



Evaluation

Private Sector Development
of the Austrian Development Cooperation

Final report

Imprint

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This is an independent evaluation report. Views and conclusions expressed do not necessarily represent those of the contractors.

FOREWORD

We would like to extend our sincere thanks to all persons we have met and interviewed during this evaluation in Vienna, Pristina and Skopje, and also by telephone/and or mail in Burkina Faso, Nicaragua and Switzerland. Everyone has been most cooperative and made our task both pleasant and interesting. We appreciate to have had the opportunity to learn of the Austrian Development Cooperation and hope that our work will be of some value for the future.

A draft report issued in March has been extensively reviewed by a number of stakeholders. The comments made have contributed to make the report more accurate.

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ACCRONYMS

ADA	Austrian Development Agency
ADC	Austrian Development Cooperation
B2B	Business to Business
B4D	Business for Development
CENPROMYPE	Centro para la promoción de la micro y pequeña empresa en Centroamérica
CFRR	Center for Financial Reporting Reform (World Bank)
CIDEL	Corporación Intermunicipal para el Desarrollo Económico Local Departamento de Masaya, Nicaragua
CRS	Credit Reporting System
DAC	Development Assistance Committee (OECD)
DCED	Development Committee on Enterprise Development
DEG	Deutsche Investitions- und Entwicklungsgesellschaft (Germany)
DFI	Development Finance Institution
DFID	Department for International Development (of the United Kingdom)
EBRD	European Bank for Reconstruction and Development
ECIKS	Economic Initiative for Kosovo
EEP	Energy and Environment Partnership
ERP	European Recovery Program
EUR	Euro
EWA	Entwicklungswerkstatt Austria
FDI	Foreign Direct Investments
FIAS	Facility for Investment Climate Advisory Service (IFC)
GNI	Gross National Income
GPOBA	Global Partnership for Output Based Aid
ICM	Indirect Centralized Management (of the European Commission)
ICT	Information and Communication Technologies
IFC	International Finance Corporation (World Bank group)
IFI	International Finance Institution
IMF	International Monetary Fund
IRDS	Integrated Regional Development in the Municipality of Suhareke/Suva Reka in the sector of agriculture, Kosovo
JOIN	Local Actors Join for Inclusive Economic Development and Governance in South Caucasus
KfW	Kreditanstalt für Wiederaufbau (Germany)
M4P	Making Markets Work for the Poor
MFA	Ministry of European and International Affairs (Austria)
MoF	Ministry of Finance (Austria)
MSME	Micro, Small and Medium Enterprises
NGO	Non-government Organisation
ODA	Official Development Assistance
OeEB	Austrian Development Bank
OeKB	Oesterreichische Kontrollbank
PIDG	Private Infrastructure Development Group
PPP	Private Public Partnerships
PSD	Private Sector Development

REPARIS	The Road to Europe – Program of Accounting Reform and Institutional Strengthening
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs (Switzerland)
SME	Small and Medium Enterprise
STAR	Strengthening Auditing and Reporting (World Bank)
TAF	Technical Assistance Facility (of PIDG)
ToR	Terms of Reference
UNIDO	United Nations Industrial Development Organisation
WIPA	Business Partnership (of ADC)

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ZUSAMMENFASSUNG

Dieser Bericht befasst sich mit einer strategischen Bewertung der Privatsektorentwicklung (PSE), die im Auftrag der Austrian Development Agency (Agentur der österreichischen Entwicklungszusammenarbeit - ADA) durchgeführt wird. Der Bericht konzentriert sich vorwiegend auf die von der ADA eingerichtete österreichische Entwicklungszusammenarbeit (OEZA), prüft jedoch auch die Verbindungen zu den PSE-Bemühungen anderer Organisationen, die an Österreichs öffentlicher Entwicklungszusammenarbeit (Official Development Assistance -ODA), beteiligt sind.

Diese strategische Bewertung hat zum Ziel:

- die aktuellen und abgeschlossenen Programme und Projekte zur Privatsektorentwicklung der österreichischen Entwicklungszusammenarbeit sowie die richtungsweisenden PSE-Dokumente der OEZA (anhand der fünf DAC-Kriterien) zu analysieren und Schlussfolgerungen und Erkenntnisse aus dieser Analyse zu ziehen.
- Themen zu prüfen, die sich mit der PSE überschneiden, wie zum Beispiel ländliche Entwicklung, Bildung und Energie für Aktivitäten, die sich mit der Entwicklung und Stärkung des Privatsektors befassen. Empfehlungen dazu, „wie das PSE-Wissen und -Potenzial in diesen Sektoren besser angewendet werden kann“, müssen ausgearbeitet werden.
- eine Analyse der möglichen Synergien zwischen unterschiedlichen Interessensgruppen aufzuzeigen, die sich für die PSE in Österreich einsetzen, mit besonderer Betonung auf die Österreichische Entwicklungsbank und das Finanzministerium. Empfehlungen für eine bessere Zusammenarbeit sollten bereitgestellt werden.

Informationen zur Methodik finden Sie im Hauptbericht.

PSE im Kontext der österreichischen ODA

Mit einer ODA von unter 0,3 % des BNE Österreichs einer der kleineren Geber unter den DAC-Mitgliedern. Die österreichische ODA wird von ungefähr 10 unterschiedlichen Institutionen umgesetzt, darunter die ADA, die ungefähr 10 % der gesamten österreichischen Entwicklungshilfe ausmacht. Andere wichtige Institutionen für die Entwicklung des österreichischen Privatsektors sind das Finanzministerium (BMF), das sich um die Unterstützung der internationalen Finanzinstitutionen (IFIs), einschließlich der Finanzierung von Gebertreuhandfonds und Einrichtungen, die von den IFIs betrieben werden, kümmert; die Österreichische Entwicklungsbank (OeEB), die sich der Privatsektorentwicklung sowohl mit Krediten als auch mit technischer Unterstützung verschreibt, und das Wirtschaftsministerium. Unserer Schätzung nach ist die von der ADA umgesetzte „Kern-PSE“ im Vergleich zum Anteil des BMF und der OeEB in finanzieller Hinsicht eher klein. Es gibt eine begrenzte strategische Koordinierung und Zusammenarbeit zwischen den unterschiedlichen Akteuren. Frühere Bestrebungen zur Schaffung dieser strategischen Zusammenarbeit waren erfolglos, doch gibt es erneut das Bemühen, die Zusammenarbeit zwischen den Akteuren über eine organisationsübergreifende PSE-Arbeitsgruppe wiederzubeleben. Eine maßgebliche Schlussfolgerung dieser Bewertung ist, dass die Zusammenarbeit zwischen diesen Akteuren mit einer gemeinsamen Strategie für die österreichische Privatsektorentwicklung von entscheidender Bedeutung ist, um herausragende Leistungen zu erzielen und einen stärkeren Einfluss als momentan zu nehmen.

OEZA-Unterstützung der Privatsektorentwicklung

Die PSE-Rahmenbedingungen Die Privatsektorentwicklung ist seit der Gründung der ADA 2004 ein Schwerpunkt der österreichischen Entwicklungszusammenarbeit. Die 3-Jahres-Programme der OEZA haben alle hervorgehoben, dass die wirtschaftliche Entwicklung eine Voraussetzung für die langfristige Reduzierung der Armut ist und dass Investitionen, einschließlich ausländischer Direktinvestitionen, wesentliche Mechanismen für die Schaffung von Arbeitsplätzen und Staatseinkünften mittels Steuern sind.

Während PSE zu den thematischen OEZA-Schwerpunkten der Regierung gehörte und gehört, ist ihre finanzielle Ausstattung, wie sie von der ADA im Gläubiger-Berichtssystem (CSR) des Entwicklungsausschusses (DAC) (CRS) erfasst wurde, klein. Sie lag in den letzten Jahren bei EUR 3-4 Millionen pro Jahr. Dies entspricht 3-4 % der Aufwendungen der ADA, was 1) ein Problem im Klassifizierungssystem der ADA; und 2) eine „Stimmigkeitslücke“ zwischen Richtlinie und Umsetzung aufzeigt.

Die PSE-Richtlinien Die OEZA hat 2010 PSE-Richtlinien erstellt. Während der Erfassung aktueller internationaler PSE-Trends steht der breitbasierte und heterogene PSE-Ansatz, der in den Richtlinien vorgeschlagen wurde, im Kontrast zu der geringen Ressourcenbereitstellung der ADA für die Durchführung von Maßnahmen, vor allem für das Personal. Die PSE-Richtlinien haben offenbar nur begrenzten Einfluss auf die Arbeit der ADA. Eine unserer Hauptempfehlungen besteht darin, die Rahmenbedingungen auf der Grundlage bewährter PSE-Verfahren zu aktualisieren und den Fokus der österreichischen ODA eher auf das Wesentliche zu lenken: alle österreichischen PSE-Themen aufzunehmen und abzudecken. Die Richtlinien sollten zudem ins Englische übersetzt werden.

Die PSE-Organisation Die PSE gliedert sich bei der ADA in drei „Säulen“:

1. Verbesserung der Rahmenbedingungen für privatwirtschaftliches Engagement;
2. Stärkung des Privatsektors in den Partnerländern; und
3. Einbeziehung des Potenzials der österreichischen Wirtschaft (Wirtschaftspartnerschaften).

Das Referat Wirtschaft und Entwicklung hat zurzeit 3,4 Mitarbeiterinnen und einen Leiter. 2,9 Personen im Referat arbeiten mit Wirtschaftspartnerschaften und 0,5 Personen an den anderen beiden PSE-Säulen, und dies trotz der Tatsache, dass das Budget für die ersten beiden PSE-Säulen nahezu mit dem Budget für Wirtschaftspartnerschaften identisch ist und das PSE-Personal den Rest der Organisation thematisch unterstützen soll. Die PSE-Mitarbeiterressourcen der ADA (ausgenommen Wirtschaftspartnerschaften sind extrem klein. Darüber hinaus ist die PSE der einzige Bereich oder Sektor, der sein eigenes Referat hat, das dem Leiter der *Projekt- und Programmabteilung* unterstellt ist. Diese organisatorische Tatsache hat zu einigen Reibungen in der ADA und zu Schwierigkeiten für das PSE-Personal bei der Integration in andere thematische Bereiche geführt.

Das PSE-Portfolio Eine Prüfung des PSE-Portfolios der OEZA (Säule 1 und 2) führt zu den folgenden Schlussfolgerungen: 1) Es deckt eine große Zahl recht unterschiedlicher Themen ab; 2) Die meisten Projekte sind in finanzieller Hinsicht klein; und 3) die überwältigende Anzahl von Projekten befindet sich in der Säule 2, d.h. Unternehmensdienstleistungen, mit sehr wenigen Projekten in der Säule 1, d.h. Rahmenbedingungen, was auf eine weitere Stimmigkeitslücke zwischen Richtlinie und Umsetzung hinweist. Jedoch werden die Projekte in der Regel gut von der ADA unterstützt und die Agentur scheint einen „unternehmerischen“ und flexiblen Ansatz bei ihren Tätigkeiten zu verfolgen. Dies ermöglicht der ADA, trotz des

geringen Anteils der PSE-Tätigkeiten der OEZA eine größere und wegweisendere Rolle in dem ansonsten oft gedrängten Feld der Entwicklungszusammenarbeit einzunehmen. Im Allgemeinen sind wir beeindruckt von dem Engagement und der Professionalität der ADA sowohl am Geschäftssitz als auch im Außendienst. Hinsichtlich dieser organisatorischen Kompetenz glauben wir, dass die OEZA sehr viel effektiver durch einen stärker fokussierten und strategischeren Ansatz bei ihren PSE-Tätigkeiten sein könnte.

Die Geschäftsbeziehungen Die dritte PSE-Säule der OEZA, die Wirtschaftspartnerschaften (nicht Thema der Bewertung mit Ausnahme seiner Verbindungen zur übrigen PSE), wird größtenteils unabhängig vom Rest der OEZA betrieben, teilweise weil das Programm „global ausgerichtet“ ist, doch teilweise auch, weil einige Mitarbeiter das Gefühl haben, dass das Programm einer guten Entwicklungshilfe „im Wege“ steht. Die begrenzte Wechselbeziehung ist auch der Tatsache geschuldet, dass die Schwerpunktländer der OEZA eher eingeschränkte und abnehmende Überschneidungen mit den Interessen der Geschäftswelt aufweisen, was sich im WIPA-Programm widerspiegelt. Die Stärkung der Synergien, PSE-Schulungen innerhalb der ADA und eine bessere Unterstützung seitens der österreichischen Wirtschaft für die Entwicklungszusammenarbeit könnte die Gesamteffektivität verbessern. Dies könnte sowohl durch die Änderung des WIPA-Programms als auch durch weitere PSE-Verbindungen erreicht werden. Zum Beispiel könnte das WIPA-Programm durch Match-Making in ausgewählten Schwerpunktländern der OEZA ergänzt werden, um die Gründung von Joint Ventures zu vereinfachen.

PSE in anderen Sektoren und Bereichen

Mainstreaming der PSE in allen relevanten Bereichen der OEZA Während das PSE-Portfolio als solches einen kleinen Teil des OEZA-Programms ausmacht, ist die PSE als Dimension in anderen Projekten und Programmen beachtlich, zum Beispiel bei der ländlichen Entwicklung, erneuerbaren Energie, Berufsbildung, Tourismus und der NRO-Kooperation. Insgesamt spielt die Privatsektorentwicklung im weiteren Sinne, das heißt auch über Kleinbauern, usw., eine große Rolle in der Arbeit der ADA, mehr als in vielen anderen Geberagenturen. Diese Privatsektorentwicklung in anderen Sektoren und Bereichen basiert nur in geringem Umfang auf Policies, das spiegelt sich in den Sektor- und Themenrichtlinien der OEZA wider, und noch weniger auf einer systematischen thematischen Unterstützung durch die PSE-Abteilung aufgrund der oben genannten Gründe.

Heute sticht die PSE in der ADA als ein Bereich hervor, der dem Rest der Agentur wenige oder gar keine Schulungen oder Wissensvermittlung bereitstellt. Es gibt gute Gründe, diese Situation durch Stärkung der PSE-Kapazität in der ganzen Organisation, durch umfassende Schulungen, Wissensaufbau und Sensibilisierungsmaßnahmen zu ändern. Wir empfehlen, dass 1) die thematische PSE-Arbeit durch mehr Personal; 2) systematische Schulungen und Wissensvermittlungen im PSE-Bereich über vorhandene Lernstrukturen in der ADA; 3) kreative institutionelle Strukturen, die diese Unterstützung ermöglichen; und 4) einen insgesamt stärkeren Fokus auf Themen, die den Aufbau von technischer Kompetenz und Exzellenz ermöglichen, gestärkt wird. Dieser Fokus sollte auf Themen/Bereichen liegen, für die Österreich international gesehen eine „hohe Kompetenz“ besitzt, wie zum Beispiel (erneuerbare) Energie, Tourismus und Innovation.

