

Final Evaluation of the EBAS Programme (EU-ACP Business Assistance Scheme)

Draft Final Report

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Acronyms

ACP	African, Pacific Caribbean Countries
BDS	Business Development Services
BEE	Black Economic Empowerment
BUDS	Business Uganda Development Services
BUSA	Business Union of South Africa
CCI	Chamber of Commerce and Industry
CDE	Centre for the Development of Enterprise
CDI	Centre for the Development of Industry
CGAP	Consultative Group to assist the Poor
COLECACP	Comité de Liaison EU-ACP
DG Dev	Direction Générale Développement
EBAS	EU-ACP Business Assistance Scheme
EC	European Commission
EDF	European Development Fund
EIB	European Investment Bank
EPA	Economic Partnership Agreement
ESIPP	EU-SADC Investment Promotion Programme
EU	European Union
FA	Financial Agreement
FASP	Fonds d'appui au secteur privé
FDI	Foreign direct Investment
FENATA	Federation of Namibian Tourism Associations
FP	Financial Proposal
GDP	Gross Domestic Product
GTZ	German Agency for Technical Co-operation
HDI	Human Development Index
IFC	International finance Corporation
IO	Intermediary Organisation
ISO	International Standard Organisation
ISPSP	Institutional Support and Private Sector Promotion (Malawi)
M&E	Monitoring and Evaluation
MEDA	Mediterranean Economic Development Area
MGF	Matching Grant Fund
NAO	National Authorising Officer
O&M	Organisation and Management
OECD	Organisation for Economic Co-operation and Development
PAME-ACP	Programme for the Assistance of Micro Enterprises in ACP Countries
PODE	Projecto para o Desenvolvimento Empresarial, Mozambique
PSD	Private Sector Development
PSE	Private Sector Enterprise
R&D	Research and Development
RO	Regional Office
SC	Steering Committee
SME	Small and Medium Enterprise
T/O	Turnover
TA	Technical Assistance
TDS	Technology Development Scheme (Mauritius)
ToR	Terms of REference
WB	World Bank
WTO	World Trade Organisation

1. Background

1.1 Tasks

The main justification for the ex-post evaluation of EBAS is that it was a pilot programme, meant to produce experience that could underpin future interventions. INTEGRATION was selected to carry out this evaluation, along the ToR (see Annex I), which highlighted two main tasks:

- to provide a comprehensive assessment of the programme's relevance, efficiency, effectiveness, impact and sustainability;
- to provide advice on the opportunity of continuing the EC interventions in the area of BDS/enterprise support through a global approach.

The above goals underline that a constructive approach was sought, leading to ideas for a future private sector programme, that, if feasible,

- takes full account of lessons learnt,
- positions itself clearly with respect to wider development goals, i.e. economic growth and poverty reduction,
- distinguishes itself from and complements the CDE approach, and
- is consistent with the EU Commission's PSD strategy, its present orientations and status of programming.

The evaluation was directed towards assessing the programme and towards future opportunities

1.2 History of EBAS

EBAS came into being not through systematic research combined with a diligent process of participatory analysis and consensus building, but as an idea, on the reflection, during the mid-'90s, that past promotion instruments had not been adequately successful in integrating SMEs in ACP countries into the world market - on the contrary, it was observed that the competitiveness of SMEs continued to decline. The Commission saw therefore a need to overhaul its private sector support programmes, which, having been set up under article 138 of the revised Lomé Convention of 1995, mainly focused on trade fair and market entry support.

Results of previous PSD programmes of the EC had been found unsatisfactory

It was agreed that trade fair programmes should be discontinued. The creation of a conducive macro-level environment and an effective meso level, capable of delivering business development services, were seen as the best way to assist enterprises to become competitive. Specific instruments were to support enterprise (micro), institutional (meso) and policy (macro) levels. Service supply to enterprises was regarded as one of the most severe bottlenecks.

A study (by Andrew Singer, January 1997) was commissioned¹, which developed a new concept of supplying services to SME on a matching grant basis, emulating a World Bank approach started at the time in several countries in Africa, Asia and South America. Matching grant funds (MGF) provide grants for enterprise support measures, which are matched by own contributions from these firms. The WB schemes deviated from the Bank's earlier focus on exports (e.g. schemes in Uganda and Mauritius) and were managed by private sector organisations.

Emulating MGF programmes of the WB, a new ACP-wide concept was suggested

¹ Andrew Singer: The Appropriateness of a General All-ACP Cost Sharing Grant Scheme for Trade Development, 1997

The new scheme was demand-oriented, deliberately temporary, and required a significant contribution from recipients

Though they had not been evaluated at the time, the preliminary analysis of WB and other MGFs resulted in the recommendation to set up an all-ACP matching grant scheme with the following main characteristics:

- a significant financial contribution of 50% from the recipient firm;
- in return for this contribution, the recipient firm is, as much as possible, left in control of the service purchase transaction;
- demand orientation - recipients select themselves (first-come-first-serve principle);
- clear eligibility criteria - no technical evaluation of proposals;
- the scheme is deliberately temporary, i.e. temporary management under a management contract;
- safeguards against misuse are built into the scheme, but not in a way that they curtail the powers of recipients in the transactions.

It focused on growth; poverty reduction was only an indirect goal

Discussing the scheme in view of the EU's Maastricht objectives of development co-operation (sustainable economic and social development, integration into the world economy, poverty alleviation), the study argued that no support scheme could realistically serve all objectives in equal measure. In line with the Lomé Agreement, it was proposed that "to expand receipts from exports and tourism" should be the verifiable and measurable "operating" objective of an EC matching grant scheme, and that achieving this would then be in support of the wider social development and poverty alleviation objectives.

The study saw the new scheme as a fundamental change from "providing services" to "empowering buyers" to purchase services that suit them. A lean supervisory structure, sheltering the project from any political interference, was proposed in form of a Steering Committee of two members each of the ACP Secretariat and the Commission. Any formal links between the scheme and CDE² (CDI at the time), or any role of CDI in managing the scheme were considered inappropriate, because CDI, "with its excellent network of associated consultants", was seen as a beneficiary of the expanding market for business development services facilitated through the scheme, and hence CDI's getting involved in the scheme's management was considered a potential conflict of interest.

The study saw the most important risk in the scheme's stakeholders not supporting its design and principal characteristics. Other risks were seen in the uncertainty about demand levels, and in the possibility of fraud.

Activating demand and supply of the BDS market was EBAS' specific goal,..

The Financial Proposal that followed the Singer report half a year later fully reflected the latter's concept. The justification for the scheme was described as "*overcoming the failures of a fragmented and incomplete market of business development services that required temporary intervention to kick-start both demand and supply, generating market interaction and sustainability*"³.

..while enhanced competitiveness was its wider objective

The overriding objective of EBAS (at the time of the FP still called the "Export Business Assist Scheme", later changed into "EU-ACP Business Assistance Scheme") was

"a smooth and gradual integration in the world economy through enhanced international competitiveness of the ACP private sector enterprises".

² CDE - Centre pour le Développement d'Entreprise - is an institution owned by the ACP states and the EC, based in Brussels.

³ See FP of 1997

The scheme's purpose was

"to activate the market for export and tourism related (later: business related) services".

EBAS did not have a log-frame as such (though some expected results were described in the FP).

The EDF Committee approved EBAS in October 1997. In a reaction to the call for tenders in early 1998, CDI proposed to manage the scheme, or at least be given a specific role in it. In its answer, the Commission emphasised the scheme's pilot character and invited CDI to become a member of EBAS' Advisory Board (Advisory Boards were later proposed to be set up at regional level, but never became really operative). The contract to manage EBAS was awarded to Landell Mills Ltd. in early 1999. In June 1999, implementation of EBAS started - one year later than anticipated in the FP.

Involvement of CDE in the programme was discussed, but not promoted

The inception period was marked by a thorough revision of procedures, instigated through the Commission. Greater emphasis was laid on monitoring of impact and outreach, and on the inclusion of small, even micro enterprises in EBAS. While it was earlier foreseen that the contractor could award grants directly, subject to subsequent verification of an independent auditor and the Steering Committee, the revised procedures required that the Commission had to examine and approve each grant request. Delays caused by this decision were partly offset by cutting short staff training programmes. The Commission was eager to launch EBAS jointly with DIAGNOS⁴ and the Investment Facility of the EIB, and ProInvest, as their joint set of all-ACP instruments for private sector support. Between June and December 1999 four regional offices (ROs) were opened and the first grants were awarded in late 1999.

Original criteria and procedures were substantially reviewed

In its Final Report to the Steering Committee, the start of EBAS was described as "hurried and poor". The rate of awards progressed slowly, picking up substantially in 2000 and growing in 2001. In mid 2000, resources were added for EBAS to be able to open offices in the Pacific and in English speaking West Africa, and to strengthen existing ROs. A rider to the FA in early 2001 added three professionals to the EBAS PMU, strengthening its capacity to support intermediary organisations in ACP countries.

EBAS had a "hurried and poor start"

A mid-term evaluation, carried out at the end of 2001 by an independent consultancy firm (ASIAFCO), concluded that "the results achieved after two years of operation indicate from a practical stand point that it is desirable to make this type of facility available to the private sector in ACP countries", and proposed a number of modifications, among others:

The mid-term evaluation recommended a 10 - 15 year extension,

- concentrating on countries with best response,
- restricting the facility to ACP-owned firms,
- increasing proximity by having EBAS offices in each country,
- structural collaboration with CDE, ProInvest, DIAGNOS and EIB.

..which was poorly supported by evidence that impact could be achieved,...

It was recommended that capacity building measures should concentrate on intermediary organisations "who are considered as future executive entities", and that, as a long term perspective, EBAS should be continued over a period of 10 to 15 years. In particular the latter recommendation was a clear deviation from the initial "deliberately temporary" character of the scheme, while other recommendations, too, took away from EBAS some of the innovative, courageous elements of its approach,

⁴ DIAGNOS was a facility of the Commission to assist governments and institutions in ACP countries to improve the business environment

...and ultimately led to closing down the programme after 2 years of operation

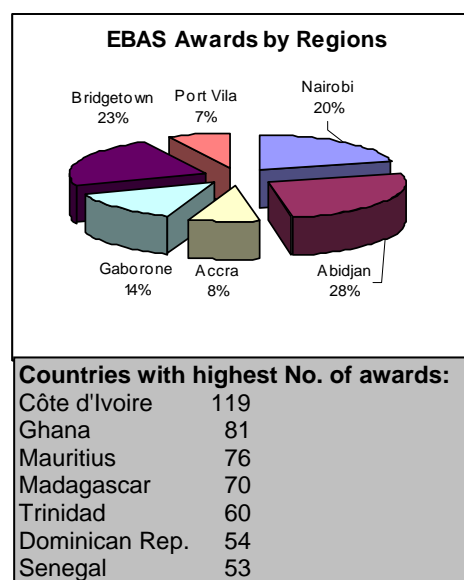
emphasising selectivity and sustainability (even if no convincing methods were proposed how the latter could be achieved).

Though the ACP Secretariat's reaction to the mid-term evaluation report was positive in principle, its comments, requesting further major conceptual reviews, would have changed the character of EBAS. CDE's comments, highlighting two major weaknesses of the report - the lack of analysis of (direct and indirect) impact, and the - in the light of latter - unjustified suggestion of a substantial extension - were instrumental in closing EBAS down.

In September 2002 EBAS made its last award and began closing its offices, after the EDF Committee turned down the Commission's request for an extension (the FA was extended for some months, just to wind EBAS down in administrative and financial terms). In September 2002 EBAS made its last award, and in mid 2003 all offices had been closed.

EBAS was arguably one of the best documented programmes of the Commission. The elaborate progress reports, the concise but comprehensive and easy to use data material on all interventions, and in particular the very detailed and self-critical Final Report provide all the data one would want to have for a final evaluation.

EBAS: some Figures	
First Award	Nov 1999
Last Award	Sept 2002
Number of grants awarded	1020
Net number of awards	893
Private enterprises	86%
Intermediary organisations	14%
Total value of awards	21.96 Mill €
Total actual disbursements	14.97 Mill €
Average award to private firms ⁵	21 528 €
Average award to IOs	36 152 €
Average size of recipient firms	Employment: 132 T/O: 4.3 Mill € Fixed assets: 2 Mill €
Main areas of support:	Management: 25% Marketing: 15%
Consultants' origin:	ACP: 73% EU: 15% Other 11%
Average daily consultant fee:	409 €



⁵ The average mean values were 14 901 € for enterprises and 24 293 € for IOs. Apparently, a few larger awards, in particular to a few IOs, raised the average values. A few awards to IOs were made to kick-start programmes that the Commission later continued

1.3 Methodology and Proceedings

The evaluation was planned to take place earlier in 2004, but had to be postponed until later during the year. INTEGRATION thus had ample time to get acquainted with the tables and long list of documents provided, which helped to understand the important issues of this evaluation, arrive at a suitable division of work within the team and facilitated a quick mobilisation once the way was cleared. In the meantime, INTEGRATION had been short-listed for an evaluation of CDE. Checking with the Commission, it emerged that the positive synergy from conducting both evaluations was seen as out-weighting possible risks of a conflict of interest. Evaluating both instruments at about the same time and by the same team would require a high degree of neutrality to produce credible evaluation results.

An evaluation of CDE was carried out in parallel and by the same company/team that evaluated EBAS

The final evaluation of EBAS was kick-started in Brussels on 26th October 2004, with a meeting at the Commission with AIDCO and DG Development. Further meetings at the Commission included the EBAS programme manager, the Head of Unit of DG Dev, who was instrumental in the initiation of EBAS, and the head of Unit under whose direction EBAS was implemented. Discussions took place with the ACP Secretariat, CDE, ProInvest as well as former management staff of EBAS and DIAGNOS (see also Annex II for the list of contacts).

Intensive preparatory discussions in Brussels,..

Various documents pertaining to the planning and implementation of EBAS were received (see also Annex III for the list of documents studied) in addition to the numerous documents supplied earlier. The EBAS approach was conceived on the basis of a thorough analysis of current best practice in SME promotion, taking on board the consensus among donors on the basic principles of meaningful private sector support, in particular at enterprise level. Throughout its implementation, the project management at the Commission, cognisant of EBAS being a pilot and test instrument, frequently checked on and took active part in the ongoing policy discussion. The team of evaluators equally studied numerous related papers and reports, knowing that thorough understanding of the principles and policies of modern private sector promotion was essential for a fair evaluation of the programme.

...a thorough review of documents..

An Inception Report, submitted in November 2004, explained the rationale for the choice of countries and the methodology of data and information collection, and how field visits were planned.

A questionnaire was designed to be used in personal interviews with recipients of assistance. It had two sections: one finding out what growth recipient enterprises had achieved during the last years and what growth they expect to achieve - and through which strategies - in future. These questions were meant for the evaluators' team to get a feel for the situation of the target groups, enabling it to compare whether the product (EBAS support) was a good match to the clients' needs, and whether they had the potential of using it well. Another section of the questionnaire was about EBAS' services, how they were delivered, how they were used and what impact they achieved. The interviews during which the questionnaires were applied lasted approximately 1½ hours and were in most cases combined with a visit of the enterprise itself. In addition to listening to what the client had to say, the evaluators were thus also able to form their own opinions about the circumstances under which the enterprises worked.

and the elaboration of special questionnaires preceded field visits to the Caribbean, East, West and Southern Africa

A similar, shorter questionnaire was designed for telephone interviews. Also, guidelines (check-lists) for interviews with intermediary organisations and service suppliers were developed.

Field work started in November after the approval of the Inception Report. Four separate visits to 7 ACP countries were undertaken:

- Barbados (9 - 20 Nov.),
- Botswana (9 - 13 Nov.),
- Namibia (14 - 17 Nov.)
- Madagascar (18 - 23 Nov.),
- Kenya (16 - 24 Nov.),
- Uganda (25 - 30 Nov.) and
- Ghana (8 - 15 Dec.).

The intention was to include countries with both strong and weak response to EBAS, to cover different ROs, and to find out how much proximity of ROs affected EBAS' performance in these countries. The CDE evaluation provided an the opportunity to find out more about EBAS in other countries, e.g. the Dominican Republic, Mozambique, Tanzania, Zambia and Senegal.

Delegations, government officials, private sector organisations, other donors, CDE antennae, opinion leaders, service providers and former managers of EBAS were met

In all countries the Delegations were visited. Discussions were held with Government officials (NAO, Ministries responsible for economic and/or industrial development), with representatives of other donors, representatives of private sector organisations (chambers, associations) and with service providers. Altogether, about 125 meetings were attended, of which 71 were recipient enterprises, 9 intermediary organisations supported through EBAS and 11 EBAS service providers. Others were managers and experts of the EBAS programme, CDE antennae, as well as opinion leaders in private sector development.

Only a limited number of firms were contactable (yellow pages on the internet, etc) before the start of the field missions. The former regional managers of EBAS were helpful in arranging meetings in a number of cases, partly also providing some logistic support, but the greater part of interviews had to be arranged by the consultants themselves after arriving in the respective countries. This posed no real difficulty, though it consumed some time. The response to requests for interviews was generally positive. Smaller firms were more responsive than larger firms. Only one company (a donor supported public-private entity in Namibia) refused to be interviewed.

71 recipient enterprises and 9 IOs were intensively interviewed

The questionnaires with enterprises produced about 6000 data, which were entered into a spreadsheet and analysed. The results are discussed in chapter .2. 3. 1. of this report. After a first analysis it was found that the number of enterprises and intermediary organisations interviewed constituted beyond 10% of all assisted firms and organisation, and that the amount of data derived from the interviews was sufficient to arrive at the essential conclusions expected from the field work. In agreement with the Commission, telephone interviews were not proceeded with.

The team was in e-mail contact throughout the field visits and met several times after returning, intensively discussing and exchanging their views.

An interim report discussed preliminary results and basic conceptual aspects

An interim report was submitted at the beginning of December (i.e. before the visit to Ghana). The report discussed preliminary results of the field work in a qualitative way, and included a first assessment of EBAS with regard to:

- the 3 Cs (coherence, complementarity and co-operation), and
- the five evaluation criteria (relevance, efficiency, effectiveness, impact and sustainability)

in form of profiles, rating each criterion according to 40 - 50 sub-criteria on a scale of - 2 to +2. Refined ratings, and justifications for the scores, are included in chapter 3 of this report.

The Interim Report discussed selected aspects that refer to basic conceptual aspects of private sector support, like:

- macro-meso vs. enterprise level support,
- sustainability, justification of grants and exit routes for MGF,
- attributability of impacts and spill-over effects to interventions, and
- subsidies to SMEs in ACP countries vs. subsidies in industrialised countries.

The Commission welcomed the discussion and distributed the report widely, inviting comments. The discussion continues in this report and also played a part in the deliberations following a power-point presentation of preliminary evaluation results in Brussels in mid February 2005. AIDCO, DG Dev, the EC Evaluation Unit, CDE, the ACP Secretariat and a consulting firm currently evaluating EC private sector programmes took part in this.

*Preliminary
evaluation
results were
presented and
discussed in
Brussels*

The evaluators would like to take this opportunity to express their appreciation to all who participated in the evaluation for their time, support and patience, putting up with the many questions.

2. Evaluation Findings

2.1 Analysis of EBAS Design

2.1.1 Economic Growth vs. Poverty Reduction

EBAS fulfils the Maastricht criteria, but purposely not in equal measure

EU private sector support policies are subject to the broad objectives of Article 130 of the Maastricht Agreement, i.e.

- Reduction of poverty
- Sustainable economic and social development, and
- Integration of developing countries into the world economy

EBAS made a choice with regard to these three objectives. It deliberately selected integration into the world economy as its main goal. BDS market development and competitiveness were goals pursued under an economic growth heading belonging to the integration objective.

In the short term, achieving competitiveness may, cause social hardships..

EBAS was therefore not a poverty reduction programme, though poverty reduction was an indirect overall goal, being a long term outcome of achieving economic growth. In the short term, outcomes of the goal of achieving competitiveness may, however, cause social hardships. When, for instance, a company is advised to change from labour intensive production to knowledge-intensive production (like a garment manufacturer moving from lower mass-market segments towards up-market fashion design which offers safer margins), or when the diagnosis of an enterprise establishes that overhead administrative costs are too high to be competitive, losses of employment are to be expected, saving, however, the long term survival of the firm.

..in the long term, it helps ACP countries to ensure income and employment

Medium scale companies in ACP countries have often flourished behind protective trade barriers. Liberalisation of trade, first within regions, then vis à vis the EU and other trade partners in industrialised countries, forces greater competitiveness on ACP countries. The Cotonou Agreement is one example of such liberalisation. Many companies can no longer maintain comfortable positions on local markets when protection is reduced. Without access to knowledge and information, i.e. the type of support that programmes like EBAS offer, these companies might take wrong decisions, or, worse still, decide to give up production altogether. In the long term, maintaining their production base helps ACP countries to ensure income and employment, while the immediate effect may be a reduction of employment, i.e. an increase in poverty.

From the beginning (Singer report), it was made clear that EBAS can not fulfil all three development objectives in equal measure. The Singer report, and the FP, selected clear priorities, recognising that poverty reduction as a primary (short or medium term) goal would set the wrong priorities. EBAS was deliberately about market development and economic growth, and at most indirectly about poverty reduction. This was a reasonable and professional approach.

2.1.2 BDS Market Making vs. Competitiveness

After having decided that economic growth should be given priority, EBAS had another choice of two main directions: (i) developing the market for business development services (BDS), or (ii) giving priority to competitiveness. It may not appear obvious why a choice between the two should have to be made. However, as the following paragraphs will explain, the two directions are connected to different goals and require different avenues of reaching sustainability, touching on the complex issue of subsidies for private enterprise development.

When reviewing SME promotion policies in developing countries, one can observe that donors commonly argue from a perspective of SME needs. From there they look at market failures in the supply of business development services, gaps in the institutional landscape and deficiencies in the enabling environment that donor intervention should help to correct. SME support in industrialised countries is generally justified from a different viewpoint, namely the soundness and growth of the national economy. In industrialised countries it is apparently easier to make out the trade-off between subsidies to SMEs on one side, and savings of social costs and gains in national economic strength on the other (especially when SMEs pioneer innovative services/products and new markets after a recession). This may explain why in industrialised countries we have less difficulty living with subsidies for SMEs than we have with them being applied in developing countries⁶.

