.a.

## Programme No 6 Urban Markets Development Programme

### 1. Identification data

Title	Urban Markets Development Programme
Number	8 ACP ZA 59
Source of financing	
Financing decision	
Financing agreement	ZA / 7011/002
Start date	
Planned end-date	
Total Budget	EUR 16,500,000
EC Budget (committed)	EUR 16,500,000
EC Budget contracted as of	n.a.
Disbursements as of	n.a.
Beneficiary	
Operator (if different from Beneficiary)	

### 2. Budget

Budget Item	€	%
1. Technical Assistance	1,600,000	10%
2. Works: Lusaka, Kitwe & Ndola (11 sites)	9,760,000	59%
3. Design and supervision of works	1,620,000	10%
4. Annual Work Programmes	1,850,000	11%
5. Evaluation and Audit	170,000	1%
6. Contingencies (10%)	1,500,000	9%
<b>Total</b>	<b>16,500,000</b>	<b>100%</b>

### 3. Global objectives

The overall objective of the project is the recovery of significant urban and suburban areas for economic growth with the creation of income producing activities and new jobs. The improvement of the quality of life of the population concerned, especially women given their significance in the informal trading sector, is also expected.

### 4. Specific objectives

To provide improved and rationalised markets working under a new legislative framework that allows for a sustainable commercial system in a clean and healthy environment.

## **5. Activities**

- Engaging consultants and contractors to design and rehabilitate markets.
- Recruiting technical Assistance to support the Department of Infrastructure Support Services (DISS) and City Council to:
  - set up management and maintenance systems for the running of the markets,
  - carry out capacity building and training of officials and marketers,
  - set up credit schemes for marketers.

## **6. Results**

- Licensed vendors trading appropriate commercial stalls in improved market.
- Improvement of sanitary and health conditions.
- Upgrading the refuse collection and cleaning.
- Creation of income-producing activities and new jobs (esp. for women who are traditionally involved in the sale of foodstuffs in markets).
- Spreading of the culture of selling and buying in designated public areas.

## **7. Impacts**

n.a.

## **8. Problems encountered**

n.a.

**Programme No 7**  
**Micro credit delivery for empowerment of the poor**

**1. Project identification data**

Title	Micro credit delivery for the empowerment of the poor
Number	7.ACP.ZA 84
Source of financing	
Financing decision	05/06/1996
Financing agreement	
Start date	n.a.
Planned end-date	26/03/2003
Total Budget	EUR 1,507,881.32
EC Budget (committed)	EUR 1,507,881.32
EC Budget contracted	EUR 1,507,881.32
Disbursements	n.a.
Beneficiary	
Operator (if different from Beneficiary)	

**2. Budget**

Budget Item	€	%
<b>1. Technical assistance</b>		
A. Advisor (three years)	430,000	26%
B. Backstopping / monitoring consultant	95,000	6%
C. Short-term consultancies	85,000	5%
D. Evaluation	20,000	1%
E. Training of trainers	110,000	7%
<b>2. Equipment</b>		
A. 2 vehicles, computers, office equipment	90,000	5%
<b>3. Trust Funds</b>		
A. Trust Loan Fund	550,000	33%
B. Trust Capital Fund	200,000	12%
C. Contingency 5%	79,000	5%
<b>Total</b>	<b>1,659,000</b>	<b>100%</b>

**3. Global objectives**

Poverty alleviation, through promotion of income generating activities and credit delivery for empowerment of the poor through non governmental organisations and institutions.

## Programme No 8 SWARP Spinning Mills

### 1. Project identification data

Title	SWARP SPINNING MILLS
Number	7.ACP.ZA 67
Source of financing	
Financing decision	09/05/1995
Financing agreement	
Start date	n.a.
Planned end-date	20/01/2000
Total Budget	EUR 6.000.000,00
EC Budget (committed)	EUR 6.000.000,00
EC Budget contracted	EUR 6.000.000,00
Disbursements	n.a.
Beneficiary	
Operator (if different from Beneficiary)	

**Programme No 9  
Lumwana Study**

**1. Project identification data**

Title	Lumwana Study
Number	8.ACP.ZA 53
Source of financing	
Financing decision	10885/1 (1) PFI of 21/12/1992
Financing agreement	FED/ZA/05017/002
Start date	22/05/2001
Planned end-date	31/12/2001
Total Budget	EUR 7.000.000,00
EC Budget (committed)	EUR 7.000.000,00
EC Budget contracted as of 02/06/2004	n.a.
Disbursements as of 02/06/2004	n.a.
Beneficiary	
Operator (if different from Beneficiary)	





## Annex 6 - Evaluation Questions Grid

### EQ 2 - Overall design of the strategy

<p>Is the EU PSD strategy in terms of “expected results” well designed to ensure the realisation of the purpose of strengthening the business sector with a view to contribute to the overall objectives of the EU external policy?</p> <p>A. To what extent is each area of intervention (“expected results”) relevant in terms of contribution to the purpose?</p> <p>B. Is its success dependent on certain conditions (another expected result or some other ‘external’ factor)? If yes, which ones? Have they been identified in EU PSD strategy documents?</p> <p>C. Is the set of fields of actions comprehensive (are some essential fields missing (for example, role of champions)?</p> <p>D. Is it well structured:</p> <p style="padding-left: 20px;">i) Are there potential complementarities and synergies between expected results and have they been identified?</p> <p style="padding-left: 20px;">ii) Are there possible contradictions between fields and have they been identified?</p> <p style="padding-left: 20px;">iii) Should there be a prioritisation?</p>		
2B.1 Conditions to reach the expected results exist		
2B.1.3 <i>Country missions provide examples from such conditions</i>		
<p>At the level of the overall cooperation strategy, the CSP 1996-2000 (8<sup>th</sup> EDF) indicates that the viability of the Community’s aid strategy in Zambia is dependent “on the maintenance and development of the current democratic system, the guarantee of human rights, the rule of the law, and freedom of speech, to which the present government is firmly committed”.</p> <p>The 9<sup>th</sup> EDF Strategy Paper states that the upgrading of institutional and manpower conditions in the public sector are needed as part of the Government’s strategy to improve the market environment for the private sector and encourage economic growth. Moreover, the absence of a policy framework for private sector interventions results, according to an evaluation of the sector, in donor efforts being spread with limited impact. Further, it indicates that targeting the transport sector (the other focal sector) is crucial for the development of a competitive business sector. More specifically, with respect to PSD, it states that “Roads are of crucial importance for access to local/regional markets and to social services, and that “Roads are vital for the integration of peripheral parts of the country and for the transportation of agricultural inputs and produce between the market places and individual farmers”.</p> <p>At the level of PSD programmes, the following table presents some of the main assumptions stated, according to the logical framework of each programme:</p>		
<b>Programme</b>	<b>Level</b>	<b>Assumption</b>
Export Development programme (EDP)	Programme purpose: Increase output and exports in selected export-led sub-sectors.	Macroeconomic environment does not deteriorate.
Private sector development programme	Overall objective: To contribute to a strong and responsive private sector and increased employment	GRZ remains committed to private sector development and provides the necessary

(PSDP)	generation, in accordance with the aims of the Government's Policy Framework Paper 1995-1998 and with the strategy of the 8th EDF.	legislative and fiscal environment.
	Programme purpose: To improve the performance of private micro, small and medium enterprises in targeted economic sectors.	It is possible to differentiate programme effects from externalities.
Mining Sector Diversification programme (MSDP)	Overall Objective: Poverty Reduction.	<i>None</i>
	Programme purpose: The sustainable development of the non-traditional mining sector (NTMS).	Economic growth through consistent implementation of structural adjustment.
Capacity Building for Private Sector Development Programme (CB-PSDP)	Overall objective: To strengthen the institutional capacities of the Zambian public and private sectors to manage the economy and promote private sector led development.	<i>None</i>
	Purpose: To build capacities for public-private dialogue as a basis for improving the policy and institutional environment for private sector development.	Government maintains its commitment to economic recovery through private sector led growth. Government continues the process of reform of the public sector.

A rapid response time from the Commission to adjust to a dynamic private sector can also be considered as another key condition for the success of PSD support. According to some sources, the Commission is not well set-up to deal with the realities of the private sector, particularly because the lag between planning and implementation is too long compared to changing market conditions (see particularly 41.1).

2D.1 There are potential complementarities and synergies between expected results

2D.1.3 *Country missions provide examples of such complementarities*

Complementarity and synergies can be found between the objective of reinforcing Business Associations and the provision of BDS services and support to micro-enterprises. In the PSDP for example, the support for micro-enterprises and the provision of BDS to SMEs (Windows 1 and 3) was achieved through intermediary associations, thereby reinforcing the latter. Similarly in the EDP, BDS was provided through Professional Associations, thereby reinforcing the latter.

It is worth noting however that while the provision of BDS through intermediary organizations meets the expected result of reinforcing intermediary organisation, it only partially meet the result of creating a local BDS market, given that intermediary organisation do not aim at selling BDS after the end of the intervention.

2D.2 Prioritisation of areas of intervention (expected results) leads to a better realisation of the purpose

2D.2.3 *Country missions provide examples of such issue*

The 8<sup>th</sup> and 9<sup>th</sup> EDF mention that interventions in several key areas such as macro-economic stability, institutional capacity and transport are conditions for the developing the private sector. The CSP 2001-2007 states explicitly for example that "for all forms of private sector development, considerable improvement in the availability of economic infrastructures and human resources are urgently required." But these documents do not explicitly state that a prioritisation in these areas will lead to a better realisation of the purpose of creating a more competitive business sector in Zambia. Donors also do not seem to

focus on one priority area of intervention (for example, UNDP focus in institutional capacity while the GTZ focuses on direct technical assistance to the government), which suggest that donors do not necessarily identify one priority area of intervention.

Several interviews confirm this conclusion. One Chief Technical Advisor mentions that the Commission's PSD strategy under the 9<sup>th</sup> EDF to move towards the macro and meso level does respond to key needs of the country but should not suggest that intervention at the micro-level should stop. With regards to the Commission's intervention on transport in the 9<sup>th</sup> EDF, most beneficiaries do recognize the importance of an adequate infrastructure for the competitiveness of Zambia's business sector but the latter does not suggest that businesses cannot reach a certain level of competitiveness without improvements in the existing infrastructure of the country. Rather, it confirms the position that the purpose of creating a competitive business sector can be *better* realised when all key conditions are met.

### EQ 3 – Relevance of PSD strategy in a given country

<p><b>For a given country,</b></p> <p><b>A. Does the selection of the areas of intervention correspond to the EU PSD strategy?</b></p> <p><b>B. Does the selection of the areas of intervention correspond to clearly identified priority needs of this country to increase the competitiveness of the business sector with the view to contribute to the overall objectives of the EU external policy?</b></p>											
3A.1	The areas of intervention (expect results) in Zambia correspond to the areas proposed in the EC PSD strategy										
<i>3A.1.1 Correspondence between the areas of intervention (expect results) in Zambia and the EC PSD strategy</i>											
<p>As demonstrated in the box below, the selected areas of intervention (expected results) under the 8<sup>th</sup> and 9<sup>th</sup> EDF for Zambia largely correspond to the EC PSD strategy as formulated in the EC Communication strategy for PSD (2003) and EC Guidelines for EC Support for PSD (2003).</p>											
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<p>In the 9<sup>th</sup> EDF, the CSP states that transport (the other focal area of intervention in Zambia) has an important impact on PSD, a view that is shared by most of the interviewees. However, the role of transport - and more in general, of infrastructure – in private sector development in third countries is not developed in EC PSD strategy documents.</p>											
3B.1	The selected areas of intervention (expect results) correspond to clearly identified needs of Zambia in terms of PSD										
<i>3B.1.1 Correspondence between selected areas of intervention (expect results) and clearly identified priority needs of Zambia in terms of PSD</i>											
<p>Overall, interviewees found that the selected areas of intervention under the 8<sup>th</sup> EDF (particularly access to finance and BDS) were relevant to Zambia's PSD priority needs:</p> <ul style="list-style-type: none"> <li>▪ <b>BDS:</b> Overall, BDS programmes respond to key needs of beneficiary companies. Particular key strengths of these interventions include a demand-driven approach combined with flexibility to adjust the beneficiary's initial requests after consultant's examination of company needs. The GOZ's PSD Reform Programme (2004) mentions for example the limited knowledge of new export-market opportunities as one of the enduring obstacles for PSD growth.</li> <li>▪ <b>Access to finance:</b> Growth of Zambian companies depends on a strong capital market. In the</li> </ul>											

absence of a strong capital market (only 20 companies are listed in the stock exchange), EC support in financial services is very important. In the Global Competitiveness Report, Access to financing was mentioned as the most problematic factors for doing business in Zambia (World Economic Forum, 2004).

Under the 9<sup>th</sup> EDF, EC's focus on the Institutional Development and Capacity Building is in line with generally recognised needs of Zambia in terms of PSD. The World Bank for example recognizes its importance in the CAS 2004: "Zambia needs to improve the effectiveness of its public service to reduce poverty, and to create a conducive environment for private sector investment and growth. This will require a qualified and motivated civil service, a structure of public service and institutional set up that is well aligned with front line service delivery, improved policy coordination and implementation, and an appropriately paced, gradual decentralization of services consistent with capacity building local governments." In the Global Competitiveness Report, corruption and inefficient bureaucracy were mentioned as the 6<sup>th</sup> and 13<sup>th</sup> and inflation as the 2<sup>nd</sup> out of 14<sup>th</sup>, respectively) most problematic factors for doing business in Zambia (World Economic Forum, 2004). Moreover, the GOZ PSD Reform Programme Report, the GOZ identifies several weaknesses related to the public service as constituting a key obstacle to PSD (see Question 3.C).

Some of the interviewees and participants to the focus group, however, question the relevance of EC focusing on institutional support only. The main reason being certain mistrust on the capacity of the government to improve its performance in spite of the support to be received from the EC. This is reflected on the view that the effects of donors' support to the government are rarely felt by the private sector and that companies can very well survive and grow despite a weak public sector performance.

Further, the shift from micro to macro level is perceived by some interviewees as a result of changes in the EC approach rather reflecting identified needs of the sector in Zambia. Some stakeholders suggested also that it is important for the Commission to intervene at all (micro, meso, macro) levels rather than just at one level. Given that such strategy may disperse resources, it was further suggested focusing on all three levels but on a single sector/industry. Some interviewees said that intervention in one area only may still be relevant if other key needs of the country are tackled by other donors (see question 8 – coordination).

Several beneficiaries felt that some issues were not targeted by PSD interventions. Examples include a generally underdeveloped work force, particularly in the service industry. Other key needs mentioned by the GOZ include poor quality of telecommunication services, restrictive labour laws, lack of credible and internationally recognised certification standards, etc. The World Bank (CAS, 2002) mentions macroeconomic stabilization, human capital and key constraints. Interviewees also mentioned the need for micro-level intervention such as non-financial services. The Commission justified its choice of these areas of interventions based, among other reasons, on its comparative expertise. The CSP 2001-2007 states that one of the reasons for intervening in institutional development and capacity building is that "the EC has considerable experience in capacity building gained from previous successful interventions".

On the contrary, support to the transport sector in Zambia, although not considered as part of the support to PSD, was seen as relevant by most interviewees due to the high cost of doing business because of inadequate infrastructure. In the Global Competitiveness Report, inadequate infrastructure was mentioned as the 6<sup>th</sup> (out of 14<sup>th</sup>) most problematic factors for doing business in Zambia (World Economic Forum, 2004). The GOZ's PSD Reform Programme Report also identifies infrastructure as constituting a key obstacle to PSD (see Question 3.C).

### *3B.1.2 Correspondence between PSD strategy in the country and national priorities or policies*

In its Annex 9, the **CSP 2002-2007** presents an analysis of the main challenges faced in terms of institutional development and capacity building and more in particular of the aspects related to the private sector. It is stated there that Zambia can move towards full economic recovery and "to do so, the process of market reforms need to be intensified and obstacles removed at the macro, meso and micro levels. Overall, a more supportive policy and institutional environment is required to encourage further development of the private sector." Yet, it is also explained that "of all constraints the most significant

seem to be the absence of political commitment to the sector, and weakness of public and private sector institutions to formulate and implement policy.” Therefore, that the task of defining and designing appropriate responses is especially challenging. The proposed approach is thus a gradual, iterative and flexible one, avoiding supply driven interventions, building ownership and commitment. It also proposes to commission a concept paper and detailed needs assessment as a basis for programme design.

In summary, if the PSD strategy proposed under the 9<sup>th</sup> EDF corresponds to the broad mid-term objectives of the government, it cannot correspond to national priorities or policies for the sector given that these are inexistent. The response strategy proposed, however, is one to encourage the government to elaborate and own such policies.

Community PSD aid under the **8th EDF** focused on the productive sectors. In terms of PSD, focus was in particular on financial and non-financial cross-sectoral support to business enterprise, complemented by assistance in macroeconomic management and policy formulation (in particular the establishment of enabling environment for economic growth and political stability and the maintenance of macroeconomic stability). These areas were in line with broad Zambian national policies regarding the attainment of macroeconomic stability, liberalisation of the economy (privatisation, facilitation of production, encouragement of improved productivity and competitiveness, reduction of import dependency, and increase in traditional and non-traditional exports).

## EQ 4.1 - Effectiveness - Business environment

<b>To what extent did EU interventions make the institutional, macro-economic and legal and regulatory framework more conducive to PSD?</b>	
41.1	EC support to the institutional setting has contributed to the development of the business sector
41.1.1	<i>The objective of the programme corresponds to the expected result proposed by the EU PSD strategy</i>
<p>No EC support in Zambia aimed at this expected result under the 8<sup>th</sup> EDF.</p> <p>Under the 9<sup>th</sup> EDF, the second focal sector is Institutional Development and Capacity Building. Under this sector, the second component will “address the need to develop capacities for public-private dialogue as a basis for building a policy and institutional environment to promote private sector-led economic growth, particularly in the areas of investment, export promotion and trade”. This objective broadly corresponds to one of the expected results of the CEC PSD strategy.</p>	
41.1.2	<i>Evidence that the improved institutional capacity due to EU support has produced a framework that is more conducive to PSD</i>
The programme has not yet started (see below).	
41.1.3	<i>Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme</i>
<p>The CB-PSDP was programmed under the 9<sup>th</sup> EDF and proposed on the CSP 2000-2007. At the time of the mission (February 2005), the programme had not yet started but the financing proposal was in the process of approval. It was stated in the CSP 2000 that “in the absence of clear Government policy the task of defining and designing appropriate responses is especially challenging.” However, in these five years the government and the private sector have taken a number of initiatives among which the PSD Reform Programme, a policy agenda to develop the private sector. It is likely that the CB-PSDP programme will need to adapt to the new context, otherwise it may end up not being in line with the progress on the government’s side, which may therefore impact the programmes effectiveness.</p>	
41.2	EC support to macroeconomic stabilization has contributed to the development of the business sector
41.2.1	<i>The objective of the programme corresponds to the expected result proposed by the EU PSD strategy</i>
<p>Although not considered as part of the EU PSD strategy, the “Structural Adjustment and SYSMIN Support Programme” aimed at:</p> <ul style="list-style-type: none"> <li>▪ Providing support to the Government enabling it to settle the accumulated trade creditors in the mining industry to ZCCM and thus avoiding a potential collapse in the mining supporting industry (SYSMIN).</li> <li>▪ Facilitating increases in the level and quality of social sector and economic sector expenditures by supporting the restructuring of the Government budget through domestic debt reduction. These programs are in line with the objective of macro-economic stabilization objectives in the EU PSD Strategy.</li> </ul>	
41.2.2	<i>Evidence that the improved macroeconomic situation due to EU support has produced a framework that is more conducive to PSD</i>
<p>It is expected that macroeconomic support given to the GOZ will contribute to the reduction of the government’s internal debt and as a consequence that it will entail a reduction of interest rates. So far the effect is not significant although interest rates have started to decrease.</p>	

<p><i>41.2.3 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme</i></p>
<p>The 2003 Joint Annual Report (European Commission, 2003), states that “the achievement of macroeconomic stability is seriously hampered by the difficulties with the budget. In 2003 the Government succeeded to sustain economic growth, curb the inflation rate and keep a smooth depreciation of the exchange rate. However, as already mentioned, fiscal imbalances could compromise macroeconomic stability and, ultimately, economic growth and poverty reduction. The Report also states that “the success of macroeconomic objectives, as well as the reduction of poverty will depend on how well the Government balances its expenditures in the light of competing demands from different sectors and scarce resources. The lack of a PRGF programme with the IMF in the second half of 2003 led to the withholding of programme support by some donors and failure to reach the HIPC completion point”.</p>
<p>41.3 EC support has achieved the removal of legal and regulatory barriers to the development of the business sector</p>
<p><i>41.3.1 The objective of the programme corresponds to the expected result proposed by the EU PSD strategy</i></p>
<p>The <b>MSDP</b> has one component aiming at institutional and infrastructure strengthening and one activity devoted to assuring effective and fair mining regulations and taxation policy.</p>
<p><i>41.3.2 Evidence that the removal of legal and regulatory barriers due to EU support has produced a framework that is more conducive to PSD</i></p>
<p>The <b>MSDP</b> is not completed and the team has collected no evidence on the likely effectiveness of the component aiming at institutional and infrastructure strengthening.</p>
<p><i>41.3.3 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme</i></p>
<p>The programme is not completed until 2007 and there is no evidence so far about internal or external factors that have enhanced or hampered the production of expected results or the achievement of objectives.</p>



## EQ 4.2 - Effectiveness - Reinforcing financial markets

<b>To what extent did EU interventions reinforce financial markets?</b>	
42.1	The appropriate framework for supplying well-developed and efficient financial services for SME is reinforced
42.1.1	<i>The objective of the programme corresponds to the expected result proposed by the EU PSD strategy</i>
	<p>The specific purpose of the <b>PSDP</b> financial services window was ‘to improve the access to working capital and term finance for small and medium enterprises’. This programme aimed at improving access to finance through the actual credit line itself and not through reinforcing the capacities of the <i>Zambian banking sector</i> to provide more access to finance after the end of the programme. As a result, it only partly corresponds to EU PSD strategy.</p> <p>One component of the <b>MSDP</b> involves the provision of capital and equipment for small and medium-sized enterprises. While this is in line with EU objective of providing access to finance to the private sector, it does not fully correspond with the expected results of reinforcing a financial market as it does not encourage or take any measure to facilitate access to credit from the supply-side.</p>
42.1.2	<i>The sustainability of the programme (i.e. its effects) are explicitly ensured from the first stage of the programme</i>
	<p>The FA agreement of <b>PSDP</b> states that the financial service window “is a temporary financial support to be removed as soon as the formal financial system is able to provide investment finance on its own resources.” This suggests awareness of the problem of replicability for this type of programme. However, programme documents do not suggest any measure or activity in order to support ‘the formal financial system to provide investment on its own’.</p> <p>The FA of the <b>MSDP</b> identifies “factors ensuring sustainability” and how the programme aims at tackling these factors. Areas include: Policy support, appropriate technology, environmental protection, socio-cultural aspects and women in development, institutional management capacity, financial and economic analysis.</p>
42.1.3	<i>Result indicators originally foreseen in project documents and evidence that these indicators were followed up</i>
	<p>According to the <b>PSDP</b> final evaluation report<sup>1</sup>: “The specific purpose of the PSDP financial services window was ‘to improve the access to working capital and term finance for small and medium enterprises’. This was largely measured through SMEs reporting reduced barriers to credit provision and access. The PSD final evaluation report stated that except for the few who received loans, the provision and access has not improved. Also, because of the high rate of default, most of those who did borrow will find it more difficult to borrow in future, because they now have poor credit histories”.</p> <p>In addition, the evaluation report states that “The purpose behind the establishment of the Apex Facility was that it should improve access to working capital and term finance for SMEs through reduced barriers to credit provision and access for SMEs. Aside from the facility being a component of support within PSDP itself, it is valid to question whether the indicator points to this purpose having been met. Has there been evidence of reduced barriers? Insofar as the 26 loanees have received funding when they might not otherwise have received such funding, then one can conclude that the barriers for those 26 loanees have, indeed, been reduced. However, if the purpose was either to reduce barriers generally within the sector, or to provide a demonstration which would encourage Private Finance Initiative (PFIs) to use their own funds in future, then the conclusion becomes unsafe. In the case of those loans managed by Cavmont Capital Bank, Cavmont has utilised its own funds entirely, but has also agreed that it will take the full interest receipts, whilst also shouldering the full risk. Apex funds are deposited in a savings account with</p>

<sup>1</sup> Ecodes (2004) End of Programme evaluation private sector Development Programme (PSDP)

them, and interest earned on that account is provided to Grant Thornton as a form of Treasury Management. In other cases, the impression gained is that there has been no policy change by the PFIs concerning their future lending activities as a result of this programme. All PFIs were already lending to the sector, but not in sufficient quantities to meet demand. The determinants as to whether they will do so in the future more than in the past is a function of macroeconomic issues than as a result of the impact of this programme”.

These conclusions were confirmed by interviews: according to the beneficiaries interviewed, the availability of capital and especially its costs, those two crucial constraints in the Zambian context, did not improve. The Minister of Commerce, Trade and Industry confirms that access to finance remains a large problem: supply of finance may have increased, but its interest rates are still too high.

**MSDP**, which involves the provision of capital and equipment for small and medium-sized enterprises, also does not fully correspond with the expected results of reinforcing a financial market. The programme will only be completed in 2007, but given its design, it will be limited in reinforcement of the financial sector after the completion of the programme.

*42.1.4 Other result indicators, such as: Ratio of credits demands to credits approvals (lower); Number of credits financed mobilizing private savings (higher); Cost to create a collateral (lower); Time for the credit approval procedure (shorter); Evidence of local financial institutions suffering distortions from EC programmes (in particular direct support to companies)*

No other indicators available.

*42.1.5 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme*

According to the **PSDP** final evaluation report<sup>2</sup>, the most influential factor in determining the lack of success of the Apex Financing Facility stems from flaws in the design and methodology of the window.

- Arising from the conclusions of the initial FACET report on the needs of the private sector, it was considered that any support to the private sector had to be backed by financial support to SMEs. The argument, which is valid, is that in providing training, capacity building and other support to SMEs, it is important that such support should eventually move the SME towards eliminating an additional major constraint for business development - obtaining financing for implementing their plans.
- It was envisaged that support for microfinance was to be covered by a sister project (Support to the Micro Bankers Trust) also funded under EDF. However, that project finished at about the same time as PSDP began, and a synergy between the two could not therefore be established. Thus, microfinance could not be successfully linked into the PSDP, leaving a gap in financing for the micro-enterprises supported under Window 1.
- The validity of the Apex Financing Facility under Window 2, therefore, was contingent upon that facility linking into developments under other windows in PSDP, and in the funds being used to finance SMEs being supported under those windows. In most cases, this did not happen. The management of Window 3, which should have been the primary source for SMEs which required financing from Window 2, rested with the Centre for the Development of Enterprise (CDE) working within the Programme Implementation Unit (PIU). The management of Window 2 rested with Grant Thornton, and, on a sub-contracted basis with the PFIs, all of which developed only tenuous and distant links with the rest of the programme. The only links were through brief, monthly meetings between Grant Thornton and PSDP, which was insufficient to create synergy. Only 1 recipient of a loan under the Apex Facility also received support from Window 3 (it is now in default), and that support from Window 3 was not completed. Another recipient of a loan also applied for support from Window 3, but that application for support was unsuccessful, even though a loan was approved (the loanee is now in default). Many recipients of support from Window 3 did not require funding, either

<sup>2</sup> Ecodes (2004) End of Programme evaluation private sector Development Programme (PSDP).

because they had funding from alternative sources, or they wished to take their loans in foreign currency, or they required financial support beyond the maximum available.

- Windows 2 and 3 were not linked sufficiently to allow one to support the other. This probably arose as a result of the separation in management responsibilities between the windows. Had the management of Window 2 (the Apex Financing Facility) remained attached to the PIU, or within it, there is every reason to believe that the Apex Facility would have been more closely utilised by recipients of capacity building support. Accordingly, the Apex Facility became detached from other operations in PSDP, and much of its validity is consequently questionable”.

The **EDP** programme had a component through which a revolving fund was provided to three intermediary organisations with the aim of facilitating credit to access member companies. In two cases, default rates were so high that at the end of the programme the fund had almost disappeared. Only in one case repayment rates were correct. Surprisingly enough, it was this later case that was the most ‘problematic’: At the end of the programme, the fund could not remain as a revolving fund in the hands of the association; the EC could not take it back either; therefore, a way to ‘use’ the fund had to be found.

### EQ 4.3 – Effectiveness - Intermediate organisations (IO)

<p><b>A. To what extent did EC interventions help IO to increase their capacity to conduct a policy dialogue with the government;</b></p> <p><b>B. To what extent did EC interventions help IO to improve the quality or quantity of the services provided to and used by its members?</b></p>
<p>43A.1 Intermediate organizations have successfully promoted the interests of the private sector as a result of EC support</p>
<p><i>43A.1.1 The objective of the programme corresponds to the expected result proposed by the CEC PSD strategy</i></p>
<p>The <b>PSDP</b> programme stated as one of its objectives to “enhance the capacity of advocacy organisations to conduct a fruitful policy dialogue with the government”, which corresponds to one of the expected results in the EU PSD strategy.</p> <p>The <b>MSDP</b> has one component to strengthen existing or new small-scale mining associations through formal and on-the-job training and with short-term expertise. “The support would allow these private associations fully to play their role as a communication channel with the government, and as promoters, co-ordinators and self-regulators of the sector”.</p>
<p><i>43A.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up</i></p>
<p>Although the <b>PSDP</b> programme stated as one of its objectives to “enhance the capacity of advocacy organisations to conduct a fruitful policy dialogue with the government”, no activity was actually foreseen or carried out aiming at that objective.</p> <p>The <b>MSDP</b> is not completed until 2007 and there is so far no evidence to suggest the likely effectiveness of this programme.</p>
<p><i>43A.1.3 Other result indicators, such as: Evidence of involvement of IO (particularly if supported by the EC) in policy orientation meetings; Example of policies that directly respond to the demands of the IO (particularly if those were supported by the EC); IO supported cover a significant part of local enterprises</i></p>
<p>No other indicators available.</p>
<p><i>43A.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme</i></p>
<p>The <b>MSDP</b> programme is not completed until 2007 and there is no evidence so far about internal or external factors that have enhanced or hampered the production of expected results or the achievement of objectives.</p>
<p>43B.1 Intermediate organizations provide more and better services to their members as a result of EC support</p>
<p><i>43B.1.1 The objective of the programme corresponds to the expected results proposed by the EU PSD strategy</i></p>
<p>Window 4 of the <b>PSDP</b> deals with capacity building of BDS intermediary organisations for both MEs and SMEs, and as such corresponds to the expected results proposed by the EU PSD strategy.</p>
<p><i>43B.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up</i></p>
<p>According to the final evaluation report<sup>3</sup>, the logframe for that window completely lacks quantitative targets at output level, as well as at result level. The only target quoted (50 % increase in services of 20</p>

<sup>3</sup> Ecodes (2004) End of Programme evaluation private sector Development Programme (PSDP).

intermediaries) cannot be measured due to lack of base line data. The only other figure provided is the total budget. Thus the evaluation has to rely to a large extent on its assessment of what could 'reasonably be expected'.

*43B.1.3 Other result indicators, such as: Evolution of the number of services provided by IO (particularly if those were supported by the EC) (increased); Evolution of the number of companies benefiting from these services ; Evolution of membership in these IO; Level of satisfaction of firms using services provided by IO; IO supported cover a significant part of local enterprises*

According to the PSDP final evaluation report<sup>4</sup>, "four different impact indicators can be used to assess effectiveness:

- d. 64 % of the members of Intermediaries report improvement of their services; this is a sign that Intermediaries have become more responsive to member's needs. This was one of the purposes (and sometimes the explicit strategy) of capacity building efforts.
- e. The membership of all Intermediaries increased by 22%; this is likely to be largely a result of the above finding (a) and can consequently be linked to capacity building.
- f. It is interesting to note that the specific improvement reported refers partly to PDSP supported activities, and partly to activities undertaken by the Intermediary on their own account. This indicated that the capacity building was effective.
- g. 84% of the Intermediaries reported improvement of their services (self assessment). This is an expression of 'satisfaction' with the capacity building received from PSDP.

The group of members under a. above, were asked in which area most improvement of service had taken place:

- 47% answered: "In training" (this is a result mainly of Window 1 activities).
- 17% answered: "Assistance in creating market linkages" (resulting from Window 1 and Window 4 combined).
- 17% answered: "Business Information" (this is done by the intermediaries on their own strength, after capacity building under Window 4).
- 7 % answered: "Business exposure" (Window 4 supported business trips to other provinces).
- 13% answered: "Access to loans" (some Intermediaries facilitated access for members that had received business training, through an agreement with a ministry of Finance and Investment (MFI).

The four types of impact indicators together provide strong evidence that indeed the capacity building has to a high degree been effective. The perception of the Intermediaries is clearly more optimistic (84%) than the assessment of the members (64%), but that is to be expected. If the latter is taken as the more reliable indicator, it can be concluded that two third of all capacity building has resulted in substantive improvement in services. In view of the weakness of most of these organisations, this is to be considered a very good result."

*43B.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme*

<sup>4</sup> *ibid*

According to the PSDP final evaluation report<sup>5</sup>:

- the level and trend in cost sharing was not part of the MIS. It was decided on ad hoc basis;
- it is important to maintain a clear distinction, conceptually as well as strategically, between Intermediaries and BDS providers;
- synergy between the Windows 4 and 1, as well as 4 and 3, was less strong than one would have expected. There was no strategy it seems to maximise the synergy because the demand led approach took precedence.

