



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

Final Report

Annex 1

December 2005

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

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

Table of Contents

LIST OF ACRONYMS

EXECUTIVE SUMMARY	I
1. INTRODUCTION	1
1.1 MANDATE AND PURPOSE.....	1
1.2 RESULTS AND USERS	1
1.3 PHASES OF THE EVALUATION	1
1.4 STRUCTURE OF REPORT	2
2. FINDINGS.....	3
2.1 BRIEF SUMMARY OF EU DEVELOPMENT AND CO-OPERATION POLICY	3
2.2 THE COMMISSION'S STRATEGY FOR SUPPORT TO PSD.....	6
2.2.1 The international background to the evolution of the strategy.....	6
2.2.2 Reconstructing the rationale of Community support for PSD	7
2.2.3 PSD Thematic Network.....	10
2.3 IMPLEMENTATION OF COMMUNITY STRATEGY IN SUPPORT OF PSD	11
2.3.1 Looking for an inventory of EC interventions.....	11
2.3.2 A descriptive analysis based on the inventory	11
2.3.3 A closer look at a sample of 31 interventions.....	12
2.3.4 Five country cases confirmed the findings from the sample... ..	13
2.3.5 ...as also did the interviews at HQ and the survey of Delegations.....	13
3. ANALYSIS	15
3.1 RELEVANCE	15
3.2 EFFECTIVENESS.....	23
3.3 SUSTAINABILITY	31
3.4 EFFICIENCY	34
3.5 COHERENCE	36
3.6 COORDINATION.....	39
3.7 CROSSCUTTING ISSUES	42
4. CONCLUSIONS.....	47
4.1 OVERALL ASSESSMENT	47
4.2 CONCLUSIONS ON THE COMMUNITY'S PSD STRATEGY.....	49
4.3 CONCLUSIONS AT IMPLEMENTATION LEVEL	52
5. RECOMMENDATIONS.....	61
5.1 RECOMMENDATIONS ON THE COMMUNITY'S PSD STRATEGY	61
5.2 RECOMMENDATIONS AT IMPLEMENTATION LEVEL	64

ANNEXES

ANNEX 1 – TERMS OF REFERENCE

ANNEX 2 – BIBLIOGRAPHY

ANNEX 3 – PERSONS CONTACTED AND / OR MET

ANNEX 4 – METHODOLOGICAL APPROACH

- 4.1 Introduction
- 4.2 The evaluation process
- 4.3 Intervention Logic of EC support to PSD
- 4.4 Evaluation Questions
- 4.5 Data collection methods
- 4.6 Templates of data collection tools

ANNEX 5 – INFORMATION BASIS

- 5.1 Introduction
- 5.2 List of EC funded interventions to support PSD
- 5.3 Descriptive analysis of EC PSD interventions
- 5.4 List of PSD projects analysed during the Desk Phase
- 5.5 Evaluation Question grids with information collected during the Desk Phase
- 5.6 Results from the Questionnaire sent to Delegations
- 5.7 Results from the complementary survey on the knowledge and use of the Thematic PSD Network
- 5.8 Brief description of three multilateral donors' strategies to PSD
- 5.9 PSD-specific indicators

ANNEX 6 – COUNTRY NOTE ZAMBIA

ANNEX 7 – COUNTRY NOTE JAMAICA

ANNEX 8 – COUNTRY NOTE MEXICO

ANNEX 9 – COUNTRY NOTE MOROCCO

ANNEX 10 – COUNTRY NOTE VIETNAM

Note:

The main report and each of the ten annexes are presented in separate files.