In industrialised countries we have less difficulty living with subsidies for SMEs than we have with them being applied in developing countries

Industrialised countries promote competitiveness of SMEs through complex national innovation systems that channel complementary types of assistance to SMEs. MGFs are common instruments; in different forms, they have for decades been helping in particular new SMEs during their start up phase, but are also being used for competitiveness development. Delivery through both private and public bodies is practised. Start-up assistance and innovation support are regarded as the two key pillars of SME promotion in industrialised countries; they are linked to public funding and substantially subsidised on an almost permanent basis.

In developing countries, however, donors look at promotional programmes in terms of exit scenarios, i.e. as temporary measures that are to become obsolete once market failures have been corrected⁷ or gaps in promotional structures closed. Subsidies are allowed if a clear orientation towards such scenarios - e.g. in terms of selectivity - is built into concepts. All this is based on the belief that an ideal SME promotion system, i.e. one where the demand for services and their supply (through private sector providers) are in harmony, should be achievable. EBAS, too, was based on this assumption. Its MGF, paying a 50% grant to facilitate the supply of a service, was proposed as a temporary⁸ measure, lasting three to four years, that was meant to activate the market for business services⁹ and then, having fulfilled this purpose, cease.

EBAS was planned as a temporary measure, meant to activate the BDS market

The success and impact of EBAS should then be measured in terms of in how far market failures have been corrected or a service market has been activated. Such objectives featured strongly in the EBAS concept, however, the goal of achieving impact and spill-over effects (improving the competitiveness of recipient firms and sectors), was very prominent, too. Can both goals be reconciled?

⁶ One reason may be that social safety networks in developing countries are weak or absent, hence little savings of social costs can be achieved through SME promotion. Also, the industrial fabric in developing countries is less intertwined, therefore the strength of one SME enterprise impinges less on that of another SME or larger firm.

⁷ ".....MGF's....are ...to achieve their potential market making impact.

....could work if the service provider function.....was phased out *pari pasu* with the increase in domestic capacity, according to ..an agreed market development model".

David A Phillips: Implementing the Market Approach to Enterprise Support, An Evaluation of Ten Matching Grant Schemes, WB

⁸ *Right from the start, the scheme is announced as being deliberately temporary - to last for, say, three to five years*

Andrew Singer: The Appropriateness of a General All-ACP Cost Sharing Grant Scheme for Trade Development, 1997

⁹ *The problem that EBAS wants to address is that in many ACP countries an active market for such services does not exist or is insufficiently developed*

The EBAS scheme will kick-start the market, not by providing itself trade supportive services, but by helping enterprises to access the suppliers of such services in the open market.

Financial Proposal ,Export Business-Assist Scheme (EBAS), July 1997

The two goals of BDS market development and competitiveness development can not be easily reconciled

Services that raise competitiveness would be "strategic", not "operational"¹⁰ BDS. Strategic services, promoting the search for new markets, innovation of technologies and products, and competitive management systems are, however, not readily available in ACP countries. A goal of creating a functioning market for such strategic services in a short period of time is indeed quite ambitious. If there is considerable pressure for disbursement of funds, the objective of stimulating local consultancy markets could be easier achieved through the promotion of operational BDS. However, operational BDS contribute little to competitiveness.

Facilitating the entry of ACP SMEs into the world market is a very relevant goal, especially in view of the ongoing changes of trade relations through EPAs. Being sincere about this goal would mean that SMEs in ACP countries should be assisted to compete with SMEs in industrialised countries on a level playing field. Access to competitive knowledge and innovation support should then be a primary objective. The goal of market development for services would in this case come second to the competitiveness goal.

Without opening new markets, SME support can hardly achieve net effects at sector level

Achieving impact, spill-over effects and additionality were an important concern of EBAS. In principle, given a limited market, supporting one enterprise in a sector will lead to another one losing market shares, unless the support results in product innovations that open new (in particular export) market opportunities. In this case, demonstration effects can be expected that may spill over to other enterprises in the sub-sector. This aspect would further underline the need for competitiveness support, and clear selection criteria for sectors and enterprises that have the competence to innovate.

Including smaller enterprises was another concern: greater additionality can be expected from them compared to larger firms¹¹. Social development and poverty reduction may also be easier reached through smaller than larger enterprises (where productivity gains are often achieved through labour force reduction).

Meso level support for IOs was added to EBAS, meant to strengthen BDS delivery, but indicators were rather vague

An MGF, being directed at the individual enterprise level, does not easily fit into the new mainstream donor approach¹², which regards interventions at meso and macro levels more effective. A further important objective, strongly emphasised later during the implementation¹³, was therefore to intensify the support for the meso level, i.e. intermediary organisations (IOs), creating capacities to deliver services, rather than the scheme delivering them.

The overview of positive and negative aspects connected to the two main objectives shows that negative effects of one affected the other. EBAS was to a degree torn between its different objectives, which led to a lack of orientation: if it followed one, it had to neglect the other. The pursuit of different objectives at the same time renders the evaluation of EBAS a complex task. Indicators, qualifying and quantifying the objectives, are missing. Some were added to the FP for EBAS's extension in 2002, but the suggested indicators are rather vague and not all appear suitable¹⁴. Spill over effects are difficult to measure within a scheme that is directed at individual firms. In the following, some other principles of the EBAS concept are discussed in more detail.

¹⁰ See the "Blue Book", Committee for donor Agencies for Small Enterprise Development, October 1995, for the definition of operational and strategic BDS

¹¹ Tyler Biggs: A Microeconomic Evaluation of the Mauritius Technology Diffusion Scheme (TDS), Nov. 1999

¹² See also Annex: Overview of Donor Approaches to Private Sector Development (GTZ, 2001)

¹³ Rider to FA of Jan. 2001

¹⁴ Growth of profit or turnover is no indicator for competitiveness, investment may be a better indicator, but what really needs to be measured is the growing capacity of an enterprise to innovate, as well as to keep or gaining market shares

BDS Market development:	Competitiveness development
<ul style="list-style-type: none"> + Positive net effects: Market creation benefits whole SME sector + Win-win situations for buyers and providers of services + Subsidies can kick-start market development, suitable as temporary measure + MGF is a suitable instrument to promote BDS market - Favours operational BDS - therefore: Low levels additionality, little impact on competitiveness of firms - Favours larger firms (higher demand for operational services) 	<ul style="list-style-type: none"> + Filling an important gap in service provision + High level of additionality + High demonstration value + Potential high impact and spill-over effects + Strategic BDS, subsidies are justified - Requires additional support; MGF alone not very suitable - Market for competitiveness related services is small, can not be created in a short time - Higher dependence on foreign expertise - Long period of support required, not suitable as temporary measure

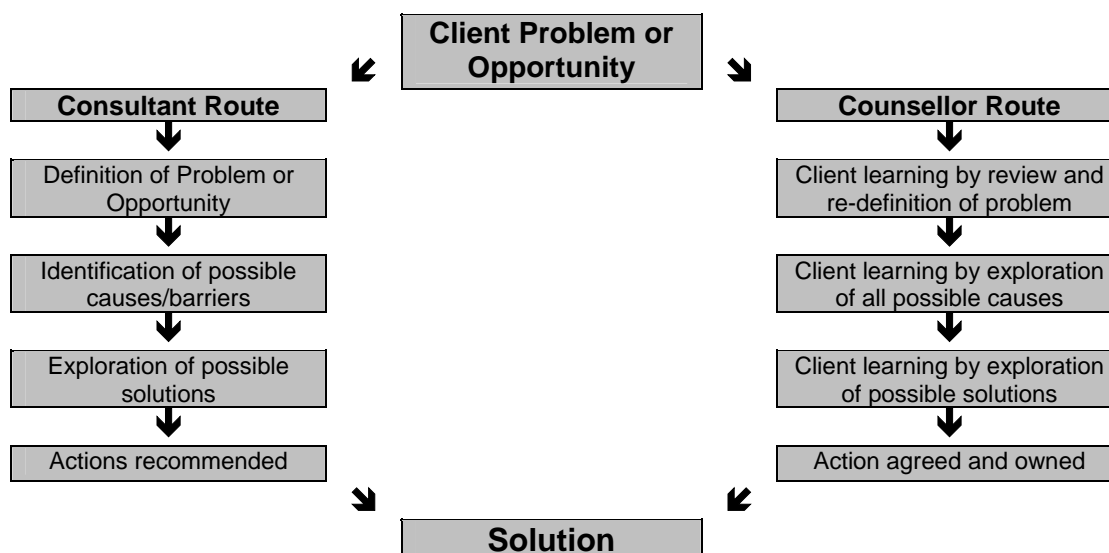
2.1.3 MGF - the most suitable Promotion Instrument

After EBAS had chosen both competitiveness and BDS market development as its goals, the choice for the most suitable promotion instrument was obviously influenced by the anticipated success of the WB MGFs. Yet, there would have been alternatives.

An MGF appears to be the suitable instrument to create markets for consultancy or training services. Such services have clear objectives and deliverables, specified in ToR. For this reason they are also ideal for private sector suppliers. Counselling used to be strongly recommended as an alternative to consultancy¹⁵- in particular for smaller enterprises.

MGFs work well with private sector delivery mechanisms, counselling does not, but is relevant for SMEs

Consultant or Counsellor Routes to Small Business Problem Solving



The private sector can not deliver counselling as effectively as consultancy, because contents and outputs of counselling can not be easily planned. Ideally, counselling and consultancy should be combined. However, for smaller enterprises that are not used to consultancy, a better entry to management advice may be the counselling route. A competitiveness scheme in Mauritius, for instance, and MGFs in MEDA

¹⁵ Prof. Gibbs, of the Durham Business School, emphasised the importance of creating ownership in various papers during the earlier 90s on counselling and consultancy.

Counselling and information supply could very well complement MGFs

countries, included counselling as an instrument to identify problems and/or opportunities, which was then followed up by consultancy.

One outcome of counselling may be that the recipient enterprise requires specific information so as to make a sound strategic decision on its own. This may be a more cost efficient route to creating competitiveness than the involvement of an expert for a period of time. It would be ideal if an entrepreneur had the choice between selecting and combining different instruments: counselling, information, training and consultancy, of which only the latter two are really suitable for MGFs. EBAS did not offer such choice, and did not contemplate between different choices. The BDS discussion strongly favoured private sector supply of services, and could not easily accommodate instruments that are more suitable for application through public institutions.

2.1.4 First-come-first-served-Principle

The First-come-first-serve-principle has merits, but also disadvantages,

The first-come-first-serve principle is based on two main aspects. One is that the principle helps to save efforts needed to appraise and select applications, i.e. it renders the scheme fast and efficient. The other is the belief that dynamic enterprises are the ones making most of the scheme, and that dynamic enterprise would be the ones reacting first.

The latter could be true if all enterprises had equal access to the information about the opportunities that EBAS offered. As it were, in absence of wider marketing campaigns, news about these opportunities travelled faster in one business community than in the other. The effect was that in Madagascar, for instance, mainly Indian and European owners were the first to access EBAS, while in Namibia it was the white business community, and in Barbados the community of hotel owners. The resulting choices of enterprises appear in some cases not sustainable politically.

...which should be mitigated through carefully selected eligibility criteria, adapted to regions

An important factor for the choice of the first-come-first-serve principle may have been the ambiguity about demand for EBAS-supported services. EBAS limited efforts to make itself known, fearing too many applications could come in, but opened the scheme to virtually any enterprise, fearing too few would apply. After the implementation of the pilot programme, demand can now be better estimated, and the first-come first serve principle could be complemented by a set of carefully selected eligibility criteria, which can be built into the score cards and could be adapted to the characteristics of a region. In Southern Africa, for instance, the contribution of EBAS support to BEE (black economic empowerment) would have to be one of those criteria.

2.1.5 All Sector Principle

EBAS was open to all sectors. This has drawn criticism. The ACP Secretariat commented that a new EBAS should, among others, "favour those producing wealth and not just commercialising imported goods".

The all-sector principle helped EBAS to take off

The all sector principle helped EBAS to take off. When few projects came in at the beginning, there was substantial pressure on regional offices to find projects and award grants. At that time, the credibility of the EBAS approach was at stake because of its slow start, and managers were glad not to meet too many restrictions in awarding grants.

Substantial experience is, however, needed to decide what sectors to promote and which ones not. The government of Mauritius, for instance, went to great lengths during the 90's to identify "pioneer" sectors to which special incentives applied. Few

ACP countries have developed growth strategies providing guidance on the sectors that should be promoted. Even if preferred sectors were identified, the essential issue is not the sector, but what one does within a sector to become competitive. Substantial sectoral knowledge cannot be expected from a regional manager. Leaving the door open to all sectors was therefore a wise decision.

In the absence of sound strategies and knowledge, it was wise to keep EBAS open to all sectors

In principle, the decision on what sectors should be supported should not be made in Brussels, but in the individual country. Though there may be good arguments in favour of putting a cap on trade projects, it must be recognised that EBAS has helped many trading companies that truly added value to local products (e.g. commodity exchanges in Ghana) and thus facilitated substantial agricultural production for exports, with associated positive employment effects.

Trading projects can create benefits for producers

The score card should be refined to ensure that the promotion of trade is strongly linked to upward or downward production with increases in wealth or employment creation. Negative lists could restrict some sectors without much value addition. Such lists should, however, be established jointly with the national governments.

2.1.6 Beneficiary's Choice of Consultant Principle

The arguments in favour of the recipient having full control over the choice and contract with the consultant is a bit contradictory to the goal of helping small enterprises who have never used consultants before to engage one. Such companies lack experience and require guidance how to work with consultants. In a number of cases consultants approached small firms and took advantage of their lack of experience¹⁶. If a SME has never used a consultant before and there are clear signs that the first approach came from the consultant, EBAS should examine whether problems have been correctly identified, and encourage the applicant to check with other consultants known to EBAS who could also solve it equally well or even better.

SMEs without much experience of working with consultants need advice on issues and whom to choose for consultancy

The need for handholding was emphasized in the EBAS design. Handholding was restricted to helping applicants go through the application process. It did not include assistance to identify or narrow down the problem to be solved. Handholding was planned to be provided through the EBAS business assessors, but in practise not provided. Instead, local consultants made it a business of its own in some countries to manage the application process for applicants, against payment if another consultant was chosen, or free of charge if the consulting contract was awarded to them. In an optimistic view, such a proceeding may be looked upon as market making, in a critical perspective, a severe conflict of interest could arise if the consultant is left in control of the complete application process for the support of an inexperienced applicant.

Handholding support was not provided as it should have

The feed-back from the field is that positive guidance (counselling) in three areas is indeed needed:

- how to fill the application forms correctly (though there seems to be substantial scope for streamlining application forms, so that in the end less assistance would be required)
- how to narrow down the problem to be solved to the core causes
- how to choose the best possible consultant

¹⁶ One local consultant approached a fashion designer in Botswana, only to set up a similar business after studying all its aspect after gaining a contract, and trying to poach some of her employees

An EU consultant approached a tourism business in Namibia, won a contract, and then copied the business concept. The case is in court.

One enterprise in Ghana, when being queried about the high fees, responded that the rates were fixed by EBAS

Such counselling must be independent. It does not have to be compulsory, but should be recommended. It also does not have to be free of charge, but could be charged at a flat rate. Five to six hours may have to be spent per application, of which 50%, or possibly only 25% could be charged to the applicant¹⁷.

After such counselling, the applicant should, however, make his/her own choice of a consultant, the principle of such choice being that the client should take full ownership for and be in charge of employing the consultant.

2.1.7 50% : 50% Cost Sharing and Reimbursement Principle

EBAS advocated cost sharing at 50%, arguing that this would instil a feeling of equal partnership between recipient and donor. Another feature was that the recipient had to pay the consultant up front, and would be reimbursed later for the grant part of the costs.

The evaluation confirmed that the 50% : 50% principle was fully accepted by recipients. The partnership aspect appealed to recipients. In comparison, the 25% grant offered in the Malawi project offered very little leverage¹⁸, resulting in very little additionality indeed. On the other hand, most beneficiaries of CDE support confirm that they would also have accepted a grant of 50% instead of the offered 66%. The evaluation showed no difference between smaller and larger enterprises accepting the 50% cost share.

The reimbursement principle did not add much value to the scheme. EBAS apparently over-estimated the cash flow potential of smaller firms - they do not usually have extra to pay consultants up-front. What was therefore practised - with the knowledge of the ROs - was an exchange of checks: payment to the consultant against reimbursement from EBAS. The reimbursement rule introduced an element of hard bargaining, the consultant waiting for his/her check after having finished the work, while depending on the approval of both the beneficiary and EBAS. It is possible that some of the cases of fraud (there may have been less than portrayed in, for instance, the mid term review) happened because consultants wanted safeguards against non-payment. A future EBAS should feature payment procedures that are built on trust and on reasonable assumptions with regard to the abilities of SMEs. CDE finances interventions in that local costs (travel, accommodation and meals, local transport) are met by the beneficiary, and fees by CDE. Similar arrangements could be made for a future EBAS, though the 50% : 50% matching grant principle should be maintained.

2.1.8 Markets for Strategic and Operational BDS

The EBAS approach is strongly connected to the BDS discussion. The "Blue Book" of the Donor Co-ordination Committee emphasises that BDS should be provided by the private sector at free market conditions. This approach assumes that BDS markets exist in ACP countries. One should caution that often services are counted as BDS that are not really development services, like accounting, legal, courier or advertising services. Markets for such services exist almost everywhere, and flourish without the intervention of donors.

Services like market research, recruitment services or management consulting exist in many development countries. They are usually orientated towards larger enterprises,

¹⁷ Competitiveness development projects in MEDA countries work on the basis of a diagnosis being subsidised at a higher rate.

¹⁸ See also: Malawi ISPSP, Final Evaluation, Integration, 2004

The 50% : 50% cost sharing principle was very well accepted, but...

....the paying up-front principle was circumvented

Markets for BDS hardly exist in ACP countries

which out-contract certain functions, or are obliged by law to have their accounts audited. Because costs are rather high in relation to their sales, smaller companies do not buy such services often, and the service providers do not have much experience with the problems that small companies face. In their majority, these services are still operational services; they fulfil functions for which such companies do not recruit permanent operational staff.

*Operational
BDS need to
be
distinguished
from strategic
BDS*

Certification services may or may not be counted as strategic services. The old ISO 9002 certification (product quality) would in principle be an operational service, unless connected to a market expansion strategy for which certification is useful. The new ISO 9001 includes both process and product certification; this combination should in principle be regarded as strategic, because in most cases it requires management restructuring, or management change.

Strategic BDS like research and development on products and technologies, corporate strategy development, or export marketing strategies are services that are rarely carried out in developing countries. Large scale companies in developing countries, in particular those connected to international companies, usually assign such tasks to their principals in industrialised countries. In particular smaller, independent firms are in need for such services locally, in particular when they follow an expansion strategy conquering new markets. In industrialised countries, specialised R&D institutes or universities are often involved in the delivery of such services to SMEs. The WTO restricts industrial subsidies for BDS. Subsidies for "pre-competitive" services, i.e. generic advice, technical and management training, or information that may be useful for a whole sub-sector are, however, acceptable, including innovation support. Such support may therefore be regarded as public goods - depending on the circumstances of their delivery.

*In particular
smaller,
independent
firms in ACP
countries
require
strategic BDS*

*Some BDS
may be
regarded as
public goods,
others are
private goods*

The BDS topic is a complex one. One could argue that no enterprise would purchase services that reduces competitiveness, and that therefore any service facilitated through EBAS, operational or strategic, must have aimed at improving competitiveness. If competitiveness were equalled to productivity, this may be true. But productivity is only one factor of competitiveness, if this is understood in the sense integration in the world economy, i.e. of the broader objective of EBAS.

EBAS had the choice to focus on operational BDS, with the challenge of making more of such services available to smaller companies and thus creating a greater local market for them, or focus on strategic services, with little prospect of creating functioning local markets, but with the possibility of raising the competitiveness of companies - or doing both and loosing focus.

*EBAS had the
choice to focus
on markets for
BDS, or on
BDS for which
there will be no
functioning
markets,
or doing both
and loose
focus*

There could have been a more thorough analysis before the start of the programme of what services are available and who uses them. The experience from the pilot phase should now be used to sharpen the focus on the type of BDS that a new scheme should facilitate. Such focus is essential for meaningful M&E of impact and spill-over effects.

2.1.9 All ACP Approach

ACP states have different levels of development and different characteristics

The table below compares the economic and social situation in the countries where EBAS was most active (added are Namibia and Uganda, visited during the field work):

	EBAS awards	Awards/ 1 Mill Inh.	GDP/ Capita	Exports/ GDP	FDI/ GDP	HDI	Internet/ 1000 Inh
Barbados	33	110,0	15290	52%	0.7%	0.888	112
Mauritius	76	63,3	10810	61%	0.6%	0.785	99
Trinidad and Tobago	60	46,2	9430	47%	7.6%	0.801	106
Botswana	36	22,5	8170	51%	0.7%	0.589	30
Dominican Republic	54	6,3	6640	26%	4.4%	0.738	36
Namibia	7	3,9	6210	48%		0.607	26
Fiji	32	40,0	5440	71%	4.1%	0.758	61
Zimbabwe	33	2,8	2400	24%	0.3%	0.491	43
Papua New Guinea	31	6,2	2270	41%	1.8%	0.542	14
Ghana	81	4,1	2130	43%	0.8%	0.568	8
Cameroon	42	2,7	2000	27%	1.0%	0.501	4
Senegal	53	5,5	1580	31%	1.9%	0.437	10
Côte d'Ivoire	115	7,0	1520	48%	2.0%	0.399	6
Uganda	19	0,8	1390	12%	2.6%	0.493	4
Kenya	41	1,4	1020	27%	0.4%	0.488	13
Madagascar	70	4,3	740	16%	0.2%	0.469	4

As the table shows, the HDI index may differ by more than 100% between the countries, per capita GDP may differ by more than the factor 20, a similar factor applies to access to the Internet. Some ACP countries export a high proportion of their production, while others export less¹⁹. Naturally, the listed countries are very different with regard to their endowment with natural resources. One would assume that countries with such different development indicators and potentials have different priorities and needs of assistance in private sector development.

Left uncontrolled, an all ACP scheme may end up making rich ACP states richer

In terms of numbers of awards per country, the table shows a relatively balanced distribution, while a comparison of awards per inhabitants with per capita GDP suggests that EBAS - with some exceptions - went "where the money was". If left uncontrolled by clear selection criteria, an all-ACP scheme could thus end up making rich ACP countries richer. The mid term evaluation proposed that a new scheme should be restricted to selected ACP countries²⁰. The ACP Secretariat responded that such a suggestion was unacceptable. Should an all ACP scheme support "winners", creating success stories, or should it assist the "most needy", thus contributing to balanced regional or all-ACP development?