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<sup>5</sup> *ibid*

## EQ 4.4 – Effectiveness - Investment promotion and b-to-b cooperation

<b>To what extent did EU interventions increase trade, investment and general b-to-b cooperation?</b>	
44.1	EU interventions increased trade, investment or general b-to-b cooperation
44.1.1	<i>The objective of the programme corresponds to the expected result proposed by the EU PSD strategy</i>
<p>The financing agreement for PSDP included a component dealing with investment and partnership promotion. The overall objective of the window was to attract foreign investment to Zambian businesses through joint venture partnering and improved access to foreign technology, markets and capital from South Africa and EU countries. As such, this window's objectives correspond to the expected result proposed by the PSD strategy.</p>	
44.1.2	<i>Result indicators originally foreseen in project documents and evidence that these indicators were followed up</i>
<p>According to the PSDP final evaluation report<sup>6</sup>, “due to the short period that the facility has been operational it is quite difficult to measure impact that could be directly attributable to the activities under Window 5. Support to ZIC clearly was useful as it contributed to ZIC's efforts to realise its mandate to attract foreign investment to Zambia. The quality of promotional material on Zambia produced and disseminated has lead to a number of enquiries on investment prospects in Zambia. The promotional visits by ZIC to investment and trade exhibitions have also resulted in a number of enquiries and contacts between companies in Zambia and those in EU countries and RSA.”</p>	
44.1.3	<i>Other result indicators, such as: Number of signed agreements (following an EC funded action) (increase); Evidence of investment from European firms in local business following agreements signed; Evidence of increased exports from firms having participated to an EC-supported activity; Enterprises having participated to the activities cover a significant part of the target population of beneficiaries; Evidence of other forms of benefits following agreements signed</i>
<p>Most companies, who benefited from the Commission's programmes aimed at establishing partnerships during trade-fairs, claimed that the impacts were large for their companies. One example includes a beneficiary under the Export Development Programme, whose output (mainly export) grew from 2000 to 7000 m2 partly as result of EC-funded activities, in particular being able to attend trade-fairs.</p>	
44.1.4	<i>Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme</i>
<p>According to the PSDP final evaluation report<sup>7</sup> “delays in obtaining approval from NAO/EU were cited by ZIC as having contributed to the slow and frustrating pace of progress of activities under this facility. We also noted that there were delays by ZIC in seeking approval for activities to be undertaken resulting in about 22,000 Euros disbursed by EU for the first programme being time barred as it was not utilised by the deadline of 31st March 2004”.</p>	

<sup>6</sup> *ibid*

<sup>7</sup> *ibid*

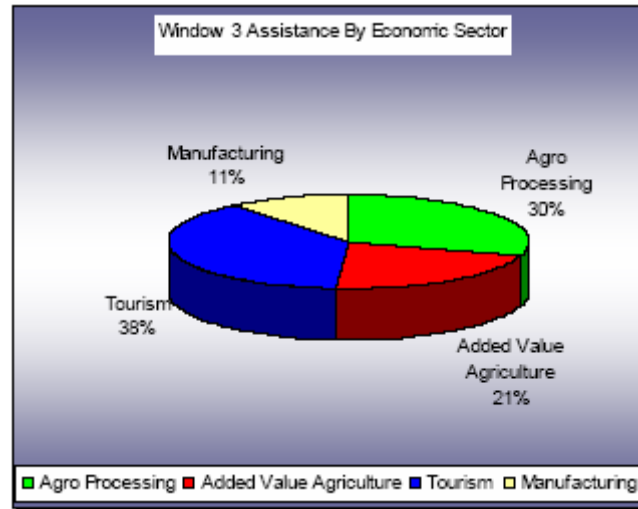
## EQ 4.5 – Effectiveness - BDS

<b>To what extent did EU interventions aiming to provide non-financial services create a competitive business development services markets?</b>	
45.1	EU interventions aiming to provide non-financial services create a competitive business development services markets
45.1.1	<i>The objective of the programme corresponds to the expected result proposed by the EU PSD strategy</i>
<p>Window 3 of the <b>PSDP</b> aimed at the provision of technical assistance to SMEs who are interested in restructuring their businesses, incorporate new technology, and enter new markets. The assistance is managed by the Centre for Development and Enterprise (CDE), previously called the Centre for Development of Industry (CDI). Window 3 thus aimed at providing direct technical assistance to the private sector rather than create a competitive business development service markets. As such, the objective of this component is only partially in line with the expected results proposed by the PSD.</p> <p><b>EDP</b> aimed at providing direct technical assistance to the private sector rather than create a competitive business development service markets. As such, the objective of this programme is only partially in line with the expected results proposed by the PSD.</p> <p>The <b>MSDP</b> includes a “Business Assist Scheme” component, which includes activities aimed at improving the level of business management, raising the level of mining and processing skills and raising the added value component of mining products. MSDP thus aims at providing BDS to the mining sector rather than create a competitive business development service markets. As such, the objective of this programme is only partially in line with the expected results proposed by the PSD.</p>	
45.1.2	<i>The objective and overall design of the programme corresponds to the Blue Book on BDS programmes (“BDS for Small Enterprises: Guiding principles for donor intervention”)</i>
<p>The main limitation of <b>PSDP</b>, <b>EDP</b> and <b>MSDP</b> in terms of correspondence with the Blue Book on BDS is that these programmes focused only on the provision of services, disregarding the supply side. For instance they did not attempt to build local BDS capacity.</p> <p>As a consequence, the coverage of the programmes was limited (the problem of <i>outreach</i>). For the <b>PSDP</b>, the non-financial support component (Windows 1 and 3) covered (i) 6,496 micro entrepreneurs, i.e. between 2,700 and 6,490 micro-enterprises and (ii) 115 SMEs. When compared to total number of micro-enterprises and SMEs (see table below), the coverage of PSDP is 0.5% for micro-enterprises and 0.1% for SMEs. This small coverage of PSDP in relation to the economy as a whole was confirmed by interviews.”</p>	
45.1.3	<i>Result indicators originally foreseen in project documents and evidence that these indicators were followed up</i>
<p>According to the <b>PSDP</b> final evaluation report<sup>8</sup>, In Window 3, 120 SMEs and 6 intermediary member based associations representing several SMEs were assisted against a target of 150 enterprises.</p> <p>Targeted SMEs reported increased performance, productivity, access to markets and levels of employment. Overall increases were reported as follows: employment (8%), turnover (30.5%), investment (8%), exports (36.9%).</p> <p>The following graph shows the distribution by economic sector of the support provided by the PSDP and the table shows the distribution of economic sectors by size of enterprise.</p>	

<sup>8</sup> *ibid*



**Distribution of SME non-financial support assistance by economic sector**



**Structure of the Zambian Private Sector**

Sector	Large (> 100 employees)	Medium (11-100 employees)	Small (5-10 employees)	Micro (< 5 employees)
Agriculture	750	4200	60,000	800,000
Mining	8	9		
Manufacturing	101	897		
Electricity, Gas and Water	4	2		
Trade and hotels	29	643		
Construction	19	107	19,000	600,000
Transport, storage and communication	20	160		
Finance	42	235		
Community social and personal services	44	331		
<b>Total</b>	<b>1,017</b>	<b>6,584</b>	<b>79,000</b>	<b>1,400,000</b>

Source: ZAMBLA PSD Reform Program

According to interviewees, **EDP** was seen as rather successful, especially to help companies rise from the first stages of development. Several missed opportunities however were identified: some companies that benefited from EDP felt that were on the right track and able to continue progressing but aid from the programme was no longer available. Interviewees confirmed that beneficiaries can survive without further support but that continued aid was much welcome by companies to reach higher stages of development. It is important to notice that, in certain situations, individual companies or industries reaching higher stages of development can benefit a whole sector (for instance, when a certain industry from a country receives international recognition). This also raises the question of to what extent more focus on a selected number of beneficiaries (e.g. the creation of winners with potential spill-over benefits on the whole industry) would have had more impact than spreading these services over a wide number of companies in different industries.

The experience of the Zambia Coffee Grower's (ZGCA) association confirms the above. PSDP and EDP helped ZGCA to improve the quality of its products and financing the purchase of necessary inputs for coffee growing. The impact is measurable and change from 1995 to 2003, despite depressed international coffee prices, include:

- output more than tripled (from 2000 to 7000 m<sup>2</sup>);
- increased exports from 0% to 5% of turnover;
- increased productivity from 1.8m<sup>2</sup>/hectare to 3m<sup>2</sup>/hectare.

Currently, ZGCA members cannot receive further support from the EC (beneficiaries from EDP I cannot receive support in EDP II) which means that coffee companies in Zambia have now difficulties to continue increasing internationally competitiveness.

The **MSDP** is not completed until 2007 and so cannot be assessed in terms of effectiveness; there also exists no evidence to suggest the likely effectiveness of this programme.

45.1.4 *The internal monitoring system corresponds to the one proposed by the Blue Book on BDS programmes (« BDS Performance Measurement Framework »)*

Given that PSDP Window 1 and 3 and EDP did not aim directly at building local BDS capacity, its monitoring indicators do not incorporate Blue Book indicators related to monitoring the building up of local BDS.

45.1.5 *Other result indicators, such as:*

- *Number of SME acquiring BDS in general (to measure BDS market expansion).*
- *Number of SME acquiring BDS from the programme (to measure BDS market expansion).*
- *Evolution of the number of local consulting firms in the market (to measure BDS supply).*
- *% of potential SME acquiring BDS (to measure market penetration).*
- *Number and % of SE customers purchasing BDS who represent targeted populations (to measure outreach).*
- *Percent of customers reporting high satisfaction with a business development service (to measure impact).*
- *Repeat customers: % of all customers who purchase at least twice (to measure impact).*
- *Percentage of customers who applied the business service to their business, as defined by the program. (E.g.: percent who accessed new markets, developed new products, improved management practices, started keeping formal accounts, reduced costs, etc.) (to measure impact).*
- *Change in estimated gross profit, profit level, employment, exports from before and after receiving the service (to measure impact).*
- *Of the businesses that improved their estimated gross profits, what percent attribute the change to the BDS? (to measure impact).*
- *BDS supplier profitability and profitability of particular BDS Service (to measure sustainability).*
- *Simplified cost-benefit assessment comparing total, cumulative program costs to aggregate program benefits (to measure sustainability).*
- *Total program cost per customer served and total program cost per supplier assisted (to measure sustainability).*

According to the **PSDP** final evaluation report, “while overall EC interventions can be considered as effective, not all effects were always quantifiable. Some companies could identify with the above figures, some could not. Instead, they claimed that the effectiveness of the programmes could be measured in things such as increased confidence level of their staff.”

Two additional issues should be considered when measuring effectiveness: attribution and cannibalization effects. To what extent were results a consequence of the programme? According to beneficiaries and the management of the programme, a significant share of the improved performance can indeed be attributed to the support provided by the PSDP. The evaluation report also indicates that even if only half of the effects can be attributed to the support provided, the result would still be impressive. In terms of cannibalization, the question is to what extent the performance of beneficiary companies was made at the expense of other Zambian companies. Interviews confirmed that the cannibalization effect was minimal. The principal reason given was that Zambia is a growing economy with no bottlenecks on the supply-side so that any growth of one company or industry is a net-benefit to the economy as a whole.

PSDP often targeted industry winners, which raises a question of whether the impact would have been larger if smaller companies would have been targeted. According to some beneficiaries, even if PSDP benefited mostly industry winners, there were spill-over effects on the rests of the sector since these

<p>industry winners will lift the sector.</p> <p>In terms of increase in the use of local BDS, there is insufficient data illustrating the evolution of local consulting firms, although beneficiaries that were interviewed did not notice any increase in local consulting firms. There is also little data available on the evolution of the number of firms making use of non-subsidised consulting services. Beneficiaries claim that their use of EC-funded BDS generally increased their willingness to use non-subsidized BDS services. But the fact that their demand is so limited was mainly explained by a supply problem: lack of quality services at an affordable price. The quality of local supply of services is considered not only to be below international standards but also below the levels of neighbouring countries like South Africa and Zimbabwe.</p>
<p><i>45.1.6 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme</i></p>
<p><b>EDP and MSDP:</b> no evidence available.</p> <p>Regarding the <b>PSDP</b>, several factors were at play. According to the <b>PSDP</b> final evaluation report, “the project did not develop a formal impact monitoring mechanism to track changes/progress of beneficiaries’ operations. A ‘mini’ impact assessment of beneficiaries was conducted in 2002 for those interventions/projects that had been completed by 31<sup>st</sup> December 2001. The assessment yielded only 16 responses. Monitoring of the impact of support on individual enterprises was not formalised.</p> <p>Following changes in the BDS paradigm in 2001 requiring entrepreneurs to pay the full cost of Business Development Services, CDE did not make a deliberate attempt to raise the promoters’ cost contribution ratio above 1/3. This continued to create the impression as noted in the PSDP Impact Assessment Report for Window 3 of the perception that ‘...EU will always be there for subsidising activities...’</p> <p>All project applications had to be vetted and cleared by CDE headquarters. This contributed to some administrative delays particularly in the initial phase of the programme.”</p> <p>From interviews, important factors that enhanced the implementation of the <b>PSDP</b> were:</p> <ul style="list-style-type: none"> <li>▪ Right management team, with a strong component of local experts.</li> <li>▪ Adequate management structure aimed at working towards clearly defined objectives.</li> <li>▪ Trust relation built between the management team and beneficiaries.</li> <li>▪ Pragmatic and flexible approach.</li> <li>▪ Close follow up of beneficiaries.</li> <li>▪ Independent PMU.</li> </ul> <p>While among the factors that hampered the implementation of the programme were mentioned:</p> <ul style="list-style-type: none"> <li>▪ Discrepancy between a fast-moving private sector and the rigidity of EC procedures.</li> <li>▪ Insufficient sharing from success and failures within and across countries.</li> </ul> <p>Two other important issues discussed for the different programmes were:</p> <ul style="list-style-type: none"> <li>▪ The adequacy of having a strategy to build on potential champions within a given sector.</li> <li>▪ Support from the programmes (PSDP and EDP) was too limited to maximize impacts.</li> </ul>
<p><i>45.1.7 Unsubsidized local BDS is not crowded-out by a subsidized supply of services: There are no complaints about “unfair competition” from unsubsidized suppliers of services, there are no clients that use to use unsubsidized consulting that are now using subsidized consulting</i></p>
<p>The team did not collect evidence on this issue.</p>

## EQ 4.6 – Effectiveness - Development of micro-enterprises

<b>To what extent did EU interventions help develop micro-enterprises?</b>
46.1 EU interventions have contributed to the development of micro-enterprises
<i>46.1.1 The objective of the programme corresponds to the expected result proposed by the CEC PSD strategy</i>
Window 1 of <b>PSDP</b> aimed at providing business development services to micro-enterprises (MEs) with the purpose to improve their financial performance. As such it can be considered in line with the objectives proposed by the CEC PSD strategy.
<i>46.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up</i>
<p>Regarding Window 1 of the <b>PSDP</b>, the final evaluation report indicates<sup>9</sup> that “PDSP has demonstrated that BDS (mainly training) to MEs effectively impacts business growth and product diversification. The impact study shows that in a period of on average 1½ years after the BDS event, the enterprises report:</p> <ul style="list-style-type: none"> <li>▪ a 73% average <b>increase of turnover</b> in current prices, which is estimated at <b>42%</b> in real prices. This would amount to an annual real growth of 20%, which is very high for MEs;</li> <li>▪ an <b>increase of employment</b> with at least one extra employee for 50% of the MEs;</li> <li>▪ 48% of the MEs entered <b>new markets</b>.</li> </ul> <p>How did the BDS result in business growth? MEs provided the following answers:</p> <ul style="list-style-type: none"> <li>▪ 10% reported to have introduced new products,</li> <li>▪ 43% adopted new business management and financial management practices,</li> <li>▪ 20% developed and used business plans.</li> </ul> <p>As for BDS to SMEs, the question is to what extent these changes can be attributed to the programme. The final evaluation report concludes that also in this case it is quite plausible that the programme indeed contributed to a large extent to the business growth data quoted above and that even if only half of it can be attributed to the BDS events, the result would still be impressive.</p>
<i>46.1.3 Other result indicators, such as: Evolution of the number of micro-enterprises ; Evolution of turnover; Evolution of profit level; Evolution of employment level</i>
See above.
<i>46.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme</i>
No evidence available.

<sup>9</sup> Ecodes (2004) End of Programme evaluation private sector Development Programme (PSDP).

## EQ 5 - Sustainability

<b>To what extent are the effects (expected results) of the interventions likely to continue at the end of the EC support?</b>	
5.1	The effects of EC PSD strategy in Zambia is likely be long-lasting
5.1.1	<i>Risks and assumptions that can affect the achievement of the PSD strategy have been identified</i>
<p>The <b>CSP 1996-2000</b> defines assumptions only at the level of the overall cooperation strategy. It indicates that the viability of the Community's aid strategy in Zambia is dependent "on the maintenance and development of the current democratic system, the guarantee of human rights, the rule of the law, and freedom of speech, to which the present government is firmly committed."</p> <p>As mention in 3B1.2, the <b>CSP 2002-2007</b> presents in its Annex 9 an analysis of the main challenges faced in terms of institutional development and capacity building and more in particular of the aspects related to the private sector. It is stated there that Zambia can move towards full economic recovery and "to do so, the process of market reforms need to be intensified and obstacles removed at the macro, meso and micro levels. Overall, a more supportive policy and institutional environment is required to encourage further development of the private sector." Yet, it is also explained that "<i>of all constraints the most significant seem to be the absence of political commitment to the sector, and weakness of public and privates sector institutions to formulate and implement policy.</i>" Therefore, that the task of defining and designing appropriate responses is especially challenging. The proposed approach is thus a gradual, iterative and flexible one, avoiding supply driven interventions, building ownership and commitment. It also proposes to commission a concept paper and detailed needs assessment as a basis for programme design.</p>	
5.1.2	<i>Actions have been taken if risks have materialized or assumptions have not been verified</i>
<p>Overall, risks have not materialized and on the contrary, the government has move forward regarding policies towards the private sector and has formulated a Private Sector Reform Programme in dialogue with provate sector representatives and, to a lesser extent, the donor community. The challenge now being to be able to articulate donor funded programmes that are already on going or well advanced in their programming process with the new government orientations.</p> <p>Regarding overall economic policies, the Joint Annual Report 2003 notes that "the government has continued with the previous policies of liberalisation of the economy. The target is poverty alleviation through extension and consolidation of growth and diversification within the economy, assisting expansion of the productive basis through support to business creation and increasing the scope for employment opportunities within the private sector." At the same time it indicates that "the achievement of macroeconomic stability is seriously hampered by the difficulties with the budget (...) fiscal imbalances could compromise macroeconomic stability and, ultimately, economic growth and poverty reduction."</p>	
5.2	Institutional, macroeconomic, legal and regulatory improvement is not disappearing / has not disappeared after EC intervention
5.2.1	<i>Evidence that improvement has continue after EU intervention</i>
<p>As mentioned above in 5.1.2, "the achievement of macroeconomic stability is seriously hampered by the difficulties with the budget (...) fiscal imbalances could compromise macroeconomic stability and, ultimately, economic growth and poverty reduction". Further, the Joint Annual Report 2003 indicates that "the private sector continues to suffer from the macro-economic situation with high inflation and high interest rates, which has rendered the access to affordable capital virtually impossible. The government's economic policy aims at creating an enabling environment for private sector led growth."</p> <p>Although it was not a PSD intervention, it is worth to notice that the CSP 2002-2007 states that the capacity building provided under the 8<sup>th</sup> EDF to the Ministry of Finance and Economic Development has</p>	

not been sustainable, according to an evaluation study. The evaluation showed that individual short term consultants could not introduce the required change in the system and solve a long-term capacity problem.”	
5.3	Reinforcement of financial markets is long-lasting
5.3.1	<i>The number of credits from local banks to the private sector (especially SME and micro-enterprises) continues to increase or at least does not decrease after EC intervention</i>
<p>According to the PSDP final evaluation report<sup>10</sup>, “no possibilities for sustainability were built into the Apex Financing Facility.</p> <p>a. The funds could not revolve, since the decision to remove the revolving nature of the funds was made before any funds could be revolved.</p> <p>b. Unsustainable, concessionary interest rates were built into the initial programme design.</p> <p>c. Long term management of the inputs is dependent upon continuation of the contract between Grant Thornton (or any alternative), and the PSDP, which ends on October 31<sup>st</sup> 2004”.</p> <p>Moreover, no component of the programme aimed at ensuring long-term effect of the bank (e.g. training of staff), aside perhaps from the actual practice of the financing facility during the duration of the fund. Evidence from interviewees indicates that the latter has little impact on banks provision of loans in the future.</p> <p>MSDP, financing component: the program is currently undergoing and there is no evidence available as to the likely sustainability of the programme.</p> <p>Interviewees felt the impacts of projects are not always sustainable. In the case of EDP for the ZCGA, once subsidized support is gone, lack of access to finance make it difficult for companies to sustain performance acquired after the intervention: to continue keeping similar productivity (3m<sup>2</sup>/hectare), ZCGA members need access to finance to buy necessary inputs, which is difficult without EC support. ZGCA fears that productivity will drop in 2005.</p> <p>Regarding the PSDP, the FA agreement states that the financial service window “is a temporary financial support to be removed as soon as the formal financial system is able to provide investment finance on its own resources.” This suggests awareness of the problem of replicability for this type of programme. However, programme documents do not suggest any measure or activity in order to support ‘the formal financial system to provide investment on its own’.</p>	
5.3.2	<i>Repayment rate of loans in EU supported programmes (high enough)</i>
<p>Indicators are not available. However, the EDP programme had a component through which a revolving fund was provided to three intermediary organisations with the aim of facilitating credit to access member companies. In two cases, default rates were so high than at the end of the programme the fund had almost disappeared. Only in one case repayment rates were correct.</p>	
5.4	Reinforcement of IO position is not lost after EU intervention finishes
5.4.1	<i>Intermediate organizations continue to successfully promote the interests of the private sector after the end of EC intervention. For example: Evidence of continuous involvement of business sector organizations (particularly if supported by the EC) in policy orientation meetings</i>
<p><b>PSDP</b> aimed at this expected result but no activity was actually implemented on that matter.</p>	
5.4.2	<i>Services provided by intermediate organizations continue to increase or at least do not decrease after EC intervention. For example: Evolution of the supply and use of services provided by intermediate organizations after the end of the intervention; Evolution of the number of companies benefiting from these services; Evolution of membership in these intermediate organization</i>

<sup>10</sup> *Ibid*

<p>A positive experience is to be found in the <b>PSDP</b>. According to the final evaluation report<sup>11</sup>, “The capacity building component (Window 4) has no doubt enhanced to a degree the sustainability of BDS for MSMEs. Even though through discontinuation of the PSDP funding (Window 1 and 3) will have a negative effect on the number of BDS events organised, the improved leadership and management capacity of the Intermediaries will result in the mobilization of alternative sources. Some Intermediaries have been able to mobilize Government funding; others identified other donor programmes or international non-governmental organizations (NGOs).</p>
<p>PSDP has observed that leaders in associations rotate regularly. This phenomenon cannot but have a negative impact on the sustainability of capacity building; at least as far as the leadership training is concerned. On the other hand, the high numbers of participants per intermediary in leadership training suggest that for the time being there may be a ‘reservoir’ of volunteers to recruit from.</p>
<p>The “<i>Technical Guide for BDS Providers</i>”, has been an excellent initiative to make the Intermediaries less dependent upon donor financing. With this, and with its Project Cycle Management (PCM) workshops, PSDP has made another contribution to the transition of its intermediaries towards a more market oriented BDS sector.”</p>
<p>5.5 Business-to-business cooperation, trade and investment continues to expand after EC intervention</p>
<p>According to the PSDP final evaluation report<sup>12</sup>, “had the component commenced its planned activities at the time envisaged in 2000 prospects of sustainability of interventions under Window 5 could have been higher. The Zambia Investment Centre will however, still require dedicated support from the Government as it is a key player in dissemination of information about Zambia to prospective investors”.</p>
<p>5.5.1 <i>Evolution of the number of mutual agreements</i></p>
<p>No indicator available.</p>
<p>5.5.2 <i>Evolution of the number of investments following mutual agreements</i></p>
<p>No indicator available.</p>
<p>5.5.3 <i>Evolution of exports</i></p>
<p>No indicator available.</p>
<p>5.6 A competitive BDS market continues to function after EU intervention has finished</p>
<p>5.6.1 <i>Demand for non-subsidised BDS continues to increase or at least do not decrease after EC intervention</i></p>
<p>According to the <b>PSDP</b> final evaluation report<sup>13</sup>, “direct technical assistance to SMEs in the form adopted by the PSDP Window 3 component is not sustainable on programme level unless the Government or another donor is willing to fund a similar programme. Although on average the SMEs contributed about one third towards the cost of the interventions into their enterprises, the current economic climate and discussions with some of the intermediaries assisted lead us to conclude that a significant number of SMEs will still require subsidised BDS services and would not be able to fund the full cost of BDS interventions.”</p>
<p>Beneficiaries felt that demand was present and many firms were ready to pay for it, but only for BDS specialised in technical part of business management, which is not available in Zambia.</p>
<p>5.6.2 <i>Local supply of non-subsidised BDS continues to increase or at least do not decrease after EC intervention</i></p>
<p>In <b>PSDP</b>, the financing agreement set conditions for the government to continue funding bodies that were involved in provision of services to the private sector such as small enterprise development board (SEDB) and the Investment Centre. To a large extent Government has been struggling to adequately fund the two</p>

<sup>11</sup> *Ibid*

<sup>12</sup> *Ibid*

<sup>13</sup> *Ibid*

<p>bodies indicated above. Capacity has not yet been built in a local institution that could continue to provide the kind of intervention that the PSDP programme was designed to provide.</p> <p>Beneficiaries felt that the key problem in the sustainability in the use of non-subsidized local BDS firms is the lack of lack of quality local supply. Participants have seen little difference in the last few years in terms of increased numbers of quality BDS. High cost of non-subsidized BDS is a concern for some but several do pay the full cost of BDS (local or foreign) for good quality BDS. Evidence is that many of these companies who demand BDS purchase it from overseas when they can afford to.</p> <p>Note that Window 1 of PSDP (non-financial services to micro-enterprises), the final evaluation report concludes that “however, at the level of intermediaries capacity has been developed to effectively and efficiently implement BDS activities”.</p>
<p>5.7 Micro-enterprises continue to develop</p>
<p>5.7.1 <i>The number of micro-enterprises continue to grow after EC intervention</i></p>
<p>Window 1 of the <b>PSDP</b> aimed at supporting micro-enterprises through the provision of business services. According to the final evaluation report, “in the project design a deliberate choice has been made for a project approach, rather than an institutionalised approach. The reasons for doing this were that no single existing institution could be identified that was mandated and equipped to carry out the wide scope of activities envisaged for PSDP. Government institutions were considered less suitable to launch effective private sector interventions, and institutions in the private sector were considered to be too weak. A choice for one institution would have limited the feasible array of programme activities, and would have required a substantial portion of programme funds for capacity building of the institution concerned. The reasoning was in short; “let us first prove that effective private sector development activities can be undertaken – and worry later about sustainability”. In view of the relatively difficult environment in which this programme was launched, this choice can be appreciated. It would have been desirable however, that a long term strategy would have been worked out to ensure that sustainability could eventually be achieved, together with an exit strategy for the donor. This can be seen as a weakness in design. Thus at programme level, it must be concluded that no sustainability exists. However, at the level of intermediaries capacity has been developed to effectively and efficiently implement BDS activities.”</p>
<p>5.7.2 <i>Micro-enterprises continue to expand after EC intervention</i></p>
<p>No evidence found.</p>



## EQ 6 - Efficiency

<p><b>To what extent have the organisational set-up or management systems and processes contributed or hindered the efficiency of the EC interventions to support private sector development? Four aspects are of particular interest to our evaluation:</b></p> <p><b>A. The deconcentration process and the support given by HQ</b></p> <p><b>B. The preference given in some regions to all-country programmes</b></p> <p><b>C. The preference given in some regions to promote local expertise instead of using international support</b></p> <p><b>D. Other organisational set-up or management systems and processes</b></p>
<p>6A.1 The <u>deconcentration</u> has contributed to the efficiency of the EC interventions</p>
<p><i>6A.1.1 Speed of decision making during the identification and implementation stages (project preparation, implementation payments)</i></p>
<p>Most interviewees believed that - at least in its early stage - the deconcentration did not lead to an acceleration of the decision making process but even slowed it down. Among the reasons explaining this initial situation were: lack of clarity regarding who was responsible of what; heavier workload transferred from headquarters to Delegation without having the necessary resources; people were afraid of making mistakes. Although the situation has improved, most interviewees agreed that it was still early to assess whether the decision making process has speeded up. An additional concern was the risk of reproducing at the Delegation the defaults of a 'mini bureaucracy'.</p>
<p><i>6A.1.2 Workload related to implementation procedures of project managers at the Delegation</i></p>
<p>According to interviews at the Delegation, workload has definitively increased but it is also true that new staff has been engaged. The question remains whether the new staff has the necessary qualification to face the new responsibilities and, if not, if relevant training and support from headquarters is available.</p>
<p><i>6A.1.3 The deconcentration has led to a better identification of needs and project design</i> <i>Note: This item is related to relevance (not to efficiency) and it is asked only to complement information</i></p>
<p>Once the Delegation is deconcentrated, officers are closer to the field, may be more apt to assess priority needs and so may be better able to design relevant projects. So far, however, no impact on the quality of design has been observed. The concern was raised that there is not enough support from headquarters in terms of project identification, design and implementation.</p>
<p><i>6A.1.4 Evidence of sharing experience / lessons learning from other Delegations</i> <i>Note: This item is related to one of the risks of the deconcentration and not to efficiency.</i></p>
<p>According to interviews at the Delegation and with programme managers, lesson learning and sharing experience between different countries / regions has been limited in the past and deconcentration will not improve the situation. Each officer works based on his/her own experience without being able to exploit the Community experience from other countries / regions. The high rate of rotation of personnel also hampers the accumulation of knowledge and experience. In this case too, support from headquarters was considered to be a key element that can improve the effectiveness of European aid.</p>
<p>6B.1 The use of "<u>all-country</u>" programmes has contributed to the efficiency of the EC interventions</p>
<p><i>6B.1.1 Speed of decision making during the identification and implementation stages (project preparation, implementation payments)</i></p>
<p>Zambia has access to "all-country" programmes and some of the firms interviewed had received support through the CDE and EBAS. However, there is very little knowledge of these programmes in the country</p>

both among potential beneficiaries and at the Delegation.
<i>6B.1.2 Cost of interventions before and after “all-country” programmes</i>
See 6B.1.1
<i>6B.1.3 Workload related to implementation procedures of project managers at the Delegation</i>
See 6B.1.1
<i>6B.1.4 The use of “all-country” programmes has led to a better identification of needs</i> <i>Note: This item is related to relevance (not to efficiency) and it is asked only to complement information</i>
See 6B.1.1
<b>6C.1 The use of local expertise has contributed to the efficiency of the EC interventions</b>
<i>6C.1.1 Speed of decision making during the identification and implementation stages (project preparation, implementation payments)</i>
There has not been a systematic use of local expertise partly due to the lack of capacity in Zambia. Although an interesting example is to be taken from the management of the <b>PSDP</b> . Indeed, it comes from interviews that the management team played a key role to ensure the successful implementation of the programme and, according to the programme manager, the value added of local experts in the management team was significant given their knowledge of the sector.
<i>6C.1.2 Cost of interventions before and after deconcentration</i>
See 6C.1.2
<i>6C.1.3 Workload related to implementation procedures of project managers at the Delegation</i>
See 6C.1.2
<b>6D.1 The organisational set-up and management system has contributed to an efficiency implementation of the programme</b>
This criterion and its corresponding indicators were defined after the pilot mission in Zambia. Therefore, the information collected does not necessarily correspond to the indicators proposed below. The evaluation team collected the following information: <ul style="list-style-type: none"> <li>▪ EDF procedures were considered too slow and heavy by stakeholders, producing an administrative burden and hampering the effectiveness of interventions. Some sources declared their strong preference to work with other donor agencies.</li> <li>▪ Procedures within the programmes were also considered as too slow and heavy by some beneficiary firms while other firms considered that procedures were simple.</li> <li>▪ Many firms considered that there was a lack of sufficient information on what a program can offer. For instance, regarding PSDP, firms were aware of the existence of one window but not of the other ones. Further, some firms considered that the information on the existence of the programme was also too limited.</li> <li>▪ Lack of clarity in terms of eligibility and selection. It was not clear for firms who were eligible to the programme and how the decision was taken once the application was presented.</li> </ul>
<i>6D.1.1 Programme inputs are on time, at planned cost and well managed on a day-to-day basis</i>
<i>6D.1.2 Programme activities are on time, at planned cost and well managed on a day-to-day basis</i>

<i>6D.1.3 Results are being achieved as planned (quality and quantity)</i>
<i>6D.1.4 Existence and use of an internal monitoring system</i>
<i>6D.1.5 The programme has been able to adapt to changing needs or context. For instance, if the assumptions did not hold true, how well did the programme management adapt? How well did it adapt to external factors affecting the programme)</i>
PSDP faced several problems during its first year. The management team was changed and a new work plan was prepared. This action allowed the programme to start afresh over new bases which was appreciated by all stakeholders. During implementation also, the new team had a flexible a dynamic approach to adjust to current situation.