PSE und bereichsübergreifende Themen der OEZA Auf Richtlinienebene kommt den Verbindungen zwischen PSE und Umwelt sowie zwischen der Geschlechtergleichstellung und der wirtschaftlichen Emanzipation von Frauen große Bedeutung zu. Obwohl es formelle Abläufe für den Umgang mit Umweltaspekten bei der Vorbereitung von PSE-Projekten gibt, scheint es, dass in der Praxis diesen Aspekten in der Vorbereitungsphase nicht gleich viel

Aufmerksamkeit geschenkt wird. Die Tatsache, dass die Umweltverträglichkeit in vorhandenen Bewertungsberichten nicht hervorgehoben wurde, zeigt eine deutliche Schwäche im Projektzyklusansatz der ADA. Die Geschlechterdimension wird im Allgemeinen gut von der ADA sowohl während der Vorbereitung als auch während der Umsetzung der Projekte abgedeckt.

Zehn PSE-Projekte, die anhand der DAC-Bewertungskriterien bewertet wurden

Ein wichtiges Element der Evaluierung war die Prüfung zehn ausgewählter PSE-Projekte der OEZA mithilfe der DAC-Bewertungskriterien. Während diese nicht zufällig von der ADA ausgewählt wurden, zeigen sie nichtsdestotrotz Tendenzen auf.

Relevanz Unsere Prüfung der ausgewählten zehn PSE-Projekte ergab, dass die Ziele der Entwicklungsprogramme grundsätzlich den Anforderungen der Nutznießer, den Länderbedürfnissen, globalen Prioritäten und Partner- und Geberrichtlinien entsprechen. Mehrere Projekte waren mehrdimensional und bezogen sich nicht nur auf den PSE-Richtlinienbereich, sondern auch auf einen oder sogar zwei weitere Schwerpunktbereiche (z.B. ländliche Entwicklung, kommunale Dezentralisierung und Friedenssicherung). In den meisten Fällen scheint es Synergien zwischen diesen unterschiedlichen Zielen gegeben zu haben, doch konnten wir auch ein Beispiel für Trade-Offs zwischen unterschiedlichen Zielen ausmachen.

Effektivität Die Log-Frames für die zehn Projekte waren in den meisten Fällen gut, auch wenn es einige „fehlende Glieder“ in der Wirkungslogik gab. Dies geschieht z.B. wenn angenommen wird, dass eine gestärkte Kapazität von Dienstleistungsanbietern für Unternehmer „automatisch“ Auswirkungen auf die Einkommenssituation im Land hat. In mehreren Fällen lässt sich nicht erkennen, ob das Projektdesign auf einer angemessenen Analyse der systemischen Hindernisse für die Entwicklung von Märkten und Unternehmertum basierte. Gemäß den Fortschrittsberichten und Bewertungen scheinen die Umsetzungsmaßnahmen in den meisten Fällen gut funktioniert zu haben. Aufgrund der großen Vielfalt der geprüften Projekte ist es schwierig, die vorgefundenen Herausforderungen und erfolgten Anpassungen zusammen zu fassen.

Effizienz Gemäß DAC ist Effizienz „ein Maßstab dafür, wie wirtschaftlich Ressourcen/Beiträge (Gelder, Expertise, Zeit, usw.) in Ergebnisse umgewandelt werden“. Es gab einige wenige Beispiele in den vorliegenden Dokumenten für die Bewertungen dieser Effizienz. Das Gleiche galt für die Bewertungen des „Preis-Leistungs-Verhältnisses“ (oder in anderen Worten die „Kosteneffizienz“ von Projekten). Eine Ausnahme war eine Evaluierung, in der von „spektakulären Wirkungen im Vergleich zu den Kosten“ bezog. Leider konnte diese Aussage quantitativ nicht untermauert werden.

Wirkung Unsere Projektbewertung zeigt, dass die ADA die Qualität der Wirkungsanalyse verbessern muss. Der DCED-Standard für Ergebnismessung kann als ein nützlicher Ausgangspunkt dienen. Die Evaluierungsberichte enthalten vereinzelt Beispiele für die Auswirkungen auf Arme. Eine Evaluierung der Wirkungen eines Projekts auf die Armutsreduzierung würde eine tiefergehender Analyse der Eigenschaften und Mechanismen der Armut erfordern, als bisher in den verfügbaren Dokumenten dargestellt wurde.

Nachhaltigkeit Unsere Bewertungen der Projekte zeigen, dass die ADA in der Regel eine hohe Priorität und beträchtliche Bemühungen in den Aufbau von Kapazitäten auf Personal- und Unternehmensebene setzt. Die verfügbaren Bewertungen beschreiben diese Bemühungen als eindeutig erfolgreich. Um angemessen bewerten zu können, ob die Vorteile des Kapazitätsaufbaus nachhaltig wirken können oder nicht, ist es erfahrungsgemäß erforderlich,

etwas Zeit nach dem Abschluss der Projektaktivitäten verstreichen zu lassen, bevor eine Ex-post-Evaluierung durchgeführt wird. Unsere Besuche im Kosovo und in Mazedonien zeigten, dass die Maßnahmen für den Kapazitätsaufbau stark von den häufig wechselnden politischen Prioritäten und den politisch getriebenen Ernennungen der Agenturleiter abhängig sind. Abgesehen von den starken Bemühungen, die in den Kapazitätsaufbau der Partnerunternehmen gesetzt werden, hat unsere Evaluierung der Projektdokumente gezeigt, dass kaum jemals *Ausstiegsstrategien* für die Beteiligung der ADA an bestimmten Projekten entwickelt werden.

Was kann die OEZA von Schweden und der Schweiz lernen?

Die Aufgabenstellung dieser Evaluierung erfordert auch, die PSE der OEZA mit zwei anderen Gebern zu vergleichen um Best Practices heraus zu arbeiten. Nach Absprache mit der ADA haben wir die Grundeigenschaften des schwedischen (Sida) und des Schweizer Systems (SDC und SECO) untersucht.

Es muss festgehalten werden, dass sowohl Schweden als auch die Schweiz sehr viel umfassendere Entwicklungszusammenarbeitsprogramme verfolgen. Sie verfügen unter anderem über sehr viel mehr Personal in ihren Organisationen, was es schwierig macht, die Erfahrungen eins zu eins zu übertragen. Vor allem Sida hat über viele Jahre beträchtliche Bemühungen darauf verwendet, die PSE umfassend in die Organisation zu integrieren, während SDC auf die gleiche Weise über viele Jahre einen starken Antrieb hatte, das überaus interessante M4P-Konzept in der Theorie und Praxis zu entwickeln. Beide Länder weisen auf den Bedarf für langfristige konzentrierte Bemühungen hin, um das System mit „neuen Konzepten“ und Gedankenansätzen zu durchdringen. Von besonderem Interesse für Österreich ist, dass die Schweiz mit ihren beiden Entwicklungsagenturen erfolgreich eine gemeinsame Zusammenarbeit auf Länderebene erreicht hat, während SECO und SDC sich gegenseitig sehr gut ergänzen. Die Konzentration auf eine begrenzte Anzahl an Themen ist in beiden Organisationen klar erkennbar.

Schlussfolgerungen und Erkenntnisse

Österreich ist ein kleiner Akteur in der ODA und die Spaltung in viele, größtenteils unabhängige Anbieter lässt die finanzielle Unterstützung der ADA im internationalen Vergleich winzig erscheinen. Die ADA gelangt bei ihren administrativen Ressourcen an ihre Grenzen und die meisten Themenbereiche sowie die Länderreferate sind nur durch einen einzigen Mitarbeiter besetzt. Die Außenstellen sind klein und die Länderbudgets für die Schwerpunktländer im Vergleich zu den meisten anderen Gebern sind extrem gering. Jedoch zeigt unsere Bewertung der PSE-Projekte weder eine unzureichende Leistung auf Projektebene, eher im Gegenteil, noch dass sich die ADA zu stark auf Randaktivitäten im Bereich der Entwicklungszusammenarbeit konzentriert. Ein Grund hierfür ist, dass im Vergleich zu vielen größeren Geberagenturen die ADA eine *unternehmerische* Organisation und keine Geberbürokratie ist. ADA hat einen Projektansatz entwickelt, der auf Flexibilität, Chancennutzung, Zuverlässigkeit von vertrauenswürdigen Umsetzungspartnern, vor allem österreichischen NGOs, und eine enge Überwachung des Portfolios basiert. Dies ist eine Stärke, auf die die OEZA bauen kann.

Die Schwächen im Bereich der Privatsektorentwicklung der OEZA sind: 1) eine Verteilung auf zu viele unterschiedliche Ansätze der ADA für oft recht kleine Projekte mit begrenzten wechselseitigen Synergien, die dem Aufbau von Kompetenzen im Wege stehen; 2) eine ineffektive organisatorische PSE-Struktur mit zu wenigen MitarbeiterInnen, die größtenteils vom Rest der Organisation isoliert sind und so keine effektive übergreifende Unterstützung geben können; 3) keine systematische Weiterbildung in der gesamten ADA durch Schulungen

zu PSE Best Practice; 4) kein gemeinsamer Standpunkt bezüglich der PSE im gesamten österreichischen ODA-System, in dem die Durchführungsorganisationen stark abweichende Ausrichtungen haben; 5) PSE-Richtlinien, die zu allgemein für die Anforderungen der OEZA sind und wenig Lenkkraft besitzen.

Die strategische Ausrichtung der OEZA – Empfehlungen für die Zukunft

PSE zur strategischen Priorität in der österreichischen ODA erklären

- Einführung eines strategischeren Ansatzes durch die Konzentration auf einige wenige ausgewählte Themen, in denen die österreichische Entwicklungszusammenarbeit Exzellenz erreichen kann. Diese Themen und Bereiche sollten auf Kompetenzen Österreichs aufbauen, wie zum Beispiel erneuerbare Energien und Tourismus. Alle Akteure in der österreichischen ODA sollten einen gemeinsamen Fokus auf diese Themen legen und auch die Kompetenzen in der österreichischen Geschäftswelt, Zivilgesellschaft und Wissenschaft nutzen.
- Österreichs Innovationsvermögen sollte sich besser in der österreichischen Privatsektorentwicklung widerspiegeln, zum Beispiel durch Einbeziehung der Forschung und des innovativen Geschäftssegments bei Unternehmenszusammenschlüssen in aufstrebenden Märkten und armen Ländern. Innovation ist im Allgemeinen ein schnell wachsender Bereich in der Entwicklungszusammenarbeit und Österreich kann hier eine Vorreiterrolle einnehmen.
- Die PSE-Richtlinien sollten aktualisiert und in eine gemeinsame Strategie für die OEZA umgewandelt werden. Der Kernpunkt dieser Strategie legt fest, worauf sich die österreichische ODA konzentrieren sollte und wer für welche Aufgaben zuständig ist. Dies sollte vorzugsweise ein gemeinsames Produkt der Hauptakteure sein.

Die oben aufgeführten Empfehlungen werden allen Akteuren in der österreichischen ODA, die sich mit der PSE befassen, unterbreitet, d.h. den Ministerien für Auswärtiges, Finanzen und Wirtschaft, der ADA und OeEB.

Stärkung der ADA-Kapazitäten in der Privatsektorentwicklung

- Mainstreaming der PSE in allen relevanten Bereichen der OEZA und in den Vorhaben der ADA mit dem Ziel, bewährte Verfahren in unterschiedlichen Sektoren anzuwenden.
- Angesichts der Rolle der PSE in der österreichischen Entwicklungszusammenarbeit sollte trotz des aktuell eingeschränkten Budgets ein zweiköpfiges Team für den PSE-Bereich (ohne Wirtschaftspartnerschaften) erwogen werden.
- PSE sollte das Thema von Schulungen und Wissensvermittlungen in Übereinstimmung mit den bestehenden Schulungs- und Weiterbildungsprogrammen der ADA werden.
- ADA sollte die Einrichtung eines externen „Helpdesks“ für die PSE erwägen.
- Wir empfehlen, dass die ADA einen „Leitfaden der bewährten PSE-Verfahren“ entwickelt, der sowohl für die PSE als Themenbereich als auch in allen anderen relevanten Sektoren verwendet wird.
- Es wird empfohlen, dass M4P als Analyseinstrument eingeführt wird, mit dem zusätzlich untersucht werden kann, wie ein PSE-Projekt zu breiteren Marktveränderungen beitragen kann.
- ADA sollte eine engere Zusammenarbeit mit anderen Gebern und Interessensgruppen wie zum Beispiel Nichtregierungsorganisationen bei der kontinuierlichen Entwicklung und Anwendung von M4P anstreben.

Die oben beschriebenen Empfehlungen werden der Geschäftsführung der ADA unterbreitet.

Erweiterung der Wirtschaftspartnerschaften

Dieser Bereich liegt zwar außerhalb des Umfangs dieser Evaluierung, doch wir empfehlen einige Änderungen und Ergänzungen des Programms der Wirtschaftspartnerschaften, um seine Effektivität zu erhöhen und es besser in das ganzheitliche, strategische W&E-Programm in Österreich zu integrieren.

- Die ADA sollte die Einrichtung eines systematischen Match-Makings als Ergänzung zu WIPAs in ausgewählten Schwerpunktländern der OEZA erwägen. Norwegen hat ein interessantes Modell eingeführt, das mit relativ kleinen finanziellen Beiträgen eine sehr große Zahl norwegischer Unternehmen mobilisiert hat, Partnerschaften in ausgewählten Ländern einzugehen.
- Wir empfehlen der ADA, die Optionen für neue Geschäftsmodelle für Entwicklung zu untersuchen, z.B. öffentlich-private Partnerschaften mit österreichischen und anderen internationalen Unternehmen, die sich auf Entwicklungsfragen mit gemeinsamen Interessen der Unternehmen und der Entwicklungszusammenarbeit konzentrieren. Auf diese Art und Weise kann das WIPA-Programm größere Unternehmen anvisieren, um die potenziellen Auswirkungen auf die Beschäftigung und auch auf die Nachhaltigkeit zu steigern.

Die oben beschriebenen Empfehlungen werden der Geschäftsführung der ADA unterbreitet.

Empfohlene Verbesserungen im OEZA-Projektzyklusmanagement

- Stärkung der Verbindung zwischen Richtlinie und Umsetzung, d.h. zwischen den 3-Jahres-Programmen der OEZA einerseits und der ADA-Umsetzung andererseits.
- Einführung einer Entscheidungsgrundlage, die die Erwartungen der ADA, den Kontext der Maßnahmen, die Dialogstrategie, Risikobewertung usw. dokumentiert.
- Explizite Herausstellung von Ausstiegsstrategien in diesen Entscheidungsgrundlagen.
- Stärkung der Ergebnismessung, z.B. basierend auf dem „DCED-Ergebnisstandard für die Privatsektorentwicklung“.
- Stärkung unabhängiger Bewertungen und gelegentliche Anwendung von angemessenen Ex-post-Bewertungen.

Die oben beschriebenen Empfehlungen werden der Geschäftsführung der ADA und dem MFA unterbreitet.