A clearer focus on sectors and types of enterprises could render an all-ACP approach more relevant

During the planning of EBAS, there was apparently no discussion about such aspects. The "first-come-first-serve" principle applied, and the score cards gave no bonus to least developed countries on one hand, or countries with a high absorption potential on the other. While the wish of the ACP Secretariat for an all-ACP Scheme must be accepted, a clearer focus of EBAS with regard to sectors and sizes of enterprises could direct the scheme's assistance towards the types of enterprises that are equally important for the economic development of all ACP countries. These could be smaller and micro enterprises, locally owned enterprises, and firms with the interest and capacity to develop new products and technologies.

¹⁹ The rate of exports is, however, no proxy for integration into the world economy: it makes a difference whether unprocessed or processed good are exported, and whether cheap labour or knowledge based goods are exported

²⁰ "Concentrating on countries that have best responded in the pilot phase and where there is the possibility of sending available personnel as local relay agents (or finding a strong institutional relay)"

2.1.10 Steering Committee and PMU

EBAS had a lean management structure, consisting of a PMU in Brussels that was supported by six Regional Office teams. EBAS was monitored by a Steering Committee. The PMU was initially managed by a Director/Team Leader, with an executive and a secretary. The capacity of the PMU was later strengthened by an operations manager, three more executives and a capacity building manager. Each Regional Office (with the exception of the Pacific Regional Office) was staffed by a Regional Director, two business assessors and secretarial assistance.

EBAS had a lean, uncomplicated management and supervisory structure

The PMU reported to a Steering Committee, composed of two members each of the ACP Secretariat and the European Commission. The SC received reports on the progress of the Scheme, ratified approvals and awards and issued guidance and directives for the pursuit of the Scheme.

Each grant application was approved, on the PMU's recommendation, by the ACP Secretariat and then by the Commission. This process was fast, taking less than 12 days per application on average. Taking supervision of the pilot programme seriously, the ACP Secretariat and the Commission gradually introduced specifications with regard to maximum fee rates, total subsidy amounts and selection criteria for beneficiary enterprises. The Steering Committee, meeting half-yearly, endorsed approvals and amendments to the rules of EBAS.

Though ACP Secretariat and EC had to approve each grant, the system was effective and fast

The Steering Committee also requested the PMU to measure the impact of the EBAS in terms of benefits to recipients, to recipients' sectors and the national economies in general. Evaluation of impact outside the project itself, i.e. impact at sector level and spill-over effects on the national economy, would have been the task of an independent evaluation, however, monitoring of beneficiaries using on how they are actually using the received services and what impact this had on their business performance should have been a regular PMU activity, and part of the PMU's job description.

The lean management and supervisory structure certainly helped EBAS to be efficient. A critical point may be the lack of an independent forum to discuss feedback from the field. Advisory Boards were foreseen to provide a platform for this, but did not come together, partly because budgets for travel has not been foreseen.

2.1.11 Coherence, Coordination and Complementarity

The "3 Cs" are essential elements of the Commission's external assistance, ensuring that development activities are co-ordinated with other development partners, and that policies, programmes, procedures and practices are harmonised to maximise the development effectiveness of aid resources.²¹

Coherence with EU and Donor Policies

The Community's legal obligation to ensure coherence includes the need to take account of development objectives in all activities likely to affect developing countries. There are several layers of policies that may, or may not, conflict, so coherence within EU policies has to be assured at various levels.

²¹ Annual Report 2004 on the European Community's development Policy and external assistance

EBAS is in line with the approach and guidelines of the Commission,..

The overall objective of EBAS was the smooth and gradual integration of the ACP states into the world economy through enhanced competitiveness of the ACP private sector enterprises. This is fully coherent with Article 130 of the Maastricht Treaty which defines the Community policy in the sphere of development co-operation. This Article states that Community policy shall foster, amongst others, the smooth and gradual integration of the developing countries into the world economy.

According to the Council Resolution of 1999 on private sector development in developing countries, the approach and operational guidelines of the Commission are directed towards five priority fields, namely:

1. Improvement of the macroeconomic framework and of the business environment
2. Promotion of investments and partnership
3. Increase of investment funding capacities and strengthening of financial markets
4. Promotion of non-financial services for SME development
5. Support for micro-enterprises, in particular via micro-finance development

..being one of the horizontal all-ACP instruments

The approach integrates interventions at macro, meso and micro levels and is directed at the progressive use of five horizontal all-ACP instruments, namely DIAGNOS (1), ProInvest and ESIPP (2), The Investment Facility of the EIB (3), CDE and EBAS (4) and PAME-ACP (5).

The Commission ensures that its own guidelines are consistent with the best practices of international co-ordination bodies (OECD), the Donors' Committee for the development of SMEs and the Consultative Group to Assist the Poorest (CGAP).

Priority is on all-ACP and regional instruments, complemented by national programmes

It is EU policy to give priority to a progressive orientation towards all-ACP direct access instruments. While the horizontal instruments (or the programmes substituting them) will take care of the main needs of the private sector, specific national or regional private sector development requirements may still be complemented and financed through regional or national indicative programmes. Focal Points will be established at the Delegations to ensure that the horizontal instruments are applied in a co-ordinated way and in synergy with national programmes for private sector support and other priority sectors.

EBAS was designed as a temporary measure, while the EC seems to see a long term need for it

EBAS was in line with EC policy for private sector development at the time when it was conceptualised. While EBAS was designed as a strictly temporary measure, the Commission's guidelines refer to it as a more permanent horizontal instrument, alongside the CDE. This is an obvious deviation from the original intentions of EBAS, strongly impinging on the schemes' future design.

EBAS deviated from common EC and other donors' practices in four ways:

The first was that it was conceived without a feasibility study and field research, but on the basis of a short consultation with stakeholders (the ACP Secretariat). Instead, best international practice and know-how went into the design.

The second was the strong emphasis on private sector co-financing and private sector delivery of services, combined with a liberal, demand led approach as free as possible from restricting selection criteria. This was not necessarily in contradiction to EC policies and guidelines, but new.

The third was the emphasis on the micro, i.e. enterprise level. At the time, most donors started to make it their policy to taper down direct private sector

support at the micro level, channelling enterprise support through intermediary organisations or NGOs instead.

The fourth was that the programme did not seek sustainability, other than at the enterprise level

EBAS made a courageous attempt to break away from some mainstream approaches, and deliberately avoided formalistic procedures, coming up with an innovative approach that did not get diluted by making compromises. EBAS was still in line with policies and guidelines, and should be commended for seeking and trying out modern concepts within the existing policy frameworks.

EBAS was a courageous, innovative attempt to break away from mainstream approaches, and still in line with existing policies

Coordination

Coordination entails greater awareness of what others involved in a particular sector, country or region are doing, combined with efforts to work together and co-operate more effectively. Coordination is critical in order to avoid overlap or inconsistencies between those seeking to achieve common goals.

EBAS was planned to be one complementary instruments of the three level approach to private sector development, targeting the enterprise (micro), institutional (meso) and policy decision making (macro) levels, and was therefore meant to co-operate with and complement CDE, in that the network of CDE consultants would benefit from the consultancy market expansion. Further, EBAS was meant to co-operate with other private sector support programmes active in the ACP countries. The need and wish for co-operation was strongly highlighted in the FP for EBAS' extension phase.

Coordination with national programmes was restricted to informing Delegations and NAOs, or consultations on request of the Steering Committee²²: Delegations were informed, mainly in countries where ROs were located. There was, however, no systematic information exchange that would have enabled EBAS to plan its activities in a co-ordinated way with other horizontal instruments, national private sector development programmes or other national or regional programmes of the Commission. It should be noted that DIAGNOS and ProInvest (or ESIPP) did not yet exist at the time when EBAS was launched. The FP for the EBAS' extension phase made a clear reference to these programmes. In the Caribbean, much more co-ordination took place.

Actual co-operation occurred in a few good examples, which showed the potential of integrated, coordinated approaches. Good co-operation took place with COLEACP²³ on some projects, with FASP²⁴ in Madagascar, with BUDS²⁵ in Uganda, with Caribbean Export (rum sector) and with DIAGNOS (business forum) in the Caribbean. Many financial institutions received direct mail from the programme to induce possible co-operation. The initiative of the NAO in the Dominican Republic, accommodating EC-ACP instruments in one place and actively encouraging co-operation, provided a good example of what is possible.

In a few cases EBAS co-operated well with other EC programmes..

²² The NAO or the Delegations will have no direct involvement in the management of the scheme but may be consulted at the request of the Steering Committee, and shall be kept informed by access to the different activity and evaluation reports (FP of July, 1997)

²³ COLEACP (Comité de Liaison EU-ACP), headquartered in Paris, is an inter-professional association of producers, exporters, importers and other stakeholders concerned with promoting horticultural trade between the ACP states and the EU.

²⁴ FASP (Fonds d'appui au secteur privé) is a WB-sponsored MGF in Madagascar, operated by a private sector association. Grants high for small interventions, and smaller for larger interventions.

²⁵ BUDS-EDS (Business Uganda Enterprise Development Scheme) is a three-year cost-sharing grant scheme funded by the European Union, aimed at increasing the competitiveness of the Ugandan private sector.

..however, opportunities for wider co-operation were very limited

Of the horizontal instruments, only DIAGNOS was operational at the same time as EBAS. ProlInvest started in 2002, ESIPP also in 2002 after substantial delays, because they started much later. The Investment Facility of the EIB was set up with the coming into force of the Cotonou Agreement in 2001²⁶. It is fair to say that the possibilities of co-operation with DIAGNOS are limited by nature, EBAS focusing mainly on the micro level and DIAGNOS the macro level. Co-operation with EIB is also constrained by the fact that the minimum loan amounts of the EIB are beyond the investment brackets targeted by most enterprises that EBAS supported.

Complementarity

Complementarity with other national EC support programmes was intended, but not actually built into the programme's design

Complementarity begins with coordination, but goes further: it implies each actor focusing its assistance where it can add most value, given what others are doing, maximising synergies. Promoting coordination and complementarity between Member States and the Community in the broader international framework is critical for the effectiveness of the Community's development co-operation policy and programmes.²⁷

National PSD programmes did not link up with EBAS

Complementarity with other national EU support programmes was intended, but not actually built into EBAS. Overlaps with CDE were anticipated and few measures taken to mitigate problems resulting from this. Very little co-financing with CDE occurred. A few firms solicited support from both CDE and EBAS, but such support was not linked in terms of time and contents. An EDF-financed private sector development programme was implemented in Malawi during the same period, also on a matching grant basis (though the grant part was restricted to 25%) and equally targeting private SMEs and intermediary organisations. No coordination with EBAS occurred (in spite of several reminders from the Malawian counterpart organisations), and hence no complementarity was achieved. In Zambia, the substantial EDF-financed PSDP did not have links with EBAS. This programme had a strong CDE presence, promoting interventions very similar to those of EBAS, at a 66% - 33% cost sharing basis.

The Singer report and the FP did not include much detail with regard to opportunities of EBAS complementing what others are doing. It is not easy for a purely demand-driven programme to ensure synergies and coordination. As a pilot project, with the other horizontal instruments still being set up and launched, conceptualisation also focused more on the detailed planning of the MGF as an instrument that had to prove its worth on a stand alone basis before being integrated with others.

²⁶ The IF itself was launched in 2003

²⁷ Annual Report 2001 from the Commission to the Council and the European Parliament on the EC Development Policy and the implementation of external assistance.

2.2 Issues Arising from Previous Analysis and Recommendations

2.2.1 Issues Arising from the Mid-Term Evaluation Report

The mid term review was concerned that the objectives of sustainable social and economic development as well as poverty reduction should be combined with the principal objective of EBAS, i.e. promoting integration into the world economy. It pointed towards the need for a more selective approach in order to reach higher levels of impact and additionality, advocating greater proximity and country based activity programmes. The evaluation pointed out that

- Solving the BDS market failures requires persistent long term action;
- EBAS should have done more in strengthening the supply side;
- Sustainability in terms of service provision through intermediary organisations should be aimed at;
- Management of the scheme should be transferred to local intermediary organisations in the longer term;
- Subsidy support should not cease.

It made a strong - albeit not much substantiated - appeal for the latter and recommended that EBAS should be extended for another 10 to 15 years. Several specific recommendations referred to

- concentrating EBAS on countries with the best response in the SME sector,
- penalties for misuse of subsidies,
- pro-active search for national or regional expertise,
- lump-sum subsidies for standard services,
- stronger coordination and co-operation between EC-ACP instruments and EC regional and national programmes, and
- an extension phase being subject to a thorough feasibility study.

The primary issue emanating from the mid term evaluation seems to be that of justification of subsidies. A strategy for sustainability, and recommendations regarding selection criteria and operations, would have to follow the direction emanating from this justification.

One direction of thought could be that a more vibrant BDS market would constitute the desired higher level of sustainability. It would, however, be difficult to put a benchmark to this. When has an acceptable level of sustainability been reached? Naturally, benchmarks would vary with countries. How does that tally with an all-ACP scheme? Another direction of thought could be that strengthened intermediary organisations could eventually earn cost-covering income from the supply of marketable BDS. Intermediary (and private) organisation would naturally have to orientate their services towards the buying power, i.e. larger enterprises purchasing operational services. Both directions would negate what is well known to practitioners, namely that BDS, in particular BDS that are meant to lead to enhanced competitiveness of SMEs, can hardly be delivered on financially sustainable terms.

One should therefore be very cautious with recommendations that local intermediary organisations could take over the delivery of BDS that were facilitated through EBAS. The justification of EBAS should rather be seen in the establishment of a level playing field, helping SMEs in ACP countries to access services that render them more competitive in a similar way as SMEs in industrialised or newly industrialised countries can. From this justification, a clearer focus of EBAS on SMEs that can absorb innovation-related BDS and fulfil other possible criteria to access them at subsidised

The mid-term evaluation made several operational recommendations, and suggested a long-term extension of EBAS, but did not include...

..justification of subsidies and strategies for sustainability

BDS meant to enhance competitiveness can hardly be delivered on sustainable terms

The justification of subsidies should be seen in establishing a level playing field

costs would follow. The task of EBAS would be to manage the transfer of knowledge, as much as possible scouting out local potentials and facilitators.

An exit route would depend on the progress of ACP countries in establishing their own national innovation systems capable of making such competitive-related BDS available. Therefore, an intensive co-ordination of EBAS with other horizontal EC-ACP instruments, a stronger linkage to national private sector promotion schemes and a long term perspective for EBAS are supported.

2.2.2 Issues Arising from Final Report to the Steering Committee

The Final Report of EBAS is self-critical and very detailed

The very detailed Final Report to the Steering Committee, in its analysis, finds arguments showing that the initial concept of the scheme was well devised, pointing in particular at the "wise policy of making it open to all PSE and IOs regardless of size, ownership or sector of activity", and regretting the frequent introduction of new rules, regulations, criteria and in particular the capping of consultants' fees during the life of the scheme. The report convincingly mitigated against the contention that the scheme was too much prone to fraud.

It sees a need for an extension of the scheme for 12 to 16 years until sustained demand for BDS has been established. The rationale and justification for the scheme is described as the potential of private sector enterprises in the ACP countries to improve their competitiveness in terms of market position, increase of productivity and reduction of overheads. The report recommends a grant fund of 12 Mill € annually plus 4 Mill € for operating costs.

More authority for approvals should be delegated to a PMU. An independent M&E team, reporting to a Steering Committee, should constantly check on the correct use of funds and monitor impact and spill over effects.

The Final Report's recommendations are sincere and reasonable. The ambiguity with regard to the prime objectives of EBAS (market development or competitiveness) remains, however. The report does also not provide, from the experience gained, a convincing justification for the contentious issues, i.e. substantial subsidies and interventions at individual enterprise levels. The lack of suitable impact indicators and EBAS' uncertainty how to measure impact is evident from the report. This uncertainty seems also reflected in the report's perception of market position, productivity and overheads being the main factors of competitiveness.

Productivity is about doing things right, competitiveness is about doing the right thing

Productivity and overheads are efficiency factors, answering the question: is the enterprise "doing things right"? If the issue is integration into the world economy, the key question for an enterprise is: are we "doing the right thing"?. Other competitiveness factors become important, like:

- are we having the right product portfolio to successfully compete in an open market?
- are we competing in the right local, regional or international markets?
- are we making full use of our competitive advantages?
- how much vertical integration is best for the type of product/service we are offering?
- where do we want to stand in five years' time?
- can we do it with or without local or international partners?,
- etc.

ACP enterprises, moving from a protective environment to a globally competitive one, often have a "blind spot" (what do others see that I do not see?) for such questions.

Entrepreneurs should be encouraged to reflect on them (flash diagnosis) when applying for EBAS support, and especially when assessing the impact of assistance (how much has the assistance improved my competitive position?). The questions may also highlight that access to information is essential. A MGF needs to be complemented with access to first grade business information.

Competitiveness may be defined as the capability of an enterprise to constantly innovate its products and processes in a way that its market shares are secured and expanded; this is much more an issue of acquiring knowledge than one of reducing costs. Smaller enterprises are not disadvantaged; in fact, they may have an advantage. In Mauritius, for instance, it was the smaller garment firms that began designing and marketing their own collections for niche markets.

Competitiveness is more about acquiring knowledge, and less about reducing costs

Impact is then achieved if enterprises increase their export shares or strengthen their position on the local market vis à vis imports. This - and its relation to the cost of investments the firm made to achieve such expansion - are comparably easy to measure²⁸. Impact is also achieved when an enterprise has detected and is shifting production towards a new niche in which it has sustainable competitive advantages, even if larger production volumes (on a risky or low profit market) are exchanged against smaller ones (on a safer or higher profit) market. Such impact is more difficult to measure on the basis of the enterprise's accounting figures, i.e. it requires a sector-wide survey. The horizontal spill-over effect may in both cases be that the innovative enterprise has vacated its old market, in which others may now find employment and income, or that other firms are following the innovative firm's example -both are difficult to trace and require good knowledge and sound judgement. Easier to measure are spill-over effects in terms of newly created backward and forward linkages that other firms are making use of.

Impact and spill over effects can be measured, but this requires sector wide surveys

Vertical spill-over effects (i.e. impinging on poverty reduction) depend to such a high degree on factors outside the control of an ACP-wide private sector programme that it would be highly speculative to assert in how far EBAS has been a contributor.

EBAS lacked tools to measure impact

It follows from the analysis of the Final Report that EBAS must reflect on what its main objective should be, focus its support on this objective, and design the right tools to assess its impacts and spill over effects.

²⁸ If, say, a home textile firm is supported to take part in a trade fair where it strikes a deal worth one million, it is not the cost of investing into the trade fair that leveraged this deal, but the investment costs into product development and manufacturing technology that put the firm into the position to make this deal in the first place.

2.3 Observations from Field Work

2.3.1 Enterprises

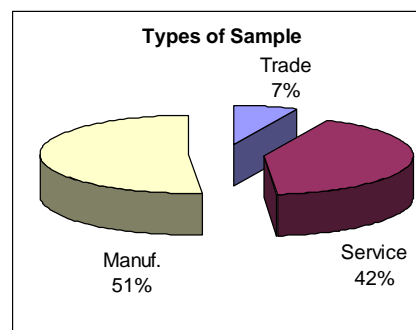
In order to assess the performance and impact of EBAS, 68 firms were interviewed on the basis of especially developed questionnaires. Interviews lasted for a bout 1 ½ hours and were, where possible, combined with factory visits.

Firms were selected at random for visits and interviews

The firms to be visited were selected at random. A few appointments were made before arriving in the country, finding contacts details from web-sites or from directories published in the internet. Basically, every firm was taken that had a valid telephone contact, had time for a visit and was in easy reach, i.e. located in or nearby the capital. It was not possible to determine whether a supported company was no longer in operation, or had simply changed its previous telephone number. Strong efforts were made to visit all IOs that were reachable in this way.

The number of visited enterprises by country was as per table below, the distribution according to the main activity type of enterprises as shown in the graph:

Country	No
Botswana	9
Namibia	3
Madagascar	15
Barbados	13
Kenya	9
Uganda	9
Ghana	13
Total	71

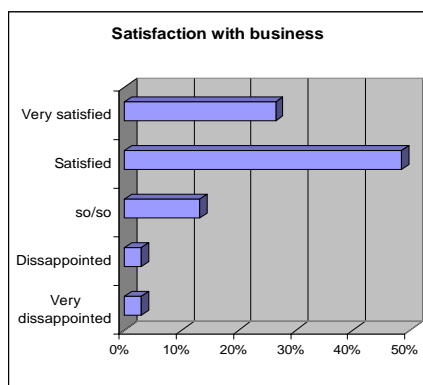


EBAS followed a more detailed classification of firms according to sectors and sub-sectors. The sample covered a wide range of sub-sectors.

The sample is a fair reflection of sectors, types and sizes of enterprises supported

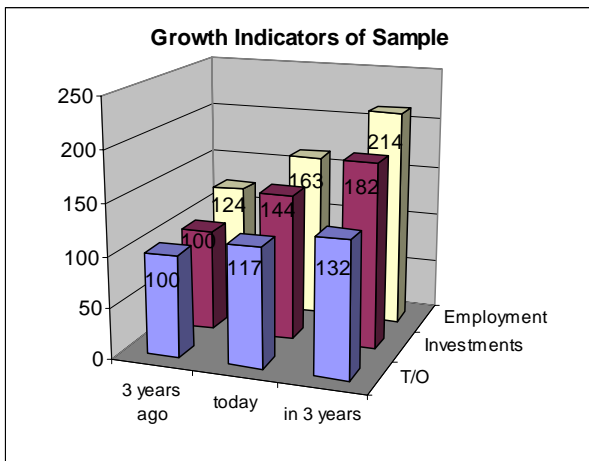
The average employment of the sample was 163, boosted by a few large enterprises in Kenya and the generally higher average of supported firms Madagascar and Barbados. The average employment in Botswana and Ghana was much lower. The Final Report of EBAS put average employment of all firms at a figure of 132, which was equally influenced by a few larger enterprises. Enterprises had on average been in operation for 19 years, with less than 10% of the sample being in business for less than 5 years. EBAS thus dealt with mature, established firms. 69% were led by men, 31% by women (this does not in all cases reflect the ownership pattern, which usually consisted of several partners owning a Ltd. Co.) All in all, the sample is a fair reflection of sectors, types and sizes of enterprises supported. Actual figures of turnover or investments were investigated.