## EQ 7 – Coherence (within EU action)

<p><b>A. To what extent does the <u>EC PSD policy in general</u> take into account other EU strategies and policies?</b></p> <p><b>B. To what extent does the <u>EC PSD support strategy within a country strategy</u> take into account:</b></p> <p style="padding-left: 20px;">i) <b>The support given to other sectors within the same country strategy?</b></p> <p style="padding-left: 20px;">ii) <b>Other EU strategies and policies</b></p> <p><b>C. To what extent do national or regional <u>EC PSD programmes within a country</u> take into account:</b></p> <p style="padding-left: 20px;">i) <b>Other PSD programmes within the same country</b></p> <p style="padding-left: 20px;">ii) <b>The support given to other sectors within the same country</b></p> <p style="padding-left: 20px;">iii) <b>Other EU strategies and policies</b></p>
<p>7B.1 The <u>EC PSD support strategy within a country</u> takes into account other EU interventions</p>
<p>7B.1.1 <i>Explicit reference to EC support to <u>other sectors in the same country</u> and analysis of possible complementarities, synergies, conflicts or overlaps between PSD and other sector support within the same country</i></p>
<p>EC support to Zambia through the 9<sup>th</sup> EDF is focused on the transport sector, institutional development / capacity building and macroeconomic support. The CSP 2002-2007 acknowledges that the two focal sectors reflect “the strategic importance of improved infrastructure – availability of road network as well as of human and organizational capacities – for private sector driven economic growth and poverty reduction.” However, the emphasis is more on how <b>transport</b> can unlock economic growth and develop the private sector. For instance, in its assessment of the economical, social and political situation, the CSP 2002-2007 states that the GOZ is “aware of the key role of economic infrastructure for development and intends to direct investment and rehabilitation towards programmes in support of economic growth and poverty reduction”. Additionally, , regarding the assessment of the government approach to private sector development, the CSP mentions that “agriculture is expected to be the key sector for future development of the Zambian economy, together with mining and tourism. At present, transport of agricultural inputs and outputs is a major constraint. The condition of rural roads is of key importance to wider agricultural and regional development, especially in trying to bring subsistence or marginally commercial farmers into the cash economy”.</p> <p>The choice of transport as first focal sector of EC support to Zambia is justified among other reasons because:</p> <ul style="list-style-type: none"> <li>▪ “In the PRSP discussions and ROADSIP, transport is recognised as crucial for the development of all key sectors. Furthermore:             <ul style="list-style-type: none"> <li>- roads are of crucial importance for access to local/regional markets and to social services;</li> <li>- roads are vital for the integration of peripheral parts of the country and for the transportation of agricultural inputs and produce between the market places and individual farmers.</li> </ul> </li> <li>▪ The establishment and maintenance of well-functioning transport system is imperative for the development and integration of markets in all sectors of the Zambian economy.</li> </ul> <p>The CSP also describes the importance of <b>regional trade</b> for Zambia. Yet, no mention is made of the effects or possible articulation between bilateral and regional interventions. For instance, no mention of the customs harmonization programme is made by the PSD strategy or programmes.</p>

<p>7B.1.2 <i>Evidence that EU support to <u>other sectors in the same country</u> has positively or negatively affected the achievement of the objectives of the PSD support strategy within the country</i></p>
<p>Interviewees in the private sector as well as and written sources confirmed the strong link between the transport and the private sector: an improved infrastructure will strongly improve the competitiveness of the business sector. Some give the example that many companies cannot expand their internal and external trade without adequate transportation at an affordable cost.</p>
<p>7B.1.3 <i>Explicit reference to the possible effects of <u>other EU strategies and policies</u> (development or non-development) on the PSD support strategy in a given country</i></p>
<p>The CSP states that the “coherence between development co-operation policy and other EC policies (trade, agriculture, environment, etc.) relevant for Zambia will be assessed on a permanent basis. In this context National Indicative Programme (NIP) resources may be used to complement resources from the RIP, budget lines, and trade-specific operations, according to needs and availability of funds. In particular, this may refer to support for efforts by Government departments and Non State Actors to prepare for the Establishment of a coherent trade policy framework, with emphasis on preparing for the EPA and on World Trade Organisation (WTO), and assistance for capacity-building for carrying out negotiations in a regional and multilateral context and in implementing the accompanying trade policy and structural reforms, including fiscal reforms.”</p>
<p>However, no evidence of such assessments was found during the mission.</p>
<p>7B.1.4 <i>Evidence that <u>other EU strategies or policies</u> (development or non-development) have positively or negatively affected the achievement of the objectives of the PSD support strategy within the country</i></p>
<p>Enterprises and programme managers confirm that enterprises are indeed affected by other EU policies. This includes complex phyto-sanitary regulations or a lack of equal access to the market. It is important to note that the government has a limited ability to argue its case on international fora.</p>
<p>7C.1 National or regional <u>EC PSD programmes within a country</u> take into account other EU interventions</p>
<p>7C.1.1 <i>Programme documents explicitly refer to the <u>other EC PSD programmes in the same country</u> and analyse possible complementarities, synergies conflicts or overlaps</i></p>
<p>The analysis of programme documents for the PSDP, EDP and MSDP shows that programmes do not refer to each other.</p>
<p>7C.1.2 <i>Evidence that <u>other EC PSD programmes in the same country</u> have positively or negatively affected the achievement of the objectives of the programme</i></p>
<p>Documentation and interviews identify no apparent incoherence in programme implementation but also do not mention any explicit attempts at maximising synergies or minimizing overlaps between PSD programmes. In the case of EDP and PSDP for example, there has been little attempts in ensuring that target companies do not benefit simultaneously from both programmes. Such coordination is left to the good sense of programme managers.</p>
<p>7C.1.3 <i>Programme documents explicitly refer to EC support to <u>other sectors in the same country</u> and analyses possible complementarities, synergies conflicts or overlaps between the programme and other sector support within the same country</i></p>
<p>No programme refers to EC support to other sectors.</p>

<i>7C.1.4 Evidence that EC support to <u>other sectors in the same country</u> has positively or negatively affected the achievement of the objectives of the programme</i>
No evidence available.
<i>7C.1.5 Programme documents explicitly refer to the possible effects of <u>other EU strategies and policies</u> (development or non-development) on the programme and analyses possible complementarities, synergies conflicts or overlaps</i>
No programme refers to other EC strategies and policies although several sources mention that firms benefiting from EC support to increase their competitiveness face constraints due to EU trade policies.
<i>7C.1.6 Evidence that <u>other EU strategies and policies</u> (development or non-development) have positively or negatively affected the achievement of the objectives of the programme</i>
See 7C.1.5

## EQ 8 – Coordination (with other donors)

<b>To what extent is there coordination between donors, both at central and at country level?</b>	
8.2	The EU actively participates to multi-donor coordination process at country level
8.2.1	<i>Evidence of participation of the EC to multi-donor coordination meetings at country level</i>
	<p>The CSP 1996-2000 states that “close coordination exist between government and donors in Zambia...” Examples of coordination meetings include the Consultative Group (CG) process and the series of quarterly government/donor meetings. Similarly, the CSP 2002-07 mentions the existence of an annual CG meeting as a focal point for Government – donor dialogue, which is followed up at the sector level through working groups, which meet regularly.</p> <p>Regarding PSD sector, donor coordination has traditionally been weak and mainly consisting of donors informing the others about its own activities. However, the realization of several programmes overlapping, especially at the micro level, has encouraged the donor community to establish more formal mechanisms of coordination. The overlap of micro-level PSD programmes funded by donor agencies is illustrated in the PSD Reform Programme report which lists 21 donor-funded programmes aiming at improving the limited capacity of the Zambian private sector.</p> <p>Recent developments on the private sector have further encouraged donor coordination. In particular, the Zambia Business Forum in late 2004 and the update of the government’s Private Sector Development Reform Programme have acted as platforms of discussion between the government, the private sector and the donor community. The Private Sector Development Reform Programme report describes different donor interventions in PSD and proposes linkages between these interventions (some are already being implemented, others are at the preparation stage) and the programme proposed. Further, the donor community has been invited by the government to participate to the Domestic Business Council as member of the Steering Committee and thus donors have started to meet in order to coordinate their positions regarding government’s PSD Reform Programme.</p>
8.2.2	<i>Evidence of distribution of tasks among the different donors at country level</i>
	<p>There are not many examples of distribution of tasks among donors involved in PSD support. As mentioned above, coordination is only recently starting to take a momentum. Two examples that can be mentioned. First, as mentioned above, following the invitation of the government to participate to the Domestic Business Council’s Steering Committee, donors have started to meet and most likely, two agencies will be proposed to represent the donor community on the Steering Committee. A second example is the lead of the Integrated Framework which is shared by DFID and SIDA.</p>
8.2.3	<i>Evidence of joint activities or projects between the different donors at country level</i>
	<p>The EC does not participate to any joint programme to support private sector development. Regarding other donors, only three PSD-related programmes (out of a sample of some 23 programmes) have been identified by the team as being funded jointly by more than one donor agency.</p> <ul style="list-style-type: none"> <li>▪ Financial Services Enabling Environment Project. Funded by DFID and SIDA (£0.5m each). Level: at macro and meso. Duration: First Phase 18 months starting late 2004. Second Phase depending on First Phase.</li> <li>▪ TA for the Establishment of Rural Electrification Authority (REA) and Rural Electrification Fund (REF). Funded by SIDA in close collaboration with the World Bank (US\$ 1.8m). level: macro and meso. Duration: 3 years starting late 2004.</li> <li>▪ Rural Finance Programme. Funded by IFAD (\$10.5m), SIDA (\$3.2m), GOZ (\$3.1m), financial institutions (\$0.4m) and beneficiaries (\$0.2m). Level: macro, meso and micro. Duration: 6 years starting in 2005.</li> </ul>
8.2.4	<i>Explicit reference to other donor policies or activities in country documents</i>

The CSP 2001 highlights the importance of donor coordination “Donor Coordination and co-operation are necessary since Government has insufficient capacity to take the lead in these respects”. It then lists the type of activities undertaken by other donors (including non-EU donors).  
It also makes reference to the following: “Among EU Member States, the UK is the most active donor for the private sector, supporting enterprise and export promotion projects through loans, as well as capacity building. Sweden and Germany assist SME’s through credit and micro-finance initiatives, as well as TA for capacity building. Major non-EU support is provided by the USA.”

8.2.5 *Explicit reference to other donor policies or activities in programme level documents*

See example of the World Bank in 8.2.3.

8.2.6 *Examples of complementarities and synergies between programmes funded by the EU and programmes funded by other donors*

No evidence available.

8.2.7 *Evidence of overlap between PSD programmes of the EU and of other donors at country level*

There exist examples of EC projects that overlap with interventions from other donors. These include:

Donor	Project of other donor	EC-funded programme
World Bank	Enterprise Development Project: <ul style="list-style-type: none"> <li>▪ Access to finance for SMEs</li> <li>▪ Access to technical know-how for SMEs</li> </ul>	PSDP: <ul style="list-style-type: none"> <li>▪ Financial service Support</li> <li>▪ Non-financial Service support</li> </ul>
DFID	Financial Services Enabling Environment Project	PSDP – Financial service Support
SIDA	Financial Sector Development	PSDP – Financial service Support

Zambia’s PSD Reform Programme also lists 21 donors’ funded programmes all targeting private sector competitiveness in one way or another:

1. Enterprise Development Project (World Bank).
2. Handicraft Cottage Industry/Aid to Artisans (World Bank).
3. Private Sector Development Programme (EU).
4. Business Enhancement Strategy – BEST (Africa Project Development Facility (APDF)).
5. Konkola Copper Mines(KCM SME Suppliers Development Programme (World Bank/KCM).
6. Zambia Agribusiness Technical Assistance Programme (USAID).
7. Competitiveness in Agriculture and Natural Resources (USAID).
8. Integrated Skills Training for Employment Promotion (GTZ).
9. PROCESS (InWEnt).
10. Resource Ingenuity for Small Enterprises - RISE (InWEnt).
11. Support to Farmers Association Project (NORAD).
12. Natural Resources Defense Council/Zambia Export Growers Association (NRDC/ZEGA) Training trust – NZTT (NORAD/Netherlands).
13. PSD Agricultural Sector Support (Netherlands).
14. Copperbelt Urban Livelihood Project (Netherlands).
15. SNV Advisory Services (Netherlands).
16. Small-scale agriculture support (Japan International Cooperation Agency (JICA)).
17. Export Development Programme II (EU).
18. Cooperative League of the United States (CLUSA) (USAID).
19. Livelihood Project in the Northern Province (Ireland).
20. PSD Programme (Danida).
21. Agricultural Sector Support (DFID).



*8.2.8 Evidence of similar programmes with common beneficiaries funded by the EU and another donor*

The team has not been able to find formal evidence of firms benefiting from different donor-funded programmes given the difficulty of collecting beneficiaries' list for each programme. However, from interviews and from the fact that there are at least 20 programmes aiming at providing BDS in Zambia, it is likely that some firms benefit from several programmes. So far, no mechanism has been established to avoid this problem.

## EQ 9 - Cross-cutting issues

<b>Do the EU PSD interventions show concern for cross cutting issues such as promoting women led enterprises, ensuring acceptable working conditions notably for women, protecting the environment and promoting better governance practices?</b>	
9.2	CCI are taken into account in the PSD strategy and by programmes in Zambia
9.2.1	<i>The CSP explicitly refers to CCI (which ones?)</i>
<p>Although the CSP 2001-2007 mentions that the EC co-operation policy establishes that “systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: genders issues, environmental issues and institutional development and capacity building”, there is no mention of such issues in the support strategy to Zambia or of how these CCI will or can be mainstreamed in the proposed sectors of intervention. As shown in indicators 9.2.2 to 9.2.4, CCI are not included in PSD programmes.</p> <p>On the contrary, the CSP refers to the government approach to some cross-cuttings issues. For instance, the government has published in 1999 a white paper concerning <b>democracy, human rights and good governance</b> (National Capacity Building Programme for Good Governance). The GOZ also presented a National <b>Gender</b> Policy in 2000, the vision of this policy is “to achieve full participation of women and men in the development process at all levels, in order to ensure sustainable development and attainment of equality and equity between sexes”. Finally, the government has a National <b>Environment</b> Action Plan that has made Environmental Impact Assessments obligatory in most development activities.</p>	
9.2.2	<i>Project/programme documents explicitly refer to CCI (which ones)</i>
<p>Only in two PSD programmes there is some mention of CCI:</p> <p><b>EDP:</b> The FA states that “In the clothing industry, due to the shrinking of the industry, a high number of middle aged tailors have joined clothing factories. The project wants to promote the employment of young women instead. Under the project, participant will have access to credit and technology, which are the usual major constraints for women.”</p> <p><b>MSDP:</b> “Gender participation has already been clearly demonstrated by the active role that the Association of Zambian Women in Mining has played in the preparation of the project. The gender issue will be closely monitored throughout the project.”</p>	
9.2.3	<i>Internal Monitoring system takes into account CCI. For example, for gender the number of women led enterprises monitored, proportion of (micro) credits granted to woman, share of women in the labour force, etc.</i>
<p>Only the <b>MSDP</b> refers to CCI in its monitoring system. Target indicators include “40 NTMs with good corporate governance”, “10 NTMs with environmental plan”, “3 associations have good corporate governance”. The <b>EDP</b> has no indicators to track women employability of the programme in spite of the aim of “promoting the employment of young women”, as stated above in 9.2.2.</p>	
9.2.4	<i>Evidence of the effective implementation of cross-cutting issues</i>
No evidence available.	
9.3	A CCI is treated through a specific project or programme in the frame of the PSD support in Zambia rather than as an horizontal issue
9.3.1	<i>Examples of projects or programmes that focus on one of the CCI</i>
No example available.	

## Annex 7 - Country snapshot

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### Country Fiche: Zambia

- Economic and Social Indicators
  - Current
  - Historical Evolution
- Business Environment
- Relation with the EU

1

## Zambia at a Glance

**Region:** Middle East & North Africa  
**Income Group:** Lower middle income

### Demographics / Social (2003)

Population	10m
GNI / Capita	380
Poverty rate	73%
Life expectancy	37 years
Urbanization rate	36%
Literacy rate (age 15+)	80%
Primary enrollment (% of school age)	79%
Adult population (15-49y) affected with HIV	20%

### Key economic ratios (2003)

GDP (USD Billions)	\$4
Gross domestic investment (% GDP)	16%
Export of goods and services (% GDP)	31%
Import of goods and services (% GDP)	42%
Current account balance (% GDP)	-15%

### Structure of the Economy (2003)

Production per sector	
Agriculture (% GDP)	19%
Industry (other) (% GDP)	30%
Manufacturing (% GDP)	11%
Services (% GDP)	51%

### Structure of Trade (2003)

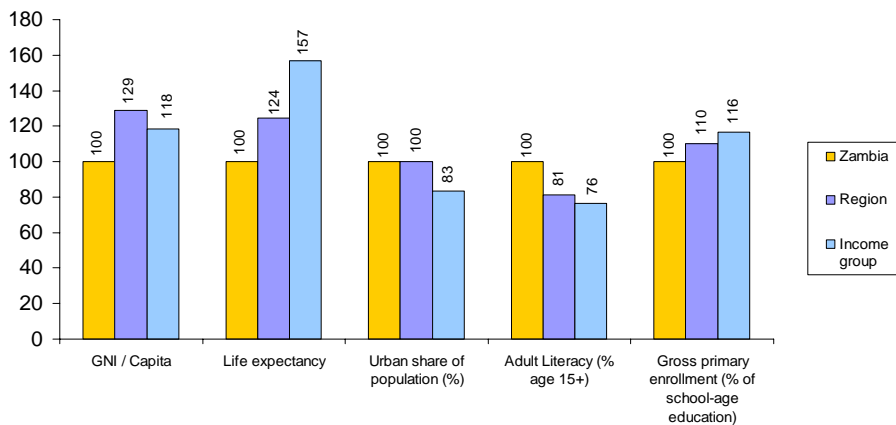
Exports (USD Billions)	1
Copper (% export)	54%
Manufactures (% export)	28%
Cobalt (% export)	6%
Imports (USD Billions)	2
Capital Goods (% import)	35%
Fuel and energy (% import)	14%
Food (% import)	1%

2

Source: Zambia at a Glance (World Bank, 2004)

## Demographic and Social Comparison

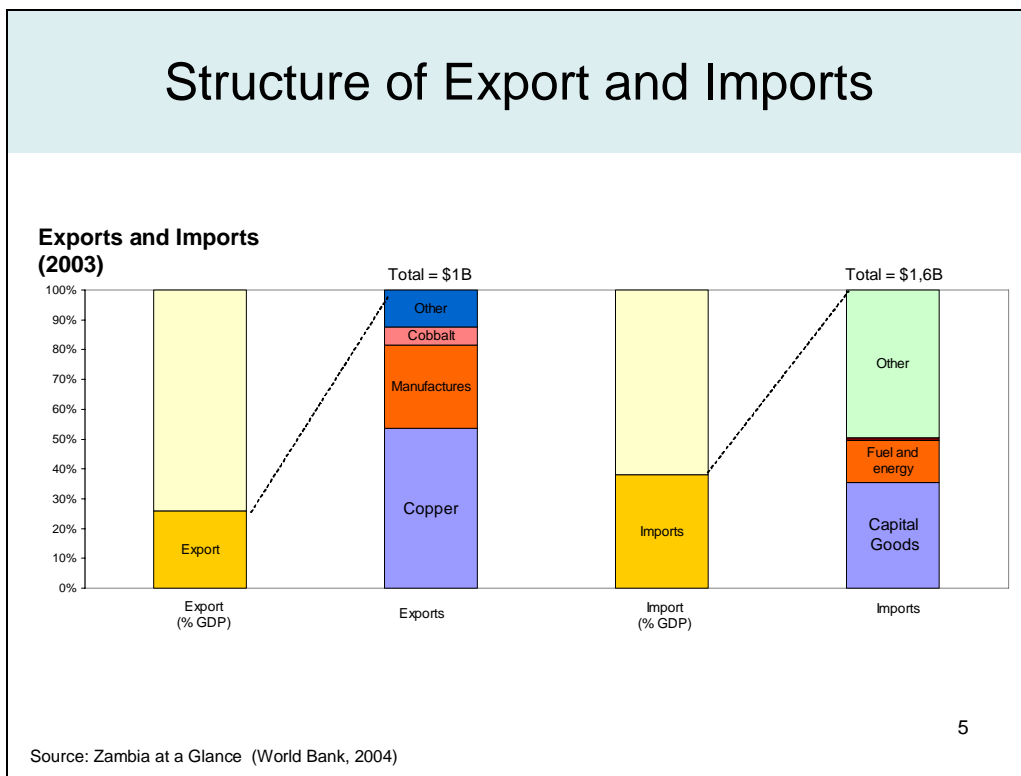
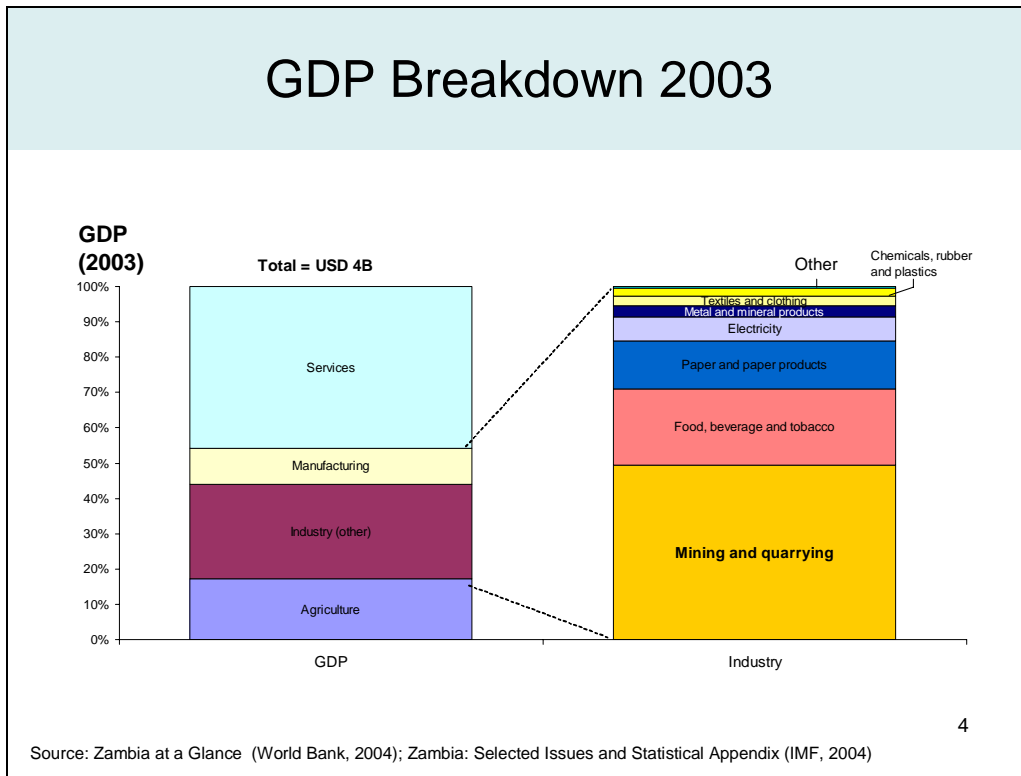
Demographic & Social comparison  
(2003, index Zambia = 100)



**Zambia: (real)**      \$380      \$37 years      36%      80%      79%

3

Source: Zambia at a Glance (World Bank, 2004)

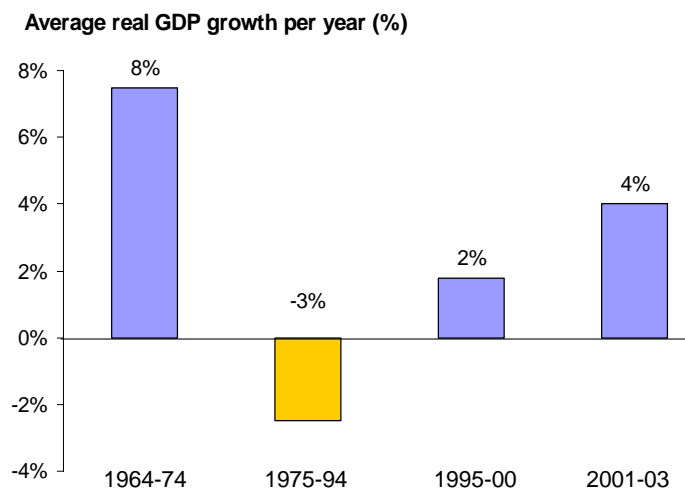


## Country Fiche: Zambia

- Economic and Social Indicators
  - Current
  - Historical Evolution
- Business Environment
- Relation with the EU

6

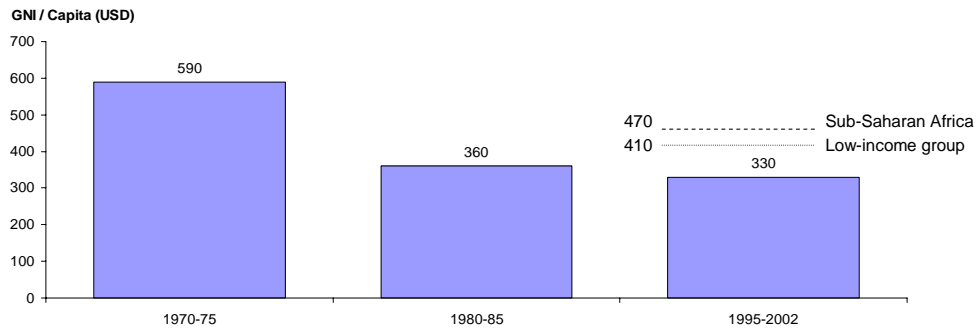
## Negative growth from 1975 to 1994, followed by recovery



Source: Zambia: Selected Issues and Statistical Appendix (IMF, 2004)

7

## Low Growth has been accompanied by decline in real income



Source: Zambia Country Assessment Strategy (World Bank, 2004)

8

## Poor economic performance has been caused by External shocks and internal mismanagement

### External shocks

- Decline in copper price
- Oil price shock
- Frequency occurrence of drought

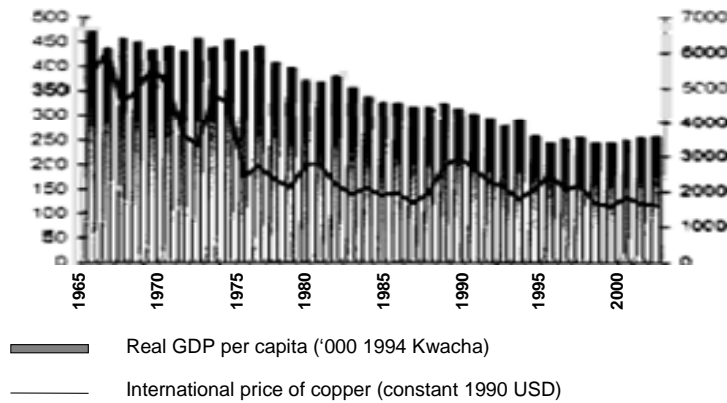
### Internal Mismanagement

- Lack of diversification away from copper
- High external borrowings without structural reforms
- Exchange rate and trade controls

9

## Strong correlation between the price of copper and GDP / capita

Evolution of GDP/capita and copper price

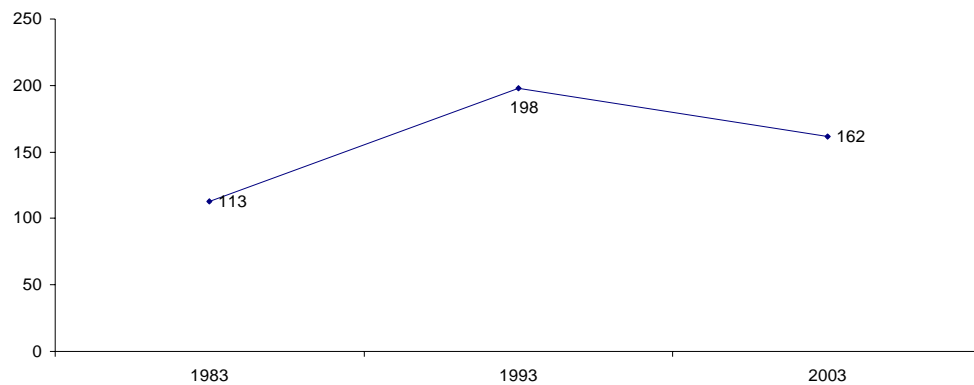


Source: Zambia Country Assessment Strategy (World Bank, 2004)

10

## Internal Mismangement includes high levels of borrowings

Total debt (% GDP)

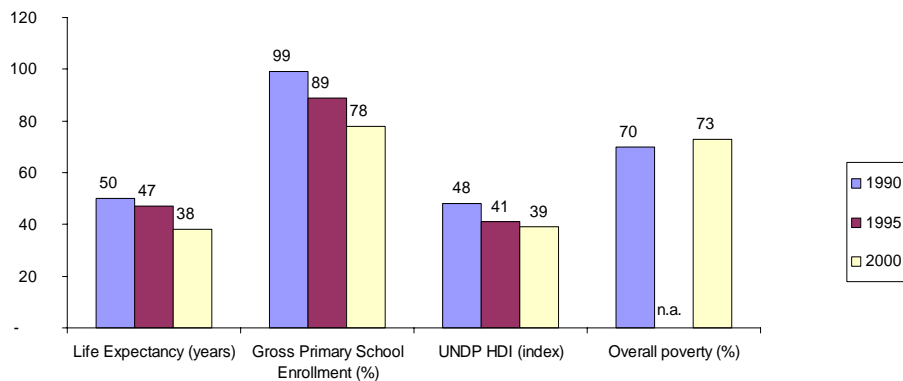


Source: Zambia at a Glance (World Bank, 2004)

11



## Lack of growth reflected in decline human welfare indicators



Source: Zambia Country Assessment Strategy (World Bank, 2004)

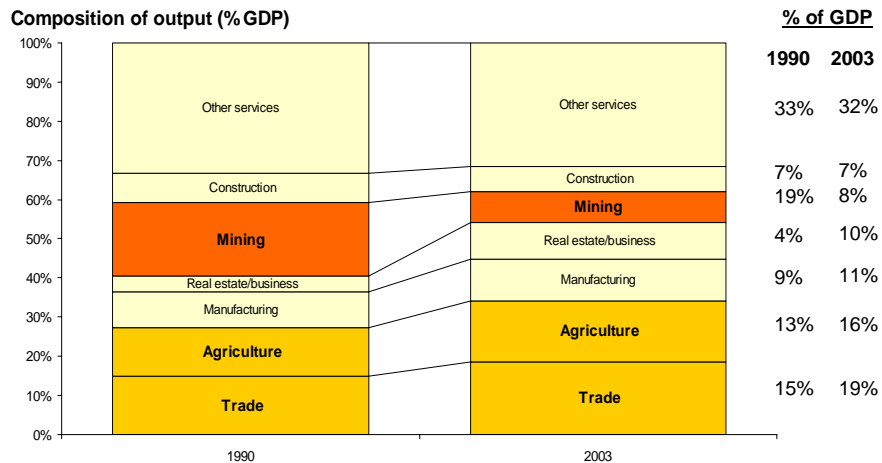
12

## Since 1990, the new government significantly reformed the economy

- Price control elimination
- Liberalization of exchange rates and interest rates
- Simplification of tariff structure
- Removal of trade quotas
- Privatisation
  - Copper mining sector
  - 260 other state-owned enterprises

13

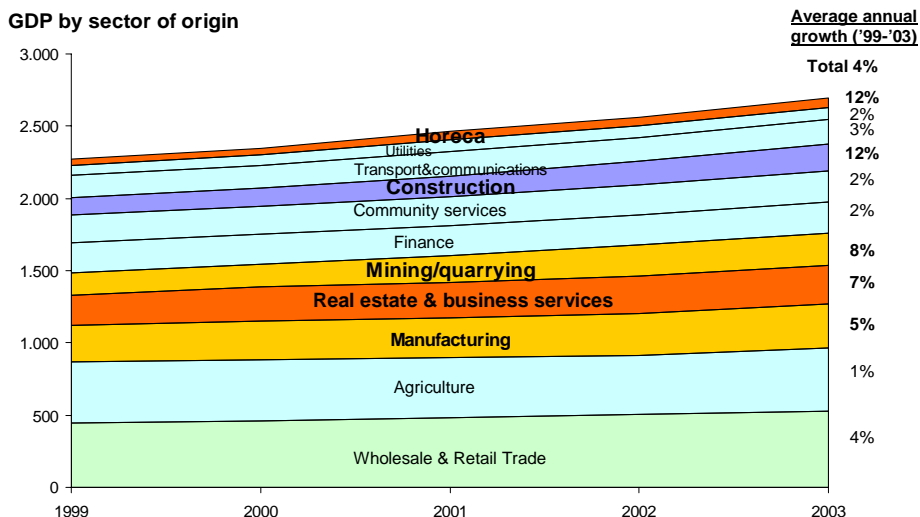
## A key change since 1990s is the diversification away from copper



Source: Zambia: Selected Issues and Statistical Appendix (IMF, 2004)

14

## 3 key sectors of growth since 1999: Services, Industry & Construction



Note: High growth in agriculture in 2003

Source: Zambia: Selected Issues and Statistical Appendix (IMF, 2004)

## 2 major constraints for future growth: macro-economic stabilisation and the public sector

### Macro-economics Stabilisation

- Heavy debt
- Budget deficit > 5% of GDP
- Inflation > 15%
- Real interest rate > 10%

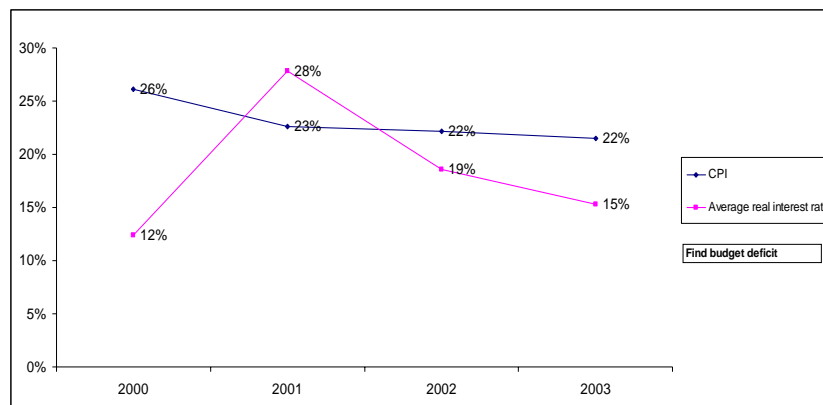
### Public Sector

- Weak institutional capacity
- Inefficient public spending

Source: Zambia Country Assessment Strategy (World Bank, 2004)