EXECUTIVE SUMMARY

This report concerns a strategic evaluation of private sector development (PSD) carried out on behalf of the Austrian Development Agency (ADA). The report focuses mainly on the Austrian Development Cooperation (ADC) implemented by ADA, but reviews also the linkages to the PSD operations by other organisations involved in Austria's Official Development Assistance (ODA).

The purposes of the strategic evaluation are:

- to analyse current and completed Private Sector Development programs and projects of Austrian Development Cooperation as well as the guiding documents for PSD in ADC (along the five DAC criteria) and to draw lessons learned from this analysis.
- to screen subjects overlapping PSD, such as rural development, education and energy for activities that aim at developing and strengthening the private sector. Recommendations for 'how to better use PSD knowledge and potential in these sectors' need to be elaborated.
- to present an analysis of possible synergies between different stakeholders engaged in PSD in Austria with special emphasis on Austrian Development Bank and the Ministry of Finance. Recommendations for an improved cooperation should be provided.

For the methodology, we refer to the main report.

PSD in the context of Austrian ODA

With ODA of below 0.3% of GNI Austria is one of the smaller donors among the DAC members. The Austrian ODA is implemented by some 10 different institutions of which ADA is one, accounting for about 10% of the total Austrian assistance. Other key institutions in Austria's private sector development are the Ministry of Finance (MoF) which handles the support to the International Finance Institutions (IFIs) including funding multi-donor trust funds and facilities operated by the IFIs; the Austrian Development Bank (OeEB) devoted to private sector development both in its lending and technical assistance work, and the Ministry of Economy. In our estimate the 'core PSD' implemented by ADA is small in financial terms compared to that of MoF and OeEB. There is limited strategic coordination and cooperation between the different actors. Efforts in the past to create such strategic cooperation have failed, but a positive step is a recent effort to revive the cooperation between the actors through an inter-organisational PSD task force. An overriding conclusion in this evaluation is that cooperation between these players along a common strategy is essential for Austrian private sector development to build excellence and have a stronger impact than today.

ADC's support to private sector development

The PSD policy framework Private sector development has been a key theme for the Austrian Development Cooperation since the establishment of ADA in 2004. ADC's 3-year programs have all stressed that economic development is as a prerequisite for long-term poverty reduction and that investments, including foreign direct investments, are key mechanisms for creating jobs and government revenues through taxes.

While PSD has been and is one of the thematic top priorities by the government in ADC, the financial allocations on PSD as recorded by ADA in DAC's Creditor Reporting System (CRS) are small, or in the order of EUR 3-4 million per annum recent years. This corresponds

to 3-4% of ADA's disbursements, indicating: 1) an issue of ADA's classification system; and 2) a "coherence gap" between policy and implementation.

The PSD Guidelines ADC established PSD Guidelines in 2010. While capturing current international trends in PSD, the broad-based and heterogeneous PSD approach suggested by the Guidelines stands in contrast to ADA's meagre resources to undertake work, and especially to ADA's staff capacity. The Guidelines for PSD appears have limited influence on the work of ADA. One of our key recommendations is to update the Guidelines to Policy based on current best practices in PSD, make it more focussed on what Austrian ODA should concentrate on; involve and cover all Austrian PSD. It should also be translated into English.

The PSD organization PSD in ADA is structured as three 'columns' of operations:

4. promotion of an enabling business environment;
5. promotion of micro, small and medium enterprises (MSME), focusing on providing MSMEs with technologies and tools through business services; and
6. Business Partnership program (WIPA).

The PSD unit has currently 3.4 staff positions and one head. Of the staff, 2.9 persons are working in the Business Partnership program and 0.5 person with the other two pillars of PSD. This is in spite of the fact that in budget terms the two first pillars of PSD is about the same as Business Partnership program, and also that the PSD staff should provide thematic support to the rest of the organization. ADA's staff resources in terms of PSD (excluding the Business Partnership) are spread extremely thin. Furthermore, PSD is the only theme or sector which has its own unit, directly reporting to the head of the *Projects and Program department*. This organizational set up has created some friction in ADA and difficulties for the PSD staff of integrating with the other thematic fields.

The PSD Portfolio A review of ADC's PSD portfolio in column 1 and 2 leads to the following conclusions: 1) it is heterogenic covering a large number of quite different themes; 2) most projects are in financial terms small; and 3) the overwhelming number of projects are in column 2, i.e. business services, with very few in column 1, i.e. business environment, indicating another gap in coherence between policy and implementation. However, projects are generally well supported by ADA and the organisation seems to have an 'entrepreneurial' and flexible approach in its operations. This allows ADA to often play a greater and a more pioneering role in the otherwise often crowded development assistance field PSD in spite of the smallness of ADC's PSD operations. In general, we are impressed with the dedication and professionalism of ADA's work both at headquarters and in the field. Given this organisational competence, we believe ADC could be much more effective through a more focussed and strategic approach to its PSD work.

The Business Partnerships The third column of ADC's PSD, the Business Partnership program (not subject for the Evaluation except in its linkages to the rest of PSD), is largely operated independent of the rest of ADC, partly due to the nature of the program as a 'global operation', but also partly due to a perception among some staff members that the program is "alien" to good development assistance. The limited interdependency is also due to the fact that ADC's priority countries tend to have limited and declining overlapping with the interest of the business community as reflected in the WIPA. Enhancing the linkages could improve overall effectiveness, learning in PSD in ADA, and a stronger support in the Austrian community for development cooperation. This could be achieved both by modifying the WIPA program and pursue linkages in PSD. For example, WIPA could be complemented by a match-making program in selected ADC priority countries to facilitate joint-ventures.

Presence of PSD in other sectors and themes

Mainstreaming of PSD in all relevant parts of ADC While the PSD portfolio as such constitutes a small share of ADC's program, PSD as a dimension in other projects and programs is considerable, for example in rural development, renewable energy, education, tourism and NGO cooperation. Through the overall orientation of ADC, private sector development in a wide sense, also including smallholders, micro enterprises, etc., permeates much as ADA's work, and probably more so than in many other donor agencies. Such private sector development in other sectors and themes is only to a small extent driven by policy, as reflected in ADC's sector and thematic policies, and even less by a systematic effort of thematic support by the PSD unit of reasons given above.

Today PSD sticks out in ADA as an area within which little or no training and knowledge development is provided to the rest of the organization. There is a strong case for changing this situation by strengthening the capacity in PSD throughout the organization through broad-based training, knowledge building and awareness creation. We recommend that 1) the PSD thematic work is strengthened by more staff time; 2) a systematic training and building knowledge in PSD through existing learning structures in ADA; 3) creative institutional formation permitting such support; and 4) an overall more focused support on themes allowing building technical competence and excellence. Such a focus should take place on themes/sectors for which Austria has a 'strong competence' in an international context, such as (renewable) energy, tourism and innovation.

PSD and ADC's cross-cutting themes At the policy level strong attention is given to the linkages between PSD and environment as well as gender and economic empowerment of women. Although there are formal routines in place for handling environmental aspects in the preparation of PSD projects, it appears that in practise uneven attention is given to these aspects in the preparation phase. The fact that environmental sustainability has not been highlighted in available evaluations reports, indicate a clear weakness in ADA's project cycle approach. The gender dimension is generally well covered by ADA both during preparation and implementation of projects.

Ten PSD projects assessed along DAC's evaluation criteria

An important element of the Evaluation has been a review of ten selected ADC PSD projects using the DAC evaluation criteria. While these were not selected randomly by ADA, they nevertheless indicate certain tendencies.

Relevance Our review of the selected ten PSD projects indicates that the objectives of the development interventions generally appear to be consistent with beneficiaries' requirements, country needs, global priorities and partner' and donor's policies. Several of the projects were multi-dimensional and related not only to the PSD policy area, but also to one or even two other policy areas (like rural development, municipal decentralization and peace-building). In most cases there seems to have been positive synergies between these different objectives, but there was also an example of a perceived trade-off between different objectives.

Effectiveness The log frames for the ten projects were in most cases good, although with some "missing links" in the impact logics. This occurs e.g. when it is assumed that increased capacity of business service providers will have an "automatic" impact on income poverty. In several cases it is not easy to see whether the design of the project was based on a proper analysis of systemic obstacles to the development of markets and entrepreneurship. According to progress reports and evaluations, implementation arrangements in most cases appear to

have worked reasonably well. Due to the high level of diversity among the reviewed projects, it is difficult to generalize with regard to the types of challenges met and adaptations made.

Efficiency According to DAC, efficiency is “a measure of how economically resources/ inputs (funds, expertise, time, etc.) are converted to results”. There were few examples in available documents of assessments of such efficiency. The same applied to the “value for money” assessments (or in other words the “cost-effectiveness of projects). An exception was an evaluation which referred to “spectacular impacts in comparison to costs”. Unfortunately this statement was not substantiated in quantitative terms.

Impact Our project review shows that there is a need for ADA to improve the quality of impact analysis. DCED’s Results Standard may be useful as one of the points of departure. Evaluation reports contain scattered examples of impacts on poor target groups and on empowerment of poor people. An assessment of the impact of a project on poverty reduction would require more in-depth analysis of the character and mechanisms of poverty than has been presented in available documents.

Sustainability Our reviews of projects show that ADA usually give high priority and put considerable efforts into capacity building at the level of individuals and organizations. Available evaluations describe these efforts as clearly successful. Experience shows that in order to properly assess whether the benefits of capacity building have the potential to become sustainable or not, it is actually necessary to let time pass after the completion of project activities before an ex-post evaluation is carried out. Our visits to Kosovo and Macedonia illustrated that the capacity building interventions are highly vulnerable to the frequently changing political priorities and to the politically driven appointments of agency managers. Apart from the strong efforts put into capacity building of partner organizations, our review of project documents did not reveal planned attempts to establish *exit strategies* for ADA’s involvement in specific projects.

What can ADC learn from Sweden and Switzerland?

The ToR for the Evaluation request a comparison of PSD undertaken by two other donors with the purpose of identifying best practices. In accordance with ADA’s guidance we reviewed the basic characteristics of the Swedish (Sida) and Swiss systems (SDC and SECO).

It must be recognized that both Sweden and Switzerland have much broader development cooperation programs, including much larger staffing of their aid organisations, making experiences often difficult to transmit. Especially Sida has spent considerable efforts over many years in integrating PSD broadly in the organisation, while SDC in the same fashion has had strong drive during a number of years to develop M4P in theory and practise is most interesting. Both countries indicate the need for a long-term concerned effort to permeate the system with ‘new concepts’ and thinking. Of particular interest to Austria is that Switzerland with its two development agencies has been successful to have joint cooperation at country level where SECO and SDC complement one another very well. The case of concentration on a limited number of themes is clear in both organisations.

Conclusions and lessons learned

Austria is a small player in ODA, and the split on many, largely independent providers, makes the level of funding implemented by ADA tiny in an international comparison. ADA is stretched in administrative resources and most thematic areas and country desks are manned by a single person. Field offices are small, and country allocations for priority countries are extremely small as compared to most other donors. However, our review of the PSD projects

does not indicate poor performance at project level, quite the contrary, nor that ADA always is relegated to marginal activities in the development cooperation field. One reason for this is that as compared to many much larger donor agencies, ADA is an *entrepreneurial* organisation, not a donor bureaucracy. ADA has developed a project approach which builds on flexibility, preparedness to use opportunities, a reliance on trusted implementing partners, especially Austrian NGOs, and a tight supervision of the portfolio. This is a strength that ADC should build upon.

The weaknesses of ADC's private sector development are: 1) a spread on too many different approaches in ADA on often quite small projects with limited synergies in between these, preventing building excellence; 2) an ineffective organisational set up for PSD with too limited staff and largely isolated from the rest of the organisation preventing effective cross-cutting support; 3) no systematic skills-upgrading through training of PSD best practices throughout ADA; 4) no common thrust on PSD throughout the Austrian ODA system with implementing organisations having largely different orientations; 5) a PSD Guidelines which are too general for ADC's needs and of little steering power.

ADC's strategic orientation – suggestions for the future

Make PSD a strategic priority in Austrian ODA

- Introduce a more strategic approach through concentration on a few selected themes for which Austrian development cooperation can build excellence. These themes and sectors should build on the competence in Austria such as renewable energy and tourism. All the players in the Austrian ODA should have a joint focus on these themes, also using the competences in the Austrian business community, civil society and academic field..
- Austria's innovative capacity should be better reflected in Austria's private sector development, for example through involving the research community and the innovative segment of the business in ventures in emerging markets and poor countries. Innovation is a rapidly emerging field in development cooperation in general, and Austria may play a pioneering role in this.
- Update the PSD Guidelines to become a joint strategy for ADC. The key message in this strategy is what Austrian ODA should focus upon and who should do what. It should preferably be a joint product by the key players.

The recommendations above are made to all the players in the Austrian ODA concerned with PSD, i.e. the ministries of foreign affairs, finance and economy, ADA and OeEB.

Strengthen ADA's capacity in private sector development

- Mainstream PSD in all relevant parts of ADC and in ADA's operations with the purpose of applying best practices in different sectors.
- Given PSD's role in the Austrian development cooperation, a two person team for the PSD function (excluding Business Partnership) should be considered even in the currently constrained budget environment.
- PSD should be made a subject for training and capacity building in line with ADA's existing training and knowledge upgrading programs.
- ADA should consider establishing an external 'help desk' for PSD.
- We recommend that ADA develop a "best practice check-list of guidelines for PSD" to be used both in PSD as a thematic subject and in all other relevant sectors.
- It is recommended that M4P is introduced as an analytic tool supporting the analysis of how a PSD project contributes to wider market changes

- ADA should look for closer cooperation both with other donors and with stakeholders like NGOs in the continued development and use of M4P.

The recommendations above are made to the management of ADA.

Enhance the Business Partnership program

While outside the mandate of this Evaluation we suggest some changes and complements to the Business Partnership to make it more effective, and especially for the program to fit into a holistic, strategic PSD program by Austria.

- ADA should consider establish a systematic match-making program as a complement to the Business Partnership in selected ADC priority countries. Norway’s scheme is an interesting model, which, with fairly small financial inputs has mobilized a very large number of Norwegian companies to seek partners in selected countries.
- ADA is recommended to study options for new models for business for development, e.g. joint public private partnerships with Austrian and other international companies focusing on development issues with common interests between the companies and development cooperation. In this way WIPA can target larger companies to increase the potential impact for example on employment and also on sustainability.

The recommendations above are made to the management of ADA.

Suggested improvements in ADC’s project cycle management

- Strengthen the linkage between policy and implementation, i.e. between ADC’s 3-year programs on the one hand and the ADA implementation on the other hand.
- Initiate a Decision Memorandum which documents the expectations of ADA, the context of the intervention, dialogue strategy, risk assessment, etc.
- Make exit strategies explicit in such decision memos.
- Strengthen results measurement, e.g. based on DCED’s “Results Standard for Private Sector Development”.
- Strengthen independent evaluations and occasionally apply real ex-post evaluations.

