



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

Final Report

Annex 4

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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  
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**Note:**

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

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## **Annex 4 Methodology**



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# 1. Introduction

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

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



## 2. The evaluation process

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### 2.1 Introduction

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

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

### 2.2 A documentary evaluation

#### 2.2.1 Introduction

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

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

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

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

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

## 2.2.2 Reconstructing the intervention logic

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

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

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

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

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

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

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

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

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

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

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

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

### 2.2.4 Elaborating Evaluation Questions

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

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

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

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

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

### 2.2.5 Collecting information

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

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

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

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

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

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

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

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

**c) *Interviewing key informants***

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

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

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

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

#### d) *Surveying Delegations*

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

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

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

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

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

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

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

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

## 2.3 Complemented by field work

### 2.3.1 Introduction

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

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

### 2.3.2 Five case studies

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

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

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

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

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

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

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

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

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

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

### **2.3.4 Analysis and synthesis**

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

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

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

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

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



## 3 Intervention logic

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### 3.1 Introduction

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

### 3.2 Overall objectives

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

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

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

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

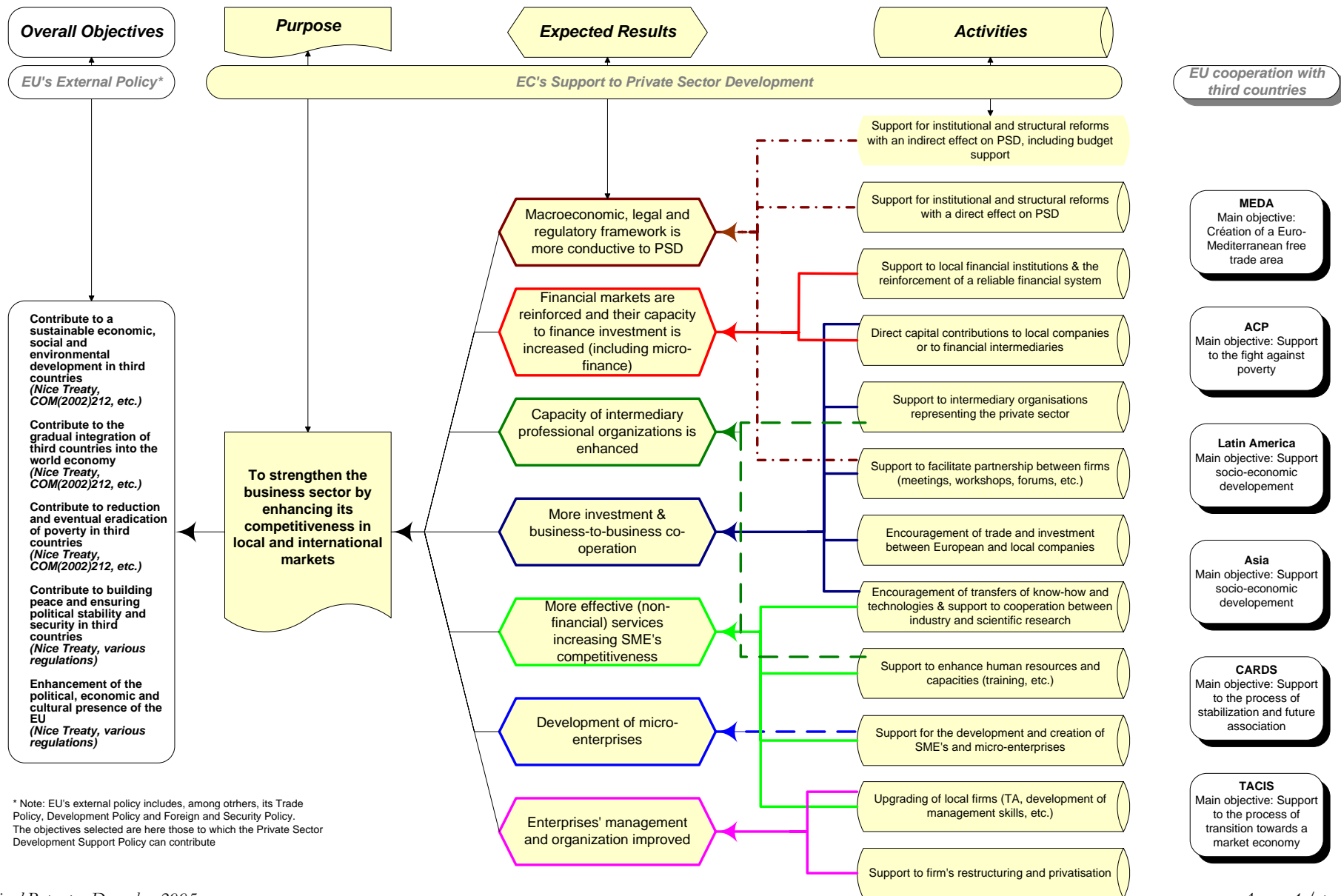
A number of other EU policies are closely linked to external affairs, especially environment, agriculture and fisheries, science and research, the information society and the harmonisation of standards for the internal market. All these policies have objectives that guide the relations between the EU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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