16

## Unbalanced macro-economic environment is a major constraint for growth

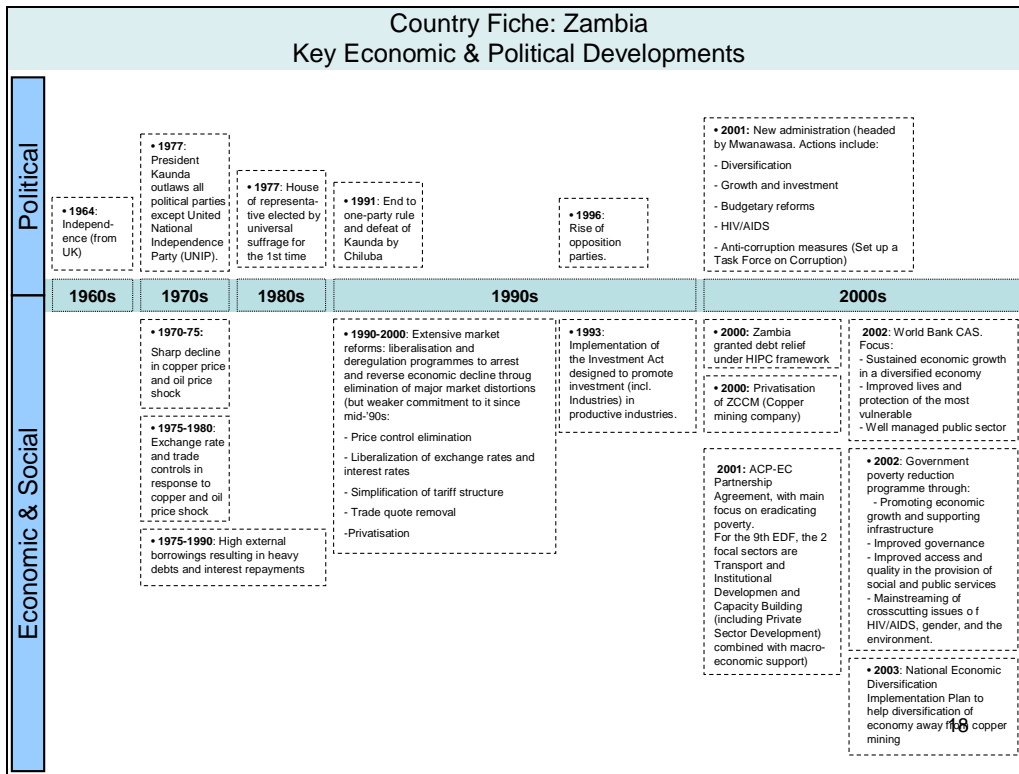


« The level of interest rates obviously hampers expansion of investment and affordable access to credit for working capital, putting the current recovery and diversification away from copper into jeopardy »

Source: Zambia: Selected Issues and Statistical Appendix (IMF, 2004)

World Bank, 2004

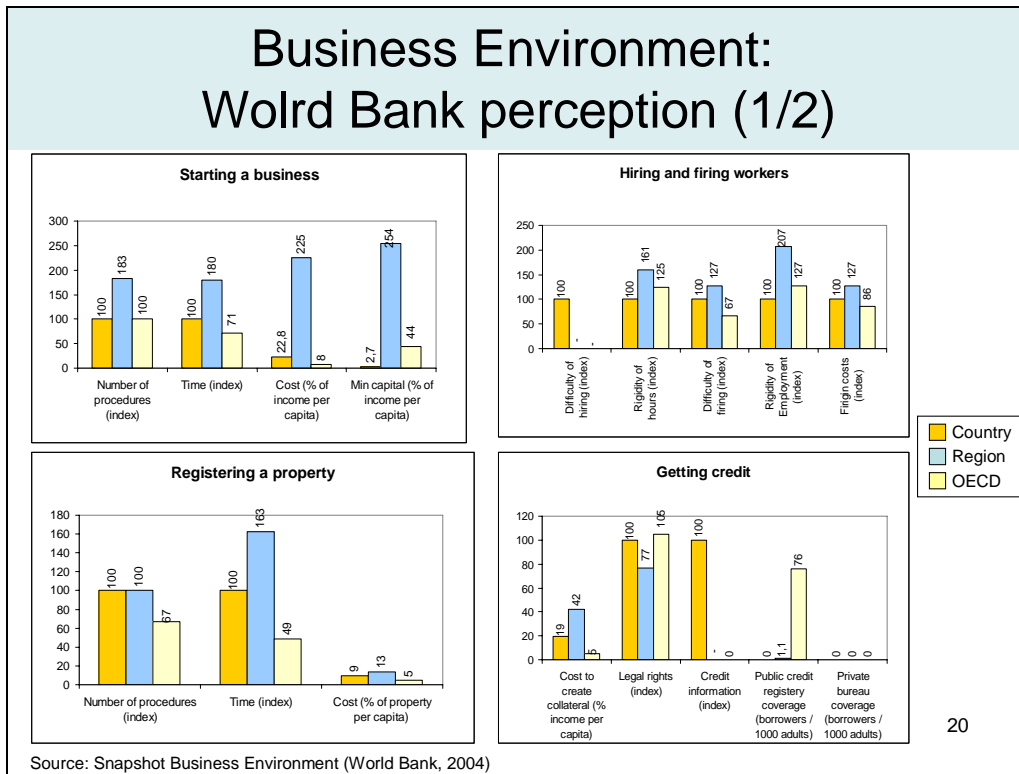
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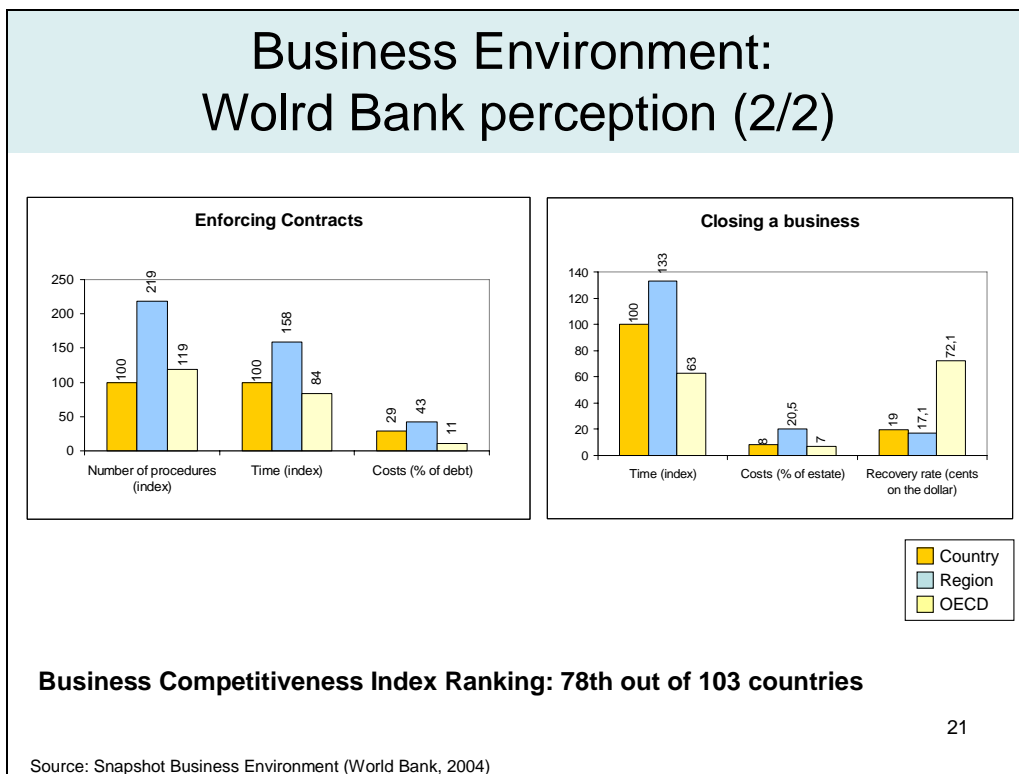
**Country Fiche: Zambia**

- Economic and Social Indicators
  - Current
  - Historical Evolution
- Business Environment
- Relation with the EU

19



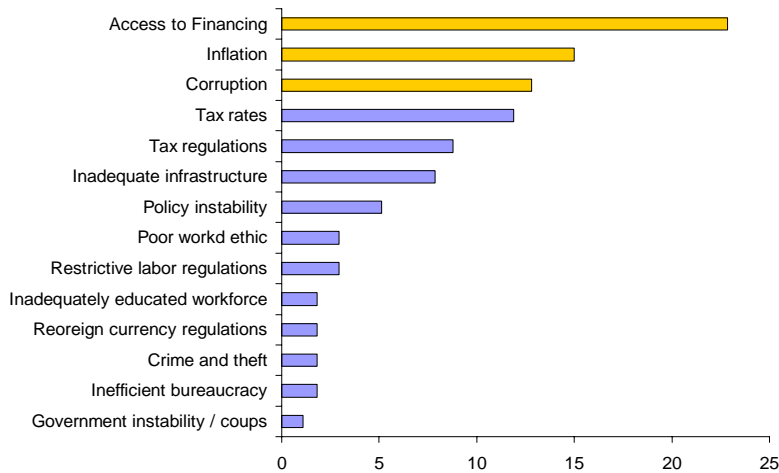
20



21

## Business leaders see access to finance, inflation and corruption as key obstacles to do business

### The most problematic Factors for Doing Business

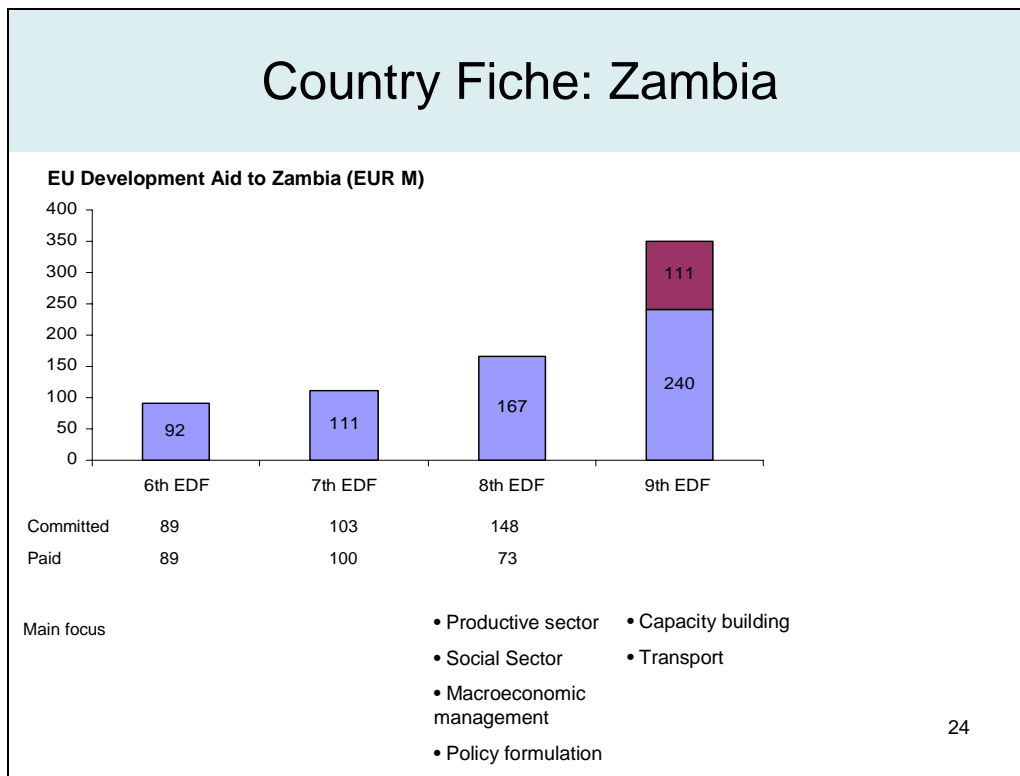


Note: From a list of 14 factors, respondents were asked to select the five most problematic for doing business in their countries and to rank them from 1 (most problematic) to 5. The bars in the figure show the response weighted according to their rankings.

Source: The Global Competitiveness Report 2004-2005 (World Economic Forum)

## Country Fiche: Zambia

- Economic and Social Indicators
  - Current
  - Historical Evolution
- Business Environment
  - Relation with the EU







**Annex 7**  
**Country Note Jamaica**



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## List of Acronyms

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BDS	Business Development Services
CCI	Cross Cutting Issues
CDE	Centre for the Development of the Enterprise
CEC	Commission of the European Communities
CIDA	Canadian International Development Agency
CMU	Coordinating & Monitoring Unit
CRIS	Common RELEX Information System
DAC	Development Assistance Committee
DFID	Department for International Development
EBAS	Europe-ACP Business Assistance Scheme
EC	European Community
EDF	European Development Fund
EMBJ	Eagle Merchant Bank of Jamaica
EPA	Economic Partnership Agreement
ETA	External Technical Assistance
EU	European Union
FAO	Food and Agricultural Organization
FTAA	Free Trade of the Americas Agreement
GOJ	Government of Jamaica
GON	Government of the Netherlands
IDB	Inter American Development Bank
IDP	International Development Partners
IFC	International Financial Corporation
IMF	International Monetary Fund
IO	Intermediate Organisations
JBDC	Jamaica Business Development Centre
JEA	Jamaica Exporter Association
JICA	Japanese International Cooperation Agency
JMA	Jamaican Manufactures Association
MDG	Millennium development Goals

MELP	Micro Enterprise Loan Programme (Credit Scheme)
MIDA	Micro Investment Development Agency
MIS	Monitoring and Implementation System
MSE	Micro and Small Enterprises
MTF	Medium Term Framework
MTSEPF	Medium Term Socio-Economic Policy Framework
NPEP	National Poverty Eradication Programme
ODA	Overseas Development Aid
PCI	Participating Credit Institutions (Credit Scheme)
PIOJ	Planning Institute of Jamaica
PMU	Programme Management Unit
PSD	Private Sector Development
PSDP	Private Sector Development Programme
PSO	Private Sector Organisation
PSOJ	Private Sector Organisation of Jamaica
REER	Real Effective Exchange Rate
SBLP	Small Business Loan Programme (Credit Scheme)
SMEs	Small and Medium Enterprises
TA	Technical Assistance
TDB	Trafalgar Development Bank
TDP	Trade Development Project
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
WB	World Bank
WTO	World Trade Organization

# 1. Introduction

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## 1.1 Mandate

The 2003 evaluation plan of the EuropeAid Cooperation Office provided for the Evaluation Unit to undertake an evaluation of European Community (EC) Support to Private Sector Development (PSD) in third countries. The aim of this sector-based evaluation is to contribute to improving the coherence of the Commission's sector-based approach through an assessment of the EC co-operation activities in PSD in the context of the objectives of the various national and regional co-operation and development programmes. It also aims at enhancing coherence between objectives in private sector development support and the European Union's (EU) other policy objectives.

## 1.2 Background

The evaluation is being carried out in two separate phases. Between October 2003 and June 2004, a **Desk Evaluation** of the 'European Community Support to Private Sector Development in Third Countries' over the period 1994-2003 was carried out. This desk evaluation was based on an analysis of documents collected in Brussels and complemented by interviews with Commission officials and a questionnaire sent to a sample of Delegations. The evaluation's final report presented a set of Evaluation Questions, evidence in support of a response for each of these questions, a thorough analysis of this evidence and preliminary conclusions and recommendations.

The "desk" approach was confronted with certain limitations: strategic and policy aspects could be well covered through documentation analysis and interviews in Brussels, but more specific aspects regarding implementation and impact of projects and programmes were difficult to assess without field missions. For this reason, the Evaluation Unit of EuropeAid requested ADE to complement the Desk Evaluation by a Field and Synthesis Phase.

The **Field and Synthesis Phase** of the evaluation basically entails, first, adjusting the methodology to the new tasks; second, complementing the information base mainly through five country studies; third, integrating these new findings with those from the Desk Evaluation; and finally, analysing this information base to reach an overall assessment of EC support for private sector development in third countries.

## 1.3 The role of country studies

Country studies offer value added as they allow a better understanding of how Community support to PSD is implemented in the field. Country studies were carried out through a detailed analysis of country- and programme-related documents and complemented with a field mission. **The aim was to collect information that will contribute to answering the Evaluation Questions at the global (not-country specific) level** and not to carry out a sector-based evaluation at country level.

The countries analysed were selected through discussions with the Reference Group. It was agreed that five countries from four cooperation programmes would be included: two ACP countries (Zambia and Jamaica), one MEDA country (Morocco), one Asian country (Vietnam), and one Latin-American country (Mexico). **Jamaica** was chosen given first the fact that Private Sector Development is one of the two focal sectors of Community cooperation; second, the (potential) links between the different sectors of intervention (PSD and transport); and third, the different instruments used (projects and budget support). In addition, Jamaica is a dynamic economy and the government vision is one of “an efficient, globally competitive and growing economy, creating jobs for a vibrant healthy and educated population, caring for its environment in a just, secure and equitable society”. It recognises that for this vision to be attained, medium term imperatives must focus on the resumption and acceleration of private-sector-led growth as a basis for employment creation and improvement in living standards and reducing poverty. Finally, several donors are active in Jamaica and coordination is gaining momentum. For all these reasons it was considered that Jamaica constituted an interesting case by which to analyse and illustrate different aspects of Community support to private sector development.

#### 1.4 Purpose and Contents of the Country Note

The purpose of this Country Note is to provide a summary of the main findings of the country study. It is important to note that the report is of descriptive nature: it is limited to presenting the information collected and it does not attempt to analyse it or to reach judgments based on these findings. While the report contains a section on conclusions, these are not assessments or recommendations, which will instead be proposed at a later stage of the evaluation and at a global level. In addition, the required limit on the length of the report implies a focus on key findings only. Country notes will be published as annexes to the final report of the global evaluation.

**Section 1** introduces this Country Note and gives the general background to the country study. **Section 2** presents data collection methods and its limits. **Section 3** presents the country context: it describes the main features of the country, its economic, social and political context, main government policies, and Community cooperation as well as a view of other donors’ interventions in the sector. **Section 4** presents key findings for each of the nine Evaluation Questions. These findings are at criteria level and based on a more detailed matrix (presented in Annex 6) where information is presented at indicator level (see Section 2 on Data Collection Methods). **Section 5** presents the main conclusions derived from the country study. These conclusions will help with the structuring of the analysis stage of the evaluation.



## 2. Data collection methods

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### 2.1 Data collection tools

During the Desk Evaluation the team proposed a set of **Evaluation Questions** reflecting the main issues to be analysed. These questions relate to one or other of the Development Assistance Committee (DAC) evaluation criteria, to the 3Cs or to cross-cutting issues. For each of these evaluation questions, at least one Judgement Criterion was proposed and for each criterion, several indicators were proposed. The questions were discussed with the Reference Group and were validated by the Evaluation Unit of EuropeAid. Evaluation Questions help focus the evaluation process and structure the analysis. They help to reach an overall assessment in a more objective and transparent way as judgement criteria (the way the Questions will be treated) are announced in advance. Further, the list of indicators constitutes a basic “check list” for collecting information on the field and at headquarters, making possible an effective and focused collection of information.

The tables comprising Evaluations Questions, Judgement Criteria and Indicators, already completed with information collected for Jamaica, are presented in **Annex 6**. A shorter version of these tables comprising only Evaluations Questions and Judgement Criteria is presented in **Section 4** of this Country Note. The answer to whether or not the criterion is met is based exclusively on the information at indicator level in Annex 6. Only Question, Criteria and Indicators that are relevant to Jamaica are presented in this Country Note.

To further organize the information, the team produced **Programme Sheets** presenting basic information for each of the programmes analyzed. These Programme Sheets are presented in Annex 5. They serve as a background to Evaluation Question Grids where the team has avoided including long descriptions of the programmes implemented.

### 2.2 Data collection before the mission

For the overall evaluation, information was already gathered in Brussels during the Desk Evaluation. The Commission’s strategy documents were reviewed; EC programmes relating to the private sector were identified, notably for Jamaica, using the Common RELEX Information System (CRIS). Finally, Commission officials involved in private sector support were interviewed to complete this information. For the country study, specific information was collected before the mission regarding both the country and Community interventions in support of PSD. Based on the complete set of information, the team started to complete Programme Sheets and Evaluation Question grids in advance of the missions.

### 2.3 Data collection during the mission

The evaluation team conducted structured interviews with the Commission Delegation, local authorities, programme management units, intermediate organisations and beneficiaries. The evaluation team also analysed more precisely a set of PSD programmes

which is supposed to constitute a representative sample of the EC's PSD interventions in Jamaica (see Annexes 4 to 6). On the basis of the information collected, the team finalized the Evaluation Question grids for Jamaica.

## 3. Brief description of the context

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### 3.1 Political, economic and social context

Jamaica is a small island country in the Caribbean region, with a land area of 11,000 km<sup>2</sup> and a population of 2.6 million inhabitants. Jamaica, since its independence in 1962, has been a stable democracy. Two-party competition has become institutionalized, with the People's National Party (PNP) - formed by Norman Manley in 1938 - and the Jamaica Labour Party (JLP) - formed by Alexander Bustamante in 1942 - alternating in power roughly once every ten years over the past three decades. According to the World Bank<sup>1</sup>, Jamaica compares well overall on many governance indicators, such as formal traditions of democratic participation and accountability, political participation (turnover is about two-thirds at elections), free and active media, and a variety of civic, professional and labour groups and other non-governmental organizations.

Jamaica ranks 79<sup>th</sup> on the United Nations Development Programme (UNDP) Human Development Index<sup>2</sup>. The index for Jamaica in 2004 is 0.764, showing a positive evolution since 1975, when the index was 0.687. In spite of Jamaica's disappointing record of economic growth (see below), many of the country's social indicators are good and recent trends indicate that poverty is declining. Table 1 in Annex 7 shows Jamaica's basic social indicators.

After a period of economic prosperity in the 1950s and 1960s, Jamaica has overall produced disappointing results in economic and social terms over the last three decades. In 1977 Jamaica entered into an economic stabilisation agreement with the International Monetary Fund (IMF) and reforms have continued since. In particular, in the early 1990s Jamaica made considerable progress in its fiscal affairs, implementing a tight fiscal policy as part of the **overall macroeconomic strategy** of stabilizing the economy and stimulating economic growth. Yet during the 1990s, average annual growth rate was only 0.3%. From 1990/91 to 1995/96 the government ran a fiscal surplus and a significant primary surplus which together with Paris Club and bilateral debt restructurings reduced the ratio of debt to GDP from 138.3% in 1990/91 to 85.9% in 1995/96. As the fiscal and primary surpluses have declined in recent years, the debt to GDP ratio has increased to 148% in 2002/03, one of the highest on the world. Being classified by the World Bank as a lower-middle-income country with a GNI of US\$2,980<sup>3</sup>, Jamaica does not qualify for debt reduction through the HIPC initiative.

According to several sources, Jamaica compares well on **public fiscal management**, although weaknesses have been pointed out. It is also considered to have a sound legal and

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<sup>1</sup> World Bank (2000), Country Assistance Strategy.

<sup>2</sup> United Nations Development Programme (2004), Human Development Report.

<sup>3</sup> World Bank (2005), World Development Indicators database, April 2005.

institutional framework for fiscal management, with two studies ranking Jamaica as the best or second best in the region in terms of its fiscal institutions<sup>4</sup>.

As regards the **privatization agenda**, the government has made progress but the government still has substantial holdings in some enterprises, including Air Jamaica, mining companies, the power company and the sugar industry. There are also a number of small public enterprises in the agriculture and tourism sectors.

Jamaica is a very open economy, with few trade barriers. **Trade reforms** accelerated from 1991 onwards, along with the introduction of capital account convertibility. Jamaica also undertook significant tariff reform after 1991 which reduced the average tariff from 20.3% to 8.9% in 2002. In 1991 it eliminated all quantitative restrictions and licensing requirements for exports and imports. According to the World Bank (2004, page 156), Jamaica is considered as a “globalizer”, meaning that it is in the top one-third of a group of 72 developing countries in terms of their increase in trade relative to GDP between 1975-79 and 1995-97. Jamaica participates in World Trade Organization (WTO), Free Trade of the Americas Agreement (FTAA) and Economic Partnership Agreement (EPA) trade negotiations as shown in Box 1 in Annex 7.

Jamaica’s **lack of growth**, in spite of its fiscal and trade policies, is often explained by the financial crisis of mid-1990s; the poor external climate; as well as the appreciation of the real exchange rate and the increase in real wages which reduced its competitive position during the 1990s. The **financial crisis** was solved by the replacement of the financial institutions’ bad lending with government debt, which worsened dramatically Jamaica’s fiscal and debt position from the mid-1990s. As a consequence, the ratio of debt to GDP increased to about 150% of GDP, one of the highest in the world, which entailed significant increases in short-term risks and interest rates, deterioration in access to external markets and pressure on the exchange rate. Further, a primary surplus of about 10% is needed just to sustain this high ratio of debt to GDP; any fiscal slippage would lead to an increase of the debt-to-GDP ratio. Developments in the last decade show a deterioration of the fiscal situation, especially in the first part of the decade, followed by an improvement and then a slight decline in the last years as shown in Graph 1 in Annex 7.

In spite of these developments, social indicators have improved and Jamaica is likely to meet several **Millennium Development Goals** (MDG). A National Report prepared by the Planning Institute of Jamaica notes that, based on the World Bank’s classification, Jamaica is a “country in green”, indicating that sufficient progress was made in the 1990s to attain the target values by 2015. Jamaica is likely to meet the goals on poverty and under-5 malnutrition, universal primary education, and access to safe drinking water, although it is unlikely to meet the targets on child and maternal mortality. Also HIV/AIDS has been spreading, with youth being particularly vulnerable<sup>5</sup>.

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<sup>4</sup> World Bank (2004) quotes studies by Alesina et al (1996), Stein et al (1998) and World Bank’s 2001 Country Financial Accountability Assessment.

<sup>5</sup> Source: GOJ (2004), Medium Term Socioeconomic Policy Framework and World Bank (2004), Jamaica: Road to Sustained Growth.

Particularly interesting is the fact that **poverty declined significantly** during the 1990s (from about 28.4 in 1990 to 16.8 in 2000) in spite of disappointing economic performance. This phenomenon is often explained<sup>6</sup> by: (i) underestimation of GDP due to the increase in the informal economy (measured among other things by the increase in currency use); (ii) a reduction of the relative price of food (caused by increased imports); (iii) a reduction of inflation rates (which affects more the poor) from 25-30% to slightly less than 10%; (iv) an increase in real wages; and (v) an increase in remittances. However, it is expected that most of these factors will no longer play such an important role in the future and that further reductions in poverty will therefore require sustained growth. Further, international experience shows that the elasticity of poverty with respect to GDP is inversely correlated with GDP growth. Indeed in Jamaica poverty reduction has stagnated since the late 1990s.

An additional fact in the case of Jamaica is the **high migration rate** (about 80% of tertiary graduates), to which low employment prospects and high crime rates (see next section) contribute. The counterpart to high migration is the **high level of remittances**, which amount to about 18% of GDP. Remittances are a significant part of the coping strategy of the poor and may be a significant factor in reducing vulnerability, but its contribution to the sharp fall in poverty after 1995 is less clear.

### 3.2 Private Sector in Jamaica

Jamaica has a well developed and dynamic private sector benefiting from a positive enabling environment for business establishment and operation. Jamaica ranks high in international comparisons of its regulatory framework; labour regulations are not perceived as too onerous (the labour regulation index for Jamaica is 2 on an index from 0-6, where 6 is the highest level of regulation) and major steps have been taken by the Government to improve the framework for competition. Further, according to cross-country surveys, Jamaica has relatively strong democratic traditions and institutions, a high quality civil service and a good regulatory framework.

However, the private sector's potential competitiveness has been hampered by a number of macro-economic, institutional and regulatory constraints which have reduced the efficiency of, and incentives for, private investment. These constraints include:

- the high cost of capital - due to the high interest rates on treasury bills,
- high real wages,
- the high real exchange rate,
- the direct and indirect cost of crime and security,
- inadequate infrastructure (water, transport, power supply),and
- the high rate of migration of qualified workers.

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<sup>6</sup> Source: World Bank (2004), Jamaica: Road to Sustained Growth.

This is confirmed by several analyses. In particular, a competitiveness survey conducted in 2001<sup>7</sup> shows mixed results in terms of meeting international best practice in terms of efficiency and productivity. Results from this analysis confirm those of another survey carried out in 1997. In summary, surveys of firms show that firm competitiveness is negatively affected by: (i) real exchange rate volatility; (ii) rising labour costs in excess of productivity improvements; (iii) finance costs (for smaller firms); (iv) access to inputs; and (v) crime. Crime and access to finance are two subjects of particular significance in Jamaica.

### **The cost of Crime**

Jamaica is amongst the most violent countries in the world. Crime has a negative impact on the economy due to: (i) medical expenses incurred on crime-related injuries by Government and the private sector; (ii) loss of output arising from death and injury; (iii) cost of security provision by public and private entities; (iv) direct business losses of firms arising from such crime as extortion, fraud, theft and looting; and (v) other costs, such as the high risk of shut-down of firms, reduced working hours and impact on investment and expansion intentions. Total public expenditure on crime control is nearly 4 percent of GDP while private expenditure on security is calculated on 1.3% of revenue. Box 1 in Annex 7 shows some striking results of a business victimization survey revealing the high costs that firms face.

### **Access to Finance**

Two factors seem to explain the high cost of finance in Jamaica. As mentioned in the previous section Jamaica's financial crisis of the mid-1990s was solved by the replacement of the financial institutions' bad lending with government debt, significantly increasing government domestic lending and therefore pushing up interest rates. This factor is reinforced by the fact that, as in many countries, banks consider it too risky to lend to smaller firms and therefore charge higher interest rates and apply stricter capital requirements than for bigger firms. Box 2 in Annex 7 shows a summary of the findings of a World Bank study which includes a suggestion on how to help banks to better assess the risks of lending to small enterprises.

## **3.3 Government Policies**

Jamaica's current National Development Strategy is based on the Government's Medium Term Socio-Economic Policy Framework (MTSEPF) 2004-2007. The MTSEPF builds both on the overarching policy framework established in the 1996 National Industrial Policy (NIP) - which was designed to provide a systematic and comprehensive approach to development - and on the 2000 Medium-Term Strategy. The MTS presents the government of Jamaica's (GOJ) vision for "an efficient, globally competitive and growing economy, creating jobs for a vibrant healthy and educated population, caring for its environment in a just, secure and equitable society". It also recognises that for this vision to be attained, medium-term imperatives must focus on the resumption and acceleration of economic growth as a basis for employment creation, an improvement in living standards and a reduction of poverty. The MTS present a development strategy based on four components:

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<sup>7</sup> World bank (2004), Jamaica: The Road to Sustained Growth

- restoring Economic Growth (which includes Strengthening the framework for private investment) ;
- protecting the Poor and Ensuring Inclusion ;
- improving Governance, Efficiency and Effectiveness in the Public Sector ;
- ensuring Sustainable Development.

The MTSEPF confirms this policy orientation and provides a medium-term comprehensive approach to development for the country. It presents GOJ's development priorities and the relationship between the overall strategy and government's public expenditure programme as reflected in the medium term public sector investment programme.

Regarding **private sector development**, the government is continuing to disengage from productive activities and to focus on its role of policy maker, regulator and enabler so as to create a stable macro-economic environment providing for competitive levels of key relative prices and thus lowering the cost of doing business in Jamaica. Therefore, its strategy includes provision for:

- a stable macro economic framework;
- a positive enabling environment;
- a competitive Real Effective Exchange Rate (REER); and
- improving the operating environment with respect to the availability of appropriately skilled manpower and reliable and cost-effective infrastructure.

The first two elements are to be achieved through a comprehensive macro-economic framework based on a monetary and exchange rate policy aimed at maintaining a stable environment, inflation rates converging on those of Jamaica's main trading partners, and a fiscal policy aiming at a balanced budget in 2005/06, recalling that to stabilize the debt at current ratios a primary surplus of 10% is needed. A freeze on civil service recruitment, negotiation of reductions in real wages and salaries, and possibly tax reform are all also on the agenda.

The second two elements of the strategy are to be achieved through specific measures including:

- Measures to attain a competitive REER. The GOJ recognizes the importance of the REER for the competitiveness of Jamaica's export-oriented productive sector but also notes the trade-off implied: while a decrease in REER favours competitiveness, it also increases foreign public debt. Therefore it proposes improving competitiveness through non-price channels, such as improvements to infrastructure, continued modernization of the public sector, reduction of bureaucracy and the continued reform of the education system.
- The implementation of a national crime plan to reduce the direct and indirect costs of crime and security.

- Provision of Training and Technical Assistance. GOJ intends to continue its policies of providing training and technical assistance to the productive sectors within the limits of budgetary constraints and with the general aim of upgrading management and enhancing quality of production. It also aims to encourage wider private sector ownership to enhance the effectiveness of those programmes and highlights the role of International Development Partners (IDP), particularly through the support provided to promotional agencies such as JAMPRO.

### 3.4 EC support to Jamaica

EC support to Jamaica has included interventions to contribute to private sector development funded through the European Development Fund (EDF), particular budget lines from the European Commission's budget; and the European Investment Bank (EIB). Table 2 in Annex 7 presents a summary of Community support to Jamaica.

Under the 8<sup>th</sup> EDF, EC support (€m60) focused on:

- *Poverty alleviation* (65% of total resources), to be implemented through: a microproject programme; funding to the Jamaican Investment Fund with emphasis on health and education; a rural water supply programme; continuation of a urban and rural health programme; support for drug control; and **Small and Medium Enterprise (SME) support through the Trade Development Programme** (€m6).
- *Infrastructure development* (25% of total resources) to contribute to improvements in basic infrastructure (roads and water), which includes: the North Coast Highway Improvement project and the Savannah-La-Mar waste water project.
- *Other areas*, including support to the Democratic Reform Process; the International Centre for Environmental and Nuclear Sciences; and drug control coordination and cooperation in the Caribbean.

EC's indicative programme under the 9<sup>th</sup> EDF (for €m100) focuses on:

- *Macroeconomic Support* (€m30) to assist the macro-economic reform programme, while targeting social sector performance in terms of education, health and social safety net improvements.
- **Private Sector Development** (€m20), involving implementation of a business support programme (Private Sector Development Programme or PSDP) to assist companies in designing and implementing restructuring programmes and improving competitiveness.
- *Transport* (€m30). The sector-based support programme for the road sub-sector is aimed at improving sustained road maintenance by supporting the Ministry of Transport in the implementation of a road maintenance strategy, and by improving its capability to operate an effective road maintenance programme.
- *Poverty alleviation programme* (non-focal - €m10) to support institutional strengthening through decentralised implementation but also including studies to facilitate implementation of the NIP.



Since 1999 Jamaica has benefited from €29.53 million under six Special Frameworks of Assistance (SFA) for Traditional ACP Suppliers of Bananas through the special **Banana Budget Line**. This framework was created in the context of the WTO decision against the European banana regime and of falling banana prices on the world market. In Jamaica the SFA provides annual allocations of funds for financial and technical assistance to promotion of an efficient banana industry able to compete in a liberalised world market on a sustainable basis. The programme has broadened since its inception and now seeks also to promote sustainable development in the traditional banana-growing areas of Jamaica. It is envisaged that 16,000-20,000 rural family members will benefit both directly and indirectly through both the Banana Improvement and the Rural Diversification components of the programme before its completion date in 2009.