The recommendations above are made to the management of ADA and MFA.

1. INTRODUCTION

1.1 The report

This report concerns a strategic evaluation of private sector development (PSD) carried out on behalf of the Austrian Development Agency (ADA). The report focuses mainly on the Austrian Development Cooperation (ADC) implemented by ADA, but reviews also the linkages to the PSD operations by other organisations involved in Austria's Official Development Assistance (ODA). The study is both assessing the results according to established OECD-DAC criteria of relevance, effectiveness, efficiency, impact and sustainability, and is forward-looking in the sense of analysing and recommending how Austria could make its PSD support more effective. In view of the fact that Austrian ODA overall is limited, we have applied a focus on Austria's competence and comparative advantage in a broader donor perspective.

1.2 The Terms of reference

The purposes of the strategic evaluation according to the Terms of Reference (ToR) are:

1. to analyse current and completed Private Sector Development programs and projects of Austrian Development Cooperation as well as the guiding documents for PSD in ADC (along the five DAC criteria) and to draw lessons learned from this analysis. (*The ADC PSD analysis*).
2. to screen subjects overlapping PSD, such as rural development, education and energy for activities that aim at developing and strengthening the private sector. Recommendations for 'how to better use PSD knowledge and potential in these sectors' need to be elaborated. (*The ADC wide analysis*).
3. to present an analysis of possible synergies between different stakeholders engaged in PSD in Austria with special emphasis on Austrian Development Bank and the Ministry of Finance. Recommendations for an improved cooperation should be provided. (*The Austrian ODA dimension*).

The evaluation should make a comparison with other donors in order to identify best practices in PSD and to develop recommendations and new practices for ADC and other PSD stakeholders. It was agreed that this comparison should primarily be with Swedish Sida and Swiss development cooperation (SDC and SECO), but also relevant references to other donors might be included. The evaluation is not covering ADC's Business Partnership program implemented by ADA as such, but the linkage of this program to other PSD work in ADC is subject for the evaluation.

The Terms of Reference specify a series of evaluation questions which should be answered by the evaluation. These questions are arranged both under the five DAC criteria for evaluations and under the headings strategic questions, project-related questions, and donor comparisons. While these questions permeate the report, our assessments for each of these questions are summarized in chapter 6 of the report.

For details of the ToR, see annex 1.

1.3 Methodology

The strategic evaluation was carried out from mid-December 2012 to mid-February 2013 and included the following forms of data collection:

Document review The evaluation has been provided with over 300 documents by the Austrian Development Agency including policy and strategy papers, project related documents such as short descriptions, project proposals, progress reports, reviews and evaluations as well as statistical material from ADC's Credit Reporting System (CRS) to DAC. For documents specifically referred to, see annex 3.

Review of PSD projects The ToR suggest that the evaluation should review 10-15 ADC PSD projects. Twelve PSD projects were identified by ADA in the initial phase of the evaluation. These projects are listed below.

Table 1: Selected PSD-projects for evaluation

<i>Project</i>	<i>Focus countries</i>	<i>Period</i>	<i>EUR mill</i>	<i>Modality and sub-sector</i>
Private Infrastructure Development Group (PIDG)	Global	2007 – on-going	8.8	Multi-donor program on private infrastructure; financial facilities; focus on two PIDG facilities, Technical Assistance Facility (TAF) and InfraCo
The Road to Europe – Program of Accounting Reform and Institutional Strengthening (REPARIS)	South East Europe	2008-13	6.5	Multi-donor program on accounting reform implemented by the World Bank focusing on Western Balkan
Strengthening Auditing and Reporting (STAR)	Caucasus and Black Sea region	2012-13	1.3	Multi-donor - a follow-up of REPARIS
Inclusive value chains (CENPROMYPE)	Central America	2010–13	1.2	Bilateral: Value chain focusing on micro enterprises and SMEs
Integrated regional development (IRDS)	Kosovo	2009-12	2.6	Bilateral SME development*
Promotion of Handicraft, phase 1 and II (PROMART)	Burkina Faso	2007-12	3.0	Bilateral – Handicraft
Local Economic Development, Masaya (CIDEL)	Nicaragua	2010-13	1.7	Bilateral - SME development
Local actors for Inclusive Economic Development and Governance (JOIN)	South Caucasus	2011-14	1.0	Bilateral: Inclusive economic development*
Refinancing microfinance institution	Burkina Faso Senegal	2007-09	0.3	Bilateral - Micro finance
Capacity Building towards Knowledge-Based economy	Macedonia	2009-12	0.5	Bilateral: Capacity building*
Foreign Direct Investment Promotion	Kosovo	2009-12	0.8	Bilateral - FDI Promotion
SME Promotion	Kosovo	2012-15	0.6	Bilateral project jointly with SDC on SME development

These projects were not a randomly selected sample of the ADC portfolio, but chosen to provide evidence of different types of projects and with a focus on ADC's larger PSD projects. The projects are in many cases one phase in a series of previous projects with a similar approach, some dating back to the early 2000s, and some continuing until 2015. During the course of the evaluation we found that some of these projects in fact are not classified as PSD in ADC's CRS data base, but under other headings such as rural development. (These are marked with * in the table above). Finally, two of the projects have

just begun; hence there is yet no evidence on performance. In terms of the assessment of the PSD projects above using the DAC evaluation criteria, we have excluded the newly began projects (STAR and SME promotion in Kosovo). They are, on the other hand, used in the strategic evaluation. The classification problem encountered is part of the issues in ADC's work in PSD as further discussed below.

PSD in other sectors Seven ADC projects in regional and rural development, tourism and vocational training were identified by ADA as examples of PSD work which cut across other themes. These projects are given below:

Table 2: Selected projects in other sectors for review

<i>Sector</i>	<i>Focus</i>	<i>Details</i>
Tourism	Bhutan	Tourismus Salzburg Curriculum & Teaching Materials Development Hotel & Tourism Management and Training Institute
	Montenegro	Tourism development
Regional development	Burkina Faso	Regional development program, Boucle de Mouhoun
	Serbia	Strategic Partnership in Support of the Integrated Regional Development Plan of the Autonomous Province of Vojvodina
Rural Development	Uganda	Income Generation through ecological food processing
	Ethiopia	Sustainable Resource Management Program
Vocational training	Moldova	Agricultural schools as competence centres for training

These projects were not chosen by ADA to be representative of ADC operations.

Interviews with stakeholders in Austria Semi-structured interviews were held with some 40 stakeholders in the Ministry of European and International Affairs, the Austrian Development Agency, the Austrian Development Bank (OeEB), the Ministry of Finance, the Ministry of Economy, the Austrian Chamber of Commerce and several Austrian NGOs during two visits to Vienna. For a list of persons interviewed, see annex 2.

Field work in Kosovo and Macedonia In line with the proposed methodology of the ToR, we have undertaken work in Kosovo during one week, also including a short visit to Macedonia. During these visits, interviews were conducted with about 25 persons, including ADC project stakeholders, government organisations, 'beneficiaries' in the private sector, and relevant donor representatives. A case study based on this field work in Kosovo is provided in annex 4. The persons met are included in annex 2.

Overall, the stakeholders in Vienna, Kosovo and Macedonia provided frank and comprehensive responses to our questions.

Donor comparison For the purpose of donor comparison, besides using our extensive experience of Sida and consultancy work for SECO, interviews have been conducted with representatives of SDC and SECO focussing on PSD practices.

Triangulation In line with the suggested methodology in the ToR we have to extent it has been possible sought to triangulate our findings with both secondary and primary sources of information.

2. BACKGROUND

2.1 Defining Private Sector Development

Private sector development is a term used in development cooperation with different connotations. PSD is often defined as a (donor) strategy for promoting economic growth and reducing poverty in developing countries by building private enterprises, membership organizations to represent them, and competitive markets that are stronger and more inclusive. The Development Committee on Enterprise Development (DCED) lists as common strategies for PSD such as *Business environment reform*, *Business development services*, *Value chain development*, *Making markets work for the poor (M4P)*, *Green growth*, *Women entrepreneurship development*, *Access to finance*, *Micro finance*, *Cluster development*, *Trade-related assistance*, *Entrepreneurship development*, and so on.¹ The PSD strategies and approaches evolve continuously.

PSD is not a specific category in the OECD DAC's Creditor Reporting System, hence not reflected in the international statistics of Official Development Assistance. The CRS categories which are mostly closely linked to PSD are: *Banking and financial services* (240 series); *Business and other services* (250 series); *Industry, mining and construction* (320 series) and *Tourism* (332 series). Overall, these 'sectors' account for small shares of all ODA – jointly less than 5% of ODA² This is implicitly the definition also used by the Austrian Development Cooperation. However, a number of other categories might have strong private sector development elements such as *Economic infrastructure and services* (200 series); *Communication* (220 series), *Energy* (230 series), or *Agriculture, Forestry and Fishing* (310 series). Hence, it is to a large extent up to a donor to determine how its private sector development is classified in the CRS.

Aid for Trade A comparison can be made to *Aid for Trade*. When this concept was introduced in 2005 by WTO and OECD, it meant largely a new form of multiple classification of aid by adding assistance to “reduce behind the border constraints (for trade)” such as economic infrastructure and productive investments to the old CRS category *Trade policy and regulation* (series 331). The result is that Aid for Trade as reported today by WTO and OECD includes for some countries 20-25% of their total ODA as compared to often less than 1% for *Trade policy and regulation*.³ No similar PSD (re)classification has so far been attempted in the donor community. However, *Aid for Trade* is often treated in the context of PSD, for example by the DCED, indicating that PSD in a broad sense might account for a similar or even larger share of ODA than *Aid for Trade*.

Business for development As PSD became a key term in the development agenda in the 1990s, the assistance initially concerned issues such as market reforms, establishment of market institutions, business services, capacity building of local enterprises, etc. Over time new forms of PSD have emerged with the purpose of engaging the international business community in development assistance as independent actors. Such efforts are often under the umbrella of concepts such as *Private Public Partnerships (PPP)*, *Business for development (B4D)*, *Business to Business (B2B)*, *Business Partnerships*, etc. Austria introduced such a

¹ For an exemplification, see DCED www.enterprise-development.org

² OECD DAC ODA data base 2012 (figures for 2011)

³ Austria's reporting on Aid for Trade does not, however, follow this pattern. In the OECD/DAC data base for 2010, Austria's reported Aid for Trade was about EUR 70 million, or less than 10% of its ODA.

program in the mid-2000, called Business Partnerships (WIPA). Different from other PSD development assistance, such assistance tends to be less focused on specific partner countries and more global in its approach; less driven by local ownership and assuring coherence with partner country priorities and plans, for examples expressed in Poverty Reduction Strategy Plans; less concerned with the Paris agenda on aid effectiveness, and more driven by the interests of the business community. A significant underlying factor for this is the realization that private capital flows increasingly exceed ODA flows, and that the gap over time has been widening. Also, that many partner countries express greater interest in private investments and trade than conventional government to government ODA. Hence, mobilizing of private capital for development is seen as an increasingly important vehicle by donors; leveraging of private capital flows and investments by ODA has become a key objective. The paradigm shift of closer work with the donor countries' own business sector and other international companies have created certain frictions with the conventional development assistance, also present in the Austrian context as elaborated below.

The role of Development Finance Institutions As private sector development plays an increasingly more important role in ODA, the provision of risk capital through loans, guarantees and equity to private investments in developing countries through the Development Finance Institutions (DFIs) is increasingly recognized. DFIs provides capital on commercial terms, hence their activities are not counted against ODA. However, many DFIs use additional grant funds for the purpose of technical assistance, as special grant windows for example aimed at micro enterprises, or they are undertaking grant funded business programs on behalf of donors. The Austrian Development Bank (OeEB) is one of the youngest DFIs in OECD countries with a rapidly expanding portfolio.

2.2 Austria's general ODA structure

Austria's Official Development Assistance was about EUR 900 million in 2011, making Austria one of the smaller donors among the DAC members. With an ODA of 0.29% of GNI, Austria is below the European average of 0.45% and far from the UN target of 0.7%.⁴ Austrian ODA has declined considerably recent years from a level of EUR 1.3 billion in 2007. The key reasons for the negative trend are:

- in the mid 2000s the Austrian ODA was to a considerable extent made up by debt relief which has declined since then (ODA excluded debt relief has been at a steady level of 0.25-0.30% of GNI in the 2000s);
- the government of Austria made drastic budget reductions with the onset of the financial crisis in 2008 which also affected its ODA and still is doing so; and
- development assistance is of tradition not a major policy area in Austria (in comparison to, for example, the Nordic countries, the Netherlands and more recently in the United Kingdom); there is no political party for which development assistance is high on the political agenda.

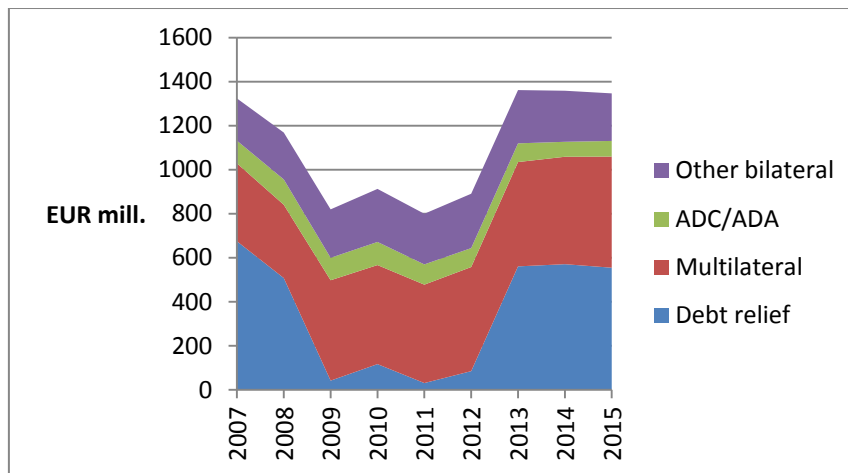
The Austrian government has reaffirmed its commitment to fulfill the EU target of 0,7% of GNI, but says it will not be able to do so by the EU target date 2015 due to major cut backs in the government budget running to 2014. In the most recent projection, the Austrian ODA is expected to regain the level of about EUR 1.3 billion per annum from 2013.⁵ The main reason

⁴ OECD DAC 2012

⁵ ADC 3 year program 2013-2015: ADC, *Dreijahresprogramm der österreichischen Entwicklungspolitik 2013 – 2015* (only currently available in German)

for this increase is an expected major increase in debt relief from 2013, while other ODA largely will remain the same as indicated in figure below.

Figure 1. Austria's ODA 2007-2015 divided on channels



Source: Data from ADC's 3 year program 2013-2015 except for 2007 which is from the program 2010-12.

It is noteworthy that the Austrian Development Cooperation channeled through the Austrian Development Agency is a small player in the Austrian ODA in financial terms. In 2011 ADA accounted for about 10% of the total disbursements.