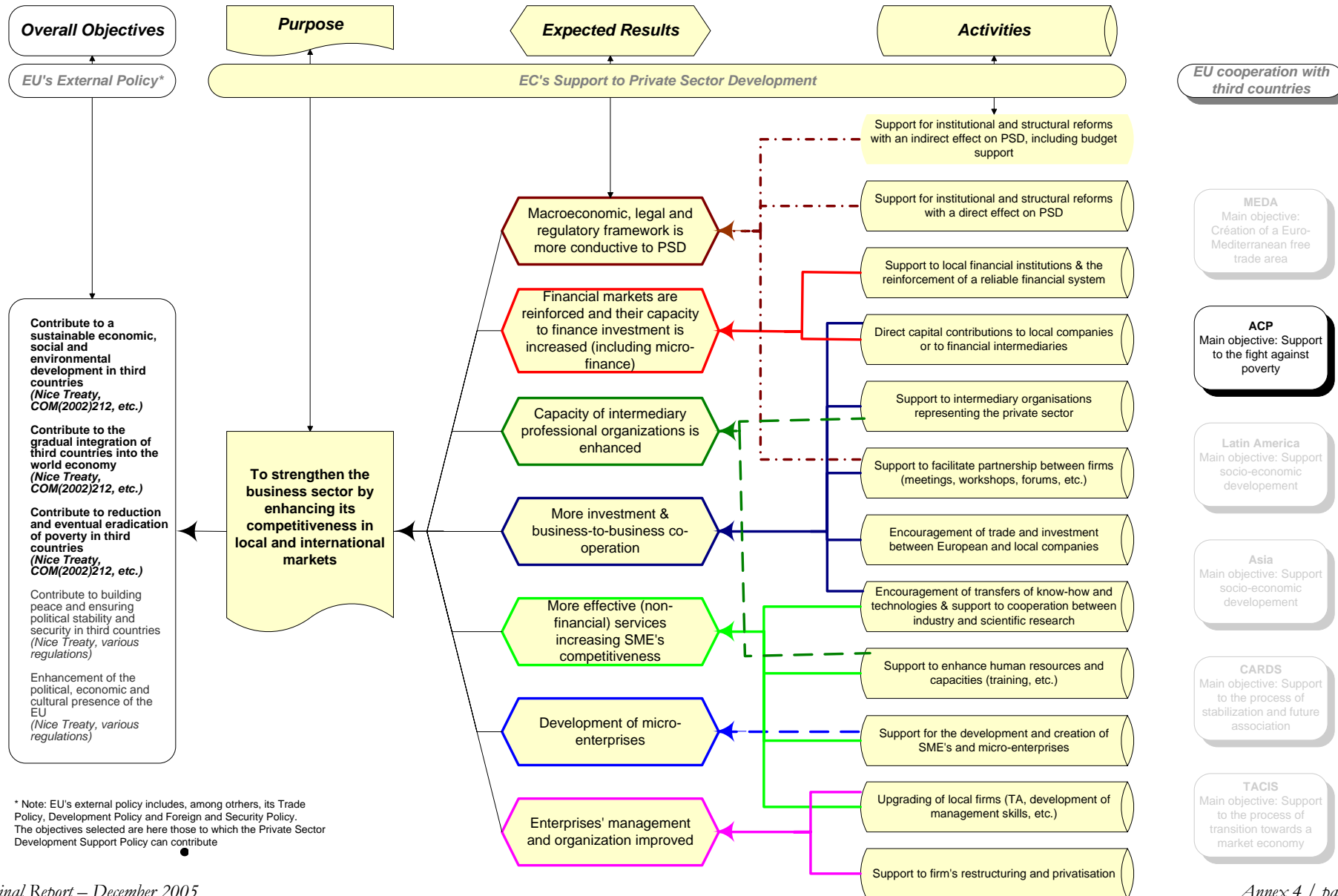


Diagram 3.3 - Intervention