EBAS dealt with mature, established firms



Most respondents were satisfied or very satisfied with the way their business was going. This is a first strong indication that EBAS must have chosen their clients well. The few disappointed enterprises had specific reasons to say so, and only in one case one could assume that the root for this could have been detectable at the time of EBAS support.

The chart of growth indicators shows the development of employment, turnover and investments of the sampled enterprises over the last three years, as well as the expected future trends.

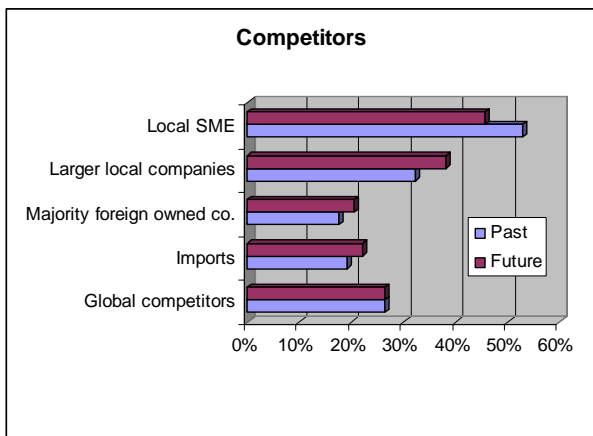


The chart shows two interesting aspects: firstly, the supported firms have all increased their turnover and their investments. The firms must have been well selected; they had the potential to grow, and will grow further. Only one company experienced negative growth of sales, very few reduced their employment, nearly all invested substantially. All this goes to show that EBAS did well. On the other hand, the chart shows that investments and employment grew faster than turnover. This would

The supported firms have grown,..

..but productivity has not generally increased

indicate that productivity has - on average - fallen, i.e. EBAS did not make much difference in terms of raising the efficiency of enterprises. Small companies have lost less in productivity than larger firms. In other cases, the loss in productivity is due to the fact that the company has simply gone into a new labour-intensive venture. The future expectations show an even greater fall of productivity, but this may be due to optimistic estimates. Comparing growth with sizes of enterprises does not yield significant results, but small companies are not at all disadvantaged. Modern large scale agricultural processing seems to do very well, so do new ventures like data processing.



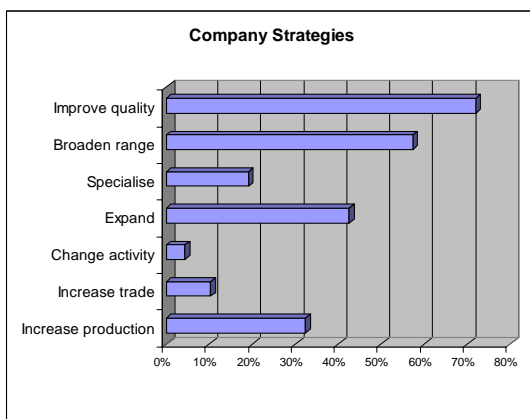
The chart on competitors shows that the supported companies are slowly advancing into markets occupied by other before. Instead of smaller firms, larger companies and imports will be their future competitors, which suggests that product quality must have improved. Global competitors are of interest to exporters. The export ratio of the sample has not changed much; one half of the surveyed companies export, and only one fifth produces exclusively for export. This clearly supports the

Supported firms are slowly advancing into new markets

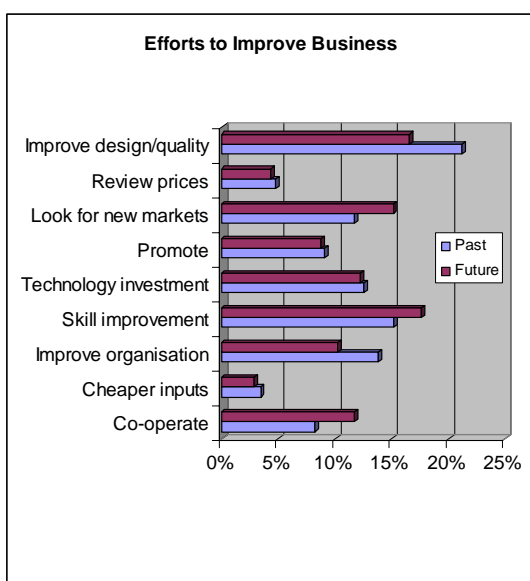
decision to make widen EBAS form supporting exporters only towards any company producing for local and export markets. 34% of total production of the sample is at present exported; this rate will grow to 38% in three years' time.

Competition is going to grow. On a scale of 1 (weak) to 4 (fierce), competition was rated as 2.8, and is expected to be near 3.1 in the future.

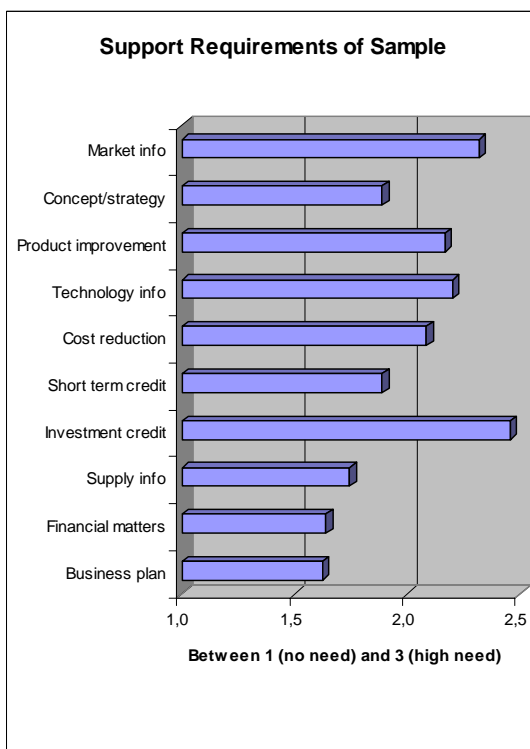
Company strategies indicate a trial and error approach



Cluster concepts would have better chances among smaller firms



Market information, and product & technology improvement are the most important non-financial support needs



The surveyed enterprises are eager to improve the quality of their products or services, broaden their range of service and expand. This underlines their confidence in the market, but on the other hand also indicates a certain trial and error approach to the market. Somebody who knows his/her market very well would specialise - smaller, modern firms did more often chose this option than larger companies. Only less than half of the respondents stated that they want to substantially expand their business, which underlines that improvements are sought in quantitative rather than qualitative changes.

An interesting observation was made on vertical integration: in particular larger enterprises want to increase own production of inputs rather than buying them from outside, while smaller enterprises generally prefer concentrating on their speciality and co-operating with others to procure their inputs. Cluster concepts should therefore have a better chance among smaller firms.

This is corroborated by the opinions expressed regarding past and future activities to improve the business. While respondents have worked on improving product quality and streamlining organisation in the past, future efforts will be directed towards finding new markets, improving skills and co-operating with other enterprises. Technology investments will play an important role; investments into knowledge and skills will increase comparably. The high interest in finding new markets seems to call for technical assistance. Most respondents have a vague idea - not much is known about the specifics of the markets in new destination countries. The local market - which is equally targeted, is also to a great extent unknown - statistical figures do often not exist.

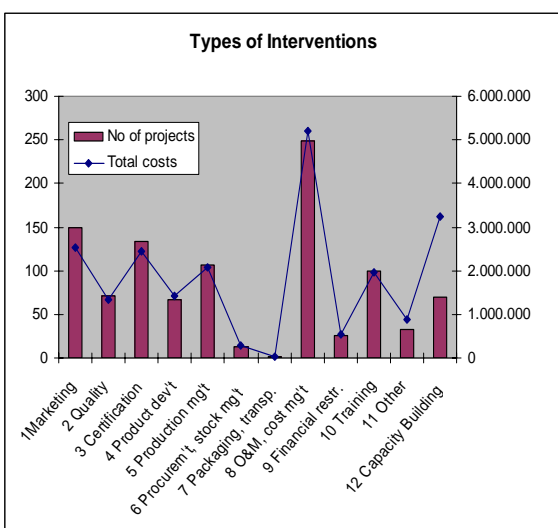
The graph on support requirement shows this need for market information even more clearly. For both large and small companies market information is of very high priority, second to capital for investments into fixed assets. Small firms need this more dearly than large firms -

access to capital is - at present - the greatest bottleneck to development. Following closely is support needed for product and technology development, while advice on organisational and financial matters is of less importance. Many firms were coy about support for concept and strategy - regarding this as their own privileged decision making area. Others were interested in the views of outsiders - in particular smaller firms.

Short term credit is not a great problem for most of the respondents. Both large and small firms had financed their enterprises soundly, mainly from own sources, but are working closely with banks, receiving overdraft credits for working capital needs.

However, needs differ from country to country. Investment funds were in high demand mainly from the service sector (e.g. tourism in Namibia, Barbados) and agri processing industries (Kenya, Ghana), which were all embarking on substantial expansion programmes. Smaller manufacturing enterprises are in greater need in market information and technical assistance for product and process innovation than larger firms.

Support needs differ from country to country and sector to sector



It is apparent that the focus of EBAS differed from the needs profile resulting from the survey. While EBAS did comparably much in the areas of general management, cost management, etc., the areas of marketing, product development and production technology received relatively less support. Much support went to certification (counted under quality) and web-site design (counted under marketing), which helped companies to access markets in some, but not all cases. The profile of the actual supply of services reflects in some way the opportunities of accessing available services at lower costs. Would

The focus of EBAS differed from the needs profile resulting from the survey

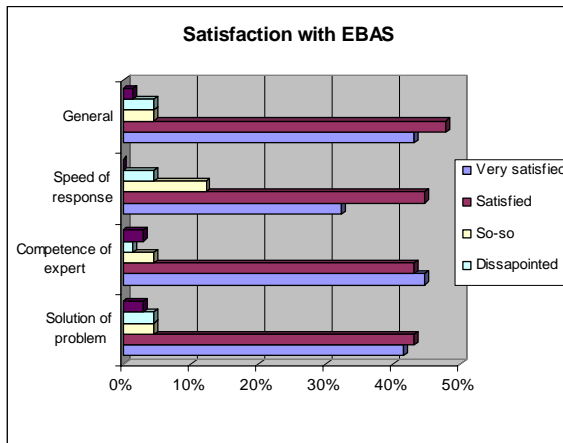
high quality services in market development and product development be available at reasonable cost, they would almost certainly meet with high demand.

The business environments in the surveyed countries differ. The countries visited in Africa went through a period of economic recovery or sustained growth recently. The investment climate was mentioned as the strongest (Ghana, Namibia, Botswana) or one of the strongest factors of the business environment, while access to quality BDS and R&D for SME were pointed out as the weakest factors in Ghana, Uganda, Madagascar, Botswana and Namibia. Availability of skilled labour is a constraining factor in the richer countries of Botswana and Namibia, while access to market information and lack of export support measures pose limits to Ghana and Uganda, which, looking back at a period of economic consolidation and growth, are eager to integrate into the world economy. Financial services seems to have improved, particularly in Ghana, Uganda and Botswana, but not to the extent of effective access to long term finance being offered. Improvements of the legal environment were reported from Namibia, and the intensified public-private dialogue is contributing to an improved business environment in Kenya. Annex V shows the profiles of the business environment of the countries included in the survey. All in all, the profiles show a reasonably optimistic assessment, encouraging growth of investments. Consequently, support requirement are expected to grow.

Investment climates have generally become more favourable,..

.. though access to long term finance is still inadequate

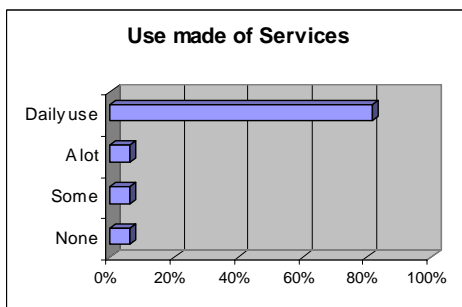
Clients' satisfaction was very high,...



Respondents were in principle satisfied or even very satisfied with the support they received from EBAS. Smaller companies very satisfied (except for the few who got cheated by their consultants), while larger enterprises, much more used to working with consultants, did not express so much appreciation. The speed of response was the main reason for dissatisfaction, a clear sign that entrepreneurs' problems usually require urgent attention and prompt reaction. Respondents were happy with the

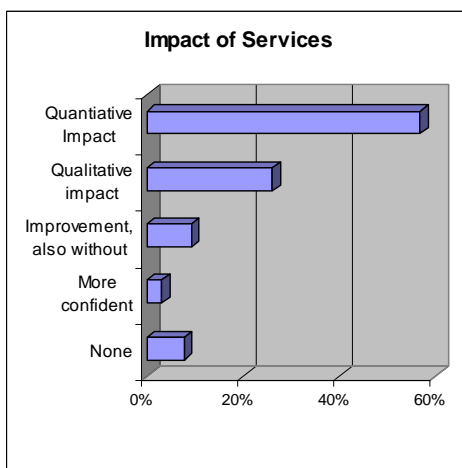
choice of consultants they made. Still, the high proportion of respondents stating "only" satisfied indicates that something did not go very well, and that assistance in choosing the right expert would be quite helpful. The Final Report of EBAS explained that 71% of all consultants originated from ACP countries. This should be viewed as an achievement if market creation for consulting services is taken as the primary goal. However, the availability of experienced, competent experts in (export) market exploration and competitive product and technology development being poor in ACP countries, the high percentage of ACP experts would also indicate that little was achieved in technology and knowledge transfer.

...they apply what was transferred to them on a daily basis, and....



Impact can result from the application of transferred knowledge or skills. The first question is therefore whether respondents made use of the services they received. If not, the services would have been inappropriate for the beneficiary. The results show that the services were very relevant for the recipients, who all used them very well, many using them on a daily basis. This is a very positive result, showing the high level of ownership resulting from the fact that the decision making power on the type of service requested is left with the recipient, who pays a significant share of the costs.

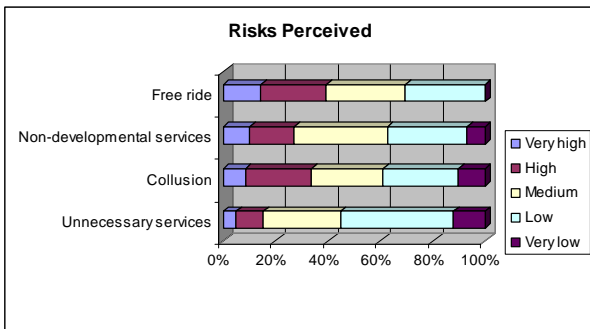
...are confident that this has impacted on their business considerably.



The high level of use made resulted in significant impact for the beneficiary enterprises. The majority stated that quantitative impact in terms of better earnings was achieved - though they had not calculated how much of the increased earning could actually be attributed to the service facilitated through EBAS. It would have helped if EBAS had assisted recipients to draw up a monitoring schedule that would have facilitated attribution

- this was the reason for business plans that were to be drawn up before the approval of grants. Larger enterprises - which have accounting departments competent to attribute impact to costs - were more reticent in attributing impact to EBAS. Not seldom, larger enterprises gave the impression of a more distant attitude to what EBAS did, the owners often not having a clear idea about the rationale why

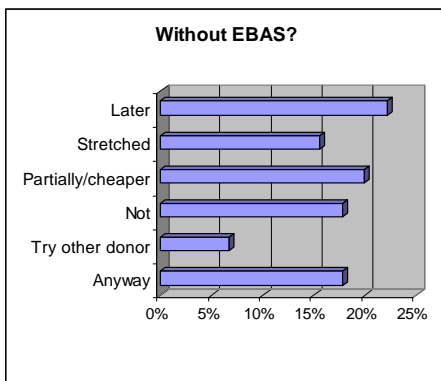
assistance was sought. A future scheme should provide assistance to larger enterprises only if the owners or the general manager takes full ownership.



Respondents realize that a MGF is prone to risks. The greatest risk was seen in the possible "free ride" of entrepreneurs taking advantage of funds being available. Also the risk of collusion between consultant and beneficiary was recognised - e.g. the consultant over-invoicing and the beneficiary sharing the proceeds with the consultant. However, the significant contribution of 50% seems

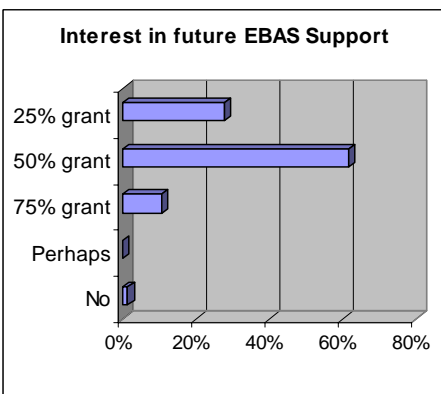
The significant contribution seems to mitigate against risks

to mitigate the risk of unnecessary services being contracted. The assessment of risk led to the question of what respondents would have done if support from EBAS had not been available. The answers are shown in the graph:

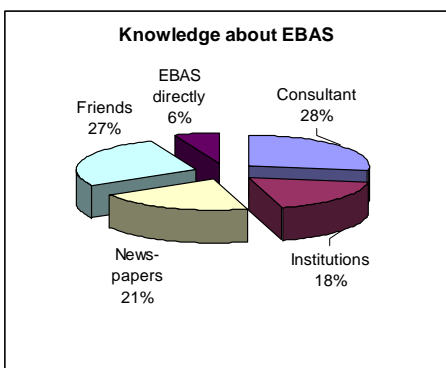


Most respondents saw the need for the consultancy. They would have been forced to contract it much later, implement it only partially, use a cheaper consultant, or stretched it over a longer period of time. Few respondents would not have done it at all, and the same number of respondents stated that they would have carried out the project anyway, using their own means. A high level of additionality is evident from this. EBAS has offered a service that had substantial impact on enterprise earnings. Beneficiaries would not have been able to contract related services without assistance. It is no surprise that all (but one) respondents are interested in future support from EBAS. The pleasant surprise from the answers is that the great majority appreciates the 50% : 50% cost sharing basis; very few indeed are asking for a higher grant, many more would also accept a 25% grant.

A high level of additionality is evident from the survey



The 50% contribution was appreciated



How did recipients know about EBAS? Most respondents heard about EBAS from consultants who advised them about this possibility. An almost equal number heard about EBAS from friends, often fellow entrepreneurs who had benefited from EBAS themselves. This contributed to the scheme getting known in one community of entrepreneurs, and less among others.

Most respondents got to know about EBAS by chance, or through consultants

Namibia was that they could have recommended 10 times more beneficiaries had

they only known. Newspapers were better used by EBAS as a medium to inform potential clients.

Respondents made specific suggestions for improvements

Comments from clients regarding EBAS were in general positive. Suggestions - apart from the pleas that EBAS should continue - referred in principle to four different aspects:

- Referral and assistance to access finance
- Assistance to assess needs first
- Assistance to identify and select good, specialised consultants
- Faster procedures, in particular reimbursements
- Reduced paperwork

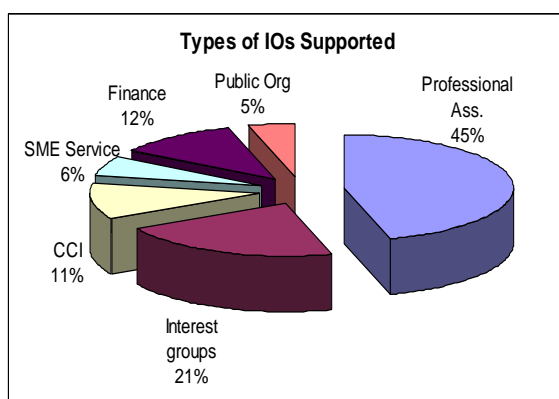
Conclusions:

A relevant scheme with positive impact

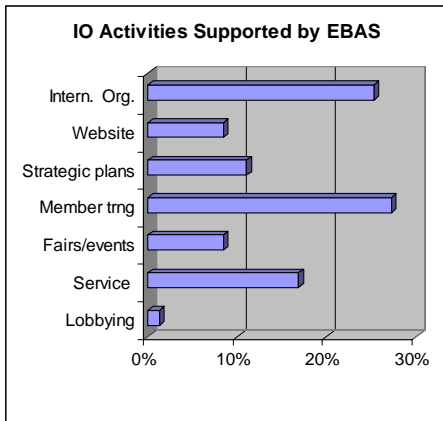
Stronger focus on smaller enterprises, greater emphasis of competitiveness and innovation, and the introduction of counselling could improve it

Concluding, it is apparent from the survey that EBAS targeted companies that were able to absorb the assistance given to them quite well. The assisted firms have substantially grown in terms of employment, turnover and investments, and are confident to continue on this path in future. While this can not be directly attributed to the support through EBAS in a scientifically sound way (there is possibly none), it is fair to say that EBAS has facilitated and sustained this growth. This is evident from the intensive use that companies made of the services they received, and from the subjective perceptions of their owners on the services' impact. Opinions leaders and representatives of private and public sector organisations interviewed fully shared these positive perceptions. The assistance was directed towards areas that are important for the supported firms. The survey brought out that other, additional areas will even be more important: finding new markets, product improvements, more productive technologies and management methods. A pro-active approach, helping clients to identify the most important support fields, and finding competent consultants to work on them, should be part of a new EBAS. The MGF proved to be a suitable promotion instrument. However, in particular smaller enterprises using consultancy for the first time would require more of the counselling support, and the provision of information, without going through the process of concluding a consultancy contract. This may have been beneficial for many of the enterprises met - both in addition or even instead of short consultancies. A future EBAS should in such respect offer more flexibility and a wider range of promotion products.

2.3.2 Intermediary Organisations



The support for IOs was not specifically foreseen in the Singer Study and in the original FA. Later on, the rider to the FA proposed substantial assistance for IOs. The FP for the extension of EBAS specified the objectives and indicators of achievement for IO support. Both strengthening IOs in terms of membership and revenues, as well as improving their image and the quality of services delivered through IOs were aimed at.



IOs received substantially more support on average than enterprises; some receiving considerable amounts. These were granted in preparation of and complementary to sector support programmes that were in launched at the time. In some countries (Cameroon, Burkina Faso, Swaziland) the number of supported IOs was greater than the number of private companies assisted. The following graphs show the type of IOs and the type of IO activities supported by EBAS.