The organizational landscape of Austrian ODA The Austrian ODA, which has a history back to the 1960s, has undergone some considerable organizational changes during the last decade reflected in a new Act of 2002, the creation of the Austrian Development Agency in 2004, and the establishment of Austria's Development Bank in 2008. Overall, Austrian ODA is delivered through a large number of institutions. The main window from a financial point of view is the Ministry of Finance which is providing Austria's contribution to EU's development assistance and is funding the International Financial Institutions such as the World Bank group (both core funding and bilateral projects). The Ministry is also providing grant support to the Austrian Development Bank and managing Austria's soft loan scheme. The Ministry of Finance's share of the Austrian ODA is nearly two third of the total ODA. All together some 10 ministries are involved in the ODA system.

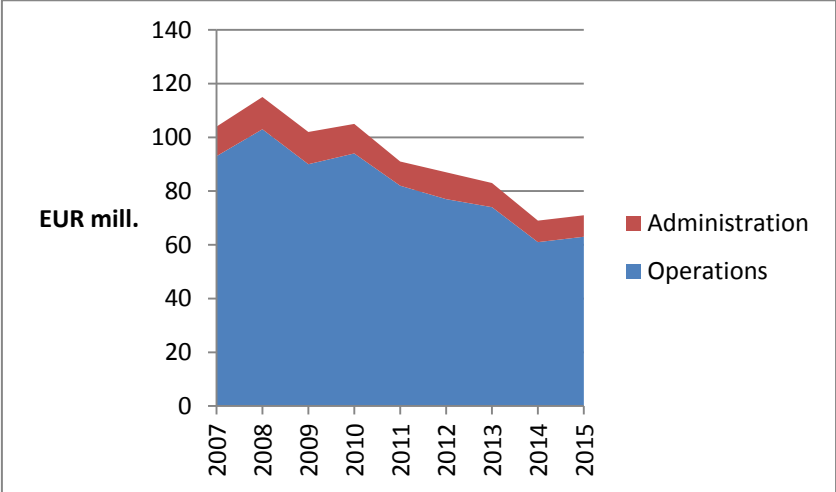
The Austrian Development Cooperation The Federal Act of Development Cooperation from 2002, with amendments 2003 establishes the basic principles and objectives of Austrian Development Cooperation. Essential strategic planning elements of ADC include: 1) ADC's 3-year development programs, 2) country and regional strategies for Austria's partner countries and regions; 3) specific policy, strategy and guideline documents for various subjects within ADC, and 4) ADA's annual program. The ADC is attempted as an overarching platform for all Austrian ODA, but the focus of the planning and publications under the umbrella of ADC is strongly focusing on the bilateral cooperation implemented by ADA. While this is a small share of the Austrian ODA as indicated above, it is the part which has the most elaborate planning system and accompanying policy and strategy documents. Based on our work we also found it to be the most transparent part of the Austrian ODA.

The ADC is the responsibility of the ***Ministry of European and International Affairs*** (MFA) with a staff of about 20 persons dealing with development assistance. The Ministry formulates policies and strategies for the ADC, and establishes the regional and country strategies and the

ADC three year programs.⁶ MFA has, on the other hand, no supervising power over the development assistance provided by the Ministry of Finance, the Austrian Development Bank or any of the other ministries involved in Austria’s ODA. The problem of the lack of an overarching ministry for ODA and the spread on many actors and its dysfunctional effects has been commented upon by many outsiders, including OECD-DAC in its peer reviews.⁷

Austrian Development Agency ADA is in charge of implementing the bilateral Austrian Development Cooperation program. It is a non-profit company, 100% owned by the government and receives its budget from the Ministry of European and International Affairs. It has its own board mainly comprising representatives of other ministries. ADA operates currently (2012) on a regular budget of about EUR 85 million of which EUR 75 million is operational (project and program support), and EUR 10 million is ADA’s administrative budget.⁸ ADA’s regular budget has declined in recent years as indicated in the figure below.⁹ The 3 year plan for Austria’s ODA 2013-15 sees a further decline of ADA’s budget to about EUR 70 million by 2015.

Figure 2. ADA’s budget 2007 - 2015



Source: ADC 3 year programs

The picture above must, however, be modified somewhat as ADA’s operational budget is supplemented by other forms of funding, most notably the so called Indirect Centralized Management (ICM) which are funds from the European Commission to be implemented by national aid agencies in the EU; allocations from the European Recovery Program (ERP) which constitute revenues from the old Marshall Plan support to Austria after World War II; and a contribution from the Austrian Development Bank for the Business Partnership program. The budget for ADA in 2013 is, including these additional sources, about EUR 100 million and financed as indicated below:

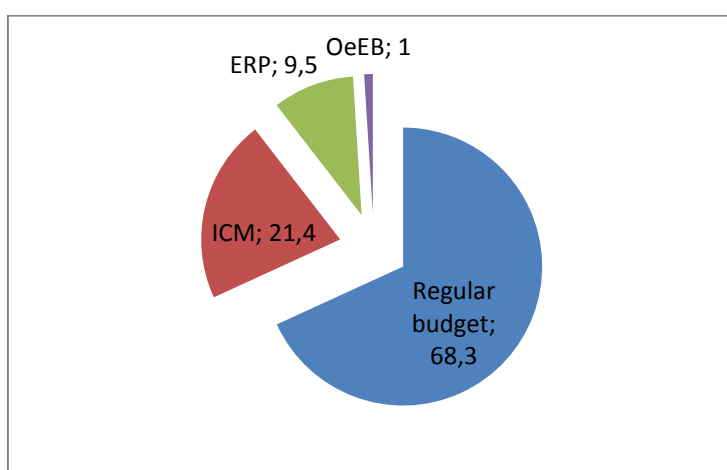
⁶ The Ministry is also channeling Austrian core support of the United Nations system

⁷ OECD (2009) and ADA (2010)

⁸ In this budget the new EU system of Indirect Centralized Management (ICM) allocation is not included, i.e. that ADA received a share of the EU development budget for implementation. For 2013, this amounts to 7% of the ADA budget according to ADA’s annual work plan 2013.

⁹ Information from ADA 2012

Figure 3. The ADA operational budget 2013 (EUR mill.)



Source ADC, *Arbeitsprogramm 2013 der ADA*

ADA has currently a staff of 110 persons¹⁰ in both Vienna and offices abroad, excluding project financed staff. Of these 70 are located at the headquarters in Vienna.¹¹ The in relative terms quite small (and declining) operational budget of ADA as compared to most donor agencies deeply affects the staff of the organization. Yet, we are impressed by the professionalism of the staff, their openness and dedication to their work across the organization and in the field office in Kosovo. ADA's ability to perform its tasks and uphold its professional position is commendable in spite of shrinking budgets in a donor community with aid organizations with staff and budgets many often times larger than ADA. (For example, the Swedish Sida with a staff of 570 at headquarters¹² administers a development budget of the corresponding of EUR 2.15 billion, i.e. a budget over 20 times that of ADA).¹³

2.3 The other ODA implementing organizations and PSD

The Federal Ministry of Finance (MoF) with in total 850 staff, is organized in 6 directorates, of which the Directorate III, *Economic Policy and Financial Markets*, deals with International Finance Institutions such as the World Bank, IMF, IFC, EBRD, and regional development banks such as Asian Development Bank, the Inter-American Bank and the African Development Bank. The Ministry is both handling Austria's core budgets to the multilateral organizations and bilateral projects implemented by these. Austria's cooperation with the IFIs is based on the strategic guidelines defined by the Ministry. Based on Austria's interests and areas of expertise, the Austrian IFI Strategy focuses on *renewable energies and energy efficiency, water and sanitation, and trade*. A new strategy under formulation will have four programmatic focal areas: renewable energy and climate change, water and sanitation, private and financial sector development, and urban development.

As mentioned earlier, the Ministry of Finance implements about two thirds of the total Austrian ODA. A considerable share of this could be classified as private sector development, for example some of the funding of the IFIs, the Ministry's support to the Austrian Development Bank, etc. The Ministry is also co-financing some of the PSD projects supported by ADA, for example PIDG and REPARIS (see below). The Ministry of Finance

¹⁰ Number calculated as "full-time equivalents".

¹¹ ADC, *Arbeitsprogramm 2013 der ADA*

¹² In December 2012 according to www.sida.se

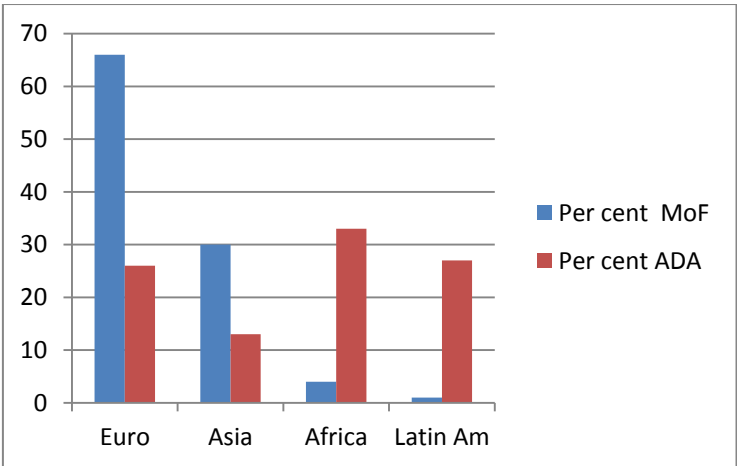
¹³ Sida's share of the Swedish ODA budget 2013 (SEK 18,3 billion)

has a to some extent a different modality of its development assistance than ADA in its project cycle management, its priority setting and also communication strategy of what the support is comprised of. As a result, implementing agencies, such as the PIDG and the World Bank (REPARIS), treat the support from the Ministry of Finance and ADA as two separate donors.

The structure of the Ministry’s ODA and details of its support are not in the public domain, and, for example, there is no reference to such details on the Ministry’s webpage. Actors in the Austrian ODA complain of the low transparency of the Ministry of Finance’s ODA operations where information seems to be shared mostly on an informal personal basis. There is in our opinion an anomaly in the transparency in the Austrian ODA with, one the one hand, prolific information by ADA covering 10% of the ODA budget, and on the other hand, hardly any information of the ODA operations by the Ministry of Finance covering 60-70% of the ODA budget. However, it should be noted that the Ministry’s support to a very large extent is core funding of the IFIs, Austria’s contribution to the EU, etc., while the support for which the Ministry has some more substantial involvement in, such as funding specific facilities operated by the IFIs, is more limited and in fact largely equals that of ADA.

We traced the multi-bi disbursements by the Ministry of Finance reporting to DAC (via ADA) for 2011. The total multi-bi assistance for this year was EUR 34 million not counting the annual support to OeEB. Nearly half of this amount was for IFI projects, programs and facilities in the energy sector, including support for clean energy, energy efficiency, carbon market initiatives, energy for the poor; etc. carried out by the World Bank, EBRD, IFC and Asian Development Bank, etc.; other forms of MoF support were for more general infrastructure development support such as funding of IFC’s Investment Climate Facility, FIAS. While most of the Ministry’s multi-bi support is for ‘global’ facilities, the support of programs with more specific geographic focus indicates rather low overlapping with ADC’s priorities as indicated in the table below.

Figure 4. Geographical focus by MoF and ADA (Disbursements 2011)



Source: Data provided to DAC CRS in 2011 (Data for ADA concerns PSD only as defined above)

Austrian Development Bank Austria established its development finance institution, the *Oesterreichische Entwicklungsbank* (OeEB) in 2008, making OeEB the youngest of the DFIs in Europe. The bank, which is 100% owned by the *Oesterreichische Kontrollbank*¹⁴, (OeKB) makes most of its investments in the form of long- and medium term loans against which the government of Austria (Ministry of Finance) provides a guarantee. Its focus is on the financial sector, including microfinance, and the renewable energy sector. In 2011 the Bank invested in 8 projects of in total about EUR 80 million. It had in 2011 a loan portfolio valued at about EUR 300 million.¹⁵ The Bank invests both in individual companies and in funds. Both the participation in funds and the project financing are with few exceptions joint financing with other DFIs, especially German DEG and KfW. The portfolio is global with projects in Africa, Latin America and South Eastern Europe.

OeEB's portfolio is strongly dominated by loans to financial institutions such as national and regional banks. While a linkage to the Austrian business sector was an implicit objective in the setting up of the Bank by the Ministry of Finance, this has so far not materialized as envisaged. In the view of the OeEB's management, large Austrian companies mainly utilise export credits and guarantees (provided by OeEB's mother company OeKB) and are not requesting the loans offered by OeEB, while the loan size which OeEB strive for in order to achieve expected financial results, is beyond the size the Austrian small and medium industries can manage or require. As an attempt to fill this gap, the OeEB will in 2013 introduce a new window with loans in the range of EUR 1 to 5 million.

OeEB's Advisory program OeEB has had from its inception a liberal provision of grant funds by the Ministry of Finance for an Advisory program with the purpose of assisting OeEB to develop its investment portfolio. The funding has been in the order of EUR 15-20 million per annum. Some 60 projects had been undertaken by the end of 2010 with a total funding of EUR 45 million.¹⁶ Part of the grant facility has been used for conventional technical assistance such as feasibility studies, training and consultancies, etc., but partly this fund has also been reinvested through provision of equity, for example in specialised micro finance funds. Some examples of technical assistance projects carried out since 2008 are support of IFC enabling environment projects; studies on financial sectors in Georgia, Azerbaijan and Armenia; a study on the housing finance; and a micro finance study in East Africa. The use of the grant facility for investment is, for example, provision of equity in the ShoreCap II, a micro finance fund. From 2012, the grant funding by the Ministry of Finance to OeEB is split up in technical assistance to support and develop OeEB's portfolio of EUR 4 million, and about EUR 15 million for equity funding.¹⁷

OeEB's cooperation with ADA There is on-going cooperation between OeEB and ADA. For example, for the period 2012-2014, OeEB is providing EUR 3 million towards the Business Partnership program. ADA is also represented in OeEB's investment committee, and OeEB is represented in the committee overseeing the Business Partnership program. Sometimes ADA

¹⁴ *Oesterreichische Kontrollbank* (OeKB), established in 1946, is Austria's main provider of financial and information services to the export industry and the capital market. OeKB offers a wide range of specialized services to companies in all sectors, including financial institutions and Austrian government agencies. OeKB acts as a central hub in the markets, operating impartially and in accordance with its sustainability policy. Its shareholders are Austrian commercial banks. One of OeKB's tasks is provision of Export Credit Guarantees to Austrian companies.

¹⁵ A2F Consulting (2012): *Evaluierung der Oesterreichischen Entwicklungsbank*

¹⁶ A2F (2012)

¹⁷ According to communication with OeEB

and OeEB are providing funding to the same programs. Thus, OeEB has provided a EUR 10 million loan to the Emerging Africa Infrastructure Fund, a facility in the PIDG, which is one of ADA's main programmes in PSD. However, in terms of the PIDG funding, ADA provides funding to two other facilities, InfraCo and TAF.