This file contains only the Annex 1 – Terms of Reference

Annex 1

Terms of Reference

Annex 1.1
Terms of Reference - Phase I
Desk Evaluation

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

Second draft

TABLE OF CONTENTS

ANNEX 1 TERMS OF REFERENCE	3
ANNEX 1.1 TERMS OF REFERENCE - PHASE I DESK EVALUATION	1
1. MANDATE	3
2. THE POLICY BACKGROUND	3
3. PURPOSE AND RESULTS OF THE EVALUATION	4
4. SCOPE OF THE EVALUATION	5
5. EVALUATION QUESTIONS	6
6. THE EVALUATION'S BASIC COMPONENTS	7
6.1 FOUR MAIN PHASES OF EVALUATION	7
6.2 FOUR METHODOLOGICAL STAGES.....	7
6.3 FIVE KEY EVALUATION CRITERIA	7
7. THE EVALUATION'S FOUR PHASES AND REPORTING	8
7.1 DESK PHASE.....	8
7.1.1. <i>Starting the Evaluation and producing a Launch Note</i>	8
7.1.2. <i>Structuring the Evaluation and drafting an Inception Note</i>	8
7.1.3. <i>Desk Study and delivery of Desk Phase Report</i>	9
7.2 FIELD PHASE.....	10
7.3 FINAL REPORT-WRITING PHASE	10
7.4 DISSEMINATION AND FOLLOW-UP.....	11
8. MANAGEMENT AND SUPERVISION OF THE EVALUATION	11
9. EVALUATION TEAM.....	12
10. TIMING AND BUDGET	13
10.1 CALENDAR	13
10.2 COST OF THE EVALUATION AND PAYMENT MODALITIES.....	13

ANNEX 1 : DOCUMENTS, EC REGULATIONS AND INSTRUMENTS (NOT EXHAUSTIVE)

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

1. MANDATE

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

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

2. THE POLICY BACKGROUND

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

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

The proposed operational definition of economic cooperation¹ is based on several elements, the first three being fundamental and relevant for this evaluation:

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

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

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

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

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

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

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

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

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

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

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

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

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

3. PURPOSE AND RESULTS OF THE EVALUATION

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

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

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

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

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

4. SCOPE OF THE EVALUATION

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

² Period to be finetuned at the beginning of the exercise.

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

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

5. EVALUATION QUESTIONS

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

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

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

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

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

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

6. THE EVALUATION'S BASIC COMPONENTS

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

6.1 Four Main Phases of Evaluation

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

6.2 Four Methodological Stages

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

6.3 Five Key Evaluation Criteria

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

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

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

7. THE EVALUATION'S FOUR PHASES AND REPORTING

7.1 Desk Phase

7.1.1. Starting the Evaluation and producing a Launch Note

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

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

7.1.2. Structuring the Evaluation and drafting an Inception Note

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

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

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

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

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

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

7.1.3. Desk Study and delivery of Desk Phase Report

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

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

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

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

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

7.2 Field Phase

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

7.3 Final Report-Writing Phase

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

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

7.4 Dissemination and Follow-Up

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

8. MANAGEMENT AND SUPERVISION OF THE EVALUATION

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

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

The principal functions of this Steering Group will be:

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

9. EVALUATION TEAM

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

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

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

10. TIMING AND BUDGET

10.1 Calendar

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

<i>Evaluation's Phases and Stages</i>	<i>Notes and Reports</i>	<i>Dates</i>	<i>Meetings</i>	<i>Dates</i>
Desk Phase		Starts <i>mid-Sept 2003</i>		
Starting Stage	Launch Note	<i>early Oct 2003.</i>		
Structuring Stage	Inception Note	<i>mid-Nov 2003</i>	Steering Group Meeting	Late Nov 2003
Desk Study	Draft Desk Report	<i>early Jan 2004</i>	Steering Group Meeting	<i>mid Jan 2004</i>
	Final Desk Report	<i>End Jan 2004</i>		
Field Phase		<i>Feb 2004</i>		
	De-briefing post-Field Phase		Presented to the Steering Group	<i>March 2004</i>
	Field Phase Report	<i>End March 2004</i>	Steering Group Meeting	<i>Early April 2004</i>
Final Report-Writing Phase	Draft Final Report	<i>Early May 2004</i>	Steering Group Meeting	<i>May 04</i>
	Final Report	<i>June/ July 2004</i>		
Dissemination	Seminar ^{TT}	<i>Sept/Oct⁴ 2004</i>		

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

10.2 Cost of the Evaluation and Payment Modalities

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

⁴ Taking into account the summer break.