IOs received substantially more support on average than enterprises

The main direction of EBAS support was directed at provide training for members of professional associations. 33% of the professional association were connected to tourism. Such one-off training helps members to acquire knowledge, and it helps the associations to proof their worth to potential new members. Service provision (often in the form of sector marketing studies carried out) may have a similar impact. Lobbying support played no significant role. If one combines internal management organisation, web site design and development of strategic plans, it is apparent that 45% of all activities were meant to improve the efficiency of operations of IOs and their presentation to the public - this is a good precondition for better service provision to SMEs, but has no direct bearing on members' performance.

Training for members of professional associations was the most common support measure

Other than professional associations, interest groups (e.g. employers federations, women groups), chambers, and finance organisations (savings and loans societies, micro lending organisations) were important clients, the latter being the group with service activities being promoted.

Nine IOs were included in the survey. The supported IOs were very different in nature. A hawkers' association in Namibia was assisted to hire permanent staff and set up an office structure so as to embark on a programme assisting hawkers to set up small permanent shops. A tourism association in Namibia was helped to establish a stronger, permanent basis. In Botswana, the national chambers' association was substantially assisted to reinforce income earning activities. In Kenya, EBAS supported the development of a business plan for lobby group that became the basis for public-private dialogue structures. The examples show that support for IOs can create positive spill-over effects, and that small and micro enterprises can indirectly benefit from EBAS. Some associations/chambers had been used to support from various donors for some time and had adequate experience in making best use of EBAS assistance, while other did not have such experience. For the former, additionality may not have been significant, while for the latter support brought about considerable change, e.g. in two of the surveyed cases, IOs changes from voluntary organisation structures to employing permanent staff. The assistance, usually through local consultants, was highly appreciated.

The survey revealed that substantial change was achieved in some organisations,.

..but the test of sustainability is still outstanding

All the interventions were in line with the overall objectives of EBAS and have certainly strengthened the IOs, in some cases achieving a certain level of self-financing for new activities, while in other cases the test of sustainability is yet outstanding. EBAS did not separately monitor interventions supporting IOs. One cannot expect an association or a chamber to reach economies of scale from increased membership or the introduction of new services in a short period of time.

Many IOs in Africa have improved in accountability and good governance

An optimistic view of chambers and associations in Africa is that these organisations have, during recent years, developed in terms of accountability and good governance, and are being increasingly appreciated as partners in the public-private dialogue. New

Previously politicised chambers are becoming more representative bodies

structures have been created that successfully bridge the divide between "black" and "white" chambers (Business Forum in Zambia, BUSA in South Africa), and crossing this divide has become an important mission of other IOs (e.g. FENATA in Namibia). In other countries, previously politicised chambers or chambers with government influence are changing towards becoming open and representative bodies (e.g. Malawi, Madagascar).

This, and the apparent success of the support rendered to IOs, speak in favour of continuing such assistance. Three observations need to be made:

Running BDS programmes will often cause losses to IOs

- Many IOs are not yet experienced in the supply of services to their members. The evaluation of some BDS programmes in other countries has often enough shown that IOs, when trying to take on such programmes, realised that the market was insufficient and own resources were inadequate. As a result, their credibility suffered. One should therefore be very careful with suggestions that chambers or associations can become suppliers of BDS. A more realistic assumption is that running BDS programmes will often cause losses to IOs.

IOs require special support to become a vehicle for group support

- The Commission hoped that support of IOs could facilitate the access of EBAS to small and micro enterprises. This happened in a some cases. Further expected effects, like the systematic organisation of group support through EBAS (except for one-off training courses), or clustering did not occur. The latter would have necessitated special support measures.

The support for IOs did not greatly facilitate support of SMEs,

- The substantial additional resources allocated to EBAS to assist IOs found no reflection in specific support strategies, or an offer of tailored advice or partnerships with sister organisations in ACP or EU countries. As it were, support to IOs was delivered in the same demand-driven approach that was applied to enterprises, using local management consultants. No specific capacity building measures were directed at IOs to take over the functions of EBAS (according to the sustainability vision foreseen in the mid-term evaluation). Support for IOs did also not lead to greater individual or group support of member enterprises.

...it had no specific strategy and was not separately monitored

Concluding, the support of IOs could have been more effective had it been guided by a clear purpose and a strategy, and underpinned with special expertise. Assistance to IOs was ambiguous, some comments suggest a certain reticence towards assisting chambers. A conflict of interest was perceived in empowering IOs to become agents for EBAS and their being potential recipients of EBAS support at the same time. The support for IOs should have been specifically monitored, producing experience that could be used for further support. Capacity building for the public-private dialogue would appear as a particularly suitable strategic direction, given that supported private sector enterprises were a formidable source of information, showing where an improved business environment could have led to better private sector performance. As some donors, including the Commission, are carrying out support projects for chambers and associations, co-operation with such programmes appears particularly important.

2.3.3. Service Providers

Little was done to develop capacities of service providers

Discussions were held with EBAS service providers in Botswana, Namibia, Madagascar and Barbados. The two service providers in Madagascar and one provider in Barbados were at the same time also recipients of EBAS support. The discussions with the few persons met during the field work can only provide a sketchy picture of little having been done to develop capacities of service providers and promoting consulting firms in a way that substantial business was generated for them.

Some service suppliers asserted that EBAS helped them to access the target group of smaller firms, which they regard as important future clients. Only one consultant confirmed that EBAS provided him with substantial additional business, while others had little more than two or three contracts each.

EBAS' objective to build up local consultancy capacities got into conflict with the criterion of free choice of consultants

Service providers appeared not sure about their role. Eager to use EBAS as an opportunity, they helped many clients to apply, "translating" the language of the application forms into one that an entrepreneur in SMEs would understand, and hoping that this could lead to more business. This way, services providers had a potential influence on the applied services, which, however, should be avoided. The concluding impression was that the objective of EBAS to build up local consultancy capacities got into conflict with the criterion of free choice of consultants. There was one case where better communication between EU programmes could have avoided a unsuitable local consultant being contracted.

All in all, EBAS had no positive or negative direct effect on the service delivery market. In particular, it did not reach its objective of developing a consultancy market, even in countries like Ghana and Madagascar where a comparably large number of measures was implemented. This raises the question whether the market development objective was the right one at all.

EBAS had no positive or negative effect on the service delivery market

2.3.4 Management of Regional Offices

A regional office was usually staffed with one director and two assessors. Entrepreneurs in Botswana, Kenya, Ghana and Barbados talked well about former EBAS staff, generally praising their dedication and professionalism. The staff met during the visits liked their former jobs. There was apparently a lot of pressure from their PMU in Brussels to propose projects and achieve higher rates of disbursement. The former staff would have preferred good projects over higher numbers. They found that established companies were the easier ones - regrettably from their point of view. There was thus little incentive to put emphasis on impact and spill-over effects, to give preference to smaller companies. Naturally, under such conditions not too much time could be spent on co-operation. Yet, initially such co-operation was sought, but when it was not reciprocated, and no joint platform could be established, this goal was given up.

RO staff was under considerable disbursement pressures, which impinged on better selection of beneficiaries

Lack of proximity to clients in countries outside the regional office base was felt and regretted. Travelling intensively, EBAS staff visited potential companies, introducing EBAS - with corresponding results, like in the case of Madagascar. In other countries, EBAS was virtually unknown, despite efforts to disseminate information through IOs.

There is every indication that the ROs worked with dedication and as efficiently as possible. The staff was well selected. However, the lack of proximity was certainly a limiting factor for EBAS. The principle of working through a temporary setup overrode other possible options, like working through IOs against a case-by-case-fee (as CDE does), possibly for fear of not having sufficient control and raising expectations beyond the project life time.

Lack of proximity was a limiting factor for EBAS.

If a new EBAS is set up, with a longer term perspective, possibilities like the above one should be appraised. It would also be advisable to join up with the CDE antennae, so that entrepreneurs do not get confused about EU supported programmes.

3. Conclusions

3.1 Assessment of Relevance, Efficiency, Effectiveness, Impact and Sustainability

3.1.1 Relevance

Relevance of EBAS must be measured against the objectives of the programmes stakeholders: The ACP countries, the Commission, and the target groups, i.e. the beneficiaries.

The relevance of EBAS with regard to the goals of ACP countries is apparent from the goals of the Cotonou Agreement and the Poverty Reduction Strategies that all ACP countries have developed. Though EBAS was not primarily orientated towards poverty reduction, it concurs with the global development goals expressed in these documents, although more different emphasis is put on growth.

Some ACP countries have developed economic growth strategies, others have not. While poverty reduction strategies follow an almost common template, the existing economic growth strategies in ACP countries are of varied quality. Detailed development strategies for the size of enterprises that EBAS supported do not often exist. A reason for this may be that the micro enterprise sector is seen as the most challenging one by many ACP countries because of its employment potential and its relevance for the Millennium goals.

However, it is generally appreciated that the type and size of companies supported by EBAS constitute the most important section of the manufacturing, service and trade sectors in ACP countries. Competitiveness of these sectors hinges on these types of enterprises, not on micro enterprises. At the same time, an institutional framework for their support does not (or no longer)²⁹ exist. EBAS has therefore been very relevant with regard to the development requirements of ACP countries, offering access to services that are not adequately available, even though most of the countries have not (yet) set competitiveness formally as a primary development goal.

A similar assessment can be made regarding the relevance of EBAS for the EC development policy. While the EC's objectives emphasize poverty reduction, sustainable economic and social development as well as integration of developing countries into the world economy, EBAS was not planned as an instrument fulfilling these objectives in equal measure.

EBAS made a wise choice of its objective, focusing on one and contributing to the other development goals. However, for most ACP countries and for the EU, other development sectors are - for the time being - more relevant for their development objectives. From the discussions with opinion leaders and the Delegations one can, however, discern the beginning of a renaissance of private sector development³⁰, especially in view of EPAs.

EBAS is targeting the enterprise (micro) level, and therefore not fully in line with the approach practised by most donors, who see greater relevance and effectiveness in

Development strategies for the size of enterprises that EBAS supported do not often exist in ACP countries

EBAS made a wise choice of its primary objective

²⁹ Most institutions promoting the type of size of SME supported by EBAS in ACP countries (industrial development banks, advisory services) were founded in the 70s, often by state-owned entities with the support of donors. Though these institutions have been instrumental in promoting local enterprises, many lost credibility and donor support because of low recovery rates and inadequate cost efficiency, and are now defunct.

³⁰ At present, PSD is a focal development area only in Jamaica. Main focal areas in other countries are health, infrastructure and transport, education, good governance and others.

supporting the development of a conducive business environment.³¹ From a viewpoint of enterprises, however, EBAS is highly relevant, as the survey has shown. EBAS was quick, and responding to demand. It could, however, still increase its relevance if it focused more on development needs that matter most to enterprises, and if selectivity would ensure that development potentials could be better targeted. As meso and macro level approaches have not yet been able to prove that they contribute more to employment effects and competitiveness, the relevance of micro level support can not be questioned; additionality was high, because EBAS triggered substantial investments that otherwise would not have been made in the same measure.

Meso and macro level approaches have not yet shown that they contribute more to employment and competitiveness than direct support

With regard to IOs and service providers, EBAS was relevant, but could not fulfil the expectations set into it regarding BDS market development. It made good use of local development potentials, but could not trigger the development of a significantly greater demand for BDS.

EBAS could not develop synergy with other horizontal ACP instruments like DIAGNOS and ProInvest or the Investment Facility, partly because these instruments did not exist yet, partly also because, as a purely demand driven programme, EBAS was not in a position to enforce co-operation. In a few cases, good co-operation developed.

Linkages with other national EU programmes did not develop. The reason for this was partly that these programmes were not eager to get into competition with EBAS (e.g. in Malawi), partly because the programmes had identical target groups and objectives (e.g. in Zambia), hence the choice which programme to co-operate with was up to the beneficiary to decide.

Relevance of EBAS could be higher if ACP countries would articulate their economic development strategies more clearly

In summary, it is obvious that the relevance of EBAS was high, and would have been even higher if the ACP countries themselves would articulate their economic development strategies more clearly. It is expected that with the EPAs negotiations starting and public-private dialogue increasing, development priorities will increasingly shift towards private sector development. This will underline the importance of programmes like EBAS. The PSD programmes in the MEDA countries exemplify how changing trade conditions can trigger increased private sector support.

With regard to the ACP economies, programmes like EBAS could make a difference if they were expanded and better focused. The number of enterprises that finally received support may have been in the order of ½ or 1 percent (possible more in a few of them) of the SME population in the ACP countries. Whether supported or not, the impact on the national economy can not be great given such a small figure. In Mauritius, the technology diffusion scheme and subsequent MGFs were very much propagated and known to most entrepreneurs. In Mozambique, the PODE programme, an MGF financed through the World Bank, the EU and other donors, finances more than 600 interventions. The reaction in Namibia was that 10 times the number of enterprises could have benefited had EBAS been made known. Consequently, if a scheme 10 times the size of EBAS can be absorbed in other countries, relevance of EBAS could not have been very high. However, as a pilot project it has shown its relevance in principle.

If 10 times the size of EBAS can be absorbed in other countries, relevance of EBAS can not have been high

³¹ There are some programmes, notably of the IFC, which still target individual enterprises. However, grosso modo the preference of most donors is shifting towards meso and macro level support

EBAS Final Evaluation - Relevance

1. Relevance for ACP Development Objectives	2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
1 Is the EBAS strategy in consistency with EC and other <i>donors'</i> policies in this field ?					Controversial discussion of MGF and subsidies, outreach to micro level	
2 Is the EBAS strategy consistent with <i>national</i> priorities of ACP countries ?					ACP countries prefer quick and flexible support with need for structural changes	
3 Is the EBAS strategy in consistency with the overall legal and institutional <i>environment</i> ?					Some tendency for market distortions/ overpricing, singular enterprise support	
4 Is the EBAS strategy consistent with fair <i>competition</i> and the free <i>BDS market</i> principle?					Little distortion effects did not work against fair competition	
5 Has EBAS <i>maintained</i> its relevance for the major stakeholders during its lifespan ?					The programme became increasingly popular after inception	
Subtotal						
2. Relevance for Final Beneficiaries (BDS Demand)	2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
6 In how far is the <i>MGF</i> the most relevant instrument for companies ("final beneficiaries") ?					Quick and demand driven, though other instruments are relevant, too	
7 What is the degree of <i>selection</i> & differentiation (e.g. sector, country, first-come first serve)					No cap on enterprise size, no further differentiation, first in first serve	
8 To what degree does the EBAS concept focus on SMEs and competition related investments ?					General SME focus, overall competition oriented	
9 Are there indications that EBAS has triggered investment which otherwise would <i>not</i> be made ?					Positive additionality, though free-rider effects can could not be avoided	
10 To what extent were local implementation and absorption capacities taken into account ?					High degree of use of local consultants/BDS providers	
Subtotal					Quick and demand driven without too much control	
3. Relevance for BDS suppliers and Institutional Synergy Effects (linkages)	2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
11 To what extent did <i>increasing BDS demand</i> improve the quantity/quality of BDS providers ?					No evidence of significant improvement	
12 To what extent did BDS providers benefit from direct <i>capacity building/strengthening support</i> ?					The number of those who benefited is small	
13 To what degree were linkages with other <i>projects</i> supporting SME and BDS markets mobilised ?					Very little	
14 To what degree were linkages with instruments like <i>CDE, DIAGNOS, ProInvest</i> utilised?					Little	
15 To what degree were synergies with <i>bilateral EU country programmes</i> exploited?					In exceptional cases only	
Subtotal					Lack of complementarity with other EC instruments	
Relevance Profile					For a pilot project ok, but outreach was low possible synergies remained unused	

3.1.2 Efficiency

Efficiency of EBAS is to be assessed in terms of cost efficiency, operational efficiency and synergy efficiency.

EBAS required 11 Mill€ to allocate 22 Mill€ worth of grants, of which 15 Mill€ were actually disbursed.

This works out to a ratio of 73%, which is very high compared to 10 WB-schemes analysed. Those reached ratios between 19% and 57%. However, when assessing cost efficiency one must take the pilot character of EBAS into account. Had the scheme been implemented over a longer period of time, the cost of building the scheme up could have been depreciated over a longer period of time. Also, adding IOs as target groups resulted in considerable additional costs, followed by a short period of implementation. One may therefore assume that EBAS would have reached acceptable operational cost/grant ratios over a longer period of time. The time invested by the Commission and the ACP Secretariat in checking and approving grants was not included in the cost calculation.

Whether an all-ACP programme is more cost efficient than national programmes is doubtful, rather the contrary should be assumed. The scheme was stretched over many countries with relatively few grant allocations per country. WB MGFs typically handled several hundred applications per country. Such concentration reduces travelling and administration costs tremendously.

EBAS required a contribution of 50% to the cost of interventions from the recipients. This ratio should be considered as an efficient one to mobilise investments. The evaluation could not find evidence that recipients did not pay their contribution in full. The mid-term evaluation discussed the possibilities of fraud, without citing examples, but the loopholes in MGFs can not be easily closed. In particular a possible collusion between consultant and client can go undetected. In Ghana the evaluators were made to understand that fraud may have occurred in 5% of all cases, in Madagascar the assumption was a bit higher. The cost of applying - original statements being sent by DHL, communication costs - was reported being as high as 500 € on average in a country without permanent EBAS office.

EBAS had a very transparent management information system, from which various ratios could be calculated. It was therefore possible to compare ratios between regions, etc.. Costs of handholding, a service that was to be delivered free of charge to grant recipients, were not allocated by project and calculated as overhead costs. Cost-benefit comparisons were not carried out, e.g. how much in term of travelling costs and assessing time was necessary to realize a disbursement of x thousands of €. Such ratios may have been misleading, because the assessment of one small project with potential high spill-over effects may have cost more than that of a large project with little anticipated social impact.

The operational efficiency of EBAS was good. Longer delays did not occur, even though the programme was handicapped by having to cover long distances. EBAS staff travelled frequently to follow up on projects in countries outside the regional base. The comments of recipients regarding the efficiency of staff and organisation of EBAS were all in all very good. One entrepreneur who had previous experience with CDE commented that EBAS brought "a bit of a fresh breeze".

The internal organisation of the lean management structure of EBAS worked fine. The enormous pressure to perform and the very high workload of regional staff did not lead to gross mistakes in selection of beneficiaries. EBAS was flexible in adapting to changing needs and eager to learn. The quality of documentation and reports was excellent.

EBAS required 11 Mill€ to allocate 22 Mill€ worth of grants, of which 15 Mill€ were actually disbursed

Cases of fraud were possibly in the 5% bracket

Operational efficiency was good

The quality of documentation and reports was excellent

Efficiency of EBAS would have been more positive had the period of mobilisation and learning been followed by a longer implementation period

Efficiency of synergy with other programmes was low. EBAS made efforts to reach out towards other programmes, however, the demand driven workings provided little opportunity to establish systematic relations with other programmes. EBAS did not typically assist in feasibility studies and therefore had little reason to establish closer relations with financiers. EBAS was also efficient in mobilising local expertise to solve the problems of its clients. All in all, the assessment of the efficiency of EBAS is positive, and would have been more positive if the period of mobilisation and learning had been followed by a longer implementation period.

EBAS Final Evaluation - Efficiency

1. Cost Efficiency		2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
1	What is the relation between MGF disbursed and the operating expenses (TA contract) ?					M€ 15 disbursed against 11 M€ operating costs is far too high	
2	To what extent did the beneficiaries match EBAS MGF contribution with <i>own resources</i> ?					50% in theory, in practice probably a different share rate	
3	Have costs efficiencies of <i>EBAS activities</i> (handholding, promotion, etc) been compared?					No cost centre accounting, but overview of costs	
4	What effect did the EBAS scheme have on the general price level for local BDS ?					No significant negative or positive impact	
5	Does an overall (or regional) <i>cost-benefit analysis</i> exist or was it foreseen ?					Various costs were compared region by region, but no real cost benefit analysis	
Subtotal							
2. Organisational Management and Time Efficiency		2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
6	How was the <i>disbursement performance</i> (overall/ average spending per SME or BDS Provider)?					Acceptable in view of starting the programme from scratch	
7	How was the <i>pace</i> of execution from request to disbursement ?					Quick decision making meeting SME needs	
8	Was the <i>management structure</i> straight forward (clear responsibilities, sound finance)?					Relatively heavy structure in Brussels, only 6 ROs for all ACP countries	
9	How <i>flexible</i> has the programme been to changing needs ?					Meso level IOs were included, operational lessons taken into account	
10	Were quality and effectiveness of internal documentation, monitoring and <i>control adequate</i> ?					Excellent (with the exception of suitable indicators missing)	
Subtotal						One of the best documented programmes	
3. Synergy Efficiency		2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
11	Have the requests and recommendations of the mid term evaluation been properly followed ?					Yes, but no evidence of significant improvement	
12	To what extent did EBAS made use of other EC projects supporting private sector/BDS?					Synergies were not sought or exploited	
13	To what extent did EBAS take a pro-active role in proposing support to complementary projects ?					very little to our knowledge	
14	How well did EBAS help building-up local BDS capacities ?					Very little	
15	To what extent did the Steering Committee intervene in EBAS implementation/coordination?					Positive guidance	
Subtotal						Lack of complementarity with other EC instruments	
Efficiency Profile							

3.1.3 Effectiveness

Effectiveness of EBAS is assessed with regard to effects for final beneficiaries, effects for IOs and service providers, and effects for institutional development and networking.

EBAS effectively created additionality, in that investments were made that otherwise would have been made much later or at a lower scale

EBAS reached about 1000 enterprises and IOs, thus meeting its set objective in terms of numbers. EBAS also effectively addressed the planned types and sizes of enterprises. The services that EBAS facilitated met the expectations of beneficiaries, who expressed their satisfaction with the way services were effectively delivered and co-ordinated. Further, from the statements of recipients, EBAS effectively created additionality, in that investments were made that otherwise would have been made much later or at a lower scale. In several cases EBAS sensitised SMEs for the value of good consultancy, in a way that such firms continued to contract services on their own after having seen their value. EBAS was also effective in gaining adequate access to the target group of smaller companies - though possibly to a somewhat lesser extent than expected, due to the internal disbursement pressures.