The cooperation between the development cooperation agency and the development finance institute in Austria seems closer than in many DAC countries, for example in Sweden and Norway. However, with the exception of the multi-donor funded projects such as those mentioned above, there are no linkages between ADA and OeEB. The gap tends to be too wide between ADA's Business Partnership and the size of the loans that OeEB is prepared to lend.

The Ministry of Economy, Family and Youth is a small party in the Austrian PSD. For example, its guidelines for the Austrian foreign trade and investment policy - "Shaping globalisation - success through openness and innovation" issued in 2008, advocates a strategic partnership between Austria's external trade and its development cooperation. It seeks to enhance partnerships between private business and development cooperation as a means of strengthening the private sector in the partner countries and help companies to build up new markets. Some of the Ministry's tasks are to provide information on business and development, to identify areas of economic and development potential and to raise Austrian public awareness in this field. Some specific PSD-related programs supported by the Ministry are¹⁸:

- Contributions of EUR 200,000 per year since 2002 to the Doha Development Agenda Global Trust Fund. The Doha fund aims at facilitate global trade through mainly training activities by WTO.
- The OECD Investment Compact for South East Europe. The program uses OECD instruments and tools in order to assess where and how to enhance competitiveness of countries, sectors and regions to generate sustainable growth.
- OECD Eurasia Competitiveness Program specifically an initiative that aims to promote the OECD Guidelines for Multinational Enterprises in Eurasia.
- CorporAID, providing information on business and development, in order to identify areas of economic and development potential and to raise Austrian public awareness in this field.

2.4 The landscape of PSD support in Austria – the narrow and the ‘broad PSD’

We summarize the following forms of Austrian private sector development:

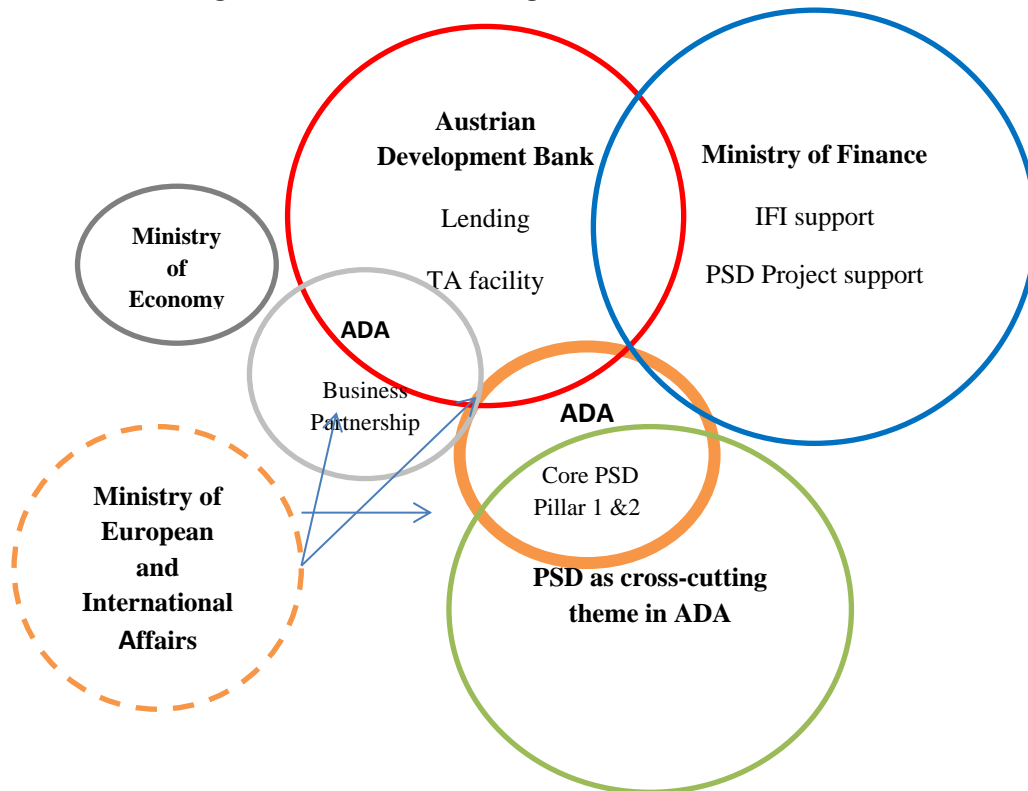
- The ‘core PSD’ undertaken by ADA in the context of the Austrian Development Cooperation program. As further discussed below, this is in financial terms a very small share of Austria's PSD related assistance.
- The Business Partnership program by ADA – the third pillar of ADA's PSD. Also this program is in financial terms a small share of the ODA
- The cross-cutting PSD theme in other ADC operations. As elaborated below, much of ADC's program has a strong element of PSD, albeit not explicitly recognized or counted as such.

¹⁸ Information provided by the Ministry to the Evaluation team in February 2013.

- The PSD carried out by other players in the Austrian ODA, primarily Ministry of Finance, the Austrian Development Bank and the Ministry of Economy. In financial terms, this is by far the largest PSD share of the Austrian ODA.

The different modes of PSD operations in the Austrian ODA can be illustrated in the figure below (with the size of the circles as indicative of the PSD flows):

Figure 5. Schematic description of Austria's PSD



As further discussed below, there is surprisingly limited overlapping between these circles. The system is rather characterised by each ‘circle’ operating on its own, with its own focus, priorities and geographical orientation. This is especially noteworthy in a context where the overall level of support is limited. Low synergies seem to be a logic conclusion of the situation. During our interviews we heard many expressions of critique of the system as it functions, critique of the other players and wish for a closer cooperation. A positive step, however, is the very recent efforts to revive the cooperation between the actors through an inter-organisational PSD task force.

The phasing of PSD assistance The Austrian development cooperation is in the process of reducing the number of priority countries, for example phasing out assistance to many countries in Southern Eastern Europe. It is a deliberate policy by the Austrian government that in such countries other forms of cooperation will replace grant funding under ADC. Thus, for example, the country strategy 2010-12 for Macedonia assumes that other forms of support will replace the assistance from 2013, including the Business Partnership program and the Austrian Development Bank’s loans. This is as an example assumed to take place in the energy sector, a priority for Macedonia. Given the limited interaction between the ODA players, their quite different and largely un-coordinated efforts, transfers between one support

form to another seems, overall, unlikely to occur. In our recommendations we will provide some ideas how this can be strengthened.

3. ADC's PRIVATE SECTOR DEVELOPMENT

In this chapter we will analyze ADC's program, approaches and practices in the field of private sector development. An important point of departure for this review is our review of 10 PSD projects identified by ADA (ref. table 1). The result of this analysis is presented in an assessment of each project (annex 5) summarized in chapter 5 along the DAC evaluation criteria. Our review of the 10 projects is also fed into the conclusions that we present in chapter 6 based on the Evaluation Questions listed in the Terms of Reference for this evaluation.

3.1 The policy framework for PSD – ADC's 3 year programming

The initial platform Already at the establishment of ADA in 2004, private sector development was a key theme for the Austrian Development Cooperation. The ADC 3-year program for 2005-2007 stressed that economic development was as a prerequisite for long-term poverty reduction. It also concluded that investments, including foreign direct investments, were key mechanisms for creating jobs and government revenues through taxes. The program stated that ADC should promote improved frameworks for business in priority countries and also facilitate for Austrian business to a more active part by investing in developing and transitional countries, taking into account Austria's comparative advantages in sectors such as energy, water, environmental technology and tourism. An Inter-ministerial Private Sector and Development Platform was created in the early 2000s to promote a broad-based approach to PSD. However, this effort of cooperation lost momentum and died in 2007. A new initiative is under way of creating a PSD task force which hopefully will include all the relevant parties, i.e. ADA, the MFA, the Ministry of Finance, OeEB, the Ministry of Economy and the Austrian Chamber of Commerce. Such a development would very be much in line with the recommendations of this Evaluation.

PSD in later programs Austria's 3-year program 2007-09 reflected in the spirit of the Paris agenda on Aid effectiveness an effort to concentrate the development cooperation both on fewer countries as well as on sectors and themes. Private sector development was made one of six sector priorities, besides energy, water& sanitation, rural development, education and governance. The program stressed that PSD should promote pro-poor growth in the meaning of contributing both to economic growth and reduced inequality in partner countries. Three strategies would apply for PSD:

- promotion of an enabling business environment;
- promotion of micro, small and medium enterprises (MSME), focusing on providing MSMEs with technologies and tools through business services; and
- harnessing the potential of Austrian and European industry and commerce.

These three focal points have been institutionalized in ADA as the three 'pillars' or 'columns' of ADC's PSD operations.

In the ADC 3 year program for 2010-12 PSD was maintained as one of ADC's six sector priorities. The program indicated also that private sector development directly or indirectly would be present in ADC's other work, for example in programs for rural development with a focus on income generation, in vocational and other training for the purpose of enhancing

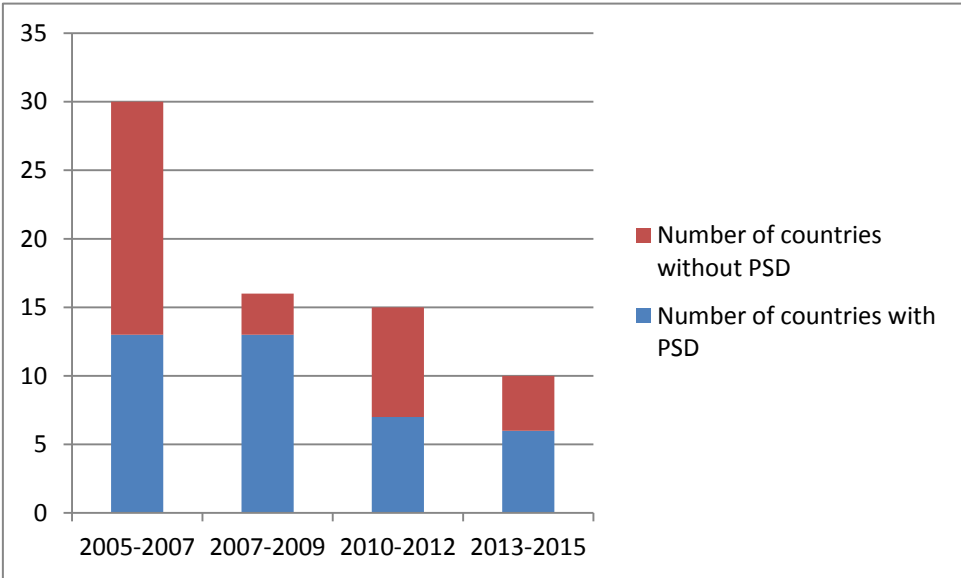
employment, in infrastructure projects in energy which is a critical condition for the private sector to thrive, etc.

In the newly established 3-year program for 2013-15 ADC’s priority areas have been reduced to three, albeit one of these focus areas comprise several (sub) sectors:

- water, energy, land and forestry;
- economic development including private sector development;
- human rights and good governance

Programming at country level ADC has, as indicated in the figure below, drastically reduced its number of priority countries from the mid-2000s. The importance attached to PSD is reflected in the country programming for the full period ADA has existed, albeit with some variation over the period in which priority countries private sector development is a focus theme.¹⁹

Figure 6. The prevalence of PSD in ADC’s 3 year programs 2005-2015



Sources: ADC’s 3-year programs

In the current 3-year program direct PSD is a focus area in six of the ADC’s now ten focus countries. ADC also includes supportive PSD such as renewable energy and transport infrastructure under the heading of private sector and development, making the ‘sector’ a focus in eight of the countries as indicated below:

¹⁹ The focus areas are not fully consistent over the period.

Table 3: PSD at country level

Priority countries ²⁰	Direct PSD	Support PSD
<i>Africa</i>		
Burkina Faso	-Craft, micro and small enterprise support	
Ethiopia	-Access to business services and finance	-Renewable energy
Mozambique		-Strengthened transport infrastructure
Uganda	-Access to business services and finance	-Strengthened energy infrastructure
<i>South and eastern Europe</i>		
Armenia	-Access to business services and finance -Improvement of local framework conditions	
Georgia	-Access to business services and finance -Smallholder and SME capacity building; -Value chain development	
Kosovo	-Access to business services and finance -Improvement of local business framework conditions	
Moldavia ²¹		
<i>Asia</i>		
Bhutan		-Vocational training in tourism
Palestine territories		

Source: ADC 3 year program 2013-2015

The PSD focus at country level indicates that the Ministry sees projects and programs mainly under PSD pillar 2, i.e. business services for MSMEs, while pillar 1 activities concern local business environments.

In summary, since ADA's creation in 2004, PSD has been one of ADC's focus areas, and – jointly with energy, water and governance – maintained through-out the period. PSD has also a presence in about half of priority countries through-out the period with some variations. We conclude that thematically PSD is a high priority for Austrian Development Cooperation, seemingly stronger than in many other donor countries such as Sweden, Norway and the UK where themes such as democracy, human rights and health and education dominate the donor agenda.

ADA's annual work plans In ADC's planning cycle ADA establishes yearly an annual work plan which is an operationalization of the 3-year program, for example indicating which would be the key projects/programs to be supported. In the program for 2013 ADA notes that private sector development in the sense of mobilising the international business community has been subject for a series of high-level international statements recently, for example at the High Level Forum IV in Busan in 2011 which should govern also ADA's work. The program notes that ADA will increasingly work on themes such as the *green economy* and the *Making Markets work for the Poor* (M4P) concepts, and also strengthen efforts to create joint work with OeEB.²²

²⁰ Excluding focus regions

²¹ In parallel with Bhutan, the vocational training program in agriculture in Moldavia could have been seen as supportive of PSD.

²² ADC, *Arbeitsprogramm 2013 der ADA*

3.2 PSD policies

The private sector and development guidelines The MFA and ADA in 2010 jointly issued a Guideline on *Wirtschaft und Entwicklung* (translated on ADC's website as *Private Sector and Development*). The Guideline stresses that the private sector and development are two sides of the same coin. The Guidelines conclude that sustainable poverty reduction needs an efficient and dynamic private sector to unleash economic growth, and point out that private investments create new jobs, generate know-how and afford opportunities to earn income. The cross-sectorial feature of PSD is stressed including that PSD should permeate ADC's other sectors.

The Guidelines defines three basic approaches for ADC's PSD work:

- *Improving the framework for private-sector engagement in ADC partner countries*
Support for enabling economic, social and institutional environment for private enterprises;
- *Direct private-sector promotion in ADC partner countries*
The aim is to strengthen the market position of enterprises in partner countries, improve their information base and enable them to gain access to finance;
- *Greater involvement of Austrian and European industry and commerce*
Under this heading falls the Business Partnership, see below.

As mentioned above, these three themes are translated in ADA's work as three pillars or columns of PSD.