Logic of Community Support to PSD – Asia

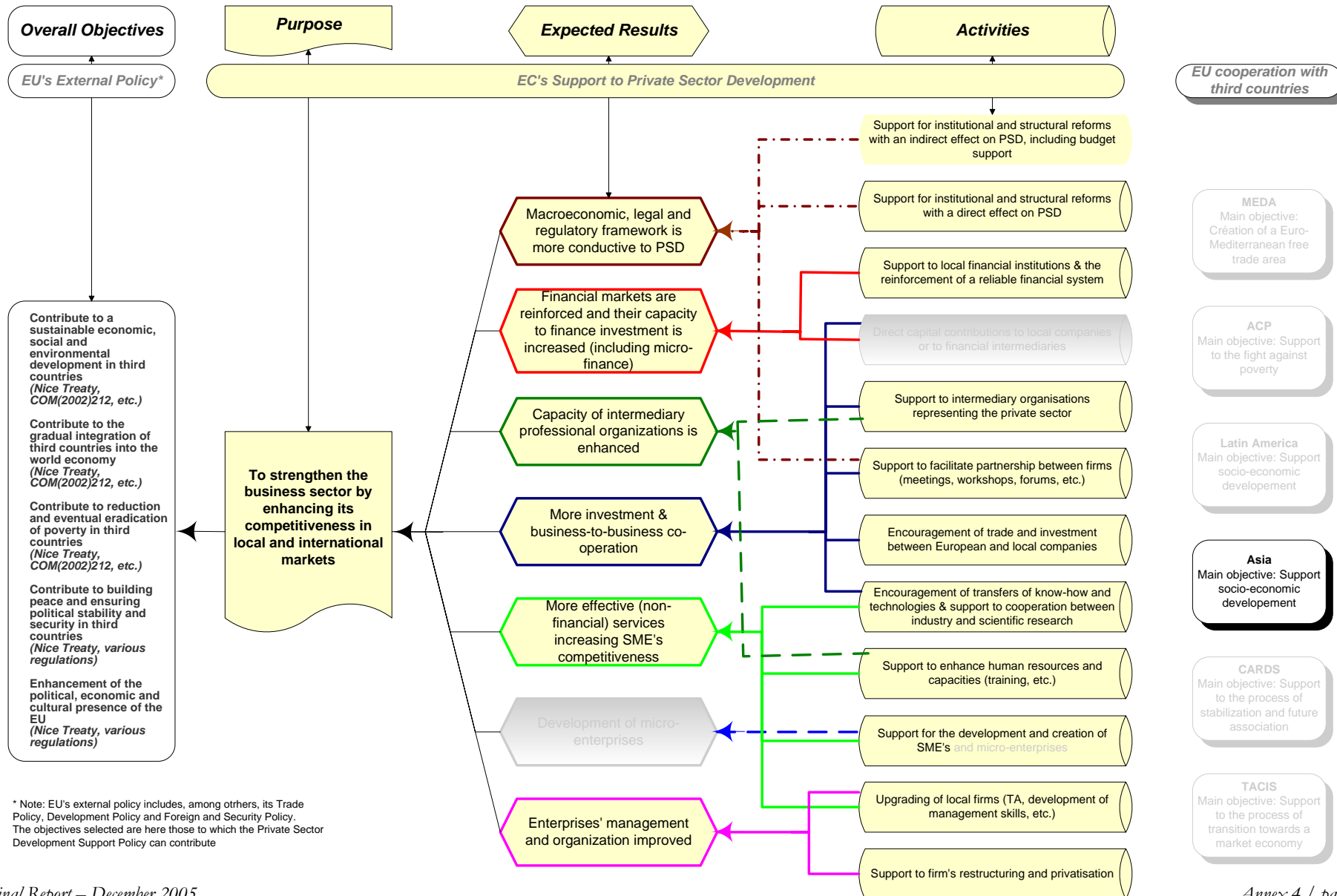
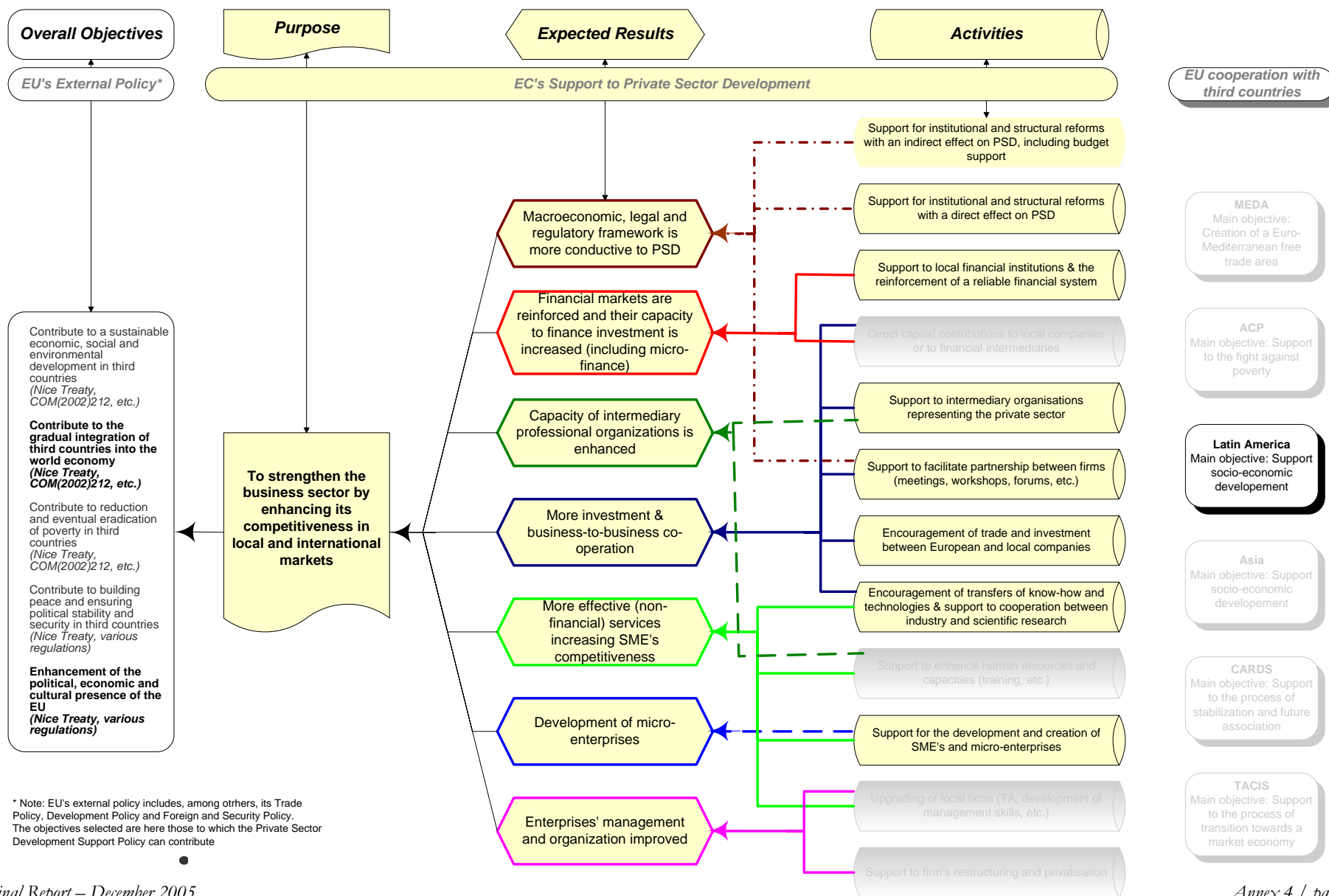