Further, Jamaica has had access to “all-country” programmes in support of PSD such as the Europe-ACP Business Assistance Scheme (EBAS) and Pro-Invest, and to projects managed by the Centre for the Development of the Enterprise (CDE). However, Jamaica has not been a strong user of such programmes. Factors explaining this fact include the existence of bilateral programmes that implemented the same type of activities and which were better known by potential beneficiaries.

### 3.5 Other Donors

The **World Bank** Country Assistance Strategy (CAS) for Jamaica (2000-2003) envisages a programme of US\$220 million consisting of a US\$150 million fast-disbursing programme for bank restructuring and debt management and US\$70 million for strengthening social safety net mechanisms and education. Further, improvements in the business environment in Jamaica resulted in increased opportunities for **International Financial Corporation (IFC)** support to the private sector. The IFC has addressed these opportunities both directly and via regional intermediaries: US\$55.8 million in a telecommunications project and US\$45 million for the development of the Montego Bay Airport.

**USAID**'s strategy in Jamaica (2000-2005) includes five objectives with a budget of approximately US\$13.5 million per year: (i) improved business environment for developing the SMME sector, (ii) improved quality of natural resources, (iii) improved reproductive health of youth, (iv) increased literacy and numeracy targeted on Jamaican youth, and (v) improved economic and social conditions in targeted inner city communities. Under the first objective, USAID works with private and public sector partners to render Jamaica's business environment more conducive to investment, and directly assists small firms to become more competitive and profitable. Three intermediate results are foreseen: (i) reduced key business constraints; (ii) improved business skills (and competitiveness) among individual firms, and (iii) increased micro and small enterprise access to private financing.

**UNDP** concentrates its assistance on the major areas of: (i) poverty reduction (ii) governance, (iii) environment, and (iv) ICT for Development. Within the area of poverty reduction and sustainable livelihoods, UNDP has supported a SME Development project with three main components: institutional strengthening (building a supportive technical system for SMEs, including creation of a mobile technical unit for rural areas);

human resource development (development of training packages which are used to train trainers); and networking (fostering different but complementary networks between the SMEs that pool their resources)

**DFID's** strategy aims at the following outcomes: (i) a better macroeconomic and social context for poverty reduction; (ii) improved public services for poorer people; (iii) improved access to education, and improvements in educational equity and quality; (iv) improved livelihoods; (v) better rights for poor people; and (vi) improved justice and personal security. It thus concentrates on the following: public sector reform; education issues; enterprise development through support to the government's effort to create the right environment for private sector development; support to civil society; reform of the penal system and police modernisation.

## 4. Findings

This section presents key findings for each of the Evaluation Questions relevant at country level (questions 2 to 9). Findings have been synthesised at criteria level based on a more detailed matrix (presented in Annex 6) where information is presented at indicator level.

### EQ 2 - Overall design of the strategy

<p><b>Is the CEC PSD strategy in terms of “expected results” well designed to ensure the realisation of the purpose of strengthening the business sector with a view to contribute to the overall objectives of the EC external policy?</b></p> <p><b>A. To what extent is each area of intervention (“expected results”) relevant in terms of contribution to the purpose?</b></p> <p><b>B. Is its success dependent on certain conditions (another expected result or some other ‘external’ factor)? If yes, which ones? Have they been identified in CEC PSD strategy documents?</b></p> <p><b>C. Is the set of fields of actions comprehensive (are some essential fields missing (for example, role of champions)?</b></p> <p><b>D. Is it well structured:</b></p> <ul style="list-style-type: none"> <li><b>i) Are there potential complementarities and synergies between expected results and have they been identified?</b></li> <li><b>ii) Are there possible contradictions between fields and have they been identified?</b></li> <li><b>iii) Should there be a prioritisation?</b></li> </ul>
<p>2B.1 Conditions to reach the expected results exist</p>
<p>The Country Strategy Paper (CSP) 20021-2007 indicates as main assumptions for the support to PSD, the following macroeconomic and institutional elements:</p> <ul style="list-style-type: none"> <li>▪ Exchange rate policy conducive to maintaining competitiveness.</li> <li>▪ Simplification of investment incentive system and reduction in administrative barriers for SMEs.</li> <li>▪ Reform in labour legislation.</li> <li>▪ Stable industrial relations.</li> <li>▪ Sufficient funding available for SME financing through financial markets/banking system;.</li> <li>▪ Affordable interest rates for SME.</li> </ul> <p>The CSP 2002-2007 also describes the policy agenda of the GOJ in terms of its economic, political and social policies (described in Section 3) and assumes that the GOJ will continue on this track. Overall, several written and oral sources have indicated that the GOJ remains committed to implementing those policies although more progress still needs to be made in certain areas, particularly those related to crime, violence and corruption.</p> <p>In summary, as these CSP ‘assumptions’ can be understood as ‘conditions’, it can be said that the conditions for attaining the expected results (of PSD support) do exist and are explicit in the CSP. However, they are formulated in a general manner in that they are not linked to the different programmes being implemented. Programme documents mostly indicate the same type of conditions (or assumptions); i.e. broad assumption. Further, it is not clear whether and how the strategy to support PSD in Jamaica could be adapted if the identified assumptions are not borne out. It should, nonetheless, be compared with</p>

<p>and qualified by the situation in the other focal sector of support, namely transport. As the GOJ has not made sufficient progress in the road sector as was assumed would be the case, the Delegation currently suggests adjusting support to the transport sector in a significant manner.</p>
<p>2D.1 There are potential complementarities and synergies between expected results</p>
<p>Current and past Community support to PSD in Jamaica concentrates at micro- and meso-levels through the <b>Credit Scheme</b> (7<sup>th</sup> and 8<sup>th</sup> EDF), <b>Target Europe</b> (7<sup>th</sup> and 8<sup>th</sup> EDF), <b>Trade Development Project (TDP)</b> (8<sup>th</sup> and 9<sup>th</sup> EDF) and <b>Private Sector Development Programme (PSDP)</b> (9<sup>th</sup> EDF) programmes. Except for the first, programmes have been sequential and quite similar in nature, i.e. focused on the same expected results (non-financial services and support to Intermediate Organisations). Therefore one cannot identify complementarities and synergies between the results expected from these three programmes. The <b>Credit Scheme</b> programme (focused on financial services) runs in parallel to the <b>Target Europe</b> and <b>TDP</b> programmes. The team did not find evidence of intended complementarities or synergies between the programmes. No conflicts were identified either. It is worth noting, nonetheless, that complementarities and synergies between expected results are recognized in an <b>implicit way</b>. Indeed, the three programmes (<b>Target Europe</b>, <b>TDP</b> and <b>PSDP</b>) focusing on non-financial services have multiple components and are implemented at different levels. At micro level they benefit private firms requiring business development services, at meso level they benefit intermediate organisations in their capacity of service providers.</p>
<p>2D.2 Prioritisation of areas of intervention (expected results) leads to a better realisation of the purpose</p>
<p>No prioritisation of the expected results was done in the case of Jamaica and thus it cannot be said whether that led to better realisation of the purpose (namely increased competitiveness of the business sector)</p>

### EQ 3 – Relevance of PSD strategy in a given country

<p>For a given country,</p> <p><b>A. Does the selection of the areas of intervention correspond to the CEC PSD strategy?</b></p> <p><b>B. Does the selection of the areas of intervention correspond to clearly identified priority needs of this country to increase the competitiveness of the business sector with the view to contribute to the overall objectives of the EC external policy?</b></p>	
3A.1	<p>The areas of intervention (expected results) in Jamaica correspond to the areas proposed in the CEC PSD strategy</p>
<p>Programmes implemented in Jamaica broadly correspond to the expected results of the CEC PSD strategy:</p> <ul style="list-style-type: none"> <li>▪ <b>Credit Scheme</b> can be linked to the second ‘expected result’: reinforcement of financial markets</li> <li>▪ <b>TDP</b> can be linked to the third and fifth: enhancement of IOs’ capacity and reinforcement of Business Development Services (BDS) markets</li> <li>▪ <b>PSDP</b> can also be linked to the ‘expected results’ of IOs’ capacity and reinforcement of BDS markets as well as to reinforcement of financial markets. Further, the programme includes the possibility of actions corresponding to a more conducive framework for PSD.</li> </ul> <p>However, it should be noted that the objectives of the different programmes are not always exactly in line with the CEC PSD strategy:</p> <ul style="list-style-type: none"> <li>▪ The <b>Credit Scheme</b> programme covered more than providing credits to SMEs, it also included supporting the framework of supply, although during the implementation of the programme it seems that the execution of the credit line became the main objective, to the detriment of the reinforcement of the regulatory and institutional framework.</li> <li>▪ The <b>TDP</b> programme had as specific objectives, first, to increase the international competitiveness of private sector exporters (which is the purpose of the CEC PSD strategy) and, second, to develop export- and tourism-related services. It was intended to reach these objectives through the provision of subsidised classical business development services without much concern for the development of a <i>sustainable demand and supply</i> of such services</li> <li>▪ The implementation of the <b>PSDP</b> programme has not yet started but its expected results are: (i) empowerment of private sector organisations in the local economic environment; (ii) provision and delivery of relevant Business Development Services developed both through demand- and supply-driven initiatives; and (iii) access to corporate finance enhanced for SMEs. The formulation of the second expected result seems to correspond to the CEC PSD strategy but the team has not found any evidence on how actually the programme will ensure a sustainable supply of BDS.</li> </ul>	
3B.1	<p>The selected areas of intervention (expect results) correspond to clearly identified needs of Jamaica in terms of PSD</p>
<p>The development of the private sector and the importance of increasing private sector competitiveness are at the core of the government’s policy. GOJ’s objective is “to resume growth with employment creation and that growth is expected to be led by the private sector taking advantage of the comparative advantages of Jamaica in terms of natural resources, location and climate” (MTSEPF, page 25). Its strategy for attaining this objective is based on four components: (i) Restoring Economic Growth; (ii) Protecting the Poor and Ensuring Inclusion; (iii) Improving Governance, Efficiency and Effectiveness in the Public Sector; and (iv) Ensuring Sustainable Development. The first component comprises: rehabilitating the financial sector, consolidating fiscal policy, and strengthening the framework for private investment, all of which have a direct effect on private sector development.</p>	

According to most sources the main challenge of Jamaica's private sector development is to accelerate growth by improving competitiveness in a context of budgetary constraint. Indeed, Jamaica's growth potential has not been yet realized owing mainly to macro-economic, institutional and regulatory constraints, which have reduced the efficiency of and the incentives for private investment. These constraints include:

- high cost of capital, due to the high interest rates on treasury bills;
- high rate of real wages;
- high real exchange rate;
- the direct and indirect cost of crime and security; Jamaica has one of the highest rates of crime in the world (see section 3);
- inadequate infrastructure (water, transport, power supply); and
- high rate of migration of qualified workers – as high as 80% of tertiary graduates

In order to tackle these constraints, the government is engaged in continuing to disengage from productive activities and to focus on its role of policy maker, regulator and enabler with a view to creating a stable macro-economic environment, which provides for competitive levels of key relative prices and thus lowers the cost of doing business in Jamaica. Its strategy comprises provision of:

- a stable macro economic framework;
- a positive enabling environment;
- a competitive REER, and
- improving the operating environment with respect to the availability of appropriately skilled manpower and reliable and cost-effective infrastructure.

The three first aspects are to be tackled through a comprehensive macro-economic policy and the last one through specific measures including implementation of a national crime plan and provision of Training and Technical Assistance with the participation of the private sector and IDPs. EC current support to PSD in Jamaica through the PSDP corresponds to this latter priority.

In terms of higher level objectives, the overall objective of EC support to PSD in Jamaica is “achieving sustainable private sector growth and employment creation” and the purpose is “improving competitiveness of the SME sector” (CSP, page 28), and it can therefore be said that, at the level of objectives, EC support corresponds to GOJ's development objective.

## EQ 4.2 - Effectiveness - Reinforcing financial markets

To what extent did EC interventions reinforce financial markets?	
42.1	The appropriate framework for supplying well-developed and efficient financial services for SME is reinforced
<p>The <b>Credit Scheme</b> programme was designed in 1992 and reviewed in 1997. In addition to the execution of the credit line, both the original and the reviewed programme design foresaw activities to, on one hand, reinforce participating financial institutions and, on the other, improve the political and the regulatory framework. Activities planned to reinforce local financial institutions included the strengthening of their capacity to mobilize local resources, the setting up of a Monitoring and Implementation System (MIS) and the provision of training to credit officers. To adjust the regulatory framework, it was planned to deliver technical assistance to the GOJ in view to create a policy environment to stimulate lending to SMEs by modifying domestic fiscal and regulatory frameworks. Further, it was stated that the sustainability of the programme strongly relied on these activities.</p> <p>During implementation, however, the programme focused more on the execution of the credit line and the set up of a MIS than on the support to a conducive institutional framework. In fact, the suspension of the programme after one year of implementation had a serious impact on this latter component of the programme. A large part of the funds earmarked for related Technical Assistance was mainly spent during the first phase (previous to the suspension) and few resources were available for this after the programme restarted. Consequently, no results were achieved in improving government's policies regarding Micro and Small Enterprises (MSE) access to credit. In fact there is no evidence that the activities planned in that sense were effectively carried out.</p> <p>Finally, the effects of the programme on Participating Credit Institutions (PIC) are still perceptible today. The MIS set up is still being used and allows close supervision of credits supplied. Collaterals asked now by the retailers are not excessive and the lending is base on project basis. The default rate at borrower level is marginal.</p>	

### EQ 4.3 – Effectiveness - Intermediate organisations (IO)

<p><b>A. To what extent did EC interventions help IO to increase their capacity to conduct a policy dialogue with the government;</b></p> <p><b>B. To what extent did EC interventions help IO to improve the quality or quantity of the services provided to and used by its members?</b></p>
<p>43A.1 Intermediate organizations have successfully promoted the interests of the private sector as a result of EC support</p>
<p>The <b>TDP</b> did not directly aim to support IOs in their capacity of promotion private sector interests. However the TDP had a component “Service Provider Facility” where a grant covered 50% of the cost of upgrading the skills of public and private business service providers. The definition of this facility was very broad and in fact it could have served also to support activities aiming to increase IO’s capacities to promote the interests of the private sector.</p> <p>Originally this component was not exclusively focused in IOs, it was open to private and public service providers. Given the fact that in the first year of the programme few applications were received, the management unit adopted a proactive approach and decided to target IOs, even though the focus was on service supply more than on reinforce their representativity skills.</p> <p>Few activities were implemented in this field, with few results achieved. JMA received comprehensive support through the design and implementation of a five year Strategic Plan. TDP funded internal restructuring activities and promotion activities for their members but also lobbying activities at national and international level on, respectively, trade agreement negotiations and barriers to increased competition. Lasting results are now evident. Lobbying activities continued after the end of the programme. JMA is now considered above all a lobbying organisation.</p> <p><b>PSDP</b> will potentially achieve more results in this perspective as Component 1 of the programme is exclusively devoted to IOs: “Empowerment of the Private Sector Organizations (PSO) in the local economic environment”. In this framework a Competitiveness Committee (constituted by private sector and GOJ representatives) will be set up. This Committee will act as a forum where private sector interests will be discussed. The success of this committee will strongly depend on the members that will finally compose the Committee from the IO’s side but also from the side of the GOJ. This component also envisages the implementation of a cost-sharing capacity building scheme but, as it was the case in the TDP, the activities are not clearly defined.</p>
<p>43B.1 Intermediate organizations provide more and better services to their members as a result of EC support</p>
<p>As mentioned above in 43A.1, one of the components of the <b>TDP</b>, “Service Provider Facility”, was a grant to cover 50% of the cost of upgrading the skills of public and private business service providers. IOs were among the potential beneficiaries. Given the fact that in the first year of the programme few applications were received, the management unit adopted a proactive approach and targeted IOs. This enhanced IOs access and participation to the programme, even though the focus was on funding activities instead of on upgrading skills as originally envisaged.</p> <p>Many activities were undertaken and successfully achieved: visits to trade fairs, seminars, marketing campaigns, consortium support. The beneficiaries declare to be satisfied by this support. Supply of services to their members increased during the period of the programme but it did not continue when programme support finished. Without the programme subsidies there is no possibility for replicability or continuation of the activities. The expected results of the TDP (namely upgrading service providers’ skills) were not achieved, neither were the objectives of the PSD strategy (provide better and more services to their members) in a sustainable manner.</p>



PSDP Component 1 “Empowerment of the Private Sector Organizations (PSO) in the local economic environment” envisages implementing a cost-sharing capacity building scheme that will be implemented in the wake of TDP.

## EQ 4.5 – Effectiveness – BDS

**To what extent did EC interventions aiming to provide non-financial services create a competitive business development services markets?**

45.1 EU interventions aiming to provide non-financial services create a competitive business development services markets

During the implementation of the **TDP** the main activity was to provide companies with non-financial services but no special attention was given to developing a competitive BDS market. However the second specific purpose of the programme was to “develop export and tourism related services” to be achieved through the implementation of the following two activities: encouraging companies and associations to invest in local business development services and encouraging local service providers to develop their supply of specialised skills via a “Service Provider Facility”.

After receiving the subsidised services, beneficiary companies experienced substantial growth; they are more aware of the importance of investing in business development services and more likely to use this type of services in the long-term. The services were provided by local consultants, and consequently the market benefited from a direct increase in income due to the short-term demand created by the programme. But in both cases the outreach was too limited to contribute effectively to the development of a competitive BDS market.

The “Service Provider Facility” did not produce the hoped-for effects on service supply. Few applications for assistance were received and therefore the management unit adopted a proactive approach to stimulate demand and targeted the IOs. The majority of activities funded were not related to upgrading specialised skills.

The **PSDP** has no more potential than the TDP to contribute to a competitive BDS market. PSDP was identified in 2001 but it does not take into account the recommendations of the *BDS for Small Enterprises: Guiding principles for donor intervention*. PSDP through its Component 2 “Enhancing enterprise competitiveness through the strengthening of the BDS system” will continue to provide services directly to companies and will also develop a new range of services by setting up export and information points. The facility for upgrading service providers’ skills does not exist any more, as it did not succeed during the TDP owing to lack of demand.

## EQ 5 – Sustainability

<b>To what extent are the effects (expected results) of the interventions likely to continue at the end of the EC support?</b>	
5.1	The effects of CEC PSD strategy in Jamaica is likely be long-lasting
<p>The team analysed whether assumptions and risks were identified when putting forward the EC PSD strategy in Jamaica and whether this strategy was adapted if the assumption were not borne out or if the risks materialized.</p> <p>The CSP indeed identifies a number of assumptions and elements ensuring sustainability. They concern government actions and demand from the private sector. They include among others:</p> <ul style="list-style-type: none"> <li>▪ Improvement of the macro-economic environment, leading <i>inter alia</i> to more affordable interest rates</li> <li>▪ An exchange rate policy conducive to maintaining competitiveness</li> <li>▪ Implementation of a number of key government measures to improve the business environment, such as: (i) reducing administrative barriers, (ii) simplifying investment incentives, (iii) reducing labour market rigidities, and (iv) addressing the problem of security.</li> <li>▪ The existence of demand from the private sector for the services to be provided by the programme and the effective delivery of these services.</li> </ul> <p>The team has not been able to collect information on the extent to which the government has progressed on each of the measures or on the assumptions detailed above. Further it is not clear whether and how the strategy to support PSD in Jamaica could be adapted if identified assumptions are not verified as the new PSDP has already started and its implementation is not conditional to the same assumptions used at the level of the strategy. As mentioned in 2B.1.3, this should nonetheless be compared with and qualified by the situation of the other focal sector of support, namely transport. As the GOJ has not made sufficient progress in the road sector as was assumed would be the case, the Delegation currently suggests making significant adjustments to support for the transport sector.</p>	
5.2	Institutional, macroeconomic, legal and regulatory improvement is not disappearing / has not disappeared after EC intervention
No PSD intervention at the macro, institutional or legal level has been implemented in Jamaica.	
5.3	Reinforcement of financial markets is long-lasting
<p>The fund was constituted by an EDF loan to the GOJ, which continued to dedicate the resources to the same objectives after the end of the programme. The fund still runs with the same operational rules, conserves its resources, and is still growing owing to the interest income of the loan and interest income on investment (of idle resources). On the other hand, the activities envisaged for strengthening the regulatory environment were not implemented.</p>	
5.4	Reinforcement of IO position is not lost after EC intervention finishes
Few results were achieved in relation to the reinforcement of the IO. Their position as service providers is lost now that there is no funding to support new activities.	
5.6	A competitive BDS market continues to function after EC intervention has finished
<p>Few results were achieved in relation to creation of a competitive BDS market. The companies that benefit from the TDP are now more aware of the importance of investing in BDS and more likely to use this services in the long term; but the outreach is too limited to generate changes in the market. The market continues to function as before the TDP intervention.</p>	
5.7	Micro-enterprises continue to develop
No PSD intervention of this type has been implemented in Jamaica	

## EQ 6 - Efficiency

<p><b>To what extent have the organisational set-up or management systems and processes contributed or hindered the efficiency of the EC interventions to support private sector development? Four aspects are of particular interest to our evaluation:</b></p> <p><b>A. The deconcentration process and the support given by HQ</b></p> <p><b>B. The preference given in some regions to all-country programmes</b></p> <p><b>C. The preference given in some regions to promote local expertise instead of using international support</b></p> <p><b>D. Other organisational set-up or management systems and processes</b></p>
<p>6A.1 The deconcentration has contributed to the efficiency of the EC interventions</p> <p>The deconcentration has clearly accelerated operational decision-making. Management and procedural tasks seem correctly hand out by the Delegation but capacities to provide strategic and technical support on PSD are still weak.</p>
<p>6B.1 The use of “all-country” programmes has contributed to the efficiency of the EC interventions</p> <p>Jamaica is not a significant user of “all-country” programmes; no evidence was collected on this issue.</p>
<p>6C.1 The use of local expertise has contributed to the efficiency of the EC interventions</p> <p>Local expertise was used in the Credit Scheme and the TDP. It allowed to offer good services at local market prices and therefore at a lower cost. From another angle, it speeded up the provision of services as no international tender process had to be launched.</p>
<p>6D.1 The organisational set-up and management system has contributed to an efficiency implementation of the programme</p> <p>The <b>Credit Scheme</b> programme experienced serious delays during its implementation: two years of delay in the provision of the loan and a one-year suspension of the programme after one year of implementation. The suspension allowed the replacement of the wholesaler and the review of the programme.</p> <p>Two important proposals were made by the review: first, GOJ should shoulder the risk on credit transactions so as to encourage wholesalers to be more dynamic; and micro and small enterprises should be addressed through different wholesalers so as to increase access possibilities. These changes improved significantly the implementation of the programme and the system set-up is still running successfully.</p> <p>However the difficulties experienced at the beginning had serious negative effects on the technical assistance component. A large part of the funds devolved to this objective were spent during the first phase. The remaining amount for the second phase was too modest in relation to the specified expected results.</p> <p><b>TDP</b> management unit had a good command of the implementation of the programme. They were able to point out future difficulties and address them in a proactive way. Three riders to the Financing Agreement were submitted well in advance. The most important changes requested the reallocation of the budget of the under-utilised Service Provider Facility. Further, TDP was monitored four times (ROM system), and most recommendations were adopted with positive effects on implementation.</p> <p><b>PSDP</b> has accumulated a one-year delay. In fact, as requested by 9th EDF procedures, a financial guarantee is needed to host the programme management unit outside a public institution. It took one year to JAMPRO to obtain such guarantee.</p>

## EQ 7 – Coherence (within EU action)

<p><b>A. To what extent does the <u>EC PSD policy in general</u> take into account other EU strategies and policies?</b></p> <p><b>B. To what extent does the <u>EC PSD support strategy within a country</u> strategy take into account:</b></p> <ul style="list-style-type: none"> <li><b>i) The support given to other sectors within the same country strategy?</b></li> <li><b>ii) Other EU strategies and policies</b></li> </ul> <p><b>C. To what extent do national or regional <u>EC PSD programmes within a country</u> take into account:</b></p> <ul style="list-style-type: none"> <li><b>i) Other PSD programmes within the same country</b></li> <li><b>ii) The support given to other sectors within the same country</b></li> <li><b>iii) Other EU strategies and policies</b></li> </ul>
<p>7B.1 The EC PSD support strategy within a country takes into account other EU interventions</p>
<p>The CSP 2002 is explicit on how budgetary aid and transport affect private sector development. Indeed, the CSP explains that the overriding concern of the EC strategy is to contribute to the alleviation of poverty; that in order to alleviate poverty the government seeks to enhance economic growth; that the private sector is considered as the most effective engine for growth; and thus that the development of business activities should be supported and facilitated. It also indicates that transport infrastructure is one of the main constraints on development of the private sector – which bears out the information collected by the mission from other sources – and that business development needs macroeconomic fundamentals to be restored to sustainable levels, particularly the debt situation. It even indicates that the country’s growth strategy should rest on two complementary measures: macroeconomic reforms and support to SMEs to stimulate their competitiveness.</p> <p>In practice, however, little link between transport sector interventions and PSD interventions has been made. As for budgetary aid, interviews gave a qualified image. On the one side, officials involved in PSD argued that budgetary support will contribute to reducing interest rates (through reducing internal debt and thus reducing the crowding-out of private borrowing). On the other side, officials involved on budgetary support consider that the magnitude of BS in Jamaica is not significant enough to have an effect on macroeconomic variables. It could, however, be argued that BS contributes to encouraging GOJ’s commitment to fiscal discipline and thus indirectly affects the business environment.</p> <p>Regarding other European policies and strategies, in the section “Coherence with other Community policies”, the CSP 2002 makes reference to trade policy. It indicates that the strategy is fully compatible with the participation of Jamaica in international trade fora and agreements, in particular WTO; and further, that Jamaica will participate actively in the EPA negotiations under CARICOM. However, the document does not describe – and the evaluation team has not found any evidence in this regard - how the strategy relates to trade policies or regional initiatives. This is not due to a lack of concern about trade issues, particularly in the case of a small island like Jamaica. The report on the 10<sup>th</sup> Annual Retreat in December 2004 - which brings together IDPs and government and non-government partners in Jamaica – indicates that the opening session highlighted the need to re-think development aid in the light of current globalization challenges; and further, that the key to development was to be found in greater trade and that, for this reason, a reduction of subsidies in developed countries could help millions improve their living standards.</p>
<p>7C.1 National or regional EC PSD programmes within a country take into account other EC interventions</p>
<p>The team did not find any evidence of programmes being directly affected by EC support to other sectors in Jamaica or by other EU policies or strategies. However, particularly in the context of Jamaica – a small</p>

island – and given the policy of the GOJ, the links with trade policy should be of outmost importance. It is reflected by other players such as are mentioned in 7B.1.3, and also by the fact that, in larger fora such as the 10<sup>th</sup> Annual Retreat in December 2004, the reduction of subsidies in developing countries is mentioned as an effective way of contributing to development.

Regarding coherence between different PSD interventions, as mentioned in 2D.1.3 Community support to PSD in Jamaica has been provided through the **Credit Scheme** (7th and 8th EDF), **Target Europe** (7th and 8th EDF), **TDP** (8th and 9th EDF) and **PSDP** (9th EDF) programmes. Except for the first, programmes have been sequential and quite similar in nature, i.e. focused on the same expected results; and therefore the focus for the team was less on identifying complementarities or overlaps between these programmes than on lesson learning. Programme documents do mention previous programmes but the team did not find evidence that, for instance, PSDP had thoroughly drawn on TDP experience.

## EQ 8 – Coordination (with other donors)

To what extent is there coordination between donors, both at central and at country level?	
8.2	The EC actively participates to multi-donor coordination process at country level
	<p>Donor coordination has for long been in place in Jamaica, yet has gained momentum in the last two years and it is becoming increasingly crucial.</p> <p>On the government side, the Planning Institute of Jamaica (PIOJ) co-ordinates international co-operation and the UNDP Resident Representative leads donor coordination on the side of the international development partners. Meetings are organised in a regular basis to discuss and review strategic matters of common concern. An annual retreat also brings together the donor community and the GOJ to discuss areas of intervention and future work. Participants at the 10<sup>th</sup> Annual Retreat in December 2004 included IDPs (DFID, UNDP, FAO, UNEP, UNICEF, UNESCO, EU, Embassy of France, CIDA, USAID, IDB, WB, Embassy of Japan, JICA) as well as government and non-government agencies (PIOJ, Cabinet Office, Dispute Resolution Foundation, National Works Agency, Ministry of Justice, Office of Preparedness and Emergency Management, University of West Indies). The main conclusions were:</p> <ul style="list-style-type: none"> <li>▪ That in spite of the importance of overseas development aid (ODA) for countries like Jamaica, their long term development could not be based on ODA;</li> <li>▪ That greater attention should be given to helping bring about improvements in competitiveness and in gaining access to markets; and that to this end a reduction in agricultural subsidies in developed countries would help considerably;</li> <li>▪ That IDPs could provide their support in a more flexible and creative manner;</li> <li>▪ Finally a case was made for reducing assistance to the government sector and reallocating it to the private sector. Some IDPs argued for a thematic focus on PSD as further reductions in poverty levels will require economic growth.</li> </ul> <p>Another example of the fact that more and more IDPs are making joint efforts to achieve greater aid effectiveness is the TA for donor coordination and harmonization funded by DFID “on behalf of the coordinated interests of IDPs”.</p> <p>On the side of the EC, country documents do indeed refer to donor coordination. In particular, the 2002 CSP presents a donor matrix with the areas of intervention of the main international development partners in Jamaica. However, no detail on how different strategies or interventions to support private sector development are coordinated or articulated can be found in either the main text of the CSP or in its Annex 4, “Assessment of Private Sector Development”. In terms of PSD programmes supported by the EC, the Financing Proposal for the <b>PSDP</b> includes an Integrated Framework providing information on who is doing what in private sector development. During programme implementation, it is intended to improve and maintain the framework as a tool for donor co-ordination and, further, the findings of the feasibility study and the proposed programme PSDP were presented to the other donors on May 7 2003.</p> <p>As regards joint activities or programmes specific to the PSD sector, or possible complementarities or overlaps between these programmes, no evidence was found by the evaluation team. Two PSD programmes of similar nature were the EU <b>Credit Scheme</b> programme and the “Government of Jamaica-Government of the Netherlands Micro Finance Programme” but it is difficult to say whether or not there was an overlap between these two programmes. The team did not find sufficiently detailed information on the beneficiaries of these (or other) PSD programmes to be able to ascertain whether beneficiaries were receiving support from more than one programme.</p>

## EQ 9 - Cross-cutting issues

<b>Do the EC PSD interventions show concern for Cross Cutting Issues (CCI) such as promoting women led enterprises, ensuring acceptable working conditions notably for women, protecting the environment and promoting better governance practices?</b>	
9.2	CCI are taken into account in the PSD strategy and by programmes in Jamaica
The CSP explicitly refers to the following CCI: gender equality, environmental protection, institutional development and capacity building. But the PSD strategy in Jamaica does not take directly into account any CCI. Credit scheme and TDP programme documents briefly mention environmental and gender issues. An environmental impact assessment of the sub-projects as criteria of selection was envisaged but during implementation this issue received little attention. As regards gender, no specific approach was considered, except that gender breakdown was introduced in the monitoring system.	
9.3	A CCI is treated through a specific project or programme in the frame of the PSD support in Jamaica rather than as an horizontal issue
There are no programmes especially devoted to crosscutting issues.	



## 5. Conclusions

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### 5.1 Relevance and design

The objectives of EC support to PSD in Jamaica correspond to Jamaica's national policies and priorities for the sector and address some of the identified needs of the sector. They also correspond to the purpose of the Commission PSD strategy, as the aim of EC support to PSD in Jamaica is to increase competitiveness of the Private Sector.

The evaluation team has analyzed three programmes through which EC support to PSD in Jamaica has been implemented. Their objectives also correspond to some of the areas of intervention proposed by the Commission PSD strategy.

However, there are some important questions in terms of the application of the strategy: It is not clear whether the programmes implemented are the best way in which Community support to PSD can achieve its objectives, given its leverage position. The team has not found evidence of a detailed analysis, for example, of the different constraints faced by the private sector or of the reasons to intervene mainly at micro level rather than at the macro/institutional level.

Other issues regarding the design of the Commission PSD strategy in Jamaica include:

- The complementarity between EC support to transport sector and to private sector development is emphasised in the PSD but it is not sufficiently exploited when implementing the strategy. Further, this complementarity is not treated in Commission PSD strategy documents.
- Programmes at micro and meso level are combined, as it is the case in other countries. In particular, BDS are provided to firms through IOs, thus combining two different areas of intervention. This complementarity is not emphasised in Commission PSD strategy documents.
- BDS programmes do not seem to have evolved as expected and do not take into account the lessons learnt from past experience.

### 5.2 Effectiveness

In most cases, programmes do reach results but have a problem of outreach; their coverage is very limited. Interventions are focused on supporting a limited number of beneficiaries, in general without a global view of the sector's needs and constraints but often with a general discourse that justifies micro interventions. For example, BDS is still the main type of PSD intervention (with an IO component) but the lessons from the past seem not have not been sufficiently integrated.

### 5.3 Sustainability

In most cases, the effects of EC support are lasting for the individual firms that received it. However, for programmes aiming at encouraging the development of BDS or financial markets for SMEs, sustainability also implies a reinforcement of market conditions to ensure that services will continue to be provided after the programme ends. This has not been the case of the TDP; the new PRSP runs the same risk. As in the case of effectiveness, lessons from the past may not have been sufficiently taken into account.

### 5.4 Efficiency and the deconcentration process

The deconcentration process has allowed for quicker decision-making, closeness with beneficiaries and better knowledge of local situation. Thus, potentially, it also allows a better programme design. On the other hand, it has burdened the Delegation with new responsibilities. The Delegation has been reinforced with more personnel but yet training on specific areas is still needed. Additionally, because the day-to-day management of programmes do not leave much time to develop strategic aspects.

Lesson learning and sharing experience between different countries / regions has been limited in the past and deconcentration can worsen the situation – this hampers relevancy and effectiveness of EC support. In addition, the rate of rotation of personnel is hampering the accumulation of knowledge and experience.