Overall, the PSD Guidelines paint a broad menu of potential operations and tools. However, the guidelines contain no analysis of what could be Austria's or ADC's comparative advantage or unique competence in the broader donor context of PSD interventions, or in the context of the Paris agenda for donor effectiveness. The broad-based and heterogeneous PSD approach suggested by the Guidelines stands in contrast to ADA's limited resources to undertake work, and especially to ADA's limited staff capacity. The description of the second pillar is strongly focussed on provision of Business Development Services which is not fully in line with a broader market-based approach like M4P.²³ Furthermore, that PSD is a theme involving many actors in Austrian ODA is not well reflected in the Guidelines. The Guidelines for PSD are only available in German in contrast to other ADC sector or thematic guidelines and policies which also are available in English. During our interviews both inside and outside ADA some criticism of the PSD Guidelines was voiced that they had been produced in isolation and that they were not well mainstreamed in ADA's overall work. As further discussed later in this report ADC should consider updating its Guidelines for PSD into a PSD strategy general for Austrian ODA.

Guidelines for Private sector development through NGOs ADA issued in 2009 guidelines for how private sector development through non-governmental organisations (NGOs) should be promoted and take place in the context of ADA's second PSD pillar.²⁴ These guidelines reiterate the overall thrust on PSD in Austrian development cooperation and its focus on pro-poor growth. In parallel with the PSD Guidelines, the guidelines are primarily focussed on

²³ One illustration is the way that of the second approach in the PSD Guidelines is described: "... strengthen the market position of enterprises ..." (instead of referring to outcomes at market level).

²⁴ ADC (2009) Privatsektorentwicklung durch NRO – Leitfaden für Business Development Services

supply of services to businesses and lack the broader perspective of market development and market outcomes.

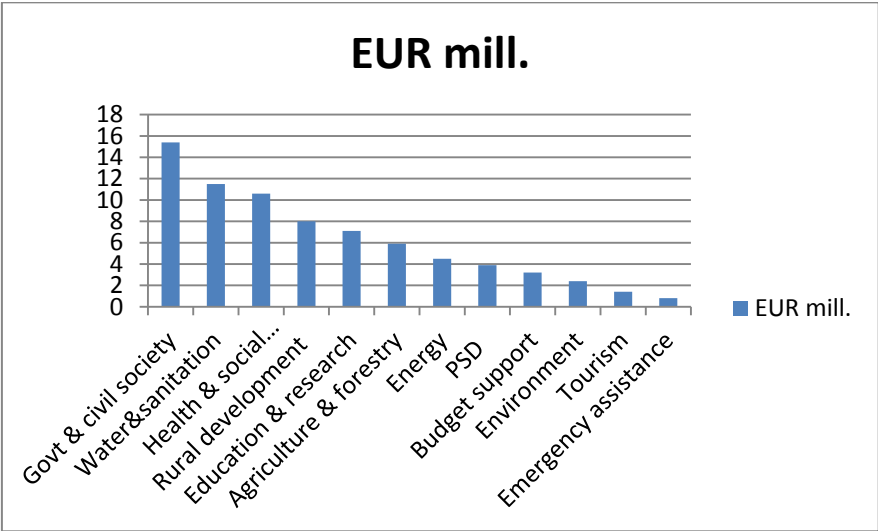
3.3 ADC’s PSD portfolio

In the statistical material provided by ADA on private sector development for this evaluation, projects in the following DAC categories were included:

- Financial policy and administrative management (DAC code 24010)
- Formal sector financial institutions (24030)
- Business services (25010)
- Industrial policy and administrative management (32110)
- SME development (32130)
- Cottage industries and handicraft (32140)

Using the CRS definition above, ADA has a PSD portfolio of some 40 projects which either are under implementation or for which funds have been committed, but the projects not yet started.²⁵ These projects range from fairly large projects such as support to the multi-donor programs Private Infrastructure Development Group, (PIDG), to smaller country focused projects such as FDI promotion in Kosovo.²⁶ The total committed ADC grant support of these projects is about EUR 40 million. It should be noted these projects fall in the pillar 1 and 2 above, i.e. they exclude the Business Partnerships. (See below). As indicated in figure below, PSD is a small share in ADA’s operations in terms of disbursements as compared to several other sectors:

Figure 7. ADA’s disbursement on different themes (2011) ²⁷



Source: ADC reporting to DAC for 2011.

²⁵ These include projects recorded in the CRS for the period 2008-2013 as Financial policy and administrative management (24010); Formal sector financial institutions (24030); Business services (25010); Industrial policy and administrative management (32110); SME development (32130); and Cottage industry and handicraft (32140);

²⁶ There is no an entirely clear logic to ADA classification of these projects under the two ‘pillars’ above. Thus, support of PIDG is classified as ‘business services (CRS 25010)’, while PIDG either should be classified as economic infrastructure, or finance sector (CRS 24030).

²⁷ Source: ADC reporting to DAC for 2011. PSD defined as earlier indicated. Excluded from this is the budget for general awareness promotion in Austria (EUR 5,7 million)

Given the policy indications in the 3-year programs of the thrust on PSD, the actual PSD portfolio is strikingly small. Overall, there is a considerable discrepancy in the overall ADC 3-year program priorities and the disbursements of ADA assistance indicating an issue of limited coherence between policy and implementation.

A review of the PSD portfolio shows that the clear majority of projects fall under pillar 2 with few projects in pillar 1. The multi-donor World Bank implemented project *The Road to Europe – Program of Accounting Reform and Institutional Strengthening* for South East Europe (REPARIS) is one of the few cases of a clear-cut business environment project. While ADC's policy framework for PSD is not explicit on the division of work between the three pillars, there is nothing to indicate that pillar one should be given lower priority. There is also in this respect a certain lack of coherence between policy and implementation.

In view of the small size of the annual disbursements under the PSD heading, the heterogeneity of the PSD portfolio is striking. Thus, it contains sub-sectors such as financial facilities for private infrastructure financing, accounting reforms, anti-corruption projects, small and medium enterprise (SME) development, promotion of foreign direct investments (FDI), micro finance; handicraft development, cluster development, business development services, technology transfer and development, local business development, market for the poor, value-chain development, promotion of innovations, etc. Another feature is that – excluded the two largest multi-donor program PIDG and REPARIS the average project size in terms of the ADA grant is small, or on the average less than EUR 0.5 million, disbursed usually over a three year period.

REPARIS and PIDG In ADC's PSD portfolio the PIDG and REPARIS programs stick out from several perspectives: they are clearly the largest projects in the portfolio (ADA's contribution to PIDG is so far EUR 8.8 million, and to REPARIS EUR 6.5 million); they are co-funded by other organizations in the Austrian ODA (Ministry of Finance and OeEB); and they are multi-donor funded programs with a global or regional approach. In all these aspects they are quite different from most other projects of ADC. In the case of PIDG, ADC is a small funder with limited influence in the today successful program attracting an increasing number of donors. The participation has been providing ADA with considerable learning in financial sector development and private infrastructure funding. In the case of REPARIS, the Austrian ODA organizations have been able to attract the World Bank facility *Center for Financial Reporting Reform* (CFRR) to Vienna and thereby created a hub for several World Bank implemented programs. The Ministry of Finance has played the lead function in this (also through financing of the premises of CFRR), but ADC has provided the bulk of the funding. In some respects, REPARIS must be considered a quite successful project in profiling Austrian ODA. For further details of the projects from an evaluation point of view, see annex 5.

3.4 The case of PSD in Uganda

In order to review ADC's PSD from a country perspective over time, we identified with the help of ADA the portfolio of PSD projects in Uganda where PSD was a priority sector from the time that ADA was established in 2004 until 2008 when a decision was taken to phase out PSD. Below summarizes the PSD portfolio for this period²⁸:

²⁸ A country perspective was not requested in the ToR (except Kosovo). Our selection of Uganda as a complement was based on the fact that ADA had had a rather significant portfolio which had been closed.

Table 4: PSD in Uganda 2003-2008

<i>Title</i>	<i>Time</i>	<i>'000 EUR</i>	<i>Partner</i>	<i>Short description</i>
Sustainable timber-based batch production – pilot phase	2003-05	270	Horizont 3000	Piloting a production process, including design, training, developing of market strategies
Sustainable timber-based batch production	2005-08	402	Horizont 3000	Same as above, but in full scale
Improvement of the Business environment	2004-07	60	Ministry of Finance	Technical advisers to support the Medium Term Competitiveness Strategy Secretariat; follow up of a project from 2002-04
Improvement of the Business environment	2005-08	600	Ministry of Finance	Technical advisers to support the Medium Term Competitiveness Strategy Secretariat
Market led micro finance	2004-06	435	Microsave Africa	Technical assistance and tool kits for micro finance institutions in Uganda; ADC had earlier several micro finance with other partners in Uganda
Strengthening the Uganda Business Information Network	2004-05	698	UNIDO	Information and ICT solutions, expansion to existing UNIDO facility to other districts
Technical development and training in shoe and leather goods production	2004-05	380	Ecotec	Follow up of projects first started in 1998 at the Training and Common Facility Center to provide business services on a franchising basis
Business development services in South-Western Uganda	2005-08	531	Care, Austria	Sub-component of a larger Care Business Development Service project in Uganda which was a follow up of a larger Care project (Jenga) ongoing with Care support since the 1990s
Income-generation through ecological fruit processing	2006-08	149	Horizont 3000	Market information system; fruit drying

Source: Data provided by ADA

The portfolio of nine projects of in total about EUR 3.5 million over a 5-6 year period is covering a variety of sectors and themes, including micro finance, timber, leather and processed fruit production, support for an Ugandan competitiveness strategy, general business services for SMEs at regional level, and regionalization of a UNIDO promoted market information system. It is difficult to see a deliberate strategy in the portfolio, or an attempt to create synergies between different projects. Rather, the portfolio appears to have emerged largely in response to initiatives by various parties, including Austrian NGOs (Horizont 3000 and Care), an NGO with a base in Uganda (MicroSave Africa), an Austrian company (Ecotec) and UNIDO. Some of the projects are phases of projects which started already in the 1990s prior to the establishment of ADA.

As noted from the table above, the portfolio is strongly focused on business services – pillar 2 and furthermore such services at local level. It is noteworthy that in a longer perspective the Austrian development cooperation in PSD in Uganda had a stronger involvement with business environment issues prior to the creation of ADA. This was through projects with the World Bank, DFID and the Ministry of Finance in Uganda. The projects on business environment reform in the portfolio above were a final phase of projects initiated in the

1990s. We have not been in a position to assess the performance of this portfolio at the time ADA phased out of the sector through a management decision to concentrate on other themes. The general experience of a fragmented portfolio of small projects tend to be overall discouraging, however, especially in respect of creating more than a marginal impact.

3.5 The Kosovo and Macedonian cases

ADA's portfolio includes two PSD projects in Kosovo, one on FDI promotion through the Investment Promotion Agency of Kosovo (IPAK) which was going on 2006-2012 in two phases with a total funding of EUR 1.3 million, and one project on SME promotion (KOSME) which started in the end of 2012 and will continue to 2015 with a funding of EUR 0.6 million. Both these projects are implemented by the Austrian NGO *Economic Initiative for Kosovo* (ECIKS), initiated and staffed by diaspora Kosovars. As further elaborated in Annex 4, ADA has played a certain pioneering role in both projects in a context of crowding and an overflow of donor assistance to PSD in general and SMEs in particular by agencies such as the World Bank, IFC, the EU and USAID. ADA's work in this context is commendable in finding a niche and to some extent playing a lead role in development, partly due to the work of ECIKS, partly a flexible and "opportunistic" approach to assistance by ADA and its local staff in the sense of being flexible, fast and exploiting opportunities. This has been achieved to a fairly limited budget; hence pointing of a cost-effective operation.

A similar pattern of flexible and opportunistic performance by ADA evolved in Macedonia where ADA managed to make an educational project at the university level become a PSD project focusing on innovation and entrepreneurship by exploiting the dynamic leadership of a Macedonian professor in mechanics and a create a separate NGO to insulate the development from political interference. Today the Faculty and the *Center for Development of Innovation and Entrepreneurial Learning* are regional leaders in innovation development. However, in Kosovo and to some extent in Macedonia, the ADC projects are plagued by an issue of sustainability as they, like other donors, target small and generally weak government institutions which are plagued by political interference in appointment of staff. The question of finding other channels for PSD support than weak government agencies is an issue to explore in general for ADA.

The Kosovo FDI project is on interest in the sense it had a deliberate linkage to the Business Partnership as one of its activities was promotional events in Austria and other German-speaking countries in Europe. The synergies between the project and the Business Partnership were clear in the sense that Kosovo stands out as one of the top destinations of the Business Partnership program in spite of in general a weak business environment for FDI as compared to the Balkans in general.

A third ADC "PSD" project in Kosovo (which in fact is classified as a rural development project) is the IRDS project in the Suhareke municipality implemented by Care, Austria. This project, which is operating since 2009 in a first phase with a budget of EUR 2.6 million until 2012 and with a new phase under way, follows a long tradition in ADA to work in regions in multi-sector approaches (the region in the case of Kosovo determined by Austria's involvement in K-FOR during the war in the 1990s). The project is largely a PSD project by its focus on SME development through grant funding of local enterprises, building of local business centers, etc. While well implemented, it follows a common pattern in Kosovo (and elsewhere) in providing grants (or subsidized loans) to local enterprises in a way which is not sustainable without donor funding. An alternative to such an approach in Kosovo would

rather be to address the constraints and ‘market failures’ in the financial sector with its extremely conservative commercial banks and no venture capital industry.

3.6 PSD and local economic development (LED)

As illustrated by the table below, a common feature of a number of ADA’s PSD projects is that they are focused on specific geographic areas which are predominantly rural. The table provides some basic facts on the four projects which share this feature (including the IRDS project described in the previous section on ADC’s PSD program in Kosovo).

Table 5. PSD projects with a local economic development focus²⁹

<i>Project name, country/region</i>	<i>Specific area focus</i>	<i>Main PSD sub-sectors</i>	<i>Target group: enterprises /population</i>	<i>Implementing agency</i>
CIDEL, Local economic development, Masaya region Nicaragua	9 municipalities in Masaya region	Great variety: handicraft, textile, furniture, agriculture, tourism etc.	1,500 small enterprises	CIDEL, an inter-municipal NGO
CENPROMYPE, Inclusive value chains in Central America	Four regions at border between (i) Guatemala - Belize; and (ii) Panama - Costa Rica	Community tourism, carpentry /furniture	300 enterprises	CENPROMYPE, a regional centre part of institutions for regional integration in Central America
JOIN, Local inclusive economic development and governance in the South Caucasus	Border region in Georgia and Armenia (7 and 6 municipalities)	Agriculture including agro-tourism	Total population in region: more than 0.7 million	CARE International in the South Caucasus
IRDS, Integrated regional development in the sector of agriculture, Kosovo	Wider Suhareke municipality	Agriculture, e.g. horticulture, meat production etc.	Total population 80,000 persons	CARE Austria and LK-project

The objectives of these projects are multidimensional: they combine objectives related to *decentralisation* and strengthening of municipalities with *inclusive economic development* and poverty reduction. In the case of the two projects located in border regions in Central America and South Caucasus there are also objectives related to *peace-building* in conflict-prone areas. As demonstrated by the reviewed project documents, there are a number of potentially interesting synergies between these objectives. Efforts to build local “social capital” are also good for private investment. There may also be potential contradictions and trade-offs between different objectives as illustrated by recent discussions on the JOIN project. Suggestions by the implementing agency CARE to increase the focus on economic development (based on an M4P approach), were perceived by ADA representatives to conflict with decentralisation objectives.