Diagram 3.4 - Intervention Logic of Community Support to PSD – Latin America



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

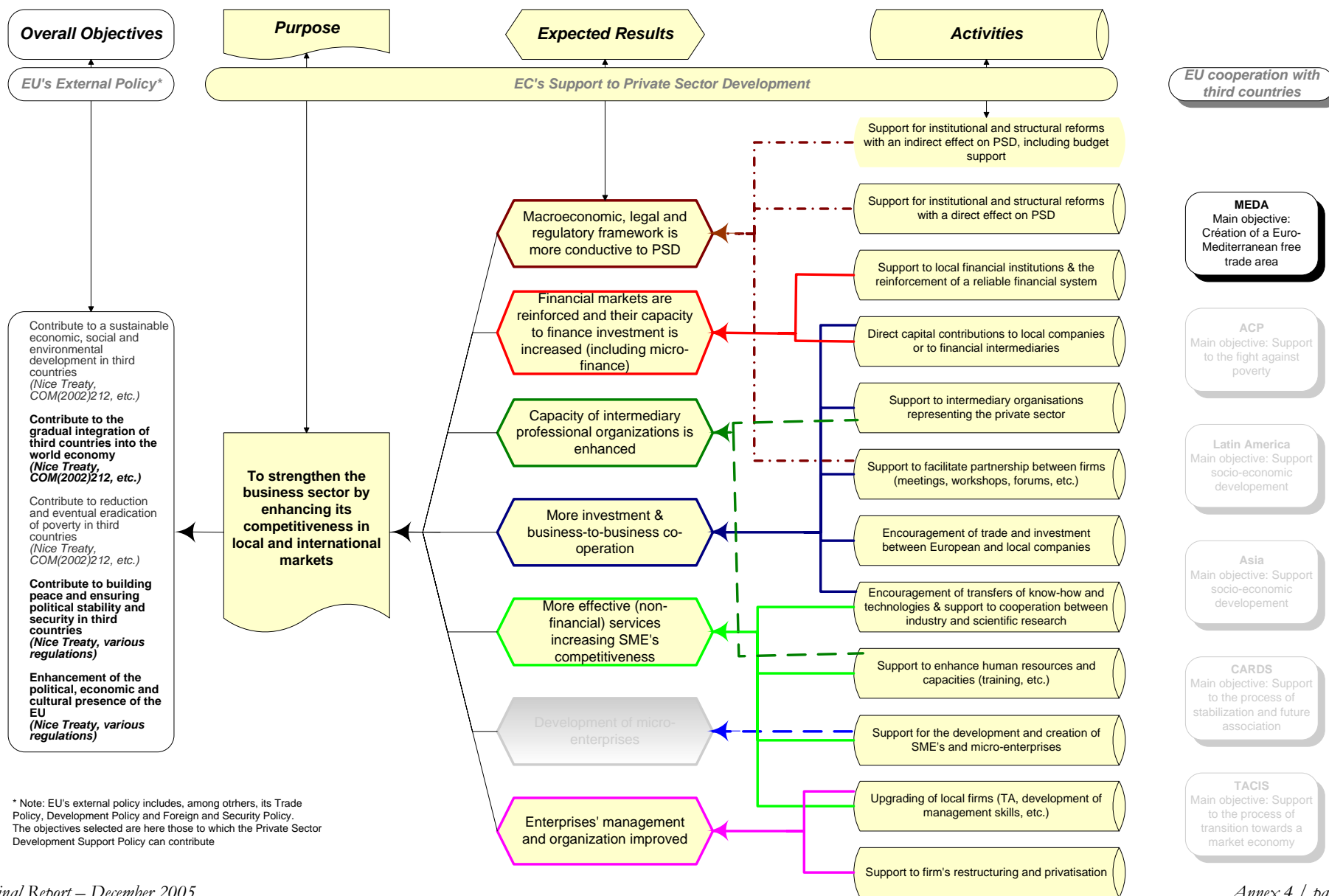
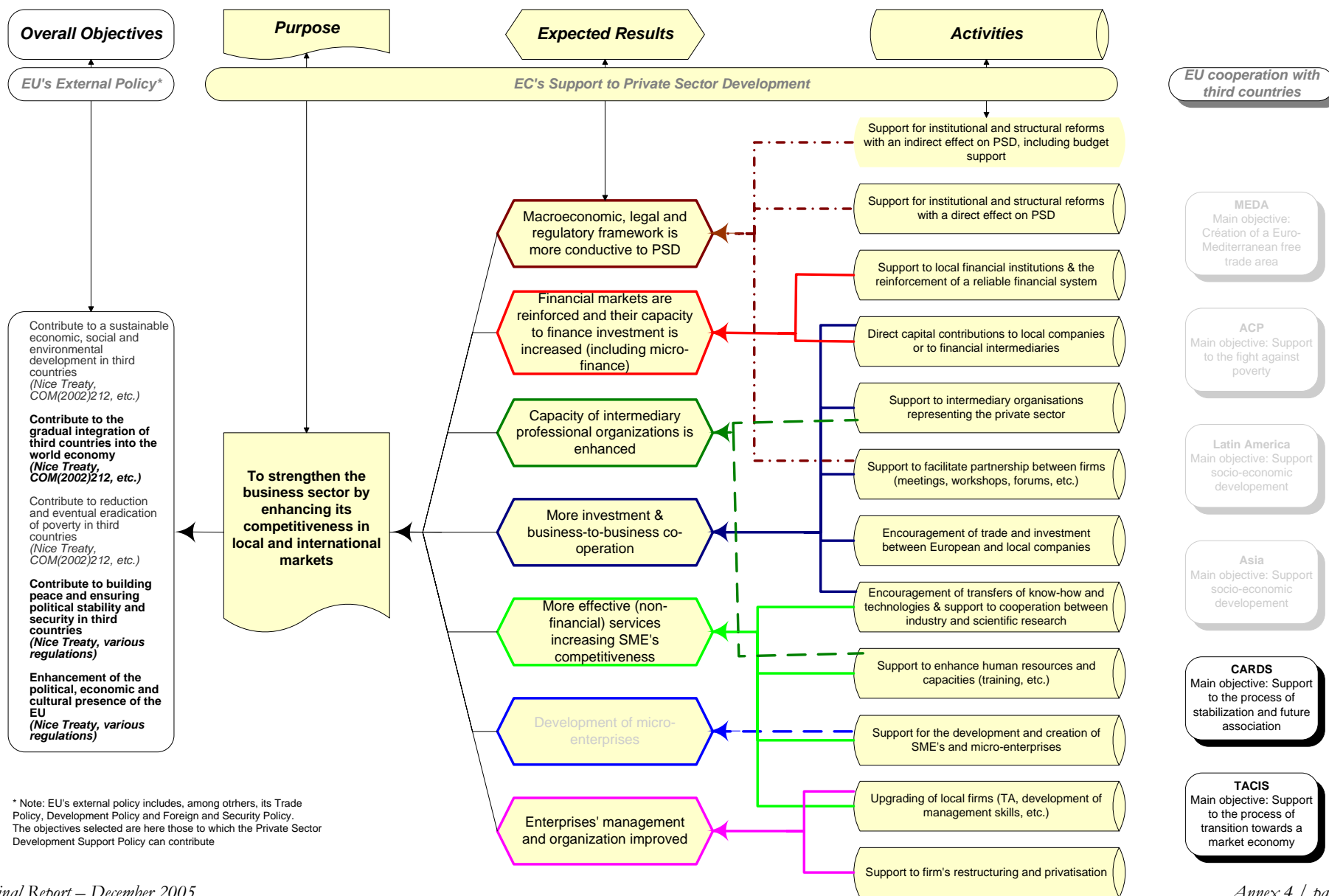