While effectiveness at enterprise level was high, it was lower at the level of IOs. A high number of IOs was reached, but the effectiveness was neither guided by a clear strategy, nor by indicators measuring effectiveness of IOs as service providers or lobbyists. In some countries, IOs played an important role (Cote d'Ivoire, Mauritius) as multipliers for EBAS, but this was due to those IOs taking an active role, and not EBAS' merit. EBAS did not reach its goal of turning IOs into suppliers of BDS, as much support was directed towards organisational/management issues. Training courses facilitated through IOs reached many member enterprises, but EBAS could not establish such training as a more systematic or permanent service. Helping IOs to become stronger lobbyists was possibly a side effect, but not followed directly as such.

EBAS did not reach its goal of turning IOs into suppliers of BDS

EBAS provided little assistance to service providers. Though EBAS reached the national market of BDS providers, the volume of business generated through EBAS was not sufficiently significant to make an important difference for service providers. Expected effects in terms of extended markets for BDS and an increase of the number of BDS suppliers did not occur. EBAS certainly ensured that BDS provided to clients were of acceptably high standard, blocking underperforming consultants from further contracts. This may have contributed to qualitatively better supply of BDS in some cases, but did not improve the overall service offer.

The volume of business generated through EBAS was not sufficient to make a difference to the BDS market

Handbag and Conference Bag Manufacturer in Botswana

One example how additionality was created was is that of Kalagadi Game Skin Ltd., owned by Mr. Kennedy Mnopi, a small manufacturer of handbags and conference bags in Botswana, employing 15, and having been in this business for 20 years.

Mr. Mnopi had never worked with consultants before. He heard about EBAS through a friend working at BOCCIM, the Chamber where EBAS had rented offices. He knew that he had to improve the design of his handbags in order to move up-market. He found out about someone from Offenbach, the leather centre in Germany. Getting a bit scared of the high cost, even if he had to pay only 50%, he asked for only one week's assistance. This was arranged through EBAS.

He was so pleased about the impact and benefits, that he took a loan, and asked the consultant to come for another two weeks, this time paying everything from his own pocket.

He his certain that he got good value for his money, and actually told competitors how he achieved a big leap in quality and design, encouraging them to do the same.

With regard to institutional development and networking, effectiveness was limited. EBAS hoped that a market for BDS would develop and that local consultancy would be significantly strengthened. As it turned out, EBAS was too small a programme to leverage such effects at national levels. EBAS used local consultants very much, with

the possible side effect that local consultants were able to strengthen their image vis à vis donors.

EBAS encouraged many SMEs to ask for consultancy support for the first time, facilitating access to services that they did not know of before. Support was always in the way of individual service provider to individual SME. Group support was not delivered (though the training facilitated through IOs could be regarded as a kind of group support). Service providers were also sensitised for the target group of smaller SMEs, which some service providers are now regarding as an important potential clientèle.

Some service providers are now regarding smaller firms as an important potential clientèle.

EBAS did not lead to the development of new BDS, though web-site design and ISO certification, being the most popular standard services, certainly got popular among SMEs. It may be a coincidence that this popularity developed at the time of EBAS. EBAS certainly contributed to this popularity, which is evident in Côte d'Ivoire and Senegal, for instance.

EBAS could have done more working with IOs so as to make EBAS popular. IOs contacted during the field work regretted that opportunities were lost. In other countries (Mauritius, Côte d'Ivoire) IOs played a key part in encouraging and helping members to apply. EBAS played no apparent role in facilitating co-operation or networking among IOs. The field visits did not, however, reveal that significant opportunities for such networking existed - there would possibly have been more opportunities if EBAS had systematically involved IOs, like chambers, in the propagation of the scheme. However, this was not the initial objective.

EBAS could have done more working with IOs so as to make EBAS popular

EBAS Final Evaluation - Effectiveness

1. Effects for the final Beneficiaries		2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
1	To what degree and depth has the target group of private companies been covered by EBAS ?					EBAS met its quantitative objective (1000 SMEs), overall outreach remains limited	
2	To what extent have companies benefiting from EBAS expressed their satisfaction ?					In general very high	
3	To what extent did EBAS generate investment that would otherwise not have been made?					To a high degree according to surveys	
4	To what extent did benefiting firms change their attitude to call upon (and pay for) BDS ?					Little as far as surveys revealed	
5	To what extent did EBAS support small and medium- sized enterprises ?					Adequate focus on SMEs	
Subtotal							
2. Effects for BDS Providers and Intermediary Organisations		2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
6	To what extent were the national markets of BDS providers reached and supported by EBAS ?					To some extent	
7	To what extent were the national BDS markets increased in numbers of BDS providers ?					Not significantly	
8	To what extent did EBAS lead to a qualitatively better supply of BDS for SME?					No significant improvement	
9	To what extent did EBAS contribute to the creation or strengthening of joint SME efforts?					Almost no impact	
10	To what extent did EBAS help IOs to convert themselves from lobby groups to BDS providers?					Some change was achieved, but not in the sense of BDS provision	
Subtotal							
3. Effects on Institutional Development and Networking		2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
11	How effective was EBAS to encourage and strengthen local consultancy ?					Local consultancy was used, but not significantly strengthened	
12	How effective was EBAS to encourage SME to ask for joint support or BDS ?					EBAS triggered demand for subsidised BDS, joint support was limited	
13	How effective was EBAS to encourage the development of new BDS for SME ?					Very little	
14	To what extent did EBAS encourage IOs to support its members to apply for BDS					Very little indeed, Mauritius and Côte d'Ivoire being an exception	
15	Is there any evidence that EBAS initiated or encouraged any institutional networking ?					Very little	
Subtotal						EBAS basically worked on its own without further linkages	
Effectiveness Profile							

3.1.4 Impact

The three areas of impact assessment are company and sector level impacts (including spill-over effects), impacts at BDS level, and impact on cross cutting issues. EBAS was not based on a logical framework, the one that was supplied later included only general (and not very suitable) impact indicators³². The achievement of the main overall objective - enhanced competitiveness - was not specified through an indicator, while the other main objective - an activated market for BDS - had suitable indicators. EBAS facilitated services for a small number of enterprises in relation to the population of SMEs in the ACP countries. Impacts in terms of contribution to national economic growth can therefore not be expected. EBAS would have had to be possibly 10 times as large before it would make sense to measure such impact.

Impacts in terms of contribution to national economic growth can not be expected from a small scheme like EBAS.

The survey revealed that the assisted enterprises have grown in employment (31%), investments (44%) and sales (17%). These can not be attributed to the support through EBAS directly, however, the assertions of recipients with regard to their intensive use of services and the qualitative and quantitative impact they associated with EBAS support are a clear positive signal that the contribution of EBAS to the recorded growth was significant. EBAS services certainly facilitated innovation and market expansion - sufficient evidence for this was received during the field work - though the bulk of services were more connected to day to day operations of enterprises. Had EBAS been in a better position to link recipients with investment finance, impacts would have been much greater.

The contribution of EBAS to the recorded growth of recipient firms was significant

Joseph's Foresight, Ghana

Mr Daniel Ottopah Attuah is a grain stockist. He buys grain and agricultural products and exports them. The name of his business is from the bible. It is turning over 1.8 Mill US\$ at present, having grown at a rate of 100% annually over the last 10 years. His aim is a T/O of 10 Mill US\$. His business is very sensitive to cash-flow - farmers allow him a certain period of credit, but he must also receive payment in time from his buyers in the EU.

Joseph's Foresight got support from EBAS to elaborate a strategic plan and a corporate manual. He needed this assistance to organise his business in line with the substantial growth, and to diversify it into processing. He uses the manual daily

Mr Attuah had used consultants before. He has been supported through APDF, an IFC facility, to elaborate a business plan.

Thousands of smallholder farmers - the number growing at the same rate as his turnover - are selling their produce to Joseph's foresight, now earning a secure income.

The survey also showed that recipients have to a little extent increased their purchase of BDS, and in some cases EBAS clearly triggered repeat purchases. A tangible development of the BDS market, in terms of quality of service provision, increased volumes of sales or higher levels of BDS being made available, did not take place. However, negative developments, in that price levels of BDS were pushed upwards because of subsidies being offered, did also not generally happen, as far as the field work revealed.

It is difficult to link spill-over effects directly to EBAS, but they certainly occurred

Spill-over effects were observed, e.g. vertical spill-overs, when a commodity trader in Ghana linked hundreds of farmers and processors of agricultural products to markets, providing them with safe income, or an abattoir in Botswana opening up substantial opportunities for out-growers in ostrich farming. Web-site development for tour operators can be linked to jobs being secured or created in lodges. These spill-over effects can not be easily quantified, and to an ever lesser extent directly attributed to EBAS interventions. EBAS did not chose its sectors according to spill-over potential and followed no dedicated strategy in this regard, but such impacts are present. Horizontal spill-

Attitudes to pay for consultancy were positively influenced

³² Growth of sales was one indicator mentioned in the complementary Financing Proposal of 2002. Sales and profit figures are not suitable as indicators for competitiveness, because an enterprise could have increased trade and reduced own production. Higher profits could be the result of lack of replacement investments.

Okatumbatumba Hawkers Association, Namibia

The name means "step by step". Mr. Kandenge is a volunteer organiser. He helps hawkers getting connected, and to grow from micro to small. He set up a small franchise venture, in that containers are painted and turned into small shops. Hawkers can rent them, and METRO may supply stocks against a guarantee, offered by a Windhoek Bank. The project works well.

EBAS supported OHA to organise a regional hawkers trade fair, so that hawkers from other countries could come to Namibia, exchange ideas with their counterparts and negotiate deals. The fair was a success, OHA actually earned money from it.

EBAS did not directly contribute to the considerable growth in membership of OHA, nor to the substantial income earned by deals made during the fair. But it facilitated it, and actions like the fair contribute to the standing and keeping alive of the association, which helps to provide a living for many.

over effects, i.e. demonstration and imitation effects were not that apparent, but also occurred, for instance when furniture manufacturers design knock-down furniture for export.

While positive or negative impacts (e.g. market distortions) of EBAS on the BDS market could not be detected, the fact that most respondents are ready to pay a substantial part of the cost of consultancy, and are ready to purchase more on that basis in future, is a positive impact on the attitude of SMEs, in particular smaller ones who had not used consultants before. To those respondents, EBAS has shown its worth. This information will travel in business communities and one should expect a more open attitude from potential clients in future.

EBAS had no positive or negative impact on gender. 35% of the sample of enterprises were led by women, which may indicate that EBAS supported more women-led SMEs than their proportion in the total SME population. As far as private enterprises are concerned, only white-owned firms happened to receive support in Namibia, and the proportion of Indian and French entrepreneurs in Madagascar was apparently quite high. EBAS-supported companies that posed environmental hazards were not found during the field work. The positive assessment of impacts is a strong

point for EBAS. Had suitable indicators and monitoring systems been available, stronger impacts could possibly have been brought out.

EBAS Final Evaluation - Impact

1. EBAS Impact at company level (demand side)	2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
1 How many <i>companies</i> have benefited from EBAS support (in view of the possible number)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	In some countries EBAS was not sufficiently known	
2 How much private money has been <i>invested</i> matching the EBAS grant ?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Potentially a very high amount, in practice probably less	
3 How is the impact of EBAS estimated on the labour market ? How many <i>jobs were created</i> ?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Apparently a positive correlation between EBAS and employment increase	
4 Did the <i>quality</i> of EBAS support have an impact on innovation and competitiveness?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	According to the survey: significant impact	
5 Did EBAS support have impact at sector/branch level (horizontal spill-over)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	In some case significant positive change	
Subtotal	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2. EBAS Impact at the level of BDS providers	2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
6 How many <i>BDS providers</i> benefited directly from EBAS (in view of the potential number) ?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	In relation to the number of companies	
7 How is EBAS support estimated in relation to the development of <i>new and better focussed BDS</i> ?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Not significantly	
8 To what extent did BDS-providers benefit from EBAS support as " <i>windfall profits</i> " only	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No significant negative impact reported	
9 What (positive or negative) impact EBAS had on the <i>level of BDS</i> ?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Almost no impact	
10 Is there a (positive or negative) impact on the SMEs' <i>attitude</i> to request and pay for BDS ?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Considerable change was achieved in some cases	
Subtotal	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
3. EBAS Impact on cross cutting issues	2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
11 What is the impact so far on <i>employment generating</i> activities ?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Some indirect impact	
12 What is the impact of EBAS so far on equal opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	None, in some cases probably negative impact	
13 To what extent have <i>environmental</i> effects been taken into account in planning & design?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	None particular consideration	
14 To what extent have BDS suppliers become more <i>sensitive for SME</i> ?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	To some degree	
15 Is there a positive or negative impact of EBAS on " <i>fair market conditions</i> " (e.g. distortions) ?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No negative impact	
Subtotal	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	EBAS basically worked on its own without further linkages	
Impact Profile	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

3.1.5 Sustainability

EBAS had very modest goals with regard to sustainability

It is difficult to evaluate a project against sustainability criteria which, from the onset, declared that it had no intention of working with or building up permanent structures. EBAS deliberately chose to be a temporary measure, assuming that it could kick-start a market for BDS that would - eventually - be self-sustaining. This was the exit route it implicitly proposed. EBAS probably knew that two years of operation would be insufficient to instil such a market development. Supporting IOs to accelerate this development was not regarded as appropriate - having to deal with institutional developments would, in the opinion of EBAS' conceptualists, have slowed down the dynamics of EBAS in creating a market. EBAS aimed at sustainability only at company level - though one would question whether a relatively small amount for consultancy could sustainably overcome an obstacle in a company with substantial assets.

EBAS could not remove the necessity of subsidies for the type of services it wanted to promote for the target group of SMEs

The firms visited during the field work reached higher levels of sustainability, their competitiveness was at least maintained, and additionality was present. The firms and their development strategies appeared sound, i.e. the firms were able to sustain themselves at the given circumstances. Owners confirmed that EBAS contributed to this. Evidently, some companies have indicated their willingness to buy consulting services using their own funds or at a lower subsidy, but it would be not be correct to generalise. EBAS could not remove the necessity of subsidies for the type of services it wanted to promote for the target group of SMEs. As pointed out in the introductory chapters, working towards removing subsidies would imply removing access to services that enable companies to innovate and become competitive. Subsidies for such services are acceptable by WTO standards; they were properly allocated by EBAS, and should be acceptable to all donors.

At BDS suppliers level, sustainability was already present - EBAS funded assignments of consultants who were active and successful in a free market. To some of them, a new clientele was introduced that offers opportunities for additional business - depending, though, on subsidies. There was not much additional movement in the consultancy market that could be attributed to EBAS. New consultancy products were not developed on account of EBAS as far as came out of the survey.

Should IOs at a later stage take over the functions of ROs, sustainability in terms of management capacities and ownership would be present

Some IOs have indeed been able to set up a system with the help of EBAS that allows them to employ permanent staff in a self-sustaining way. But these seem to be isolated cases. EBAS did not help to create structures that would take over the organisation of services it promoted, also not after the rider to the FA put greater emphasis on support of IOs, and after the mid term evaluation suggested a continuation of the scheme for a much longer time. Along with this, it suggested support to IOs, with the perspective of them taking over. Should IOs at a later stage take over the functions of regional offices, it can be assumed that sustainability in terms of minimum management capacities is available, though its needs substantial reinforcement. In financial respect, IOs would require support in magnitudes similar to the costs of employing a business assessor. Sustainability in terms of ownership would be ensured: the IOs met during the field work are eager to involve themselves in and contribute to schemes like EBAS. Involvement of IOs would in most cases also ensure political sustainability. EBAS suffered, for instance in Namibia, from its status of not being connected to any official organisation. At a higher level, the ACP Secretariat and the Commission fully supported EBAS. It was the EDF Committee that declined to endorse the FA for EBAS' extension.

A factor that reduces sustainability is the absence of an institutional memory and the loss of knowledge and operational experience after EBAS was closed down.

Despite its weaknesses in sustainability, EBAS should still be rated positively, because there is little in terms of alternative. Integration of SMEs in ACP countries into the world economy requires support services that by their nature cannot be sustainably provided. EBAS should be regarded as presenting a role model for the delivery of such services, at national, regional and all-ACP level.

The sustainable exit route is the one of preparing ACP nations to regard subsidies as an indispensable factor of a competitive SME promotion system, and to actually help them to establish and manage such a system. This requirement calls for intensive coordination and cooperation with other EC programmes - and programmes of other donors - directed at the macro level and supporting the policy dialogue. EBAS's experience in raising competitiveness should be introduced into this dialogue.

EBAS Final Evaluation - Sustainability

1. At Company/Beneficiary Level	2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
1 Is there evidence that EBAS support triggered long lasting and <i>viable private investment</i> ?					In a some cases yes	
2 To what extent were investment were made with that otherwise would <i>NOT</i> have been made ?					To a high degree	
3 To what extent did supported companies become more <i>internationally competitive</i> than before ?					To some degree yes	
Subtotal						
2. At BDS Supplier's level	2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
4 To what extent did BDS Providers develop new SME- services opening <i>new business</i> to them?					No real evidence	
5 Assessment of <i>national markets for BDS</i> before and after EBAS intervention					No significant change	
6 To what extent became BDS developed through EBAS in one country available ACP-wide?					Some evidence, but not directly through EBAS efforts	
Subtotal						
3. Institutional and Management Capacities	2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
7 In how far was it appropriate to manage EBAS through a private structure?					There should have been more coordination to ensure that knowledge is kept	
8 How far was the project " <i>owned</i> " by major EC private sector support institut.(CDE, ACP Secr.)?					To an acceptably high degree by ACP Secretariat, but not by CDE	
9 To what extent was local staff trained to assess proposals and follow up their implementation ?					No particular training took place, no institutional memory/know-how kept	
Subtotal						
4. Financial Viability	2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
10 Are the services rendered <i>affordable</i> for the beneficiaries if offered at cost + profit basis ?					No	
11 Is the role of EBAS <i>subsidies</i> properly handled and in conformity with present donor practice ?					All in all yes	
12 Should a future EBAS start with or without an ex-ante <i>withdrawal strategy</i> ?					Much closer interaction with national programmes necessary	
Subtotal					EBAS basically worked on its own without further linkages	
4. Replicability and Dissemination Potential	2	1	-1	-2	+ 2 = excellent - 1 = poor	+ 1 = good - 2 = unacceptable
13 Does EBAS represent a <i>role model</i> for future similar projects ?					Possibly yes, if focus is clear	
14 To what extent would a "future EBAS" require a management structure outside EC Services ?					It could in theory also operate within existing structures	
15 Could EBAS serve as an example for a national SME support programme?					With a clearer focus on SME and competitiveness, yes	
Sustainability Profile						

3.2 Conclusions with Regard to Coherence, Coordination and Complementarity

This sub-chapter discusses concluding aspects with regard to coherence, coordination and complementarity, and some additional ones that were not included in the discussion of chapter 2.1.11. These may partly be outside the definitions of the three Cs, but are still regarded as important.

Coherence

EBAS assumed for itself the task of delivering with regard to one goal - economic growth and integration into the world economy - very well, and regarded social goals clearly as functional ones, fulfilling themselves if the first one can be achieved. This strong focus should be regarded as a strength. EBAS has further deliberately chosen to assist individual enterprises, when mainstream donor practice shifted away from such a focus and directed itself towards meso and macro levels. This focus of EBAS is practical and particularly coherent with the spirit of reciprocity built into the Cotonou agreement, which requires industrial sectors of ACP countries to become competitive.

EBAS was coherent with the spirit of reciprocity of the Cotonou agreement, which requires industrial sectors of ACP countries to become competitive

One may ask whether coherence with development policies should not also extend to the methods of project design and operation. If yes, then internal coherence would refer to a programme design being based on thorough analysis of problems and opportunities, on a process of stakeholder consultation and taking regard to best practice. This, as explained in the introductory chapter, was not fully the case. Instead, EBAS took the route of identifying and deciding for an overriding aspect - applying the most suitable instrument, and putting less emphasis on elaborate field research and consultation.

This impacted on operations, too, i.e. on the degree of support rendered to service providers and IOs being consistent and coherent with the support provided to enterprises, and to knowledge generated within one project being used for another. This was in principle the case, although EBAS, being strictly demand oriented, followed a much more pragmatic and ad hoc approach. Operational coherence also requires that monitoring and evaluation are systematically applied and their results fed back into the programme and indeed the overall (e.g. national and EC) private sector support systems in order to improve them. This was not the case to an adequate degree. Operational coherence further means that, looking into the future, a programme makes recommendations and preparations for its continuation, or its smooth phasing out, in a way that no gap is left after its departure. Connected to the latter is the requirement that knowledge and experience gained in the programme is gathered, evaluated and fed back to counterpart structures. EBAS did not have counterpart structures that could continue with its services or to which knowledge could be handed over.

Being strictly demand oriented, EBAS followed a pragmatic and ad hoc approach

Connected to the latter is the aspect of an exit route strategy. EBAS followed a path that offers no sustainability and therefore no exit route linked to the programme itself. A sustainable exit route for the type of support that EBAS offers would be that ACP states establish their own national competitiveness programmes, offering, on a long term scale, subsidies for innovations. This is indeed a "long shot", and it should indeed be asked whether an EC development programme fulfils the coherence criterion if it has no sustainable medium term exit route. The positive aspect, in the view of the evaluators, is that EBAS attempted and thus created awareness for this.

Despite these weaknesses, EBAS fulfilled the coherence criterion to a high degree, taking a courageous, innovative approach that set specific priorities where it could

have made compromises to appear more coherent formally, but for the price of reduced impact.

Coordination

The criterion of coordination cannot really apply to a programme that is meant to react to the demand of clients who were supposed to be in full control of the process

It is difficult to assess the criterion of coordination of a programme that is meant to react to the demand of clients who were supposed to be in full control of the process of hiring and paying consultants of their own choice. EBAS could only have advised its clients in the course of applying for assistance. If little coordination and co-operation occurred, this may not have been the fault of EBAS. For the small percentage of clients whom EBAS had the opportunity to advise, possibilities of co-operation (co-financing) with other EU programmes were exploited. EBAS also advised clients with regard to where they could find suitable consultants from outside the region, co-operating with other regional offices and CDE³³ in the process. South-south knowledge transfer did hence occur in some cases, based on the individual connections that clients had. EBAS facilitated this, but did not actively promote such exchange. North-South knowledge transfer occurred at enterprise and also at IO level, EBAS capacitating a few IOs to deliver services that they could not have delivered without such assistance. EBAS apparently did not actively facilitate networks of BDS suppliers. Horizontal linkages between local consultants were not sufficiently supported, synergies between local know-how potentials did not develop. EBAS could also not facilitate much co-operation with finance institutions, partly because the services that EBAS delivered were not directly connected to investments (EBAS did not fund feasibility studies), partly because long term finance is not easily accessible in many ACP countries.