### 5.5 Coherence

There is not sufficient articulation between ‘all-country’ programmes and bilateral programmes; although in Jamaica the Delegation seems knowledgeable of these programmes. The Delegation informs or suggests potential beneficiaries of the possibilities of these all-country programmes. Some all-country programmes (Europe-ACP Business Assistance Scheme EBAS, CDE) propose a support similar to that provided by bilateral programmes.

There is little reference (aside from a section, on general terms, on the CSP) to other EU policies (in spite of the importance of trade for Jamaica) to EC support to transport (in spite the fact that infrastructure is a main constraint to PSD) or to budget EC support (in spite of the effect that it may have on interest rates).

### 5.6 Coordination

Donor coordination is increasingly important in Jamaica and there are several platforms of discussion, however, PSD support could better exploit them. There is not much evidence of an active coordination between donors in the PSD sector.

## **5.7 Cross cutting issues**

Cross cutting issues have not been integrated in a systematic way in PSD programmes. Credit to micro-enterprises shows “gender sensitivity” but because credit agencies consider women-led enterprises as more reliable, not because the programme has integrated this aspect in some way. BDS-type programmes do not include gender or environmental clauses. Governance is an important issue in Jamaica but is not treated by the EC support to PSD.



## **ANNEXES**



## Annex 1 - People interviewed

### Delegation

Organization	Name	Title
Delegation EC – Jamaica	Ambjörn Berglund	First Counsellor
Delegation EC – Jamaica	Alex O’Riordan	Economic & Social Development Section Manager
Delegation EC – Jamaica	Malado Kaba	Economic & Social Development Section Manager
Delegation EC – Jamaica	Carlo Pettinato	Trade and Economic Cooperation Section Manager
Delegation EC – Jamaica	Stefan Szepesi	Task Manager

### Local authorities

Organization	Name	Title
JAMPRO	Patricia Francis	President
Planning Institute of Jamaica	Dianne Davis	National Authorising Officer

### Programme Management Unit/Technical Assistance/Operators

Organization	Name	Title
JAMPRO	Berletta Forrester	Manager Business Facilitation Department – TDP
JAMPRO	Desmond Shakespeare	Consultant Export Promotion – TDP
MIDA	Vivian Chin	Director
Ministry of Commerce and Technology	Reginald Budhan	Director – (Ex-Credit Scheme)
Ministry of Industry and Tourism	Asquith Brown	GOJ SME Coordinating and Monitoring Unit
Pan Caribbean Bank	Arnie Francis	Relationship Manager, Corporate Banking
Pan Caribbean Bank	Henry Pratt	Senior Vice President & General Manager
PMU PSDP	Michael Julien	Technical Assistant
PMU TDP and PSDP	Delaine Morgan	Project Manager TDP & PSDP
PSOJ	Lola Fong-Wright	

## Beneficiaries

<b>Firm or Organization</b>	<b>Name</b>	<b>Title</b>
Benjamin's	Yvette Carrington	Export Manager
Benjamin's	Yvonne Johnson	Marketing Consultant
Jamaica Exporters Association	Jean Smith	Director of Export Services
Jamaica Manufacturers' Association	Nicola Gordon-Rowe	Executive Director
Just Kids	Mrs. Dahlia Smith-Forrest	Director
Leder Mode	Gary Wallace	Business Manager



## **Annex 2 - Documents consulted**

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### **1. Private sector Development Documents**

European Commission (1998), Communication: EC Co-operation with Third Countries, The Commission's approach to future support for the development of the Business sector.

European Commission (2003), Communication: EC Co-operation with Third Countries, The Commission's approach to future support for the development of the Business sector.

European Commission (2003), Guidelines for EC Support to PSD.

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### **2. Country Documents**

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World Bank (2000), Country Assistance Strategy.

World Bank (2003), Jamaica: The Road to Sustained Growth.

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### **3. Programme Documents**

#### **3.1 Credit Scheme for Micro and Small Enterprises**

European Commission (1993), Financing Agreement - Credit Scheme for Micro and Small enterprises.

European Commission (1993), Financing Contract - Credit Scheme for Micro and Small enterprises (1994).

European Commission (1993), Rider to the Financing Agreement - Credit Scheme for Micro and Small Enterprises (1998).

European Commission (1993), Finance Proposal Micro and Small Scale Enterprise Credit Scheme - Jamaica - Finance Proposal (1992).

GOJ SME Coordinating and Monitoring Unit (2002), Micro investment Development Agency's - Wholesale Agreement - Ministry of Industry Commerce & Technology.

GOJ SME Coordinating and Monitoring Unit (2002), Final Report of the Government of Jamaica/European Union (GOJ/EU).

GOJ SME Coordinating and Monitoring Unit (2003), December 2002, Quarterly Report.

#### **3.2 Trade Development Project (TDP)**

Chérif, M., van den Berg, D., Karayannopoulos, F. (2003), Jamaica - Trade Development Project - Mid Term Review - Final Report.

European Commission (2000-2004), TDP, Monitoring Reports 2000, 2001, 2003 and 2004.

European Commission (1999), Financing Agreement - Trade Development Project.

TDP-PMU (2004), Draft final report - October 1999 - April 2004.

GFE (2002), Final Report of the External Technical Assistance to TDP.

European Commission (Various years, Riders 1, 2, 3 to the Financing Agreement n.6092/JM signed on 26 March 1999 (TDP).

TDP – PMU (2001), Trade Development Programme - Work Programme & Cost Estimates - January - December 2002.

TDP – PMU (1999), Preliminary Enterprise Evaluation Form.

### **3.3 Private Sector Development Programme (PSDP)**

European Commission (2004), Financing Agreement - Private Sector Development Programme - Competitive Jamaica.

PMU-PSDP (2004), Memorandum of Understanding among the Planning Institute of Jamaica, the Jamaica Promotions Corporation, the Jamaica Business Development Centre and the Private Sector Organisation of Jamaica.

PMU-PSDP (2005), Symposium for Private Sector Organisations & Support Institutions (PSOs).

PMU-PSDP (2005), PSDP Opportunities for Private Sector Organisations.

PMU-PSDP (2005), PSDP Fact Sheet.

European Commission (2003), Draft Financial Proposal - 9th FED - 9 ACP JM 1 - Private sector Development Programme "Competitive Jamaica".

PMU-PSDP (2004), Private Sector Development Programme - Programme Estimate N°1, January-December 2005.

## **4. Others**

European Commission (2004), Draft Financing Proposal - 9th EDF - 9 ACP RCA 8 - Caribbean Trade and Private Sector Development Programme.



# Annex 3 - Map of the country



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## **Annex 4 - List of programmes**

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<b>Programme number</b>	<b>Programme title</b>	<b>Planned (€)</b>	<b>Source of financing</b>
5 ACP JM 40 6 ACP JM 33 6 ACP JM 36 7 ACP JM 12	Credit Scheme for Micro and Small Enterprises	7'000,000	EDF
8 ACP JM 4	Trade Development Project	6'000,000	EDF
9 ACP JM 1	Private Sector Development Programme – Competitive Jamaica	20'000,000	EDF





## Annex 5 - Programme sheets

### Programme No 1 Credit Scheme for Micro and Small Enterprises

#### 1. Programme identification data

Title	CREDIT SCHEME FOR MICRO AND SMALL ENTERPRISES
Number	5 ACP JM 40, 6 ACP JM 33, 6 ACP JM 36, 7 ACP JM 12
Source of Financing	5 <sup>th</sup> , 6 <sup>th</sup> and 7 <sup>th</sup> EDF
Financing decision	08/03/1993
Financing agreement	18/08/1993
Start date	01/05/1995
Planned end-date	01/07/2001
Total Budget	7,000,000 ECU
EC Budget (committed)	7,000,000 ECU
EC Budget contracted as of 30/04/2005	7,000,000 ECU
Disbursements as of 30/04/2005	7,000,000 ECU
Beneficiary	Ministry of Finance and Planning
Operator (if different from Beneficiary)	Ministry of Investment and Industry (Now the Ministry of Industry and Tourism)

#### 2. Budget

Budget Item	€	%
<b>1. Credit Line</b>	<b>6,100,000</b>	<b>87%</b>
<b>2. Supplies (MIS System)</b>	<b>177,000</b>	<b>3%</b>
<b>3. Technical Assistance</b>	<b>623,000</b>	<b>9%</b>
Coordination Unit	250,500	40%
Training Managers	35,000	6%
Training Officers	100,000	16%
Training Entrepreneurs (JCCUL, NDF/J, ASSIT/EDT/COPE)	137,000	22%
Training EIA	20,000	3%
Marketing and Promotion	10,500	2%
Consultancy Regulations	70,000	11%
<b>4. Evaluation and Contingencies</b>	<b>100,000</b>	<b>1%</b>
<b>Total</b>	<b>7,000,000</b>	<b>100%</b>

### 3. Global objectives

na.

### 4. Specific objectives

The original financial agreement identifies the specific objectives of the programme as follows:

“to increase the quantum and accessibility of credit to the sector”.

There is a more detailed paragraph that states “The purpose of this programme is to increase the amount and accessibility of credit sector by establishing a credit-line, providing TA/training and MIS systems to support lending institutions and assisting GOJ in creating a sound regulatory framework for the sector.”

The revised programme plan states that the overall objectives of the programme “are twofold:

- first to enhance the business and investment environment and stimulate business creation by micro and small enterprises by providing loan funds and technical assistance resources to credit institutions that serve this sector;
- to improve Jamaica’s MSE framework by providing policy advice on appropriate ways to strengthen institutional support, financial sector policies, the fiscal and regulatory framework and skills development and business support services within that sector.”

### 5. Expected Results

The original Financial Agreement identifies the following expected results to be reached during the two years of duration of the scheme:

- meet the 9% of annual demand for MSE credit,
- benefit 2,300 work projects,
- create 4,000 employment opportunities,
- provide business counselling/training to 2,300 entrepreneurs,
- train 120 project-officers from Participating Credit Institutions (PCIs),
- results for the regulatory changes can only be quantified during the implementation.

The revised programme the following results were expected:

Through the Small Business Loan Programme (SBLP):

- Disbursement of 3,904 MECU through the Small Business Loan Programme to 16-20 PCIs.
- On-lending of this amount to 1,500 small and micro business at an average of 250,000 JM dollars per loan.

Through the pilot Micro Enterprise Loan Programme (MELP):

- disbursement of 976,000 ECU through the Micro Investment Development Agency (MIDA) to 6-10 rural credit organizations called Community Development Funds;
- the financing of 500 micro enterprise sub-loans with an average loan size of 80,000 JM dollars per sub-loan.

Through the Technical Assistance:

- upgrading of PCI loan administration systems and practices in at least 3 participating credit institutions;
- upgrading of financial managements and loan administration practices systems in 6-10 Community Development Funds (or approximately 25% of those institutions).

## 6. Activities

1. Small Business Loan Programme (SBLP) managed by Trafalgar Development Bank (TDB) through accredited retailers among well established credit institutions.
2. Micro Enterprise Loan Programme (MELP) implemented by Micro Investment Development Agency (MIDA) through selected Community Development Funds.
3. Technical Assistance, training and Supplies.
4. Monitoring and Environmental Fund.

## 7. Results & Impacts

Up to December 2002 a credit line was available to provide credit facilities to Micro and Small enterprises for an amount of 399,5 MJ\$.

The beneficiaries were effectively the ones targeted Micro and Small enterprises as show the following table.

Size of the borrower enterprises by number of employees:

Number of employees	SBLP/ TDB	MELP/ MIDA
1	20%	12%
2-4	67%	75%
5-9	8%	12%
10+	5%	1%

A Monitoring and Implementation System was in place, which permit to collect basic data on loans and sub-loans. Results indicators are as follows:

	<b>SBLP/TDB</b>	<b>MELP/MIDA</b>
Disbursements	327,5 MJ\$	72MJ\$
Number of sub-loans	1,470	784
Average loan size	222,768.51	74,896.12
Gender repartition (number of sub-loans)	Male: 682 (46%) Female: 788 (54%)	Male: 322 (41%) Female: 462 (59%)
Gender repartition (in value terms)	Male: 59% Female: 41%	Male: NA Female: NA
Geographical repartition (number of sub-loans)	Kingston – St Andrew: 28% St Catherine: 27% Westmoreland: 20% 7 other parishes: 25%	Portland: 29% St Catherine: 18% Clarendon: 18% 9 other Parishes: 35% Notice that only 2% of the sub-loans were made in Kingston. No loans were made in St. Andrew and St. Thomas.
Age repartition (number of sub-loans)	< 35 years: 30% >36 <45 years: 40% >45 <55 years: 30%	< 35 years: 32% >36 <45 years: 41% >45 <55 years: 27%
Major sectors (number of sub-loans)	Trading: 47% Road transportation: 7% Agricultural: 11%	Trading: 43% (included food and beverage: 17%) Agricultural: 21%
Major sectors (sectoral repartition of value of the sub-loans)	Trading: 32% Road transportation: 15% Agricultural: 12%	Trading: 44% (food and beverage: 16%) Agricultural: 19%
Size repartition of the sub-loans	< 35,000: 21% % loans 35,000 – 100,000: 34% % loans > 100,000: 45%	< 100,000: 86%
Duration of the sub-loans	< 36 months: 86% >36 <60 months: 14%	< 24months: 99%
Average of time from the application to the disbursement	172 days	52 days

Source: February 2003, GOJ SME Coordinating & Monitoring Unit – Ministry of Industry & Tourism, December 2002, Quarterly Report, February 2003.

No impact indicators were collected. A final evaluation was never contracted.

Only data is available for employments generated a sustained through the SBLP as shows the following table:

	<b>SBLP/TDB</b>
Employment Generated (new)	1,877
Employment Sustained	1,470

## 8. Problems encountered

The financing contract that states the conditions for the loan between the European Community and the State of Jamaica was only signed in February 1995, while the financial agreement dates back to 1993.

In May 1995 the GOJ drew down the first of the four tranches of the EDF loan. The apex institution was the Eagle Merchant Bank of Jamaica (EMBJ).

The disbursements from the GOJ to the EMBJ were suspended in February 1996 due to the combination of unresolved administrative conflicts between the Coordinating & Monitoring Unit (CMU) and EMBJ, the banks preference for refinancing larger sub-loans as well as its reluctance to address PCI loan administration weaknesses.

In September 1997 the programme was reactivated based in a revised programme plan, which was completed in December 1997.

The key modifications are:

1. On-lending through two new wholesalers, one selected by tender and the other MIDA in order to address in a best way the micro and the small enterprises.
2. The GOJ will assume the risk on credit transactions.
3. Reduction of the loan size from 278.606 JM dollars to 250.000 JM dollars.
4. Provision of rural micro enterprises.
5. Improving the loan administration capacity of participating retail institutions to improve their loan recovery rates and ensure that their default levels are in line with international best practices.

A rider to the financial agreement was signed in July 9 1998 between the Deputy Chief Authorizing Officer of the EDF and the Minister of Finance and Planning changing the Technical and Administrative Provisions for Implementation in line with the revised programme plan.

During the implementation much more weight was given to the execution of the credit line than to the improving of the environmental and the regulatory framework. Due to the difficulties the programme underwent the Technical Assistance budget was very much spent when the second phase of the programme began. From the initial 900,000€ grant only 339,262€ remained for the second phase.

Two agreements, with two new wholesalers, TDB (that became afterwards Pan Caribbean Bank and MIDA) were prepared in 1999 for a duration of three years. They were extended in April 2002.

## Programme No 2 Trade Development Project

### 1. Programme identification data

Title	TRADE DEVELOPMENT PROJECT
Number	8 ACP JM 4
Source of financing	8 <sup>th</sup> EDF
Financing decision	15/12/1999
Financing agreement	26/03/1999
Start date	04/10/1999
Planned end-date	31/12/2005
Total Budget	6,000,000 EUR
EC Budget (committed)	6,000,000 EUR
EC Budget contracted	5,864,211.64 EUR
Disbursements	5,04,846.84 EUR
Beneficiary	National Authorizing Officer
Operator (if different from Beneficiary)	JAMPRO

### 2. Budget

Budget Item	Initial		After rider 2 and 3	
	€	%	€	%
<b>1. Grant Fund</b>	<b>4,500,000</b>	75%	<b>3,663,000</b>	61%
A. Business development facility (exporters)	3,500,000	58%	3,291,000	55%
B. Service provider facility	1,000,000	17%	372,000	6%
<b>2. Project Management</b>	<b>930,000</b>	16%	<b>930,000</b>	16%
A. External AT (approx.1000 man months @ 7,800)	780,000	13%	780,000	13%
B. Project related costs (travel, telephone, photo-copying, etc)	150,000	3%	150,000	3%
<b>3. Technical Assistance</b>	<b>400,000</b>	7%	<b>1,237,000</b>	21%
A. Fees for approx. 500 man days (after rider 1,440 man days)	250,000	4%	772,450	13%
B. Per Diem	75,000	1%	232,275	4%
C. Travel	75,000	1%	232,275	4%
<b>4. Audits and Evaluation</b>				
A. Annual external audits, mid-term review, final evaluation contingencies	170,000	3%	170,000	3%
<b>Total</b>	<b>6,000,000</b>	<b>100%</b>	<b>6,000,000</b>	<b>100%</b>

### **3. Global objectives**

- To create sustainable trade and production growth through enhanced international competitiveness of Jamaican private sector companies.

### **4. Specific objectives**

- Firstly, to increase the international competitiveness of private sector exporters.
- Secondly, to develop export and tourism related services.

### **5. Expected results**

- Increased awareness at the company level of the need to invest in becoming more competitive to implement efficient management and business procedures.

### **6. Activities**

- Needs Identification Facility: Company of sub-sector (associations) diagnosis and facilitation in providing business plans.
- Business development Facility: 50% of the cost of business development services can be financed to eligible companies.
- Service Provider Facility: Coverage of 50% of the cost of upgrading skills of both public and private sector service providers: training, accreditations, obtaining work experiences, providing technical assistance or carrying out awareness campaigns.

### **7. Results and Impacts**

Already in 2002 almost all of the quantified results were reached and some surpassed. During 2003 and 2004 the programme chose not to go beyond this numbers but to deepen the service provide to the beneficiaries.

There is no data for the overall performance and the final activity report is not yet available. The information available at progress report level is not recapitulated in one document.

General activity data can be provided: 631 enquiries where received, 34 diagnostics were undertook, 37 business plans were developed with TDP resources and 56 companies accessed technical assistance. All this indicators were at least reached and in some cases went beyond the targets established initially.

Sales performance (export and local) is available for a group of 10 enterprises followed up from 2001 to 2004. All shows good increases of the sales numbers in the export market but also in the local market. Among them there are two new exporters.

**Sales performance of a sample of 10 TDP beneficiaries aver three years**

	Sales	2001	% Change	2002	% Change	2003	% Overall Change
SME's (5)	Export	11.238.288	46,26%	16.436.928	7,95%	17.742.903	57,87%
LC's (5)	Export	42.546.101	16,60%	49.607.794	43,25%	71.062.392	67,02%
<b>Overall</b>	<b>Export</b>	<b>53.784.389</b>	<b>22,80%</b>	<b>66.044.722</b>	<b>34,46%</b>	<b>88.805.296</b>	<b>65,11%</b>
SME's	Local	61.106.063	42,99%	76.905.531	16,05%	89.246.238	46,05%
LC's	Local	14.774.613	22,70%	18.127.712	0,67%	18.248.961	23,51%
<b>Overall</b>	<b>Local</b>	<b>46.331.450</b>	<b>38,15%</b>	<b>58.777.819</b>	<b>20,79%</b>	<b>70.997.277</b>	<b>53,23%</b>

The co sharing 50-50 increased the ownership of the beneficiaries companies and encourages them to take cautions steps and not extend themselves beyond their financial limits.

**8. Problems encountered**

Three requests for riders were submitted to the European Commission. Rider number 1 permitted to the programme was monitored (ROM system) four times. These reports bring interesting information about the difficulties encountered during the implementation.

During the first two years the staffing of the Programme Management Unit (PMU) seems to be lower than planned.

Since the beginning (first monitoring report) the BDGF seems to be too big for the number of companies targeted (30). Absorption problems were foreseen also in the second monitoring report and point out the difficulties of the companies to find money for their counterpart. The sub-projects where finally smaller than foreseen this explains why the number of companies assisted were higher than the target.

Service provider facility experienced very little demand. The number of applications was very low. Service providers were in fact benefiting already from the programme through TDP contracts that they received for diagnostics, business plans. A proactive attitude of the PMU permitted to implement the activities with IO. The selection of the sub-projects does not.



## Programme No 3 Private Sector Development Programme – Competitive Jamaica

### 1. Programme identification data

Title	Private sector Development Programme – Competitive Jamaica
Number	9 ACP JM 1
Source of financing	9 <sup>th</sup> EDF
Financing decision	16/12/2003
Financing agreement	12/03/2004
Start date	12/03/2004
Planned end-date	11/03/2008
Total Budget	28,700,000€
EC Budget (committed)	20,000,000€
EC Budget contracted	5,159,642 €
Disbursements	702,380 €
Beneficiary	National Authorising Officer
Operator (if different from Beneficiary)	JAMPRO

### 2. Budget

Budget Item	€	%
1. Empowerment of PSO in the local economic environment	1,850,000	9.3%
2. Enhancing enterprise competitiveness through the strengthening of the BDS system	12,500,000	62.5%
3. SME's access to corporate finance	720,000	3.6%
4. PMU, TA, audit, monitoring & evaluation, promotion	2,950,000	14.7%
5. Contingencies	1,980,000	9.9%
<b>Total</b>	<b>20,000,000</b>	<b>100%</b>

### 3. Global objectives

- To enhance the perspectives of socio-economic development through the strengthening of the private sector in Jamaica, in the challenging context of globalisation and the liberalisation of the economy.

#### **4. Specific objectives**

- The programme aims specifically at enhancing the competitiveness of micro, small and medium size Jamaican enterprises and strengthening their support and representative organisations.

#### **5. Expected Results**

- Empowerment of private sector organisations in the local economic environment.
- System of provision and delivery of relevant Business Development Services developed both through demand and supply driven initiatives.
- Access to corporate finance enhanced for SMEs.

#### **6. Activities**

- Empowerment of private sector organisations in the local economic environment:
  - setting-up and operation of a Competitiveness Committee;
  - implementation of a cost sharing capacity building scheme dedicated to intermediary organizations
- Enhancing enterprise competitiveness through the strengthening of the BDS system:
  - implementation by private sector organizations and support institutions of a cost-sharing Business Development Service Scheme;
  - direct support to enterprises, which will take place by means of several categories of activities:
    - export promotion: Organization of market penetration initiatives and setting up of export centres;
    - group initiatives: promotion of clusters and consortia BDS;
    - provision of hand holding activities setting up of info-points and up-grading and rating of enterprises.
- Corporate finance:
  - design and establishment, if appropriate, on the basis of a detailed feasibility study, of a Mutual Guarantee Company(ies) on a pilot basis;
  - setting up of the Corporate Finance Broker.

#### **7. Results and Impacts**

The implementation of the programme has not yet begun; no results were reached at this point.

## **8. Problems encountered**

The programme has already cumulated one-year delay.

The 9th EDF procedures require a financial guarantee when the implementation is managed by an executive agency. It took a year to obtain the financial guarantee for JAMPRO. The programme can begin to start now.

The design of the PSDP has many deficits. The PSDP is in its majority the continuation of the TDP, it integrates the learned lessons from the TDP but continue to operate on individual enterprises level.

These operators have been point out during the identification. Still not very clear what are the comparative advantages of Jamaica Business Development Centre (JBDC) and Private Sector Organisations of Jamaica (PSOJ) as co-managers of the programme as competitive process has not been undertaken.

Further this situation put them in certain components on an uncomfortable position of manager and potential beneficiary. The conflict of interest must be resolved to normalise the implementation process.



## **Annex 6 - Evaluation Questions Grid**

### **EQ 2 – Overall design of the strategy**

<p><b>Is the EU PSD strategy in terms of “expected results” well designed to ensure the realisation of the purpose of strengthening the business sector with a view to contribute to the overall objectives of the EU external policy?</b></p> <p><b>A. To what extent is each area of intervention (“expected results”) relevant in terms of contribution to the purpose?</b></p> <p><b>B. Is its success dependent on certain conditions (another expected result or some other ‘external’ factor)? If yes, which ones? Have they been identified in EU PSD strategy documents?</b></p> <p><b>C. Is the set of fields of actions comprehensive (are some essential fields missing (for example, role of champions)?</b></p> <p><b>D. Is it well structured:</b></p> <p><b>i. Are there potential complementarities and synergies between expected results and have they been identified?</b></p> <p><b>ii. Are there possible contradictions between fields and have they been identified?</b></p> <p><b>iii. Should there be a prioritisation?</b></p>
<p>2B.1 Conditions to reach the expected results exist</p>
<p>2B.1.3 <i>Country missions provide examples from such conditions</i></p>
<p>The Country Strategy Paper (CSP) 20021-2007 indicates as main assumptions for the support to PSD, the following macroeconomic and institutional elements:</p> <ul style="list-style-type: none"> <li>▪ Exchange rate policy conducive to maintaining competitiveness.</li> <li>▪ Simplification of investment incentive system and reduction in administrative barriers for SMEs.</li> <li>▪ Reform in labour legislation.</li> <li>▪ Stable industrial relations.</li> <li>▪ Sufficient funding available for SME financing through financial markets/banking system;</li> <li>▪ Affordable interest rates for SME.</li> </ul> <p>The CSP 2002-2007 also describes the policy agenda of the GOJ in terms of its economic, political and social policies (described in Section 3) and assumes that the GOJ will continue on this track. Overall, several written and oral sources have indicated that the GOJ remains committed to implementing those policies although more progress still needs to be made in certain areas, particularly those related to crime, violence and corruption.</p> <p>In summary, as these CSP ‘assumptions’ can be understood as ‘conditions’, it can be said that the conditions for attaining the expected results (of PSD support) do exist and are explicit in the CSP. However, they are formulated in a general manner in that they are not linked to the different programmes being implemented. Programme documents mostly indicate the same type of conditions (or assumptions); i.e. broad assumption. Further, it is not clear whether and how the strategy to support PSD in Jamaica could be adapted if the identified assumptions are not borne out. It should, nonetheless, be compared with and qualified by the situation in the other focal sector of support, namely transport. As the GOJ has not made sufficient progress in the road sector as was assumed would be the case, the Delegation currently suggests adjusting support to the transport sector in a significant manner.</p>

2D.1 There are potential complementarities and synergies between expected results
2D.1.3 <i>Country missions provide examples of such complementarities</i>
<p>Current and past Community support to PSD in Jamaica concentrates at micro- and meso-levels through the <b>Credit Scheme</b> (7<sup>th</sup> and 8<sup>th</sup> EDF), <b>Target Europe</b> (7<sup>th</sup> and 8<sup>th</sup> EDF), <b>Trade Development Project (TDP)</b> (8<sup>th</sup> and 9<sup>th</sup> EDF) and <b>Private Sector Development Programme (PSDP)</b> (9<sup>th</sup> EDF) programmes. Except for the first, programmes have been sequential and quite similar in nature, i.e. focused on the same expected results (non-financial services and support to IOs). Therefore one cannot identify complementarities and synergies between the results expected from these three programmes.</p> <p>The <b>Credit Scheme</b> programme (focused on financial services) runs in parallel to the <b>Target Europe</b> and <b>TDP</b> programmes. The team did not find evidence of intended complementarities or synergies between the programmes. No conflicts were identified either.</p> <p>It is worth noting, nonetheless, that complementarities and synergies between expected results are recognized in an <b>implicit way</b>. Indeed, the three programmes (<b>Target Europe</b>, <b>TDP</b> and <b>PSDP</b>) focusing on non-financial services have multiple components and are implemented at different levels. At micro level, they benefit private firms requiring business development services and at meso level, they benefit intermediate organisations in their capacity of service providers.</p>
2D.2 Prioritisation of areas of intervention (expected results) leads to a better realisation of the purpose
2D.2.3 <i>Country missions provide examples of such issue</i>
No prioritisation of the expected results was done in the case of Jamaica and thus it cannot be said whether that led to better realisation of the purpose (namely increased competitiveness of the business sector).

### EQ 3 – Relevance of PSD strategy in a given country

<p>For a given country,</p> <p><b>A. Does the selection of the areas of intervention correspond to the EU PSD strategy?</b></p> <p><b>B. Does the selection of the areas of intervention correspond to clearly identified priority needs of this country to increase the competitiveness of the business sector with the view to contribute to the overall objectives of the EU external policy?</b></p>	
3A.1	The areas of intervention (expect results) in <b>Jamaica</b> correspond to the areas proposed in the EC PSD strategy
<i>3A.1.1 Correspondence between the areas of intervention (expect results) in Jamaica and the EC PSD strategy</i>	
<p>Programmes implemented in Jamaica broadly correspond to the expected results of the CEC PSD strategy:</p> <ul style="list-style-type: none"> <li>▪ <b>Credit Scheme</b> can be linked to the second ‘expected result’: reinforcement of financial markets.</li> <li>▪ <b>TDP</b> can be linked to the third and fifth: enhancement of IOs’ capacity and reinforcement of Business Development Services (BDS) markets.</li> <li>▪ <b>PSDP</b> can also be linked to the ‘expected results’ of IOs’ capacity and reinforcement of BDS markets as well as to reinforcement of financial markets. Further, the programme includes the possibility of actions corresponding to a more conducive framework for PSD.</li> </ul> <p>However, it should be noted that the objectives of the different programmes are not always exactly in line with the CEC PSD strategy:</p> <ul style="list-style-type: none"> <li>▪ The <b>Credit Scheme</b> programme covered more than providing credits to SMEs, it also included supporting the framework of supply, although during the implementation of the programme it seems that the execution of the credit line became the main objective, to the detriment of the reinforcement of the regulatory and institutional framework.</li> <li>▪ The <b>TDP</b> programme had as specific objectives, first, to increase the international competitiveness of private sector exporters (which is the purpose of the CEC PSD strategy) and, second, to develop export- and tourism-related services. It was intended to reach these objectives through the provision of subsidised classical business development services without much concern for the development of a <i>sustainable demand and supply</i> of such services.</li> <li>▪ The implementation of the <b>PSDP</b> programme has not yet started but its expected results are: (i) empowerment of private sector organisations in the local economic environment; (ii) provision and delivery of relevant Business Development Services developed both through demand- and supply-driven initiatives; and (iii) access to corporate finance enhanced for SMEs. The formulation of the second expected result seems to correspond to the CEC PSD strategy but the team has not found any evidence on how actually the programme will ensure a sustainable supply of BDS.</li> </ul>	
3B.1	The selected areas of intervention (expect results) correspond to clearly identified needs of Jamaica in terms of PSD
<i>3B.1.1 Correspondence between selected areas of intervention (expect results) and clearly identified priority needs of Jamaica in terms of PSD</i>	
<p>According to most sources<sup>8</sup> the main challenge of Jamaica’s private sector development is to accelerate growth by improving competitiveness in a context of budgetary constraint. Indeed, Jamaica’s growth potential has not been yet been realized due mainly to macro-economic, institutional and regulatory</p>	

<sup>8</sup> Sources include: the GOJ’s Medium Term Framework (2005), World Bank’s study The Road to Sustained Growth (2005), the European Community’s Country Strategy Paper and National Indicative Programme for the Period 2001-2007, the World Bank’s Country Assistance Strategy 2000, and several interviews.

constraints which have reduced the efficiency of and the incentives for private investment. These constraints include:

- high cost of capital -due to the high interest rates on treasury bills;
- high rate of real wages;
- high real exchange rate;
- the direct and indirect cost of crime and security –Jamaica has one of the highest rates of crime in the world- (see section 3);
- inadequate infrastructure (water, transport, power supply); and
- high rate of migration of qualified workers – as high as 80% of tertiary graduates.

It is worth to notice that, for most observers, external trade regime does not pose major issues for Jamaica. Indeed as presented in Section 3, Jamaica is a very open economy, with few trade barriers. Trade reforms accelerated from 1991 onward, along with the introduction of capital account convertibility. Jamaica also undertook significant tariff reform after 1991 which reduced the average tariff from 20.3% to 8.9% in 2002. In 1991, it eliminated all quantitative restrictions and licensing requirements for exports and imports. As presented by WB (2004, page 156), Jamaica is considered as a “globalizer”, meaning that it is in the top one-third of a group of 72 developing countries in terms of their increase in trade relative to GDP between 1975-79 and 1995-97.

In order to tackle these constraints, the government is engaged in continuing to disengage from productive activities and to focus on its role of policy maker, regulator and enabler with a view to creating a stable macro-economic environment which provides for competitive levels of key relative prices (interest rates, real exchange rates and real wage rates) and thus lowers the cost of doing business in Jamaica. Its strategy comprises provision of:

- a stable macro economic framework;
- a positive enabling environment;
- a competitive REER; and
- improving the operating environment with respect to the availability of appropriately skilled manpower and reliable and cost effective infrastructure.

The first two elements are to be provided by a comprehensive macro-economic framework composed by a monetary and exchange rate policy aiming to maintain a stable environment and inflation rates converging to those of Jamaica’s main trading partners, and a fiscal policy aiming at a balanced budget in 2005/06 –it is to recall that to stabilize the debt at current ratios a primary surplus of 10% is needed-. A freeze on recruitment on the civil service, negotiation of reductions of real wages and salaries, and possibly a tax reform are also in the agenda. It is expected that private sector development will benefit from the implementation of such macro-economic framework primarily through its impact on interest rates and the availability of credit to the productive sectors.

The second two elements of the strategy are to be provided by specific measures including:

- Different measures to reach a competitive REER. The GOJ recognizes the importance of the REER for the competitiveness of Jamaica’s export oriented productive sector and confirms its commitment to preserving external competitiveness but also notes the trade-off implied: while a decrease of the REER favours competitiveness, it also increases foreign public debt. Therefore it also proposes to improve competitiveness through non-price channels, such as improvements to infrastructure, continued modernization of the public sector, the reduction of bureaucracy and the continued reform of the education system.
- Implementation of a national crime plan to reduce the direct and indirect costs of crime and security.
- Provision of Training and Technical Assistance. GOJ intends to continue its policies of providing training and technical assistance to the productive sectors within the limits of a budgetary constraint and with the general aim of upgrading management and enhance quality of production (in sectors such as agriculture, tourism, apparel). It also aims to build a public private partnership and encourages larger private sector ownership in order to enhance effectiveness of those programmes. For instance, the GOJ intends to explore ways of progressively shifting the responsibility for management and funding



to business associations or organizations. The role of IDPs is also pointed out, particularly through the support they provide to promotional agencies such as JAMPRO.