Diagram 3.6 - Intervention Logic of Community Support to PSD – CARDS and TACIS



### 3.3 Purpose

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 3.4 Expected Results

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

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

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<sup>13</sup> Ibid.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 3.5 Activities

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

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

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

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

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<sup>14</sup> Ibid.

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

## 4. Evaluation questions

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

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

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

### RELEVANCE

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

### EFFECTIVENESS

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

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

**SUSTAINABILITY**

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

**EFFICIENCY**

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

**COHERENCE**

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

**COORDINATION**

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

**CROSS CUTTING ISSUES**

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

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

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

## 4.1 Relevance

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

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

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

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

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

## 4.2 Effectiveness

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

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

Further, the question attempts to:

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

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

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

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

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

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

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

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

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

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

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

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

### 4.3 Sustainability

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

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

## 4.4 Efficiency

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

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

## 4.5 Coherence

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

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

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

## 4.6 Coordination and complementarity

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

	8.2.5	Explicit reference to other donor policies or activities in programme level documents.	<b>Documents</b> <ul style="list-style-type: none"> <li>▪ Programme documents</li> </ul>
	8.2.6	Examples of complementarities and synergies between programmes funded by the EU and programmes funded by other donors.	<b>Documents</b> <ul style="list-style-type: none"> <li>▪ CSP and Annual reports</li> <li>▪ Activity, monitoring and evaluation reports of EU programmes</li> </ul> <b>Interviews</b> <ul style="list-style-type: none"> <li>▪ Delegation</li> <li>▪ PM (of EU programmes)</li> <li>▪ Beneficiaries (of EU programmes)</li> <li>▪ Other donors</li> </ul>
	8.2.7	Evidence of overlap between PSD programmes of the EU and of other donors at country level.	
	8.2.8	Evidence of similar programmes with common beneficiaries funded by the EU and another donor.	

## 4.7 Cross-cutting issues

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



## 5. Data collection methods

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### 5.1 Introduction

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

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

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

### 5.2 Secondary data

#### 5.2.1 Presentation and use

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

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

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

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

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

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

## 5.2.2 Strengths and limitations

Key strengths with secondary data include the fact that:

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

Key limitations with secondary data include the fact that:

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

## 5.3 Interviews

### 5.3.1 Presentation and use

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

#### a) *Desk phase*

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

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

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

Desk phase interviews served two specific purposes:

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

#### b) *Country missions*

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

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

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

Interviews served mainly the following purposes:

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

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

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

### *c) Thematic networks*

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

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

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

The main use of this questionnaire was to:

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

### 5.3.2 Strengths and limitations

Key strengths of the interviews include the fact that:

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

Key limitations with interviews include the fact that:

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

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

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

## 5.4 Questionnaires

### 5.4.1 Presentation and use

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

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

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

The main use of the questionnaire is to:

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

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

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

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

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

Key strengths with questionnaires include the fact that:

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

Key limitations with questionnaires include the fact that:

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

## 5.5 Focus group

### 5.5.1 Presentation and use

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

The purpose of focus groups is to:

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

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

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

### 5.5.2 Strengths and limitations

Key strengths with focus groups include the fact that:

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

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

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

Key limitations with focus groups include the fact that:

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

## 5.6 Country cases

### 5.6.1 Presentation and use

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

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

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

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

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

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

### 5.6.2 Strengths and limitations

Key strengths of country case studies include the fact that:

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

Key limitations with focus groups include the fact that:

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

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