ANNEX 1

RELEVANT DOCUMENTS (LIST NOT EXHAUSTIVE)

Published Evaluations:

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

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

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

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

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

EVALUATION OF PHARE FINANCED SME SUPPORT PROGRAMMES.

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

Evaluation of TACIS Enterprise Restructuring Facility (TERF).

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

Ongoing Evaluations:

Sectoral/thematic evaluations:

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

Regulations and other docs:

Communication (2000) 212 "The European Community's development policy"

http://europa.eu.int/eurllex/en/com/cnc/2000/com2000_0212en01.pdf

Council resolution of November 2000

http://europa.eu.int/comm/development/lex/en/council20001110_en.htm

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

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

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

COM (2000) of 16 May Rev 8 "*Reform of the management of external assistance*"
<http://www.cc.cec/EUROPEAID/rextap/Rextap.htm>

COM(1998)667 "*A European strategy for private sector development in ACP countries*"
http://www.cc.cec/EUROPEAID/Cris/guide/index_instruct.htm

COM (2000)264 "*Integrating environment and sustainable development into economic and development cooperation. Elements of a comprehensive strategy*".
http://europa.eu.int/eur-lex/en/com/cnc/2000/com2000_0264en02.pdf

COM(2001)416 « *Promoting core labour standards and improving social governance in the context of globalisation* ».
http://europa.eu.int/comm/trade/pdf/labour_standards.pdf

Communication on Corporate Social Responsibility
http://europa.eu.int/comm/trade/csr/pr020702_fr.htm

COM (2001) 469 "*The strategic framework for enhanced partnership between Europe and Asia*".
<http://158.166.117.19/index.html>

"*European Community external cooperation programmes*"
http://europa.eu.int/comm/europeaid/evaluation/odi_report/index_fr.htm

Regional annual reports
http://europa.eu.int/comm/europeaid/reports/index_en.htm

ACP-EU Partnership Agreement (Cotonou Agreement)
http://europa.eu.int/comm/development/cotonou/index_fr.htm

Resolution 8435/99 of the Development Council of 21 May 1999.
Council Regulation (EEC) No 443/92 of 25 February 1992
MEDA II, Council Regulation (EC) No 2698/2000
TACIS, Council Regulation (EC, Euratom) No 99/2000
CARDS, Council Regulation (EC) No 2666/2000
<http://www.cc.cec/EUROPEAID/Cris/Guide/index.htm>

Guidelines for the implementation of TRTA" AIDCO 2002

Annex 1.2
Terms of Reference - Phase II
Field and Synthesis

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

TABLE OF CONTENTS

1.	MANDATE	21
2.	THE POLICY BACKGROUND	21
3.	PURPOSE AND RESULTS OF THIS PHASE	21
4.	SCOPE OF THE EVALUATION	21
5.	EVALUATION QUESTIONS	22
6.	THE EVALUATION'S BASIC COMPONENTS	22
7.	THE EVALUATION'S FOUR PHASES AND REPORTING	22
7.1	FIELD PHASE	22
7.2	FINAL REPORT-WRITING PHASE	23
7.3	DISSEMINATION AND FOLLOW-UP.....	23
8.	MANAGEMENT AND SUPERVISION OF THE EVALUATION	24
9.	EVALUATION TEAM.....	24
10.	TIMING AND BUDGET	25
10.1	CALENDAR	25
10.2	COST OF THE EVALUATION AND PAYMENT MODALITIES.....	25

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

1. MANDATE

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

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

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

2. THE POLICY BACKGROUND

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

3. PURPOSE AND RESULTS OF THIS PHASE

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

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

4. SCOPE OF THE EVALUATION

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

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

5. EVALUATION QUESTIONS

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

6. THE EVALUATION'S BASIC COMPONENTS

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

7. THE EVALUATION'S FOUR PHASES AND REPORTING

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

7.1 Field Phase

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

7.2 Final Report-Writing Phase

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

7.3 Dissemination and Follow-Up

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

8. MANAGEMENT AND SUPERVISION OF THE EVALUATION

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

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

9. EVALUATION TEAM

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

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

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

10. TIMING AND BUDGET

10.1 Calendar

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

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

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

10.2 Cost of the Evaluation and Payment Modalities

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