EBAS informed the Delegations and NAOs about their activities. Reportedly, not much information was fed back to EBAS. Co-operation could therefore not develop to a desirable degree, which is regrettable, because the potentials of feeding experiences from the enterprise level back to the policy decision making levels were not fully exploited.

EBAS was not a programme that offered much opportunity for coordination and co-operation at the time it was implemented. To the extent to which this was possible, it tried, without achieving much. However, things have now changed. With the other horizontal instruments in place, and Focal Points being set up at Delegations, a new EBAS could develop much more synergy with complementary instruments and thus increase its impact.

Complementarity

As far as competitiveness is concerned, EBAS complemented the existing service offer, but..

Complementarity refers to subsidiarity, i.e. avoiding to supply services that can be delivered through available means, and to measures matching to other measures being made available through EC or other development programmes.

As far as EBAS' objective of market development is concerned, the goal was not to complement the service offer through those that did not yet exist in the market, but to subsidise (or complement) purchasing power in order to kick-start a dynamic market. As far as the objective of competitiveness was concerned, EBAS complemented existing services by facilitating the delivery of new ones. This happened on a limited

³³ CDE and EBAS exchanged, for instance, black-lists of consultants in Southern Africa and advised each other on performing consultants.

scale, mainly through making TA from abroad available when adequate expertise was not available locally.

The criterion of complementarity can therefore not be applied to EBAS in a categorical sense - the majority of services was already available. The issue was that they were either not affordable for the target group, or that their value was not sufficiently known. However, strategic services, supporting innovation and competitiveness, could have been marketed to a higher degree. EBAS could have placed higher priority on such services, complementing the available service offer in an area that is of high importance for SMEs in ACP countries. The criterion of complementarity was therefore not adequately fulfilled.

*..all in all, the
criterion of
complemen-
tarity was not
adequately
fulfilled*

3.3 SWOT Analysis of EBAS

Strengths, weaknesses, opportunities and threats of EBAS (the latter two for a future programme) can be summarised as follows:

<p>Strengths</p> <ul style="list-style-type: none"> • Innovative, courageous approach • Relevance for ACP SMEs • Fast response • High operational efficiency • Practical - beneficiaries made good use of services • Considerable impact 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Too ambitious, too many dissimilar objectives • Outreach too small • Virtually unknown in some countries • Lack of proximity to clients • Little impact on BDS market development • Limited focus on innovation
<p>Opportunities for possible re-launch</p> <ul style="list-style-type: none"> • High interest for flexible, fast and future-oriented private sector support • Unique opportunity to flexibly complement other EC programmes • Needs arising from EPAs and EC trade programmes • Widening gaps in PSD (EC and other donors) need to be filled • Clearer roles among horizontal EC instruments may favour new EBAS 	<p>Threats to possible re-launch</p> <ul style="list-style-type: none"> • Funding for possible re-launch not clear • Priorities in development aid may not favour PSD • Competition with CDE • Limited resources of Delegations to involve themselves in coordination

Strengths

The main strength of EBAS was the innovative approach, which brought a "kind of a fresh breeze", putting the client first, giving priority to efficient, fast service and cutting down on bureaucracy. This appealed to the business community and led to positive impact. There were some critical aspect connected to this, like the issues of an exit strategy or sustainability, as well as the difficulty of controlling co-operation and complementarity of a purely demand driven instrument. However, the positive aspects reflected positively on the perception of the EC among the business community.

The second strength is the relevance of individual, enterprise level support, which has fallen out of favour of many donors, who prefer meso and macro levels as platforms for interventions. EBAS realised the relevance of micro-level intervention for the achievement of competitiveness. With the EPAs, competitiveness through innovation and related management strategies will become even more relevant. EBAS and its approach are therefore well positioned for future private sector needs.

EBAS was comparable fast in its response to requests and efficient in the delivery of service. This helped EBAS to win credibility and consequently start broadening the market for services. EBAS delivered on its promise of quick, professional response, facilitating services that were practical for enterprises, which are making use of them on a daily basis. This led to considerable impact, which, though not quantifiable, contributed to higher income and more employment in individual enterprises and beyond.

Weaknesses

EBAS tried to fulfil too many criteria and demands of development policy. The different objective it ambitiously followed could not be easily reconciled. The focus was too broad, which contributed to the outreach of the programme being limited.

EBAS was - on a country basis - too small and too short lived to make a difference for the markets of BDS suppliers or the national economic development in general. In some countries, EBAS was virtually unknown - a result of the half-hearted advertisement of the scheme and lack of representations in the ACP countries, and because the lack of proximity - EBAS lacked a country-based structure.

A further weakness of EBAS was its limited impact on the BDS suppliers' market - contrary to the intentions of the scheme and despite EBAS working mainly with local consultants. Possibly because of the limited range of experience and qualifications of local consultants, EBAS lacked the essential focus on innovation. Innovation is key to sustainable competitiveness, the programme did not fully realise this.

Opportunities

A future EBAS would meet with high interest of potential recipients in a flexible and fast instrument that delivers future-oriented support, i.e. support that facilitates innovation. A future EBAS would equally offer a unique opportunity to complement EC programmes for private sector support. Those often lack the necessary proximity to enterprises that ensure impact.

Opportunities for a new EBAS lie further in the growing need for support of SMEs in ACP countries to become competitive, in response to the challenges of the EPAs. EPAs have already brought about anxiety among entrepreneurs in ACP countries. It is possible that reticence to invest will dramatically increase if offers to assist enterprises in re-engineering their operations in view of the growing global competition are not forthcoming. Aid of the magnitude of PSD programmes in the MEDA countries will be needed. Programmes like EBAS would be best placed to kick-start them.

The present emphasis of the EC on trade programmes, combined with the changing focus of many donors away from private sector development, is opening a gap that urgently needs to be filled. Also in this regard, a future EBAS would be well positioned.

The horizontal, all-ACP instruments of the EC have now taken hold: ProInvest has embarked on actual implementation, including assistance to enterprises, while the EIB is strengthening its regional presence and CDE is also reinforcing its decentralised network. This will lead to more opportunities for co-operation and greater demand for EBAS type support.

Threats

Threats for a future EBAS are the uncertainties about funding, as the budget for the 9th EDF have almost been allocated. It is also not clear how AIDCO and DG Dev will decide on priorities of fund allocation, in particular as policies towards PSD within the overall aid policy, and enterprise level support in particular seem not very much in favour of EBAS type support measures. Further, CDE has requested for additional funds to implement ad hoc support for enterprises, i.e. for services that would be in direct competition with EBAS. The Commission may decide against supporting two competing instruments, based on the negative experience from the past situation.

Further threats lie in the limited capacities of Delegations to coordinate PS programmes - a necessary precondition for the effectiveness of horizontal instruments.

3.4 Lessons Learnt

There are lessons to be learnt from EBAS in strategic, conceptual and operational regards.

1. The programme is in line with the development objectives of the EU and those of the ACP countries. It deliberately chooses economic growth as its main objective; social development objectives and the fight against poverty are seen as indirect objective followed by EBAS. That this is possible should be taken as a positive lesson.
2. There were possibly many good reasons to qualify or add selection criteria, or to change focus towards smaller enterprises or IOs during EBAS' implementation. Having to perform in too many ways did not help the programme in proving its worth. It is better for a pilot programme to remain simple, so that outcomes are easily traceable and attributable.
3. A pilot programme needs to have a clear focus. EBAS had too many objectives built into the original design, and other criteria for support added later on. Torn between the partly contradictory "BDS market development" and "competitiveness" objectives, EBAS had difficulties devising suitable indicators and monitoring methods. EBAS should have focused on competitiveness, documenting changes in management and innovations achieved. Such documentation could possibly have helped to build a case for continuation in an easier way than finding evidence of impact outside the sphere of direct influence of the programme.
4. A pilot programme needs a good M&E system. In order to establish this, suitable indicators measuring impact need to be formulated, together with methods of information collection that do not cost very much and can be organised without effort. At the time of the mid-term evaluation, sufficient data were not available, and consequently the statements on impact in that evaluation report remained vague. This lack of adequate evidence of impact, due to insufficient monitoring, led to the closure of EBAS (a suggestion for a suitable monitoring sheet is included in the chapter on recommendations).
5. Operationally, the lack of need to co-operate with Delegations and NAOs had the negative impact of the programme being open to criticism, and of lacking guidance where it could have used some.
6. The lack of proximity was a handicap for EBAS, leading to the programme being almost unknown in some countries. It appears that an antenna in every country where the programme wants to be active is necessary, and that saving costs in this regard was counterproductive to EBAS' goals.
7. Regarding choice of enterprises, an upper limit of sizes seems desirable. Smaller companies can make greater steps towards greater competitiveness with smaller investments than larger ones, as the survey has shown.
8. If competitiveness and innovation should be the objective, a support programme should frankly say that it must revert to foreign expertise quite often, and not try to aim at employing a large proportion of local experts by principle.
9. The programme exerted considerable pressure on field staff to find projects. For a pilot project, such pressure should be reduced, in return for better suited firms being selected.
10. Placing EBAS into competition with CDE led to suspicion and eventually confrontation, which was ultimately the cause for the project to close. The beneficiaries had to put up with the consequences - the programme was shut down before it could prove its value. In retrospect one may wonder whether there were any possibilities for EBAS not to get into a confrontational situation with CDE, like involving CDE in the coordination of the programme. In the end, EBAS and CDE got both affected, the competitive situation got known down to the beneficiary level, which serves nobody.

4. Recommendations

4.1 Overall concept of a new EBAS

A new EBAS scheme is recommended.

- It should have a clear focus on competitiveness and innovation
- Speed of response should be one of its key characteristics

A new EBAS should be fully integrated into the landscape of EC horizontal all-ACP instruments. Close co-ordination with or through CDE must be ensured. The niche characteristics of EBAS - competitiveness, innovation and speed - will in particular be complementary to the structured approach to SME sector support of the CDE.

Competitive-ness, innovation and speed will be the key characteristics of EBAS II

The all-ACP approach will be maintained. The programme will offer reasonable flexibility for adjustments according to the development priorities of each ACP country, as long as the overall emphasis on competitiveness and priority for growth will be maintained. Annex VI contains a suggestion for a Log-frame, which should be used as an input to for a feasibility study of EBAS II.

4.1.1 Rationale

EBAS II should be part of a new impetus in PSD support for ACP countries in response to the enormous challenges brought about through the EPAs. The Cotonou Agreement requires that, from 2008 onwards, ACP countries should enter into reciprocity agreements with the EU if they want to benefit from continued free entry of their goods into the EU markets. This means that ACP governments, which often depend on custom duties as the main contributor to their budgets from, will have to allow entry of EU-produced goods at lower tariffs.

EBAS II is a necessary response to the EPAs

Such a new trade regime will substantially impact on the ability of governments to finance development projects. They would have to change their tax regime. EU goods coming into ACP countries at reduced tariffs will in many instances compete with locally manufactured goods, which are so far enjoying some protection. ACP countries will, however, have difficulties in competing with such products, because they lack resources to design and manufacture them at the quality standards achieved in the EU. Customers in ACP countries would then prefer to buy imported products. This would result in balance of payment problems, loss of local employment, loss of income and consequently lower production based tax revenues.

ACP lack knowledge resources to reciprocate competitively

Similar impacts were expected in the MEDA countries, where the Barcelona Agreement of 1995 entails the elimination of custom tariffs for MEDA-EU trade until 2012. Substantial - if not huge - PSD programmes have been put into place for these countries to prepare them for the change, along programmes underpinning adjustments of the legal, fiscal and regulatory regimes. The mise à niveau and industrial modernisation programmes are assisting SMEs to raise their competitiveness, and to devise production and marketing strategies that are compatible with the new situation of international competition, helping them to make better use of their competitive advantages. Enterprises are supported directly through dedicated measures including MGFs. Additional support is directed at the institutional and policy decision making levels. A similar concern for possible negative impacts of changing trade regimes, and similar counteraction should be expected for the ACP countries in reaction to the EPAs.

Huge PSD programmes were set up to help MEDA countries prepare for free trade regimes

The 9th EDF postulates that national PSD programmes should be tapered down in favour of regional PSD programmes. The present regional support measures of the

Commission - apart from CDE - are focused on trade development in sub-regions of the ACP countries. Many other donors are equally reducing PS support programmes, in particular direct enterprise support. These negative developments require a balanced reaction. A new EBAS could be one of the suitable instruments to react.

Innovation support needs came clearly out from the survey

The rationale for the focus on innovation and market development strategies is a clear outcome of the survey conducted in the course of the evaluation. The profile of the evaluated support needs, and the result of the in-depth discussions with owners of SMEs, both underline that market development, product innovation and technology upgrading are the most pressing areas where support is required, in addition to long term finance.

Foreign assistance in these fields is needed because such support is not adequately available in ACP countries. Expertise regarding market details (for possible exports) and product specifications (for both exports and import substitution products) is to be transferred. Though local expertise should be made use of as much as possible, and capacities of local expertise built up, the goal should be the transfer of knowledge. A new EBAS should not be reticent in facilitating the employment of foreign consultants.

The justification of subsidised direct assistance to enterprises lies in establishing a level playing field

The rationale and justification for subsidies being made available to facilitate innovation and competitiveness lies in the creation of a level playing field with SMEs in the EU. If SMEs in the EU are supported with substantial direct and indirect subsidies in developing competitive products and gaining access to foreign markets, such support should also be made available to SMEs in ACP countries. This concept is compatible with WTO rules, which allow that pre-competitive innovation and technology development may be supported.

The original EBAS's objective of BDS market development should not be given priority. Such an objective would be counterproductive to that of competitiveness development, as it would favour operational rather than strategic service application. It would also favour larger rather than small and medium sized companies, because under free market conditions it would favour clients with higher purchasing power.

4.1.2 Features of an EBAS II Programme

The basic principles of an EBAS II will be adjusted

As the original programme, EBAS II should be demand-driven. The first-come-first-serve principle should be applied on a restricted basis only, namely subject to applicants qualifying according to a set of admission criteria, and a minimum number of points of a score card that must be reached. Performance indicators will ensure that the delivery of high quality services to well selected firms will have priority over performance measured by disbursement.

EBAS II will try to work with IOs as antennae on a project base, providing incentives

As the original EBAS, a new programme should be managed like a private firm. A tendering procedure will ensure that the most suitable firm is selected. CDE may wish to take part in such a tender on an equal basis with others. A PMU would be set up in Brussels and antennae established in ACP countries. EBAS II will aim at working with the same antennae as the ones with which CDE works. Priority is, however, given to chambers or federations being host IOs, provided they represent the whole industrial sector and work efficiently. EBAS should offer an incentive system, whereby service supplier can invoice the programme by work successfully accomplished, rewarding both quality and quantity. The system should provide incentives both for the IO as for the individual antenna staff. In many countries, CDE already works with chambers and/or federations; CDE is also being advised to change their antennae system to one involving legitimate private sector organisations to a higher degree. EBAS II would ascertain that highly qualified staff is employed/assigned by chambers to carry out work for EBAS II. Such employment may be by contract or part-time. A dedicated

training programme for antennae staff will be carried out, preparing them for their assignment. Working with chambers/federations has the advantage that knowledge and experience generated from carrying out the programme is kept and may be used locally. Further, the programme would offer these IOs an opportunity of earning some income. Offering essential services to industrialists would improve their standing vis à vis the business community.

Antennae will be established in every ACP country that expresses interest

In the ideal case, antennae will be established in every ACP country that expresses interest in participating in the programme. Where chambers are not suitable or reticent to work with EBAS II, private consultants will be contracted. EBAS will ensure that CDE antennae and EBAS antennae can work together.

The Commission has foreseen that Focal Points are established at the most important Delegations to co-ordinate PSD programmes. An EBAS II would work closer with Delegations and NAOs than before. Both will have to agree to the selection criteria applied in their country. They may suggest different weightings of the score card. However, such changes require approval from the EBAS Steering Committee, so as to ensure that the general concept and direction of EBAS II is maintained.

EBAS II would work closer with Delegations and NAOs

The EC should ensure that the organisational umbrella and structures allow a smooth operation of EBAS II. A situation of confrontation and competition between CDE and EBAS II should not be allowed. The ToR will stipulate that the winner of the tender must coordinate its activities with CDE, and provide a concept for this coordination as part of its technical proposal. The PMU will thus work in close co-operation with CDE, meeting frequently to exchange information and constantly exploring possibilities of increasing synergy.

A situation of confrontation and competition between CDE and EBAS II will not occur

EBAS II will be governed by a Steering Committee, in which the Commission, the ACP Secretariat, CDE and the PMU manager as secretary will take part.

4.2 Operational Details

4.2.1 Focus on Enterprise Sizes

EBAS will support SMEs in production, service and trade sectors. The sizes of eligible enterprises will differ according to sizes. The guiding principle is that EBAS would support owner-manager types of SMEs, and would avoid supporting larger mass production enterprises. Selected service enterprises with larger employment, like call centres and data processing centres, which typically employ hundreds of persons, would qualify. Only smaller trading enterprises would qualify.

The guiding principle is that EBAS would support owner-manager types of SMEs

4.2.2 Focus on sectors

EBAS would maintain the all-sector principle, placing emphasis on innovation and competitiveness. Niche products are very much eligible. Manufacturing, service and trade sectors are eligible. EBAS II will, however, ensure that trading enterprises are oriented towards value addition, establishing essential links in value chains, i.e. connecting producers to markets and preferably transferring knowledge that helps producers to adapt to market requirements (e.g. design/quality of packing). Trade enterprises that ensure the procurement helping innovative SMEs to establish themselves in attractive markets could also be supported - however, the degree of contribution to national value addition should be a selection criterion.

EBAS supports interventions that raise competitiveness

4.2.3 Focus on type of interventions

EBAS supports interventions that raise competitiveness. This may be any intervention that helps the applicant firm to increase its shares in an expanding market, or to increase its exports shares. Recommended interventions are those that improve the design and quality of products/services, introduce new products/services, improve the production process, as well as interventions reinforcing all the management areas connected with market expansion, research and development of products and processes and human resource development.

Not generally recommended for support are web-site design (unless an innovative approach to marketing is connected with it). ISO certifications are recommended as far as they focus on management change.

4.2.4 Negative Lists

It is recommended that negative lists are established so that unwanted types of enterprises are submitted to more scrutiny before being supported. In the cases where an enterprise belongs to any of the following types of enterprises included in the negative list, support is not automatically excluded, but subject to other criteria of the scorecard counter weighing the principally negative aspects. The negative list therefore has rather the function of a Watch List. These lists should be approved by the Delegation/NAO. They may include, for example:

Negative List
<ul style="list-style-type: none">• Absentee ownership• Franchise businesses• Retail of imported customer goods• Start-ups• Polluting enterprises (including all use of plastic that is not recycled)• Enterprises dealing in non-plantation wood species

4.2.4 Equal Opportunity Criteria

In some countries, equal opportunity criteria are politically important. It would be counterproductive if EBAS would, for instance, support mainly white-owned enterprises in a country which promotes greater participation of previously disadvantaged groups. Where equal opportunity policies are followed, it would be useful for the NAO to put caps on the percentages of different owner groups that should not be surpassed. EBAS II must be politically sustainable to have an impact on promoting the private sector.

EBAS must be politically sustainable to have an impact on promoting the private sector

4.2.5 Score Cards

The following shows a suggestion for a score card including the principle and main elements that should appear. The card still needs refinement. It has been devised in connection with a diagnostic evaluation of enterprises in mind. The score card could substitute some of the documentation required from EBAS I, basing on the belief that elaborate documents are rarely read and can still be subject to deceit (like a bank statement showing a credit that is just temporary). Instead, references from banks and professional organisations, plus an thorough question and answer session during a diagnosis, should make the process easier and faster. The scorecard demonstrates the emphasis on innovation and the credibility of the applicant.

The score card could substitute some of the documentation required

SCORE CARD - new EBAS -proposal

Maximum 600 points, 450 minimum points

Size: Maximum of 20 points, minimum 5 points

Manufacturing: minimum 5 employees, maximum 500 employees,
maximum points for 20 - 250 employees bracket, below and above fewer points up to 0

Service: no differentiation

Trade: No differentiation up to 25 employees, fewer point up to 0 for a maximum of 100

Past growth: Maximum 30 points, minimum 20 points

Investment growth over last 3 years: maximum 15 points

The higher the share of new productive investments within the total of assets, the higher the score

Turnover growth over the last 3 years: maximum 10 points:

The higher the growth of turnover over the last three years, the higher the score

Employment growth over the last 3 years: maximum 5 points

The higher the growth of employment over the last three years, the higher the score

Capacity to change/innovate: Maximum 50 points, minimum 35 points

1. Wish to innovate: maximum 10 points

Is the proposal related to the innovation of products (services), innovation of technology (procedures of delivery) or change of enterprise strategies? The stronger the change from the present situation, the higher the score

2. Technical qualification: maximum 20 points:

Does the enterprise have the means to carry out or to organise the desired changes/innovations? The higher the qualification, the higher the score

3. Management competence: maximum 20 points

Does the management have the drive and competence to find and conquer markets for the innovated products/services? The higher the competence, the higher the score

Clarity and strength of development objectives: Maximum 100, minimum 75 points

1. Is the objective clear, is it broken down into milestones? Maximum 20 points

The clearer and the more specific, the higher the score

2. Have quantitative indicators of achievement been given? Maximum 20 points

The more reasonable, easily verifiable and relevant indicators are to the proposed change, the higher the score

3. Are the cash-flow projections reasonable and favourable? Maximum 30 points

If there are doubts, no points

4. Will there be impact beyond the enterprise? Maximum 30 points

The more jobs are created that will not get lost at competing enterprises in the country, the more income is earned that is not lost for similar enterprises in the country, the more pioneer activity is undertaken that may create opportunities for other enterprises, the higher the score

Market opportunities: Maximum 40 points, minimum 30 points

Has the market been studied, are market estimates based on verifiable information and/or sound opinion? If market estimates are speculative, 0 points, the better market estimates are substantiated, the higher the score.

Dependence/development constraints: Maximum 30 points, minimum 20 points

There any development constraints, dependencies on single customers or suppliers? If risks are calculable and sound action in mitigation are proposed, full points, otherwise less.