Within this context, current EC support to PSD in Jamaica -through the PSDP- corresponds to one identified priority, namely the provision of training and technical assistance with the aim of upgrading management and enhance quality of production.

### *3B.1.2 Correspondence between PSD strategy in the country and national priorities or policies*

Jamaica's current National Development Strategy is based on the Government's Medium Term Socio-Economic Policy Framework 2004-2007 (MTSEPF). The MTSEPF builds on the overarching policy framework established in the 1996 National Industrial Policy (NIP), which was designed to provide a systematic and comprehensive approach to development and on the 2000 Medium-Term Strategy (MTS). The MTS presents the GOJ vision for "an efficient, globally competitive and growing economy, creating jobs for a vibrant healthy and educated population, caring for its environment in a just, secure and equitable society". It also recognises that for this vision to be attained, medium term imperatives must focus on the resumption and acceleration of economic growth as a basis for employment creation and improvement in living standards and reducing poverty. The MTS present a development strategy based on four components:

1. Restoring Economic Growth:
  - rehabilitating the financial sector,
  - consolidating fiscal policy,
  - strengthening the framework for private investment.
2. Protecting the Poor and Ensuring Inclusion:
  - enhancing the efficiency and effectiveness of social safety nets,
  - improving educational access and outcomes,
  - improving health services,
  - stimulating labour-intensive growth.
3. Improving Governance, Efficiency and Effectiveness in the Public Sector:
  - divesting from commercial activities,
  - improving management and information systems,
  - reforming public management and incentives.
4. Ensuring Sustainable Development:
  - generating synergy in the environment-economic relationship
  - stimulating sustainable agricultural development,
  - linking tourism and sustainable development,
  - improving disaster preparedness.

The MTSEPF continue the same policy orientations and provides, for the medium term, a "systematic, holistic and comprehensive approach to development of the country into the 21st century". It presents GOJ's development priorities and the articulation between the overall strategy and government's public expenditure programme as reflected in the medium term public sector investment programme. In particular it stated that the objective for the productive sectors is - as in the 1996 National Industry Plan - "to resume growth with employment creation and that growth is expected to be led by the private sector taking advantage of the comparative advantages of Jamaica in terms of natural resources, location and climate" (MTSEPF, page 25). It further presents the policy framework as indicated under 3B.1.1.

Thus, the development of the private sector and the importance of increasing private sector competitiveness continue to be at the core of the government's policies. The overall objective of EC support to PSD in Jamaica is "achieving sustainable private sector growth and employment creation" and the purpose is "improving competitiveness of the SME sector" (CSP, page 28). It can therefore be said that at the level of objectives, EC support corresponds to national priorities and policies, which justifies the choice made under the 9th EDF to provide support to PSD as one of the two focal sectors.

**Table 1 – EC Intervention Framework for PSD**

Sector: Private Sector Development	PERFORMANCE INDICATORS	STATUS 2002	TARGET 2003	TARGET 2004	TARGETS 2005	SOURCE OF INFORMATION	ASSUMPTIONS
<b>NATIONAL SECTOR TARGET:</b> To achieve export-led sustainable growth with increase in production for export and domestic markets and creation of employment	<ul style="list-style-type: none"> <li>- stable inflation rate maintained</li> <li>- containment of public sector deficit</li> <li>- Increase in bank credit to private sector</li> </ul>	<p>Fiscal Year 2002/03 6.2 % inflation rate</p> <p>8.8% of GDP</p> <p>37.6%</p>	<p>Fiscal Year 2003/04 *13 -14% inflation</p> <p>*9.6% GDP</p> <p>*34.7%</p>	<p>Fiscal Year 2004/05 *7% - 8% inflation</p> <p>*7.2 % of GDP</p> <p>*11.9%</p>	<p>Fiscal Year 2005/06 *6%-7% inflation</p> <p>*7.2% GDP</p> <p>*10.9%</p>	<p>STATIN- Consumer Price Indices; Ministry of Finance- Fiscal Accounts; Bank of Jamaica- Monetary Statistics</p>	<p>Sound political, social and macro-economic framework</p>
<b>INTERVENTIONS:</b> Improve the competitiveness of both private sector organizations and private sector enterprises within the challenging context of globalization	<ul style="list-style-type: none"> <li>- Increase in non-traditional Exports</li> <li>- Increase membership in private sector organizations (PSO).</li> </ul>	<p>Non-traditional exports was affected mainly by the decline in apparel sector; Various Government initiatives and incentives are in place to modernize industries, increase efficiency and accountability within the sector</p>	<p>2% Increase in non-traditional exports</p> <p>Introduce assistance programme to PSOs</p>	<p>2% Increase in non-traditional exports</p> <p>Start implementation of PSO assistance programme</p>	<p>2% Increase in non-traditional exports</p> <p>5% increase in membership</p>	<p>JAMPRO, PSOJ, Annual Reports and Surveys.</p>	<p>Continued Government Commitment to Macro Economic Reforms; Exchange Rate Policy Conducive to Maintaining Competitiveness; Simplification of Investment Incentive Systems; Reform Labour Legislation; Stable Industrial Relation.</p>
<b>RESULTS:</b> - Improved Business Dev. Services; - Access to Financial Services enhanced; - Management Capacity of enterprises and Business associations Strengthened - Policy Framework for SME updated	<ul style="list-style-type: none"> <li>- Private Sector advisory and Competitiveness Committee established</li> <li>- Private Sector Organizations strengthened</li> <li>- Firms assisted through cost sharing scheme</li> <li>- Access to information for exporting and business establishment and operation improved</li> </ul>	<p>Policy framework for SMEs under review</p>	<ul style="list-style-type: none"> <li>- Introduce Competitiveness Committee to private sector</li> <li>- Introduce assistance programme to PSOs</li> <li>Participated in regional CARICOM conference for SMEs policy</li> </ul>	<ul style="list-style-type: none"> <li>- competitiveness Committee formed with regular meetings</li> <li>- 2 survey undertaken</li> <li>- 3 PSO strengthened</li> <li>- 20 firms assisted under cost sharing scheme</li> <li>- 100 firms receiving assistance through information centres</li> </ul>	<ul style="list-style-type: none"> <li>- (4) surveys undertaken</li> <li>(3) PSO strengthened</li> <li>20 firms assisted under cost sharing scheme</li> <li>- 500 firms receiving assistance through information centres</li> </ul>	<p>Project Management Unit Reports, JAMPRO, Ministry of Industry &amp; Tourism reports, OPM Minister of Development Reports</p>	<p>Government and Private Sector willingness to establish Committee</p>

Source: EC Annual report 2002.

## EQ 4.2 - Effectiveness – Reinforcing financial markets

<b>To what extent did EC interventions reinforce financial markets?</b>	
42.1	The appropriate framework for supplying well-developed and efficient financial services for SME is reinforced
42.1.1	<i>The objective of the programme corresponds to the expected result proposed by the CEC PSD strategy</i>
	<p>The specific objective of <b>Credit Scheme for Micro and Small Enterprises Programme</b> in its original version of 1992 was “to increase the quantum and accessibility of credit to the sector” this very broad objective was further defined through its activities: the establishment of a credit line, the provision of Technical Assistance (TA) and/or training and Monitoring and Implementations System (MIS) system to support lending institutions and to assist GOJ in creating a sound regulatory framework for the sector.</p> <p>The revised programme plan of 1997 foresaw to provide (i) loan funds; (ii) TA to participating financing institutions; and (iii) policy advice to the GOJ to strengthen the institutional framework (i.e. fiscal and regulatory framework and financial sector policies).</p> <p>The Credit Scheme programme was designed in 1992 and reviewed in 1997. In addition to the execution of the credit line, both the original and the reviewed programme design foresaw activities to, on the one hand, reinforce local financial institutions and, on the other, improve the regulatory framework. Therefore we can state that both versions correspond to the expected results of the current CEC PSD strategy. During implementation, however, the programme focused more on the execution of the credit line and the set up of a MIS than on the improvement of the regulatory framework. (See 42.1.3 and 42.1.4.).</p>
42.1.2	<i>The sustainability of the programme (i.e. its effects) are explicitly ensured from the first stage of the programme</i>
	<p>For the <b>Credit Scheme</b> programme, factors ensuring sustainability were taken into account from the first stage of the programme.</p> <p>The original Financing Agreement foresees it at two levels. First, the programme underlines some undergoing policy measures as important factors to ensure sustainability: removing restrictions to foreign exchange transactions and to interest rate controls applicable to credit unions. Second, actions were planned with the aim to reinforce the sustainability of the intervention: creation of a policy environment to stimulate financial institutions lending to SMEs; strengthening the capacity of financial institutions to mobilize local resources; provision of MIS support to financial institutions; and training to Credit officers.</p> <p>The revised plan mentioned some requisites to ensure the sustainability of the scheme such as: demand for MSE credit remains strong; the viability of the sub-projects refinanced is reasonably ensured; and the administration capacity of participating lending institutions is sound. Additionally, the revised plan identified the factors that would influence demand for credits and the viability of the sub-projects. The importance of these factors encouraged the programme to directly address them. The factors were: (a) On the side of the government: a strong Government’s MSE sector policy in relation to interest rate policy; the introduction of fiscal incentives for MSE lending to commercial banks; the establishment of management standards for specialized lending institutions and actions that would facilitate public sector procurement linkages with the sector; and (b) on the side of participating financing institutions: capacity building to loan administration services and the encouragement of changes in the loan policy of participating credit institutions for relaxing sub-borrower collateral requirements.</p> <p>There is not evidence that the programme produced results in strengthening the Government’s MSE sector policy in relation to interest rate policy or to fiscal incentives for MSE lending by commercial banks; or in facilitating public sector procurement linkages with the sector. On the other hand, the programme did spread management methods among the participating credit institutions.</p>

42.1.3 *Result indicators originally foreseen in project documents and evidence that these indicators were followed up*

For the **Credit Scheme** programme, the Financing Agreement refers to monitoring indicators in the “project plan”. This document has not been identified; it can maybe be the financing proposal. The financing proposal includes an Annex G with Monitoring indicators and also an Annex H with some evaluation issues that can be understood as the results indicators.

The revised action plan (1997) provides monitoring indicators as Attachment 5. They correspond to the initial monitoring indicators and in some cases better define them.

These indicators were followed up which allowed the supervision of the credit supply. They continue to be used as a similar programme, managed by the GOJ and using same funds, is on going.

Precise data on credit provision is available on periodic Activity Reports (See programme sheet in Annex 5). It can be stated that the system set-up for the provision of credits was globally successful:

- During the programme (36 months until end of December 2002) 339.5 M\$J were disbursed through 2,254 subloans;
- Reimbursements rate was not followed as indicator (at any level) but there are references to marginal default rates. Funds did not erode during the period and even increased due to interest income of the loans as well as the interest income produce by investing the funds temporally not used for providing credits;
- The disbursement of funds through the Small Business loan Programme (SBLP) with Trafalgar Development Bank (TDB) as wholesaler is relatively less dynamic than the one through the Micro Enterprise Loan Programme (MELP) with MIDA as wholesaler. This table shows the situation December 31, 2002. The trend remains stable at present time.

**Status of the Programme Funds as December 31, 2002 (in J\$)**

	<b>TDB</b>	<b>MIDA</b>
Bank Balance	15,501,626.97	450,871.35
PCIs* loan balance	116,849,129.75	42,920,141.20
Investment	126,845,304.09	2,352,530.76
<b>Total</b>	<b>259,196,060.81</b>	<b>45,723,543.31</b>

\* *Participating Credit Institutions*

*Source: February 2003, GOJ SME Coordinating & Monitoring Unit – Ministry of Industry & Tourism, December 2002, Quarterly Report, February 2003.*

It has been observed during the mission that the collaterals requested now by the retailers are not excessive and that default rates at borrower level is marginal. This can be the result of the training provided to participating credit institutions as well as the setting-up of a MIS.

Concerning the reinforcement of the institutional and regulatory framework there is no indicators or descriptions of the activities realised in any of the documents received. No evidence has been observed during the mission either.

The results indicators mentioned in Annex H as evaluation issues were never collected as the programme has never been evaluated.

42.1.4 *Other result indicators, such as: Ratio of credits demands to credits approvals (lower); Number of credits financed mobilizing private savings (higher); Cost to create a collateral (lower); Time for the credit approval procedure (shorter); Evidence of local financial institutions suffering distortions from EC programmes (in particular direct support to companies).*

The programme does not entail market distortions given its set-up. Interest rates to end-borrowers are freely determined by the retailers although the rate to the retailers is fixed and announced in the wholesaler agreement. Currently, as market interest rates have tended to decrease, the retailers' rate is above market rate and therefore, the programme become less attractive to retailers.

*42.1.5 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme*

This programme was designed to last for two years. The actual implementation was much longer due, first, to the delays in signing the financing contract that states the conditions for the loan between the EC and the State of Jamaica and, second, to the one-year suspension of the programme to permit the replacement of the wholesaler and the review of the programme.

This delay did not have a significant effect in the execution of the credit line but it had serious impact on the technical assistance component. Much of the funds earmarked for these activities were spent during the first phase but no results were achieved. In fact, the team did not find evidence that the activities foreseen in this component were actually implemented.

Internal factors that enhanced the achievement of expected results are related to the design of the programme:

- The fact that the fund was constituted by a loan to the State of Jamaica encouraged ownership and allowed the continuation of the credit line once the programme ended (there was not procedural barriers on the side of the Commission that obliged to close out the fund at the end of the programme).
- The fund was managed through established credit institutions (wholesalers and retailers) that had a commercial interest to lend and to be repaid.
- The fact that the micro and the small enterprises were addressed by two different channels allowed the diversity of the retailers and enhanced microenterprises access to the fund.
- After the review of the programme, the fact that the GOJ assumed the risk of default helped the management of funds to be more dynamic.

### EQ 4.3 – Effectiveness - Intermediate organisations (IO)

<p><b>A. To what extent did EC interventions help IO to increase their capacity to conduct a policy dialogue with the government;</b></p> <p><b>B. To what extent did EC interventions help IO to improve the quality or quantity of the services provided to and used by its members?</b></p>
<p>43A.1 Intermediate organizations have successfully promoted the interests of the private sector as a result of EC support</p>
<p><i>43A.1.1 The objective of the programme corresponds to the expected result proposed by the CEC PSD strategy</i></p>
<p>There is no programme aiming exclusively at supporting IOs in their capacity of promotion private sector interests. But in the <b>TDP</b> and the <b>PSDP</b> there are components that aim to support capacity building of the IO.</p> <p><b>TDP</b> had a component “Service Provider Facility” (Component 3) through which grants were provided to cover up to 50% of the cost of upgrading skills for public and private providers of BDS. The definition of this facility was very broad and, in fact, it could have served also to support activities aiming to increase IOs’ capacities to promote the interest of the private sector.</p> <p>In the <b>PSDP</b> there is a component aiming at the “Empowerment of the Private Sector Organizations (PSO) in the local economic environment”. In this framework, a Competitiveness Committee (constituted by private sector and GOJ representatives) will be set up. It is foreseen that this committee will act as a forum where private sector interests will be discussed. The success of this committee will strongly depend on the final members of the Committee. This component also foresees to implement a cost-sharing capacity building scheme following the TDP experience.</p>
<p><i>43A.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up</i></p>
<p>The Financing Agreement of the <b>TDP</b> set as target for its Component 3 to support 15-20 local service providers to develop their specialized skills. There are no indicators to follow the improvement of performance of the IOs supported.</p> <p>Following the External Technical Assistance (ETA) Final Report 2002, 9 service providers were assisted among which 5 were PSO, 2 were public/private organizations and 2 private. According to the TDP closing speech, at the end of the programme, 15 service providers were assisted.</p> <p>In the basic documents of <b>PSDP</b>, there are no indicators identified that permit to follow up the PSO empowerment.</p>
<p><i>43A.1.3 Other result indicators, such as: Evidence of involvement of IO (particularly if supported by the EC) in policy orientation meetings; Example of policies that directly respond to the demands of the IO (particularly if those were supported by the EC); IO supported cover a significant part of local enterprises</i></p>
<p><b>TDP</b> supported IOs in many different ways but not always with the aim to reinforce their representation capabilities.</p> <p>In the case of Jamaican Manufactures Association (JMA), support was comprehensive and covered many aspects through the design and the implementation of a Strategic Plan: board and members consultation, food shows, marketing campaign “Buy Jamaica”, and upgrading lobby capacities at national and international level (in particular, participation to Cancun Trade Negotiations which was the first time that a Jamaican private sector organization participated to such negotiations).</p> <p>The results of these activities are lasting. The enterprises members of the JMA appreciate and recognize spontaneously JMA important role in lobbying activities. A new Strategic Plan for the following period (the one financed by TDP covered 5 years) will be design by JMA following the methodology used by the TDP consultant. JMA will afford the cost internally.</p>

<p>There is no knowledge of other organizations supported in their activities to promote private sector interests.</p>
<p><i>43A.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme</i></p>
<p>As <b>TDP</b> did not target particularly the IOs and their capacity to represent the private sector, results achieved in relation to this expected result are more indirect and were enhanced or hampered by decisions taken during implementation.</p> <ul style="list-style-type: none"> <li>▪ The programme management chose to target the IOs when, due to the few applications for assistance received, it became evident that a proactive approach had to be adopted. The focus then was put on service supplying and very little on capacity building.</li> <li>▪ JMA case shows that a comprehensive support to the IOs, structure and activities, may provide more lasting results than use IOs just as service providers.</li> </ul>
<p>43B.1 Intermediate organizations provide more and better services to their members as a result of EC support</p>
<p><i>43B.1.1 The objective of the programme corresponds to the expected results proposed by the CEC PSD strategy</i></p>
<p>There is no programme aiming exclusively at supporting the IOs as suppliers of services for their members. But in the <b>TDP</b> and the <b>PSDP</b> there are components that aim to support service providing capacity building of the IO.</p> <p>The <b>TDP</b> had a component “Service Provider Facility” (Component 3) through which grants were provided to cover up to 50% of the cost of upgrading skills of both public and private BDS providers. The component did not exclusively target IOs but they were potential beneficiaries.</p> <p>In the <b>PSDP</b> the component “Empowerment of the Private Sector Organizations (PSO) in the local economic environment” foresees to implement a cost-sharing capacity building scheme dedicated to intermediary organisations that will be implemented following TDP experience. According to the management of the programme it will benefit also other (private) service suppliers.</p> <p>The component “Enhancing enterprise competitiveness through the strengthening of the BDS system” of the PSDP will be managed by one PSO.</p>
<p><i>43B.1.2 Result indicators originally foreseen in project documents and evidence that these indicators were followed up</i></p>
<p>The Financing Agreement of the <b>TDP</b> set as target for its Component 3 to support 15-20 local service providers developing their specialized skills. There are no indicators to follow the improvement of performance of IOs supported.</p> <p>Following the External Technical Assistance (ETA) Final Report 2002, 9 service providers were assisted among which 5 were PSO, 2 public/private organizations and 2 private. According to the TDP closing speech, at the end of the programme, 15 service providers were assisted.</p> <p>TDP support was mainly used by IOs to provide services to their members: trade fairs, seminars, marketing campaigns, consortium support... Thanks to the programme they increased their activities but these actions did not continue after the end of the programme.</p> <p>In the basic documents of <b>PSDP</b> there are indicators identified that to follow up PSO empowerment.</p>
<p><i>43B.1.3 Other result indicators, such as: Evolution of the number of services provided by IO (particularly if those were supported by the EC) (increased); Evolution of the number of companies benefiting from these services; Evolution of membership in these IO; Level of satisfaction of firms using services provided by IO; IO supported cover a significant part of local enterprises</i></p>

The membership of the organizations met during the mission is considered stable. They cover most of the large and the middle size enterprises while small enterprises are less represented by these organisations.

The firms met during the mission are also members of these organizations. Not all of them benefited of the activities carried out by these IOs with **TDP** funds but when it was the case they were satisfied.

*43B.1.4 Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme*

**TDP** did not target particularly the IOs and their capacity to provide services to their members, but targeted all kind of service providers.

Decisions taken during implementation enhanced the participation of the IOs but hampered the achievement of expected results in terms of skills strengthening:

- The programme management choose to target the IOs when due to the few applications for assistance received it became evident that a proactive approach had to be adopted.
- The intervention selected were mainly activities for the members and not activities that could upgrade the capacities to provide better services.

Many activities were undertaken and achieved but they did not produce in a sustainable way the expected results of the TDP (namely, upgrading service providers' skills) neither of the PSD strategy (provide better and more services to their members). TDP support did not reinforce IOs, it allowed them to organize more activities for their members (shows, international fairs, consortium support) but without the funds of the programme there is no possibility of replicability or continuation of these activities.

JMA case shows that a comprehensive support to the IOs, structure and activities, may provide more lasting results than use IOs just as service providers.



## EQ 4.5 – Effectiveness – BDS

<p><b>To what extent did EC interventions aiming to provide non-financial services create a competitive business development services markets?</b></p>
<p>45.1 EU interventions aiming to provide non-financial services create a competitive business development services markets</p>
<p><i>45.1.1 The objective of the programme corresponds to the expected result proposed by the CEC PSD strategy</i></p>
<p>According to the Financing Agreement <b>TDP</b> had two specific programme purposes:</p> <ul style="list-style-type: none"> <li>▪ To increase the international competitiveness of private sector exporters: this purpose will be achieved by carrying out detailed company diagnostics and encouraging companies to implement medium to long term business development plans.</li> <li>▪ To develop export and tourism related services: this purpose will be achieved by encouraging companies and associations to invest in local business development services as a means of improving competitiveness and secondly, encouraging local service providers to develop their supply of specialised skills.</li> </ul> <p>This second objective match with the PSD strategy but during the implementation much more focus was put on direct support to companies than on developing a supply of specialized skills.</p> <p><b>PSDP</b> Component 2 “Enhancing enterprise competitiveness through the strengthening of the BDS system” will continue to provide services directly to companies and will also develop a new range of services by setting up export and information points.</p> <p>The possibility to upgrade service providers skills do not exist anymore as it did not succeed during the TDP owing to lack of demand (As previously mentioned the Component 1 plan to implement a cost-sharing capacity building scheme dedicated to intermediary organisations that will be implemented following TDP experience. According to the management of the programme it will benefit also other (private) service suppliers.) The risk on focusing direct support to companies instead of developing a supply of specialized skills as in the TDP still existing.</p>
<p><i>45.1.2 The objective and overall design of the programme corresponds to the Blue Book on BDS programmes (“BDS for Small Enterprises: Guiding principles for donor intervention”)</i></p>
<p>Even though the <b>TDP</b> was identified previous to the Blue Book, the design is halfway between the old and the new approaches defined in the document. Certain factors correspond more to the new approach ie: i) the second specific purpose of the programme that plan to “develop the services”, ii) the “Service Providers Facility” which aims to upgrade specialized skills and iii) the priority gave to purchase services from local providers. The strongest link between TDP and the old approach are the direct subsidies to the enterprises to purchase the services. These caused problems of outreach and of sustainability.</p> <p><b>PSDP</b> was identified in 2003 but do not follow the Blue Book recommendations. Its design follows TDP’s perspective; it aims to provide the services but does not consider the development of a competitive BDS market.</p>
<p><i>45.1.3 Result indicators originally foreseen in project documents and evidence that these indicators were followed up</i></p>
<p>Result indicators foreseen in <b>TDP</b> Financing Agreement were followed up during the implementation of the programme. They provide information of the impact of the assistance on the beneficiaries and examine both qualitative and quantitative indicators, such as improved productivity, incremental increases in exports, improved quality of products.</p> <p>An indicator to measure the increase in demand for service providers was also foreseen in the TDP Financing Agreement but it only corresponds to the amount dedicate by the programme for the purchasing these services. It does not give an idea of the increase in the demand, only the pressure the programme</p>

<p>exercised on the market.</p> <p>There is no data for the overall performance, as the final activity report and the final evaluation are not yet done. The information available at progress report level is not summed up in one document but general activity data can be provided: 631 enquiries were received, 34 diagnostics were undertaken, 37 business plans were developed with TDP resources and 56 companies accessed technical assistance. These indicators reached or in some cases went beyond the targets established initially.</p> <p>Sales performance (export and local) is available for a group of 10 enterprises followed up from 2001 to 2004. All shows good increases of the sales numbers in the export market but also in the local market. Among them there are two new exporters.</p>
<p>45.1.4 <i>The internal monitoring system corresponds to the one proposed by the Blue Book on BDS programmes (« BDS Performance Measurement Framework »)</i></p>
<p>The monitoring systems of any of the two programmes do not correspond to the one proposed in the Blue Book. In particular there is no indicators that measure the whole market and from were information about the outreach can be extract.</p>
<p>45.1.5 <i>Other result indicators, such as</i></p> <ul style="list-style-type: none"> <li>▪ <i>Number of SME acquiring BDS in general (to measure BDS market expansion)</i></li> <li>▪ <i>Number of SME acquiring BDS from the programme (to measure BDS market expansion)</i></li> <li>▪ <i>Evolution of the number of local consulting firms in the market (to measure BDS supply)</i></li> <li>▪ <i>% of potential SME acquiring BDS (to measure market penetration)</i></li> <li>▪ <i>Number and % of SE customers purchasing BDS who represent targeted populations (to measure outreach)</i></li> <li>▪ <i>Percent of customers reporting high satisfaction with a business development service (to measure impact)</i></li> <li>▪ <i>Repeat customers: % of all customers who purchase at least twice (to measure impact)</i></li> <li>▪ <i>Percentage of customers who applied the business service to their business, as defined by the program. (E.g.: percent who accessed new markets, developed new products, improved management practices, started keeping formal accounts, reduced costs, etc.) (to measure impact)</i></li> <li>▪ <i>Change in estimated gross profit, profit level, employment, exports from before and after receiving the service (to measure impact)</i></li> <li>▪ <i>Of the businesses that improved their estimated gross profits, what percent attribute the change to the BDS? (to measure impact)</i></li> <li>▪ <i>BDS supplier profitability and profitability of particular BDS Service (to measure sustainability)</i></li> <li>▪ <i>Simplified cost-benefit assessment comparing total, cumulative program costs to aggregate program benefits (to measure sustainability)</i></li> <li>▪ <i>Total program cost per customer served and total program cost per supplier assisted (to measure sustainability)</i></li> </ul>
<p>NA</p>
<p>45.1.6 <i>Internal or external (to the programme) factors that have enhanced or hampered the production of expected results or achievement of objectives of the programme</i></p>
<p>The programme was monitored – by the ROM monitoring system - four times. Some recommendations were followed up and this improved substantially the service the TDP provided to the enterprises. The most important improvements adopted by the programme and that enhanced considerably the achievement of the results are:</p> <ul style="list-style-type: none"> <li>▪ classification of the beneficiaries (beginner, intermediate, mature) to address the different difficulties each company can encountered to absorb the funds;</li> <li>▪ apply “carrot and stick” approach reducing funding agreements to 3-6 months for better control of disbursement and subject the agreement extension to past performance;</li> <li>▪ address the accountability weaknesses of the companies;</li> <li>▪ initiatives to improve market penetration and grouping of products;</li> <li>▪ integrate sectoral initiatives.</li> </ul>

The difficult economic situation in the country and the very high interest rates were negative aspects beyond the control of the PMU that could affect the access of some companies to the programme.

The cost-sharing 50-50 increased the ownership of the beneficiaries companies and encouraged them to take cautious steps and not extend themselves beyond their financial limits.

*45.1.7 Unsubsidized local BDS is not crowded-out by a subsidized supply of services: There are no complaints about “unfair competition” from unsubsidized suppliers of services, there are no clients that use to use unsubsidized consulting that are now using subsidized consulting*

The services were provided by local consultancy companies, consequently the market benefited from a direct increase income due to the short-term demand created by the programme.

The companies met during the mission had not used BDS previously. Since they benefit from this type of services and experience substantial growth they appreciate now the importance of consulting services and even they are ready to use it at market price.

## EQ 5 – Sustainability

<b>To what extent are the effects (expected results) of the interventions likely to continue at the end of the EC support?</b>	
5.1	The effects of CEC PSD strategy in Jamaica is likely be long-lasting
5.1.1	<i>Risks and assumptions that can affect the achievement of the PSD strategy have been identified</i>
<p>The stated overall objective of the PSD strategy in Jamaica, i.e. contribute to increase the competitiveness of Jamaica’s business sector, is well in line with the GOJ policies and priorities and correspond to the country needs as perceived by different sources.</p> <p>When proposing PSD as a focal sector, the CSP explicitly identifies a number of assumptions and/or elements ensuring sustainability. They regard government actions and the demand of the private sector:</p> <ul style="list-style-type: none"> <li>▪ Improvement of the macro-economic environment, leading, inter alia, to more affordable interest rates.</li> <li>▪ An exchange rate policy conducive for maintaining competitiveness.</li> <li>▪ Implementation of a number of key government measures to improve the business environment, such as: (i) reducing administrative barriers, (ii) simplifying investment incentives, (iii) reducing labour market rigidities, and (iv) addressing the problem of security.</li> <li>▪ Existing demand by the private sector for the services to be provided by the programme and that these services are effectively delivered.</li> </ul> <p>The CSP also present as elements to ensure sustainability, EC support actively promoting the respect for environmental standards and the introduction of sustainable technologies; as well as the encouragement of labour-intensive economic activities, in view to create employment for vulnerable groups.</p>	
5.1.2	<i>Actions have been taken if risks have materialized or assumptions have not been verified</i>
<p>Overall, several written and oral sources point out that the GOJ remains committed to implement its policy agenda although progress should still be made in certain areas, particularly those related to crime, violence and corruption.</p> <p>The team has not been able to collected information on the extent to which the government has progressed on each of the measures or assumptions detailed above. Further it is not clear whether and how the strategy to support PSD in Jamaica could be adapted if identified assumptions are not verified as the new PSDP has already started and its implementation is not conditional to the same assumptions used at the level of the strategy. As mentioned in 2B.1.3, this should, nonetheless, be compared with and qualified by the situation of the other focal sector of support, namely transport. As the GOJ has not made sufficient progress in the road sector as it was assumed it would be the case, the Delegation currently suggests adjusting support to the transport sector in a significant manner.</p>	
5.3	Reinforcement of financial markets is long-lasting
5.3.1	<i>The number of credits from local banks to the private sector (especially SME and micro-enterprises) continues to increase or at least does not decrease after EC intervention</i>
<p>Regarding <b>Credit Scheme</b>, the number of credits provided did not decrease after the end of the programme as the GOJ decided to start a similar MSEM programme. Originally, the funds for the <b>Credit Scheme</b> programme were constituted by an EDF loan to the GOJ. Due to this set up – different to the set up of other EC credit programmes of the same kind - there were no procedural barriers on the side of the Commission that forced to close the fund at the end of the programme. The GOJ decided to continue to dedicate these resources to the same purpose through a similar programme which is still under operation and which follows the same operation rules than the EC <b>Credit Scheme</b> programme.</p>	

5.3.2 <i>Repayment rate of loans in EC supported programmes (high enough)</i>
There are no indicators on repayment rates. Several interviewees consider the default rate marginal. It is interesting to observe that the fund still growing owing mainly to interest income on investment (wholesalers invested idle resources and had to revert the interest to the fund) but also to loan interests, which means that reimbursement rates are correct.
5.4 Reinforcement of IO position is not lost after EC intervention finishes
5.4.1 <i>Intermediate organizations continue to successfully promote the interests of the private sector after the end of EC intervention. For example: Evidence of continuous involvement of business sector organizations (particularly if supported by the EC) in policy orientation meetings</i>
JMA continue its lobbying activities.
5.4.2 <i>Services provided by intermediate organizations continue to increase or at least do not decrease after EC intervention. For example: Evolution of the supply and use of services provided by intermediate organizations after the end of the intervention; Evolution of the number of companies benefiting from these services; Evolution of membership in these intermediate organization</i>
Services provided by the beneficiaries IOs decreases now that the EC programme is finished. The activities supported by the TDP finalized when the financing source ended.
5.6 A competitive BDS market continues to function after EC intervention has finished
5.6.1 <i>Demand for non-subsidised BDS continues to increase or at least do not decrease after EC intervention</i>
According to the main stakeholders there is the feeling that the demand had already begin to calm down even before the end of the programme. Now that the BDS activities within the programme are finished, demand has decreased substantially.
The companies met during the mission stated they will continue to use BDS, as needed. They are open to contract this services at market cost but only if they cannot benefit of other subsidies. They were all aware of the new programme PSDP and had the clear intention to apply. They were already preparing new projects.
5.6.2 <i>Local supply of non-subsidized BDS continues to increase or at least do not decrease after EC intervention</i>
There is not evidence about this fact.