If a killer assumption is present: no finance

Coherence with policies: Maximum 60 points, minimum 40 points

Sectoral development: maximum 20 points

Does the project belong to a government priority sector? If only partly, fewer points down to 0

Social development: maximum 20 points

Does the project contribute to employment and social development? The lower the contribution, the lower the score

Political development: maximum 20 points

Does the project fit into political priorities of the country (e.g. positive action towards previously disadvantaged groups? If yes, maximum, if only indirectly or not, fewer points

Credit rating of applicant: Maximum 200 points, minimum 130 points

To be checked:

Has the applicant been rejected by other promotion programmes for credibility reasons? 20 points

Has the applicant an impeccable credit rating from his bank? 80 points

Has the applicant changed businesses during the last 10 years? 20 points

Has the applicant been in business sufficiently long? 20 points

Has the applicant an impeccable reference from the chamber of commerce or a business association? 20 points

If the business has several partners, the credit rating must be evaluated for each partner

Additionality: Maximum 100 points, minimum 80 points

Can the applicant afford to carry out the development measures without any support: If yes, no support. If only partly or not: up to maximum points

4.2.6 Diagnosis

A competent, short diagnosis should not be a compulsory, but a highly recommended measure

An independent, competent and short diagnosis should be offered to all enterprises taking part in the scheme, not as a compulsory, but as a highly recommended measure. It should normally be carried out in less than a day. In a competitiveness scheme in Mauritius, a questionnaire and a manual were developed to support such a type of diagnosis. It diagnosis follows the "counsellor" approach, guiding the applicant through basic aspects of his/her business, including questions on past performance, future plans and strategies. The manual helps the assessor to check the answers on plausibility. A similar approach could be used for EBAS II. The advantage of the diagnosis is that, without pressing the respondent to reveal too many details of his/her business, it helps her/him to reflect on the basic strategies and the needs of the business for its future development.

Diagnosis would be charged at 25% of the real cost, or, say, a 120 € flat rate

The diagnosis needs to be carried out by very experienced persons, who must also be good communicators. Because of conflicts of interest, the consultant carrying out diagnosis is not eligible for carrying out consultancy to the enterprise. It is estimated that an experienced counsellor would need one day to work through the questionnaire jointly with the entrepreneur, as a result of which he/she would recommend to the beneficiary the type of support that would be most beneficial for the enterprise. The owner of the enterprise would then apply for assistance, using a standard format which will provide the necessary additional information needed. This would already constitute the ToR. In an ideal case, the applicant will thus have completed the diagnosis and the application in one day. This assistance should be charged at 25% of the real cost, or, say, a 120 € flat rate.

Independent of the diagnosis, the business assessor of the antennae will have filled the score card, and will, after an application has been received, check the credibility of the applicant with referees.

The choice of consultant is with the SME to be assisted. However, as a greater share of support will come from abroad compared to EBAS I, EBAS II will assist in identifying possible consultants.

4.2.7 Monitoring and Evaluation

EBAS II will monitor impact in a regular and inexpensive way

EBAS II will monitor impact in a regular and inexpensive way. A questionnaire (see following sheet as an example), which takes only a few minutes to fill, will provide indicators for enterprise performance, including an assessment in how far the support through EBAS II has contributed to the performance. It may appeal to IOs to use that questionnaire for other enterprises, which will enable EBAS to measure performance against control groups. This is another reason why IOs like chambers or federations should become antennae for EBAS II.

Questionnaire for Enterprises having been supported through EBAS

A Developments during last half year

1. Employment at end of reporting period (including owner)

2. Change of employment relative to the previous half year

	More	Equal	Less
Persons	<input type="text"/>	<input type="text"/>	<input type="text"/>

Compared to previous half year

	have risen		are same	have fallen	
	>10%	<10%		>10%	<10%
3. New orders (demand)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4. Prices of input materials	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
5. Turnover	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
6. Investments made	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
total approx. € <input type="text"/>	thereof buildings € <input type="text"/>				

B Business Situation

7. Our actual business situation is Good Satisfactory Bad

8. In the future half year it will be Better Satisfactory Worse

C Expectations and Plans for the half year

Compared to actual half year

	rise		remain same	fall	
	>10%	<10%		>10%	<10%
9. Employment is expected to	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
10. Orders (demand) are expected to	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
11. Turnover is expected to	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
12. Investments will in the next half year months	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
total approx. € <input type="text"/>	thereof buildings € <input type="text"/>				

D How would you rate EBAS' contribution to the past business development?

- Essential (<50% of development due to EBAS)
- Contributed a lot (< 20% of development credited to EBAS)
- Contributed a little (< 5% of development credited to EBAS)
- No contribution

F Have you carried out any substantial innovations during the last half year?

- Changes in management approach
- Developed new products
- Invested into more competitive technologies/processes
- None

G How would you rate your position with regard to competitors over the last half year?

- Competitive position has improved
- Competitive position has remained unchanged
- Competitive position has dropped

H In how far has EBAS had an impact on your position towards competitors

- Local competitors have lost the market shares that I gained
- Local competitors have benefited (taken up similar opportunities), win-win situation
- Exports have risen
- Products previously imported are now offered

4.2.8 Support for IOs and Service Suppliers

EBAS II will restrict support for IOs to training of antennae staff

EBAS II will focus on support for SMEs. It will restrict support for IOs to training of antennae staff (possibly 3 training courses in regions). Support of IOs will be the responsibility of CDE and ProInvest, as well as the the Private Sector Enabling Environment Facility (PSEEF), the follow-up programme to DIAGNOS.

Support for service suppliers will not be provided, except training for consultants wishing to do diagnosis. A special training course, lasting for a bout 1 week, will be offered to consultants. Training will be funded through EBAS II.

A list of suitable consultants will be established and continuously updated, in close co-operation with CDE, which will also make their list of consultants available to EBAS II.

4.3 Management Structures

EBAS II will have a lean management structure

The PMU in Brussels will be a lean structure. Its main duty is to co-ordinate and support the work of the antennae. A team leader plus three full time professionals, plus secretarial support, should be sufficient. PMU staff will travel to assess the work of antennae.

The antennae can be staffed by one specialist (business assessor), supported by an assistant. EBAS II will work without regional offices. Antennae staff will undergo a dedicated training course of two weeks in the EU, which will focus on business assessment, types of assistance to promote competitiveness and assessment of entrepreneurial acumen.

4.4 Coherence, Complementarity, Coordination

EBAS II is an integral part of the all-ACP horizontal instruments package, targeting in competitiveness

EBAS II will be coherent with ACP and EU policy. The proposed programme supports the objective of integration into the world economy, which is pursued by both parties. The programme is also coherent with the policies of major donors, in that they support economic growth, underpinning the millennium goals of poverty reduction.

EBAS II is ideally positioned as a complement to the all-ACP horizontal instruments of private sector support, targeting in particular the area of competitiveness support which is not specifically targeted by the other instruments. EBAS II complements the support offered through CDE, whereby CDE provides structured support to SMEs in the form of support programmes, while EBAS supplied ad-hoc support through a "fast" window, focusing on individual competitiveness issues.

CDE should have a co-ordinating role

Coordination with other EC instruments is ensured through the EU Delegations' Focal Points, which ensure co-operation among EC horizontal instruments, EC supported national programmes and regional PSD programmes. The Focal points will also play an important role in ensuring co-operation between EC measures and measures of other donors. Further, co-operation is ensured through the requirement of close coordination with CDE.

The budget for the PMU and the antennae, as well as travel and allowance, is estimated at 6 Mill € for 3 years, based on previous budgets.

4.5 Implementation Procedures

The evaluators believe that a feasibility study should be carried out before a FP for EBAS II is written. The feasibility study should in particular check on the interests of chambers and federations in hosting antennae, and on the views of NAOs in ACP countries.

If the feasibility study comes to the conclusion that these IOs are suitable, dedicated training measures should be carried out. An experienced consulting firm should elaborate a special training programme for the needs of candidates for antennae staff, pre-selected during the feasibility study phase. Dedicated training course for diagnostic counsellors should be carried in a similar way.

A feasibility study is recommended. Dedicated training courses are equally recommended

Annexes

Annex I: Terms of Reference

Annex II: List of Contacts

List of Contacts

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Annex III: Documents Consulted

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Annex IV: Questionnaire

Questionnaire for SMEs having been supported through EBAS

Date of Interview:

Interviewer:

Location:

Name of Company:

Name and position of Respondent:

1. What type of business do you have? Please check one or two, and indicate the main one

Trade	Service	Production

2. What exactly do you offer?

3. When did you start this business?.....

4. General speaking, how satisfied are you with your business? Please tick

Very satisfied	Satisfied	So/so	Disappointed	Very disappointed

5. How many people do you employ today? _____

6. How many people did you employ three years ago? _____

7. How many people will you employ in three years time? _____

8. How have your sales developed during the last three years? Please indicate the approximate average annual increase/decrease

9. How do you expect your sales to develop in the next three years? Please indicate the approximate average annual increase/decrease

10. How much have you invested during the last three years? Please indicate the approximate value of assets that are new (younger than three years) in percent.

11. How much do you plan to invest in the next three years? Please indicate the estimated value of assets that you will to add to the existing ones in percent

12. Who are your main competitors now? (please name one or two)

- Local SMEs
- Larger local companies
- Majority foreign owned companies in the country
- Imports
- Competitors in export destination countries

π Global competitors

13. Who will your competitors be in three years time? (please name one or two)

- π Local SMEs
- π Larger local companies
- π Majority foreign owned companies in the country
- π Imports
- π Competitors in export destination countries
- π Global competitors

14. If you are an exporter, what share of production do you export at present?

What share of production will you export in three years time?

15. How would you rate the competition?

	Fierce	Rather tough	Reasonable	Weak
now				
in 3 years				

16. What are your plans for the future? (please check one or two)

- π Improve the quality of products/services considerably
- π Offer a broader range of products/services
- π Specialise on a more limited number of products/services
- π Expand this business substantially
- π Change to a different activity
- π Reduce own production and buy inputs instead
- π Reduce purchase of inputs and increase own production instead

17. How did you finance your investments (check one or several, indicate credit or equity)

- π Own savings
- π Credit/equity from the family
- π Credit/equity from private people
- π Credit/equity from local financial institutions
- π Credit/equity from international financial institutions
- π Other sources (please specify)

18. When you require non-financial support, what are the major obstacles to access support services? (check one or two)

- π The support I need is not available
- π The available support is not good enough for my business
- π The available support is too expensive
- π I am aware of the support offered, but do not use it
- π I am not aware of support

19. What have you done to improve your business? (check one or two on the left side)

- π Improve the design and quality of my products ρ
- π Review prices ρ
- π Look for new markets ρ
- π Promote, advertise ρ
- π Invest into better technology ρ
- π Improve skills ρ
- π Improve the organisation of my production ρ
- π Look for cheaper inputs ρ
- π Co-operate with other enterprises ρ

π Others (please specify)

ρ

Which one of the above do you intend to do in the future? (check one or two of the boxes on the right)

20. How would you rate your requirements of support in the following fields? Please differentiate as much as possible.

	Most needed	Could be of help	Not really necessary
Information about markets			
Assistance to market my products			
Advice on business concept and strategy			
Advice/support to improve products/services			
Information/advice on technology			
Advice on cost reduction			
Short term credit			
Credit for investments			
Help to find a better location			
Advice on sources of supply			
Advice on financial matters			
Support in writing a business plan			
Own suggestions			

21. How do you rate your the strengths and weaknesses of the business environment in your country?(ranking from 1 (very weak) to 10 (very strong))

Field	Points
Support for R&D	
Availability of quality consulting services	
Quality of BDS	
Financial services	
Industrial and trade policies	
Regulatory framework for business (registration, licences, etc.)	
Macroeconomic environment	
Legal framework system (labour laws, etc.)	
Lobbying, advocacy	
Quality of training	
Availability of skilled labour	
Access to market information	
Export support measures	
Cooperation among enterprises	
Present investment climate	

22. What type of assistance have you received and how often during the last 5 years?

Please tick

Type of assistance	How often received	Received from who?	Subsidised by (%) (Donor)
Market information			
Marketing/Promotion			
Management training			
Technical training			
Management advice			
Advice on licensing, taxation, etc.			
Advice on technology/technical processes			
Counselling on general business strategy			
Advice how to improve products/services			
Assistance to find a better business location			
Advice on sources of supply			
Advice on financial matters			
Advice on organisational matters			
Business Plan Preparation			
Other support (please specify)			

23. General speaking, how satisfied are you with the support you received?

Please tick

Very satisfied	Satisfied	So/so	Disappointed	Very disappointed

24. What are your comments to the following:

Speed of response of EBAS to request?

Very satisfied	Satisfied	So/so	Disappointed	Very disappointed

Competence of expert?

Very satisfied	Satisfied	So/so	Disappointed	Very disappointed

Actual solution of problem?

Very satisfied	Satisfied	So/so	Disappointed	Very disappointed

25. How could the services, in your opinion, be improved? Please elaborate

26. How much did you pay for the services you received in total?

27. How do you make use of the services you received? Please tick one or two

- π I do not make use of them
- π I apply only some of it in my business
- π I apply quite a lot of it in my business
- π I have implemented most of it and make use of it on a daily basis

28. What is in your opinion on the impact of the services you received on your business? Please tick one or two

- No impact
- No tangible impact yet, but I feel more confident
- My business has improved since I received services, but it would have improved also without these services
- My business has improved, but is not possible to say in how far this was the direct result of the services I received
- As a direct result of the services, my income has increased by% and employment has increased by.....%

29. What additional comments or suggestions do you have with regard to matching grant schemes like EBAS?

30. Please comment on the following aspects of matching grant schemes in general:
a) Risk of contracting services that are not really necessary

Very high	High	Medium	Low	Very low

Comment:

b) Risk of collusion between consultant and beneficiary

Very high	High	Medium	Low	Very low

Comment:

c) Risk of abusing grants for services that are not really developmental

Very high	High	Medium	Low	Very low

Comment

d) Risk of a donor financing services that would have been contracted and paid for anyway

Very high	High	Medium	Low	Very low

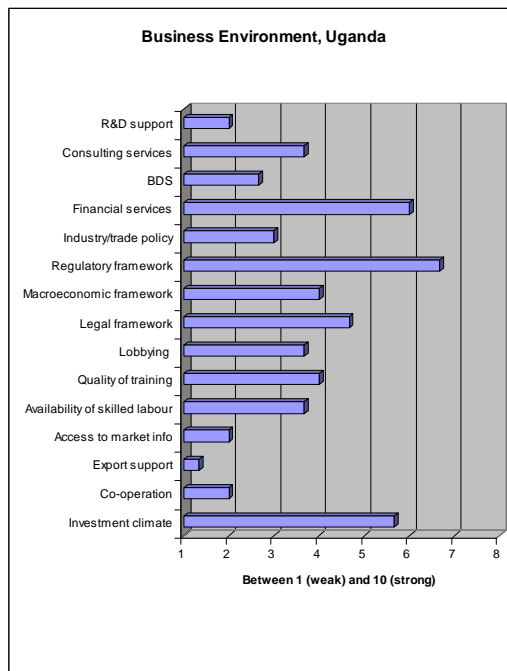
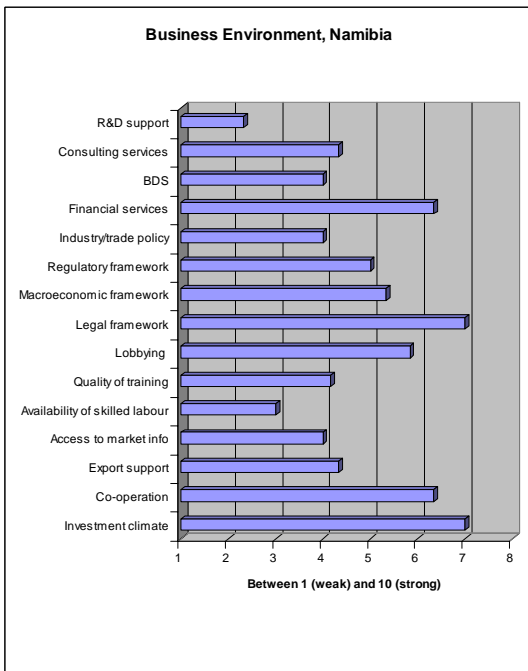
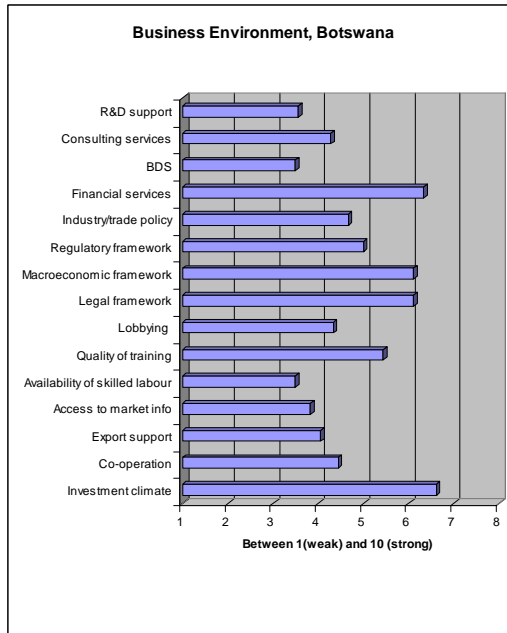
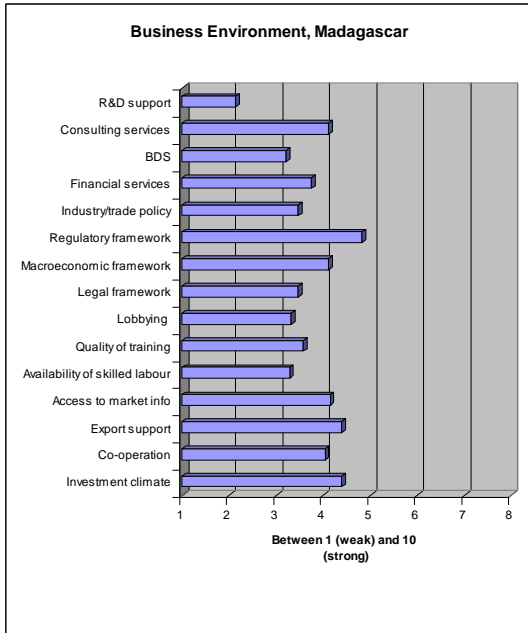
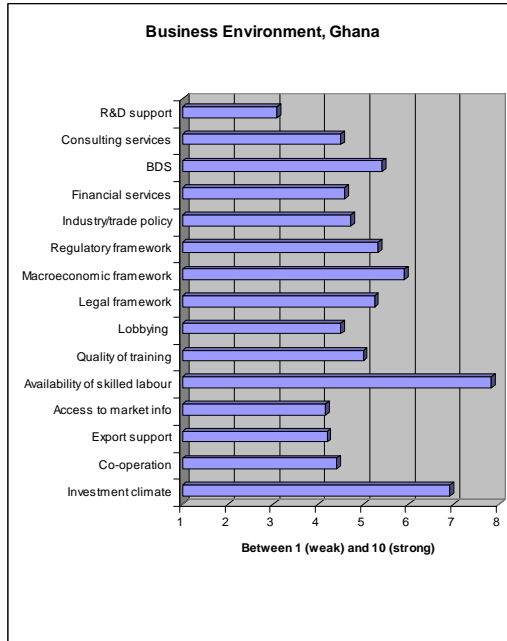
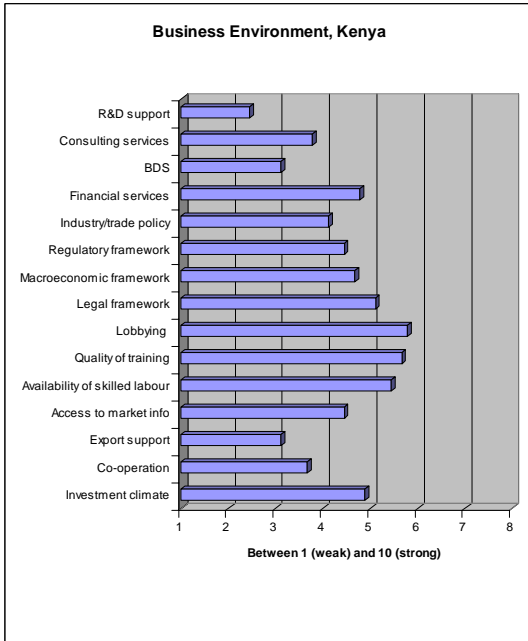
Comment

31. How did you hear about EBAS?

32. Would you again take part in a matching grant scheme?

- Yes, even if the grant part were reduced to 25% of costs
- Yes, if the 50% /50% sharing of costs can be maintained
- Yes, but the grant part should be increased to 75%
- Perhaps
- No

Annex V: Selected Profiles of Business Environments



Annex IV: Proposed Log Frame Matrix

EBAS

Logic of Intervention	OVis	Source of verification	Assumptions
Contribute to a smooth and gradual integration of ACP SMEs into the world economy through enhanced competitiveness consistent with sustainable development and poverty reduction	<ol style="list-style-type: none"> 1. Trade flows are increasing both ways between EU and ACP countries 2. Increase of knowledge-based value added in ACP countries 3. Progress is made in direction towards Millennium goals 	<ol style="list-style-type: none"> 1. National and World statistics 2. e.g. World competitiveness reports 3. UNDP reports 	
To strengthen the competitiveness of SMEs in ACP countries	<p>In comparison to SMEs not being assisted:</p> <ol style="list-style-type: none"> 1. Assisted SMEs are increasingly capable to innovate their products and processes 2. Assisted enterprises are investing into equipment and HR 3. Assisted enterprises have opened up new market opportunities 	<ol style="list-style-type: none"> 1 - 3: Survey of assisted SMES and comparable control group 	
<ol style="list-style-type: none"> 1. Problems/opportunities of SMEs seeking assistance are identified 2. Relevant non-financial assistance is made available 3. Financial and complementary support is being facilitated 4. Management of assistance is increasingly taken over by IOs 	<ol style="list-style-type: none"> 1.1 Applications are supported with clear ToR, fully owned by SME owners 1.2 x number of SMEs supported with x worth of consultancy corresponding to 1.1 1.3 On a scale of 1 - 2, overall satisfaction with assistance is at least 2 1.4 80% of assisted SMEs apply the assistance the received on a daily basis 1.5 80% of IOs are fully confident to continue implementing the scheme 	<ol style="list-style-type: none"> 1.1 Representative check of applications 1.2 Project statistics 1.3, 1.4 Survey of sample supported SMEs 1.5 survey of all IOs involved 	