## EQ 6 – Efficiency

<p><b>To what extent have the organisational set-up or management systems and processes contributed or hindered the efficiency of the EC interventions to support private sector development? Four aspects are of particular interest to our evaluation:</b></p> <p><b>A. The deconcentration process and the support given by HQ</b></p> <p><b>B. The preference given in some regions to all-country programmes</b></p> <p><b>C. The preference given in some regions to promote local expertise instead of using international support</b></p> <p><b>D. Other organisational set-up or management systems and processes</b></p>
<p>6A.1 The deconcentration has contributed to the efficiency of the EC interventions</p>
<p>6A.1.1 <i>Speed of decision making during the identification and implementation stages (project preparation, implementation payments)</i></p>
<p>The decision-making process has, according to all the parties interviewed, clearly accelerated after the deconcentration in 2002. The Delegation has the rule to provide answers, for simple operations, in maximum 4 days where before the average answer time for type of operations was around one month.</p>
<p>6A.1.2 <i>Workload related to implementation procedures of project managers at the Delegation</i></p>
<p>The deconcentration implied significant increase in the workload for the Delegation staff. Managerial tasks increase seems correctly hand out inside the Delegation but capacities to provide a strategic and technical support on PSD are still weak as proven by the PSDP design process.</p>
<p>6A.1.3 <i>The deconcentration has led to a better identification of needs and project design</i> <i>Note: This item is related to relevance (not to efficiency) and it is asked only to complement information</i></p>
<p>It seems that during the identification of the PSDP in 2003, headquarters continued to play an important advisory role. The design of the <b>PSDP</b> has some weaknesses at strategic level as well as in its management setting up:</p> <ul style="list-style-type: none"> <li>▪ PSDP is in its majority the continuation of TDP. It clearly takes into account the elements that were added to the TDP during its implementation (i.e. integrate more the IOs, handholding services). Unfortunately, it continues to operate at enterprises level (micro) without a comprehensive approach to reinforce BDS markets. The programme does not take into account best practices identified to enhance PSD interventions which recommend macro and meso approach (i.e. “BDS for Small Enterprises: Guiding principles for donor intervention”).</li> <li>▪ PSDP project management will be ensured by JAMPRO on the basis of a service contract. Target Europe and TDP PMU were hosted in this agency. The operators, which will act as co-managers, have been pointed out during the identification stage of the programme. It is still not very clear what the comparative advantages of JBDC and PSOJ are as co-managers of the programme. Further, this situation creates an uncomfortable situation as these institutions will be, at the same time, managers and potential beneficiaries of certain components. It seems to be a programme “<i>sur mesure</i>”.</li> </ul>
<p>6A.1.4 <i>Evidence of sharing experience / lessons learning from other Delegations</i></p>
<p>According to the interviews there is no sharing of experiences from other Delegations nor there was before the deconcentration, especially at operational level. It was also mentioned that there is a need of such exchanges in particular on the way difficulties were addressed and overcome.</p>

6B.1	The use of “all-country” programmes has contributed to the efficiency of the EC interventions
6B.1.1	<i>Speed of decision making during the identification and implementation stages (project preparation, implementation payments)</i>
6B.1.2	<i>Cost of interventions before and after “all-country” programmes</i>
6B.1.3	<i>Workload related to implementation procedures of project managers at the Delegation</i>
6B.1.4	<i>The use of “all-country” programmes has led to a better identification of needs</i> <i>Note: This item is related to relevance (not to efficiency) and it is asked only to complement information</i>
	Jamaica has not been a significant user of “all-country” programmes; therefore the team could not collect conclusive evidence on this issue.
6C.1	The use of local expertise has contributed to the efficiency of the EC interventions
6C.1.1	<i>Speed of decision making during the identification and implementation stages (project preparation, implementation payments)</i>
	Local expertise was extensively used in the implementation of <b>Credit Scheme</b> and <b>TDP</b> programmes. By this fact international tender process were avoided which makes much quicker the decision process.
6C.1.2	<i>Comparative cost of interventions using local or European Expertise</i>
	Local expertise was used in the <b>Credit Scheme</b> and <b>TDP</b> programmes. It allowed to offer services at local market price and therefore at a lower cost. The quality of the services was considered good.
6C.1.3	<i>Workload related to implementation procedures of project managers at the Delegation</i>
	Local expertise was extensively used in the implementation of <b>Credit Scheme</b> and <b>TDP</b> programmes. By this fact international tender process were avoided as well as related Delegation workload.
6D.1	The organisational set-up and management system has contributed to an efficiency implementation of the programme
6D.1.1	<i>Programme inputs are on time, at planned cost and well managed on a day-to-day basis</i>
	<b>Credit Scheme.</b> Credit line funds were not available at the beginning of the programme producing two years delay on the implementation of the programme. The financing contract that states the conditions for the loan between the European Community and the State of Jamaica was only signed in February 1995, while the financial agreement dates back to 1993.  The management of the funds was not always good. The management of the funds by the Eagle Merchant Bank of Jamaica, the first wholesaler, was not satisfactory as the bank preferred to refinance larger sub-loans. The agreement was suspend in 1996. Further, great part of the Technical Assistance funds was spent during this first period without obtaining results.  After its review, the programme restarted on an efficient basis especially regarding the execution of the credit line. Two new agreements were signed with wholesalers in order to address micro and the small enterprises through two different channels. This allowed a better access to the fund for microenterprises. The programme was based on established financial institutions (wholesalers and retailers) with commercial interest to lend and be repaid. To make the credit disbursement more dynamic the GOJ assumed the risk of default.  <b>TDP.</b> According to the Monitoring Reports, the only difficulty encountered by the TDP at inputs level is that during the first two years the staffing of the PMU seemed to be lower than planned. Additional staff was allocated on 2 January 2002.  Two riders asking for a revision of the budget were submitted to and approved by the European Commission. The revision mainly concerns Service Provider Facility; 60% of the funds for this activity

<p>were finally devolved to the line technical assistance. (See Annex 5, Programme Sheet N°2).</p> <p><b>PSDP.</b> The 9th EDF procedures require a financial guarantee to permit the implementation of the programme by an executive agency. It took one year to obtain the financial guarantee for JAMPRO. Programme implementation can begin only now.</p> <p>A further obstacle to an efficient implementation is the situation of the PSO co-managers as potential beneficiaries of certain components. The conflict of interest must be resolved to normalise the implementation process.</p>
<p><i>6D.1.2 Programme activities are on time, at planned cost and well managed on a day-to-day basis</i></p>
<p><b>Credit Scheme.</b> After the review of the programme credit line was executed as planned. Regarding the technical assistance there is no evidence that the policy support activities planned were achieved. The erosion of funds during the first phase for this particular component limited substantially the action and focused more the setting up of a MIS and the provision of trainings to credit officers than the policy support activities.</p> <p><b>TDP.</b> The majority of activities were implemented as planned. Service provider facility experienced very little demand. Service providers were in fact benefiting already from the programme through TDP contracts that they received for diagnostics and business plans. PMU adopted a proactive attitude and target the IOs but the selection of activities was lax and do not targeted the upgrading of skills. Some companies experienced difficulties to provide their counterpart (access to credit). After approval of the cost-sharing they stayed inactive.</p> <p><b>PSDP.</b> The programme did not begun yet due to the long period needed to obtain a financial guarantee. The programme has cumulated one-year delay.</p>
<p><i>6D.1.3 Results are being achieved as planned (quality and quantity)</i></p>
<p><b>Credit Scheme.</b> After the review of the programme the credit fund had a credits turnover as planned. The activities planned to support the policy and regulatory framework were not implemented and no results were achieved.</p> <p><b>TDP.</b> Quantitative indicators were reached already in 2002 and in some cases went beyond (see Annex 5 Programme Sheet n°2). Skills of service providers were not upgraded as a result of the ‘Service Providers Facility’.</p>
<p><i>6D.1.4 Existence and use of an internal monitoring system</i></p>
<p><b>Credit Scheme</b> as well as <b>TDP</b> planned and followed up a monitoring system. That permitted to manage well on a day-to-day basis the finance disbursement and the implementation.</p> <p>In addition <b>TDP</b> studied more closely a group of ten enterprises during the whole implementation period.</p>
<p><i>6D.1.5 The programme has been able to adapt to changing needs or context. For instance, if the assumptions did not hold true, how well did the programme management adapt? How well did it adapt to external factors affecting the programme)</i></p>
<p><b>Credit Scheme.</b> The programme was suspended after one year of implementation. It restarts after an in-depth review. Even if this review was positive the suspension and the revision period supposed a traumatism for the programme. The effects of this break were especially negative for the Technical Assistance component.</p> <p><b>TDP.</b> This programme was monitored four times (ROM system). The programme was able to take into account most of the recommendations made by the monitors. These recommendations had positive effects on implementation and results achievement. New activities were added to planned ones in order to better address the needs:</p> <ul style="list-style-type: none"> <li>▪ Sectoral approach: permit to foreseen market penetration at least cost.</li> <li>▪ Accountability strengthening.</li> </ul>



## EQ 7 – Coherence (within EU action)

<p><b>A. To what extent does the EU PSD policy in general take into account other EU strategies and policies?</b></p> <p><b>B. To what extent does the <u>EU PSD support strategy within a country</u> strategy take into account:</b></p> <p style="padding-left: 20px;"><b>i. The support given to other sectors within the same country strategy?</b></p> <p style="padding-left: 20px;"><b>ii. Other EU strategies and policies</b></p> <p><b>C. To what extent do national or regional <u>EU PSD programmes within a country</u> take into account:</b></p> <p style="padding-left: 20px;"><b>i. Other PSD programmes within the same country</b></p> <p style="padding-left: 20px;"><b>ii. The support given to other sectors within the same country</b></p> <p style="padding-left: 20px;"><b>iii. Other EU strategies and policies</b></p>
<p>7B.1 The EU PSD support strategy within a country takes into account other EU interventions</p>
<p>7B.1.1 <i>Explicit reference to EU support to <u>other sectors in the same country</u> and analysis of possible complementarities, synergies, conflicts or overlaps between PSD and other sector support within the same country</i></p>
<p>Community support to Jamaica is provided through budgetary aid and directly to transport and to private sector development. The CSP 2002 is explicit on how budgetary aid and transport affect private sector development. Indeed, the CSP explains that the overriding concern of the EC strategy is to contribute to the alleviation of poverty; that in order to alleviate poverty the government seeks to enhance economic growth; that the private sector is considered as the most effective engine for growth; and thus that the development of business activities should be supported and facilitated. It also indicates that transport infrastructure is one of the main constraints on development of the private sector – which bears out the information collected by the mission from other sources – and that business development needs macroeconomic fundamentals to be restored to sustainable levels, particularly the debt situation. It even indicates that the country’s growth strategy should rest on two complementary measures: macroeconomic reforms and support to SMEs to stimulate their competitiveness.</p>
<p>7B.1.2 <i>Evidence that EU support to other sectors in the same country has positively or negatively affected the achievement of the objectives of the PSD support strategy within the country</i></p>
<p>In practice, however, little link between transport sector interventions and PSD interventions has been made. As for budgetary aid, interviews gave a qualified image. On the one side, officials involved in PSD argued that budgetary support will contribute to reducing interest rates (through reducing internal debt and thus reducing the crowding-out of private borrowing). On the other side, officials involved on budgetary support consider that the magnitude of BS in Jamaica is not significant enough to have an effect on macroeconomic variables. It could, however, be argued that BS contributes to encouraging GOJ’s commitment to fiscal discipline and thus indirectly affects the business environment.</p>
<p>7B.1.3 <i>Explicit reference to the possible effects of other EU strategies and policies (development or non-development) on the PSD support strategy in a given country</i></p>
<p>In the section “Coherence with other Community policies”, the CSP 2002 makes reference to trade policy. It indicates that the strategy is fully compatible with the participation of Jamaica in international trade fora and agreements, in particular WTO; and further, that Jamaica will participate actively in the EPA negotiations under CARICOM. However, the document does not describe – and the evaluation team has not found any evidence in this regard - how the strategy relates to trade policies or regional initiatives. This is not due to a lack of concern about trade issues, particularly in the case of a small island like Jamaica. The report on the 10<sup>th</sup> Annual Retreat in December 2004 - which brings together IDPs and government and non-government partners in Jamaica – indicates that the opening session highlighted the need to re-think development aid in the light of current globalization challenges; and further, that the key to development was to be found in greater trade and that, for this reason, a reduction of subsidies in developed countries could help millions improve their living standards.</p>

<p>7B.1.4 <i>Evidence that other EU strategies or policies (development or non-development) have positively or negatively affected the achievement of the objectives of the PSD support strategy within the country</i></p>
<p>No evidence found.</p>
<p>7C.1 National or regional EU PSD programmes within a country take into account other EU interventions</p>
<p>7C.1.1 <i>Programme documents explicitly refer to the other EU PSD programmes in the same country and analyse possible complementarities, synergies conflicts or overlaps</i></p>
<p>As mentioned in 2D.1.3 Community support to PSD in Jamaica has been provided through the <b>Credit Scheme</b> (7th and 8th EDF), <b>Target Europe</b> (7th and 8th EDF), <b>TDP</b> (8th and 9th EDF) and <b>PSDP</b> (9th EDF) programmes.</p> <p>Except for the first one, programmes have been sequential and quite similar in nature, i.e. focused on the same expected results; and therefore the focus for the team was less on identifying complementarities or overlaps between these programmes than on lesson learning. Programme documents do mention previous programmes but the team did not find evidence that, for instance, <b>PSDP</b> had thoroughly drawn on <b>TDP</b> experience.</p> <p>The <b>Credit Scheme</b> programme (focused on financial services) run in parallel to the <b>Target Europe</b> and the <b>TDP</b> programmes. The team did not find evidence of Credit Scheme documents referring to the TDP programme.</p> <p>Some applications made to the <b>TDP</b> where referred to the ‘all-ACP’ programme <b>EBAS</b>.</p>
<p>7C.1.2 <i>Evidence that other EU PSD programmes in the same country have positively or negatively affected the achievement of the objectives of the programme</i></p>
<p>No evidence found on one PSD programme affecting another PSD programme. Particularly because programmes (TDP and PSDP) have been sequential.</p>
<p>7C.1.3 <i>Programme documents explicitly refer to EU support to other sectors in the same country and analyses possible complementarities, synergies conflicts or overlaps between the programme and other sector support within the same country</i></p>
<p>No evidence found on PSD programme documents referring to EC support to other sectors.</p>
<p>7C.1.4 <i>Evidence that EU support to other sectors in the same country has positively or negatively affected the achievement of the objectives of the programme</i></p>
<p>No evidence found on EC support to other sectors affecting the achievement of an EC supported PSD programme.</p>
<p>7C.1.5 <i>Programme documents explicitly refer to the possible effects of other EU strategies and policies (development or non-development) on the programme and analyses possible complementarities, synergies conflicts or overlaps</i></p>
<p>No evidence found.</p>
<p>7C.1.6 <i>Evidence that other EU strategies and policies (development or non-development) have positively or negatively affected the achievement of the objectives of the programme</i></p>
<p>The team did not find any evidence of programmes being directly affected by EU policies or strategies. However, particularly in the context of Jamaica – a small island – and given the policy of the GOJ, the links with trade policy should be of outmost importance. It is reflected by other players such as are mentioned in 7B.1.3, and also by the fact that, that in larger fora as the 10<sup>th</sup> Annual Retreat in December 2004, the reduction of subsidies in developing countries is mentioned as an effective way to contribute to development.</p>

## EQ 8 – Coordination (with other donors)

<b>To what extent is there coordination between donors, both at central and at country level?</b>	
8.2	The EU actively participates to multi-donor coordination process at country level
8.2.1	<i>Evidence of participation of the EC to multi-donor coordination meetings at country level</i>
<p>Donor coordination has for long been in place in Jamaica, yet has gained momentum in the last two years and it is becoming increasingly crucial.</p> <p>On the government side, the Planning Institute of Jamaica (PIOJ) co-ordinates international co-operation and the UNDP Resident Representative leads donor coordination on the side of the international development partners. Meetings are organised in a regular basis to discuss and review strategic matters of common concern. An annual retreat also brings together the donor community and the GOJ to discuss areas of intervention and future work. Participants at the 10<sup>th</sup> Annual Retreat in December 2004 included IDPs (DFID, UNDP, FAO, UNEP, UNICEF, UNESCO, EU, Embassy of France, CIDA, USAID, IDB, WB, Embassy of Japan, JICA) as well as government and non-government agencies (PIOJ, Cabinet Office, Dispute Resolution Foundation, National Works Agency, Ministry of Justice, Office of Preparedness and Emergency Management, University of West Indies). The main conclusions were:</p> <ul style="list-style-type: none"> <li>▪ That in spite of the importance of overseas development aid (ODA) for countries like Jamaica, their long term development could not be based on ODA;</li> <li>▪ That greater attention should be given to helping bring about improvements in competitiveness and in gaining access to markets; and that to this end a reduction in agricultural subsidies in developed countries would help considerably;</li> <li>▪ That IDPs could provide their support in a more flexible and creative manner;</li> <li>▪ Finally a case was made for reducing assistance to the government sector and reallocating it to the private sector. Some IDPs argued for a thematic focus on PSD as further reductions in poverty levels will require economic growth.</li> </ul> <p>A particular and different experience - where the Delegation has had a significant role - shows in practice how donor coordination in Jamaica is taking place: In the frame of the Budget Support provided by the EC and given that Jamaica no longer had an IMF Staff Monitored Programme, the GOJ elaborated a MTSEPF. Once the National Planning Council (NPC) and the Cabinet approved the MTSEPF in 2004, it has become a reference point around which IDPs are harmonising their development strategies. This was formally agreed with the GOJ and other partners during the 10<sup>th</sup> Annual Retreat.</p>	
8.2.2	<i>Evidence of distribution of tasks among the different donors at country level</i>
The team did not found evidence of specific tasks distributed among donors.	
8.2.3	<i>Evidence of joint activities or projects between the different donors at country level</i>
<p>There are no joint (PSD or other) projects or programmes between the EU and another donor in Jamaica. However, more and more IDPs are joining efforts in view of achieving greater aid effectiveness. For instance, DFID will fund a TA for donor coordination and harmonization “on behalf of the coordinated interests of IDPs”. The aim is to “enhance PIOJ’s capacity to carry out its mandate as focal point for the harmonization initiative, to coordinate donor/lender assistance and mainstream an effective monitoring and coordinating framework for the Medium Term Framework (MTF)”. (Source: <i>Discussion Notes on TA for Donor Coordination and Harmonization, January 2005, draft</i>). A further example of joint activities between donors is the DFID, IADB and WB who have carried out a number of joint consultations in the frame of the elaboration of their respective country plans in early 2005. No evidence, however, was found of joint activities or programmes specific to the PSD sector.</p>	

8.2.4 <i>Explicit reference to other donor policies or activities in country documents</i>
On the side of the EC, country documents do indeed refer to donor coordination. In particular, the 2002 CSP presents a donor matrix with the areas of intervention of the main international development partners in Jamaica. However, no detail on how different strategies or interventions to support private sector development are coordinated or articulated can be found in either the main text of the CSP or in its Annex 4, “Assessment of Private Sector Development”.
8.2.5 <i>Explicit reference to other donor policies or activities in programme level documents</i>
In terms of PSD programmes supported by the EC, the Financing Proposal for the <b>PSDP</b> includes an Integrated Framework providing information on who is doing what in private sector development (see table below). During programme implementation, it is intended to improve and maintain the framework as a tool for donor co-ordination and, further, the findings of the feasibility study and the proposed programme PSDP were presented to the other donors on May 7 2003.
8.2.6 <i>Examples of complementarities and synergies between programmes funded by the EU and programmes funded by other donors</i>
No evidence was found by the team regarding possible complementarities between PSD programmes. The only except being that, according to interviews undertaken, the USAID’s Cluster Programme which ended in November 2004 will be followed-up by the EC PSDP under Component 2, Activity 2.2.2 “Group initiatives”.
8.2.7 <i>Evidence of overlap between PSD programmes of the EU and of other donors at country level</i>
Two PSD programmes of similar nature were the EU <b>Credit Scheme</b> programme and the “GOJ-GON Micro Finance Programme” but it is difficult to say whether or not there was an overlap between these two programmes.
8.2.8 <i>Evidence of similar programmes with common beneficiaries funded by the EU and another donor</i>
The team did not find sufficiently detailed information on the beneficiaries of these (or other) PSD programmes to be able to ascertain whether beneficiaries were receiving support from more than one programme.

**Donors' interventions to support PSD**

Donor	Scheme	Content
CESO-Canada, BESO-UK, IESC-USA	Retiree Programmes	Technical expert advice, mainly to SME on a cost-sharing basis.
CIDA	Institutional Strengthening in the Private Sector Organisations	Support to the consolidation of the associations' operations.
CIDA Executing agencies: ARA/KPMG	Caribbean Regional Human Resource Development Program For Economic Competitiveness (CPEC)	Human resources and institutional development for the tourism and agro-processing/agriculture sectors. Non-reimbursable grants of up to J\$ 230,000 per project.
CIDA Executing agencies: Bank of Nova Scotia, Kingston, Restoration Company	Credit For Micro And Small Enterprises Project (CMSE)	Revitalisation of communities through credit to micro entrepreneurs.
CIDA / CDB / University of Technology	Technical Innovation Centre	Incubator of small businesses, range of advisory and consultancy services, as well as training, to existing small and micro enterprises.
DfID	Tourism Challenge Fund (Caribbean-wide)	To stimulate income earning opportunities for poor people through the tourism sector (creation of linkages).
European Commission	CDE (ACP countries)	Technical expertise, training, feasibility studies, market surveys etc for creation, expansion, or rehabilitation of companies.
European Commission / CDE	ProInvest (ACP countries)	Promotion of investment and technology flows to ACP countries through capacity building of private sector intermediaries, key sector support and individual enterprise support.
European Union Executing agency: JAMPRO	Trade Development Project	Advertising and promotion; human resource development; MIS and production systems development; market research and trade fairs; packaging, presentation and product development -- Exhibitions, business forum -- Marketing TA facility -- Financial management and financial services -- Accounting Technical Assistance.
GOJ / Government of The Netherlands	Micro Enterprise Business Development Services Project	Delivery of business development services to the micro sector.
GOJ / Government of the Netherlands Executing agency: Development Options	MicroFIN	Funding at 11% to MSE through specialised Micro Finance organisations (MFO). No collateral required, credit capped at J\$ 100,000. Emphasis on creditworthiness (Credit Bureau).

Donor	Scheme	Content
GOJ	ByoND	Assistance to youth with the objective of encouraging them to start small businesses.
Green Fund (CIDA)	ENACT	Support to local environmental initiatives in a large range of needs.
IADB	Inter-American Investment Corporation (Caribbean-wide)	Financing of the establishment, expansion and modernisation of enterprises. Facilitate enterprises' access to private and public capital, domestic and foreign, and to technical and managerial know-how. Stimulate the development of investment opportunities. Providing technical co-operation for the preparation, financing and execution of projects, including the transfer of appropriate technology.
IADB	Multilateral Investment Fund (Caribbean-wide)	Technical assistance to commercially oriented micro finance institutions.
IADB Executing agency: MICT	Micro and Small Enterprise (MSE) Development Program (2 phases)	Financial assistance to build an adequate policy environment, a public awareness program, and a communication strategy. Facility funding the development of sustainable institutions for both financial and non-financial services. Facility to provide institutional and organisational strengthening of eligible BEDS providers. Credit funds for on-lending to MSE
ILO / US Department of Labour	Caribbean Labour Market Information System (CLMIS)	Production and use of labour market information.
UNCTAD	Trade Point (world-wide)	Database of business information from developed and developing countries. Electronic Trade Opportunities (ETO) System provides subscribers with a single point of contact for their trade, investment and business opportunities.
UNDP Executing agency: JBDC	Income Generating Enterprise Project	Business support services and related technical assistance to community groups and organisations with the objective of creating income generating activities and employment.
USAID	Business Road Map Analysis	Identification of red tape faced by investors and entrepreneurs. Aims at reducing/removing the bureaucratic impediments to private sector operations.
USAID	CARICOM's Regional Negotiation Machinery (RNM)	Support to enhance effective participation in negotiations and improve CARICOM countries' market access and competitiveness. Training and technical assistance for the RNM and expansion of a trade information network to all CARICOM member countries
USAID	Inner Cities Communities	Vocational and skills training. Loans to micro and small business loans for selected activities -- Business support services to micro-enterprise lending agencies' clients.
USAID	Legal System (Caribbean-wide)	TA to: Improve the administrative efficiency of Caribbean courts. Introduction and expansion of the use of alternative dispute resolution mechanisms. Set-up a systematic publication system for court decisions.

Donor	Scheme	Content
USAID	New Economy Project	<p>Improvement in the business environment of micro, small and medium-size enterprises. NEP projects include:</p> <ul style="list-style-type: none"> <li>▪ The Briefing Room: trade information dissemination programme (with private sector associations)</li> <li>▪ Jamaica Credit Bureau, strategic advice (with JBA)</li> <li>▪ Excordia Project: Pricewater House offers online enterprise resource planning solutions and back office service for SME in Jamaica and the Caribbean region</li> <li>▪ Capital &amp; Credit Merchant Bank: assistance to increase retail-banking operations with small and medium-size enterprises</li> <li>▪ Small Business Loans Ltd (ex JNMCC): strengthening of organisational capacity</li> </ul>
USAID Executing agency: Jamaica Chamber of Commerce	Jamaica Conference Board	Promotion of research and analysis of issues that impede business growth. Facilitation of dialogue for the resolution of these issues.
USAID / DfID Sponsor: JEA Executing agency: ontheFRONTIER	Jamaica Cluster Competitiveness Project	Conduct of workshops on improving competitiveness along a cluster approach.

Source: Draft Financing Proposal for Private Sector Development Programme "Competitive Jamaica", Brussels, August 2003.

## EQ 9 - Cross-cutting issues

<b>Do the EC PSD interventions show concern for cross cutting issues such as promoting women led enterprises, ensuring acceptable working conditions notably for women, protecting the environment and promoting better governance practices?</b>	
9.2	CCI are taken into account in the PSD strategy and by programmes in Jamaica
9.2.1	<i>The CSP explicitly refers to CCI (which ones?)</i>
The CSP explicitly refers to the following CCI: gender equality, environmental protection and institutional development and capacity building although there is no indication on how these issues should be mainstreamed in the different programmes.	
9.2.2	<i>Project/programme documents explicitly refer to CCI (which ones)</i>
Credit Scheme and TDP financing agreement mentioned briefly environmental and gender among the factors ensuring sustainability.  <b>Credit Scheme</b> financing agreement mentions that training will be provide to the participating credit officers as regards of environmental impact assessment and programme appraisal techniques. This last measure will promote lending on project basis rather than on collateral and thus improve the access to credit notably to women. According to the managers of the programme, female participation to the programme is important as a significant amount of credits is provided to small enterprises that are mainly managed by women. The monitoring system closely followed up this participation.  <b>TDP</b> financing agreement mentions that an environmental impact assessment will be part of the selection criteria. During the implementation this criteria was not applied.  <b>PSDP</b> financing agreement refers to female entrepreneurs as normal beneficiaries and mentions that PSDP do not have a special component that target especially female entrepreneurs. There is no mention of the environment as a CCI.	
9.2.3	<i>Internal Monitoring system takes into account CCI. For example for gender the number of women led enterprises monitored, proportion of (micro) credits granted to woman, share of women in the labour force, etc.</i>
The two programmes already implemented added to their internal monitoring system gender breakdown.	
9.2.4	<i>Evidence of the effective implementation of cross-cutting issues</i>
Apart from the integration of gender breakdown in the monitoring system there is not evidence of an effective integration of the CCI in the implementation.  Environmental impacts were no take into account at implementation level.	
9.3	A CCI is treated through a specific project or programme in the frame of the PSD support in Jamaica rather than as an horizontal issue
9.3.1	<i>Examples of projects or programmes that focus on one of the CCI</i>
There are no such projects/programmes.	



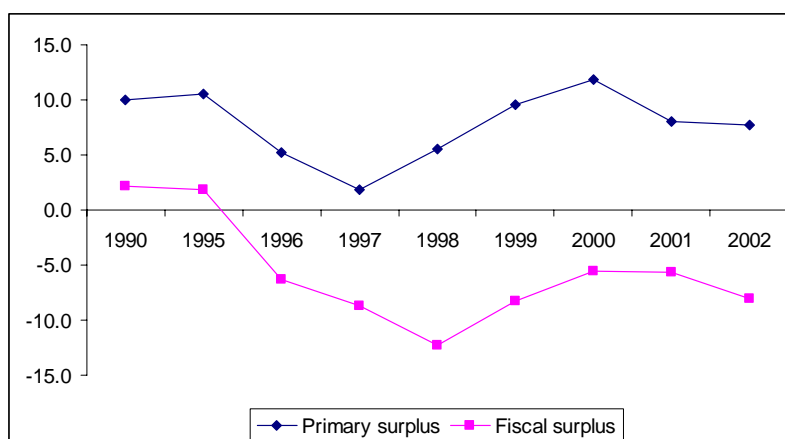
## Annex 7 - Complementary Information

**Table 1 - Jamaica's Basic Social Indicators**

	1999	2002	2003
Population, total (million)	2.6	2.6	2.6
Population growth (annual %)	0.8	0.8	0.8
National poverty rate (% of population)	..	..	..
Life expectancy (years)	..	75.7	75.8
Fertility rate (births per woman)	..	2.3	2.3
Infant mortality rate (per 1,000 live births)	..	..	17.0
Under 5 mortality rate (per 1,000 children)	..	..	20.0
Births attended by skilled health staff (% of total)	..	..	..
Child malnutrition, weight for age (% of under 5)	3.8	..	..
Child immunization, measles (% of under 12 mos)	82.0	86.0	78.0
Prevalence of HIV, total (% of population aged 15-49)	..	..	1.2
Literacy rate, adult male (% of males ages 15 and above)	82.5	83.8	..
Literacy rate, adult female (% of females ages 15 and above)	90.3	91.4	..
Primary completion rate, total (% age group)	89.0	89.0	85.0
Primary completion rate, female (% age group)	91.0	90.0	85.0
Net primary enrolment (% relevant age group)	94.3	..	..

Source: World Development Indicators database, April 2005.

**Graph 1 - Jamaica's Fiscal and Primary Surplus**



### **Box 1 – Jamaica Trade Agreements (implementation or negotiation)**

#### **World Trade Organization (WTO) Agreement**

As a signatory to this agreement, the WTO conducted its first mandatory Trade Policy Review (TPR) of Jamaica in 1998, at which time it was noted that Jamaica had undertaken a comprehensive programme of structural reform and trade liberalization. This included the dismantling of price controls, privatization of several public enterprises, lowering of import duties and enhancing the role of the private sector. Import duties were lowered from rates as high as 200 per cent in the 1980's to maximum levels of 20 per cent in 1999 with the implementation of the final phase of the Common External Tariff. The second TPR of Jamaica will be conducted in November 2004.

#### **Caribbean Single Market and Economy (CSME)**

Jamaica is scheduled to fully implement the CSME by January 2005, along with Trinidad & Tobago and Barbados. All other member states are to implement the CSME by 2006. Jamaica is well advanced in the preparations for the CSME with the signing of all protocols and the implementation of some. Several legislations facilitating the establishment of the CSME have also been implemented. These include the legislations providing for the free movement of university graduates, artistes, media workers and sports persons; the elimination of visa requirement for Intra-CARICOM travel; and the transference of social security benefits.

#### **Cotonou Agreement**

Negotiations under Phase 1 of the Cotonou Economic Partnership Agreement (EPA) between the European Union (EU) and African Caribbean and Pacific (ACP) States were completed during 2003. This phase of the negotiations took place at an all-ACP-EC level and addressed common issues of interest to all parties. Negotiations under Phase II of the EPA, which is being conducted on a bilateral basis between Caricom and the EU, will commence in 2004.

#### **Free Trade Area of the Americas (FTAA)**

Negotiations for the establishment of the FTAA are ongoing, with the establishment of the Hemispheric Cooperation Programme during 2003. This programme is intended to assist smaller economies with trade-related institutional strengthening needs so as to ensure full participation in the negotiation process.

*Reproduced from Government of Jamaica (2004), Medium Term Socio Economic Policy Framework 2004-2007.*

### Box 2 – Some results from a Business victimization survey

- Firms closed for an average of 3 days due to violence in 2001 and experienced losses, on average, of J\$ 1 million to be compared with J\$ 400,000 in 2000 (only Kingston Metropolitan Area)
- Of the firms looted in 2001, 57% had losses of less than J\$ 100,000, 19 % losses between J\$ 100,000 and J\$ 500,000 and 4% losses between J\$ 1 million and J\$ 5 million
- Private security expenditure by firms for maintaining security was about 2% of annual revenue of the average firm (or J\$ 1 million) in 2001. These costs were as high as an average of 17% of annual revenue for micro-enterprises with annual revenue less than J\$ 5 million, 7.6% for medium firms with annual revenue between J\$ 10-20 million and 0.7% for large firms
- The cost of installing new security devices was on average 0.3% to 0.7% of the annual revenue of firms
- Average losses due to extortion, fraud, robbery and arson were highest in manufacturing and processing firms (5.7% of revenue) and distribution (2.5% of revenue)

*Source: World bank (2004), Jamaica: The Road to Sustained Growth, chapter 6.*

### Box 2 – Finance in Jamaica

“The larger companies financed a considerable part of their investments from their own cash flows, which in some cases had been augmented by disposal of assets. Moreover, larger companies have easy access to subsidized credit lines (Development Bank of Jamaica (DBJ), ExIm Bank) and offshore finance. However, smaller companies, as well as potential entrants into exports, have difficulties in accessing credit.

Banks consider them too risky for channelling subsidized DBJ funds, and charge higher interest rates and subject them to stricter capital requirements. These considerations would have become even more important after the financial crisis of 1995. In the Harris (1997) survey, the cost of finance ranked as the highest obstacle to increasing exports, and the requirement for collateral ranked in fifth place. For small and medium companies, the costs of capital could be reduced if banks could make better judgments about their credit risk including that of new borrowers. Establishment of credit registries can help in this process.”

*World Bank (2003), Jamaica: The Road to Sustained Growth, page 163.*

**Table 2 - Community Support to Jamaica**

<b>National Indicative Programme</b>			
	European Commission	European Investment Bank	Total
6th EDF	2,388,591	-	2,388,591
7th EDF	7,268,762	669,724	7,938,486
8th EDF	25,811,885	9,268,344	35,080,229
<b>TOTAL</b>	<b>35,469,238</b>	<b>9,938,068</b>	<b>45,407,306</b>
<b>Regional Indicative Programme</b> (Programmes led by the Delegation in Jamaica)			
	European Commission	European Investment Bank	Total
6th EDF	246,957	-	246,957
7th EDF	5,824,193	2,010,156	7,834,349
8th EDF	286,858	-	286,858
<b>TOTAL</b>	<b>6,358,008</b>	<b>2,010,156</b>	<b>8,368,164</b>
<b>Regional Indicative Programme</b> (Local expenditure for programmes not led by the Delegation in Jamaica)			
	European Commission	European Investment Bank	Total
6th EDF	-	-	-
7th EDF	328,094	-	328,094
8th EDF	-	-	-
<b>TOTAL</b>	<b>328,094</b>	<b>-</b>	<b>328,094</b>
<b>European Commission Budget</b>			
Budget Line	Subject		
B7-2190	Humanitarian Assistance (ECHO)		-
B7-5023	Banana Support Programme		3,806,500
B7-6000	Non-Governmental Organisation		-
B7-6200	Environment		-
B7-6201	Tropical Forests		-
B7-6430	Decentralised Co-operation		-
B7-7020	Human Rights & Democratisation		-
<b>TOTAL</b>			<b>3,806,500</b>
<b>TOTAL</b>			<b>57,910,064</b>

Source: Jamaica-European Community (2000), Country Strategy Paper and National Indicative Programme 2001-2007.