All the four projects include two main components: (i) *capacity development* in the concerned municipalities including efforts to strengthen cooperation between the stakeholders in public sector, private sector and civil society and (ii) provision of *business development services* e.g. providing market information within prioritised sub-sectors and trying to improve value chains in selected sub-sectors. Two of the four projects have also provided (iii) *resources for*

²⁹ Although the Boucle de Mouhoun regional development project, and possibly other projects mentioned in Table 2, may also be described as LED projects, they have not been included in Table 5 because they are defined as belonging to “other sectors”.

capital investments: i.e. small-scale infrastructure investments (CIDEL) and grants or credits to private entrepreneurs (IRDS and CIDEL).

It is obvious that although these projects have also other objectives, private sector development is an important element in all four projects. In accordance with the terminology used by the DCED they could all be described as support to “*Local Economic Development (LED)*”³⁰, which is a “strategy for promoting local economies as a way to fight poverty”. As exemplified by ADC projects, LED is often combined with “cluster development” strategies which focus on supporting “agglomerations of inter-connected companies, services and institutions”. Web pages prepared by DCED and SDC give interesting references to an extensive literature and debates on pros and cons with LED and cluster approaches.³¹ In one of SDC’s discussion papers the author argues that smaller development agencies like SDC have a clear comparative advantage in comparison with e.g. multilaterals in their support to complex local development processes.³²

Our review of the four ADC projects illustrates some of the challenges connected to the application of LED; e.g. regarding the linkages between actions at local level and parallel efforts to improve national policies and institutions. We have found little evidence in project documents of any systematic efforts to analyse the local business environment in order to identify underlying causes of low level of private sector activity. During the last few years there has been a growing interest in using tools developed for national business climate analysis to regions or cities.³³ Tools for bench-marking regions or cities may play a role in local reform processes aimed at improving the local business climate e.g. by removing various kinds of “red tape” in areas such as building regulation. There are also issues regarding the sustainability of municipally-based business information centres which provide various kinds of services to the private sector. To what extent will these centres be able to continue their services once the external support has been phased out? Although there are many challenges to applying approaches like M4P in a LED context, there are also concrete examples of how this may work in practise.³⁴

The same kind of challenges also applies to the provision of grants or credits, as mentioned in the previous section on the IRDS project in Kosovo. According to ADA officials, ADA has had several negative experiences from projects that included direct provision of microfinance from project organisations. This is in line with international experience that led donors within the global microfinance platform CGAP to conclude that “microfinance is about building permanent local financial institutions that can attract domestic deposits, recycle them into loans, and provide other financial services”.³⁵ A concrete example of ADA’s changed view on

³⁰ in Central America this approach has become well established under the name DEL (Desarollo Economico Local)

³¹ <http://www.enterprise-development.org/page/ledclusters> and http://www.sdc-employment-income.ch/en/Home/Private_Sector/PSD_Main_Topics_and_Resources/Local_Economic_Development

³² Swinburn, G. (2006), Argumentation and Reference Paper on Local Economic Development, SDC

³³ See Asia Foundation (2007), *Local economic governance in Indonesia, a survey of businesses in 243 regencies/cities in Indonesia* and IFC sub-national Doing Business indicators <http://www.doingbusiness.org/reports/subnational-reports>

³⁴ Barlow et. al. (2009)

³⁵ CGAP (2006), *Good Practise Guidelines for Funders of Microfinance: Microfinance Concensus Guidelines*

direct provision of microfinance was the decision in 2009 not to continue to provide funds to the microcredit component of the CIDEL project in Nicaragua.³⁶

3.7 PSD and the Business Partnership program

The WIPA program ADA is operating a Business Partnership program (with the German acronym WIPA) since 2005 which is defined as the third pillar of ADA's PSD operations. WIPA provides matching grants to Austrian and other European companies of up to EUR 200,000 in line with the EU regulation of maximum state support of enterprises in the European Community. The companies must provide at least 50% in matching funding, and there are a number of conditions concerning development dimensions of the project which must be fulfilled. The program is open for all developing countries and emerging markets. It is not exclusive to Austrian companies, albeit the majority of projects approved are with Austrian partners. By 2012 nearly 100 projects have been approved since the beginning of the program. About 60% of these projects have taken place in Southern and Eastern Europe.³⁷ ADA is only partly financing the Business Partnership program. Additional funding of the Business Partnership program is provided by Austrian Development Bank as noted earlier.

The Business Partnership program was evaluated in 2009.³⁸ At this time the program had a portfolio of about 50 projects with a grant volume of EUR 8 million. The evaluation gave an overall positive assessment, especially against the background that the program was new and experimental in Austrian development cooperation. It concluded that in particular so called value chain type of cooperation performed well along the DAC criteria, i.e. that Austrian or European companies created links with local suppliers. The evaluators noted that the WIPA is a stand-alone program, but saw opportunities for a closer cooperation with ADA's general PSD operations. At the time of the evaluation, the WIPA's management was outsourced. The program has since then been integrated into ADA's administration.

Linkages between the three pillars in PSD During the interviews in ADA as well as during the field work in Kosovo and Macedonia we have explored the linkages between WIPA and the other PSD activities of ADC. Our conclusion from these is that the Business Partnership program and the rest of ADA's work are largely independent of another with only few exceptions. As discussed above, Kosovo in one such exception. There are several reasons for this lack of linkages:

- The Business Partnership is driven by the interest of the Austrian and European business community. It is the companies' desire to invest and explore business opportunities which determine the direction of the support both geographically and sector-wise, while ADA's other programming is determined by priority setting by the MFA in the country programming and choice of priority countries for bilateral assistance. As further elaborated below, there is a very limited overlap between these.
- There is a certain degree of reluctance in ADA to fully accept the Business Partnership program as a development tool. At least some staff sees the WIPA as a 'Trojan horse' in ADA with problems to reconcile the interest of the (mainly) Austrian business

³⁶ It is noted that the Austrian NGO that had acted as implementing agency during 2006-2009 had actually recommended that funding of microfinance should be continued in spite of the problems that had been experienced.

³⁷ ADC (2012), *Geschäftsbericht 2011*

³⁸ Bürkle E. and Palenberg M. (2009), *Evaluierung der Instrumente "Entwicklungspartnerschaften und Unternehmenspartnerschaften" der Austrian Development Agency*, Global Public Policy Institute, Berlin

community with poverty oriented development cooperation.

The overlap between ADC country priorities and Business Partnership The data base for the Business Partnership in terms of country focus shows that a few countries so far have accounted for the majority of projects. Thus, Serbia, Bosnia & Herzegovina, Kosovo and Albania account together for about half of all such projects.³⁹ The table below specifies the ADC priority countries 2010-12 and 2013-15⁴⁰ and the ‘priority countries’ by the business community as reflected in WIPA projects, and from this an assessment of overlap in interest. The analysis shows that only Kosovo has a strong current overlap, while most of the countries in Southern and Eastern Europe for which the business community have given priority have now been phased out by ADC. The countries being phased in by ADC in the new 3-year program generally are absent (so far) in the Business Partnership program. Overall, for 8 of 16 ADC’s priority countries 2010-15 there is so far no WIPA project.

Table 6: ADC priority countries and Business Partnership

	ADC priority 2010-15	Business interest ⁴¹	Overlap ⁴²
<i>Africa</i>			
Burkina Faso	x	0	None
Cap Verde	(x) phased out	0	None
Ethiopia	x	1	Some
Mozambique	x	1	Some
Uganda	x	0	None
South Africa		3	None
<i>Europe</i>			
Albania	x	4	High
Armenia	x – phasing in 2013	0	None
Bosnia & Herzegovina	(x) phased out	8	High, but phased out
Georgia	x – phasing in 2013	0	None
Kosovo	x	7	High
Macedonia	(x) phased out	2	Some, but phased out
Moldova	x	0	None
Montenegro	(x) phased out	2	Some, but phased out
Serbia	(x) phased out	8	High, but phased out
<i>Asia</i>			
Bhutan	x	0	None
Palestine	x	0	None
<i>Latin America</i>			
Mexico		3	None
Nicaragua	x phasing out 2013	3	Some, but being phased out

Source: ADC 3 year program 2010-12, and 2013-15; Data provided by ADA for WIPA

The Business Partnership is seen by the Austrian government as an integral part of the development cooperation. The limited and declining geographical overlap is a weakness in this respect. In theory there are merits of linkages between the Business Partnership program and other PSD projects of the following reasons:

³⁹ Data provided by ADA.

⁴⁰ Regional ADC priorities are not included

⁴¹ List provided by ADA not including older projects. Only counties with 3 or more projects included, except for the ADC priority countries

⁴² The criteria used for overlap are for high = 4 or more WIPA projects and ADC priority; some = 1-3 WIPA projects and ADC priority;

- the experience of the business partners in the WIPA program can be a source of direct know-how for ADA on the functioning of the business environment, such as identifying binding constraints; thus, the experience in WIPA can build competence in ADA in specific countries.
- there might be opportunities to create or reinforce value- and market chains in the sense Austrian/international companies become linked to local companies, thus create benefits to the local economy in terms of employment;
- Being present in a market, ADA staff locally and in Vienna can constitute a check on the behavior of the firms which have received grants under the Business Partnership, for example in terms of corporate social responsibility and prudent corporate behavior in general. (There is a case where local ADA staff has discovered fraudulent behavior by a grant supported firm.)

The interest of the Austrian and European business community is not static. A program by ADC in a country, especially with PSD as a focus, can very well pave the way for interest in the business community to invest. Also the reverse relationship might be possible – strong interest by the European and Austrian business community might trigger the MFA to include a country as an ADC priority. We see little evidence of this, however, from the material above. The Ministry sees the lack of overlap due to differences in objectives: ADC should have a poverty focus while the business community tends to select emerging markets higher up the economic rank. However, such differences might be an illusion: Africa, as a continent with some of the fastest growing economies of the world today, attracts currently a strong interest in FDI.

The Business Partnership program has a strong focus on Austrian and other European small and medium enterprises. Thus, 60% of the companies under the WIPA are small with less than 50 employees, and 20% has less than 10 employees.⁴³ We can assume that the smallness of most WIPA companies impact on their ability to sustain operations in the longer run, but, more importantly, their ability to scale up operations in order to have an impact on employment and economic performance of the targeted countries. Although outside our mandate in this evaluation we will suggest some means of potentially increase the development effectiveness of the WIPA program in the final chapter.

3.8 The organisation of PSD in ADA

PSD is handled by a section in ADA under the supervision of the *Program and Projects department*. The PSD section, called the *Business Partnerships and Private Sector Development*, has currently 3 staff positions and one head. Of the staff, 2.5 persons are working in the Business Partnership program and 0.5 person with the other two pillars of PSD. This is in spite of the fact that in budget terms the two first pillars of PSD is about the same as Business Partnership program, and also that the PSD staff should provide thematic support to the rest of the organization.⁴⁴ PSD is the only theme or sector which has its own unit, directly reporting to the head of the *Projects and Program department*. Other thematic areas such as energy, water, rural development and education are elements of the *Quality Assurance and Knowledge management* section under the same department. This organizational set up has clearly created some friction in ADA and difficulties for the PSD staff of integrating with the other thematic fields.

⁴³ Presentation material by ADA December 2011

⁴⁴ There is one vacancy in the section, but whether this can be filled under the current budget constraints, is unlikely.

It is clear that ADA's staff resources in terms of PSD (excluding the Business Partnership) are spread extremely thin. Furthermore, as the PSD portfolio is quite heterogenic in terms of themes as elaborated below, the ability of ADA to provide specialized technical services and knowledge in PSD is by necessity very limited. In summary, ADA has a considerable challenge to 1) translate the policy of the government in terms of PSD into implementation; 2) create a more even balance of the three pillars in PSD (or change the policy); 3) create an organizational structure which permits as functional and effective PSD technical support inside the organization as is possible with existing resources. In the final chapter we provide some suggestions to achieve this.

4. PSD IN OTHER SECTORS AND THEMES IN ADC

4.1 Arbitrary classification of PSD

It is to some extent an arbitrary process whether an ADC project implemented by ADA is defined as 'core PSD' or using a different CRS heading and vice versa. Thus, there are among the selected projects for this evaluation several which clearly could have been defined as PSD, but there are also projects in the PSD portfolio which as well could have been classified as rural development. Whether a project is defined as PSD or not reflect to some extent the personal preference of individual staff members. Overall, there is not a clear common understanding in ADA what should be considered private sector development. For example, some staff sees smallholder or micro enterprises not as part of 'the private sector' where the tools of PSD are applicable.

4.2 PSD as a common element in ADC projects

In general, ADC's work has a strong dimension of private sector development if PSD is defined in a broad sense. Thus, according to ADA staff, much of the actual support through NGO framework agreements has a PSD focus as economic empowerment through micro enterprises and micro finance are common tools; the ADC's energy portfolio with its focus on renewable energy has a strong (potential) private sector dimension; rural and regional development projects which focus on smallholders as economic agents may have market development and value chain development as key features; educational projects in vocational training has clearly linkages to the business sector, tourism projects supported by ADA are related to the private sector, and so on.

4.3 PSD and rural development

Rural development is one of ADC main themes, as reflected in disbursements of EUR 8 million in 2011. ADC originally published a policy on support to rural development 2003⁴⁵ and summarized it in a folder in 2006.⁴⁶ This policy provides broad analysis of all kinds of pre-requisites for rural development. The policy draws a sharp line between – on one hand - the importance of providing market information, extension services and micro-finance to small-scale farmers, and – on the other –supporting "agribusiness". There is no discussion on opportunities to increase the incomes of small farmers by linking them to formal agricultural businesses through the development of agricultural value-chains.

⁴⁵ Österreichische Entwicklungszusammenarbeit (2003), *Sektorpolitik Ländliche Entwicklung*

⁴⁶ ADC (2006), *Rural Development – Setting priorities for the Austrian Development Cooperation*, Folder http://www.entwicklung.at/uploads/media/Folder_Rural_Development_01.pdf

ADA participates actively and contributes to the learning processes in the Global Donor Platform for Rural Development on the role of markets and market access for poor women and men in rural areas. ADA's rural development adviser has also initiated research aimed at reviewing current approaches for promoting agricultural value chains.

Our review of projects classified as rural development covers a considerable variety of approaches, including such diverse approaches as:

- Support to a locally managed regional development program in Burkina Faso which included support to capacity development, infrastructure investments through a development fund as well as support to micro-finance services.⁴⁷
- An ecological food processing project in Uganda which included export promotion and value-chain development.
- A locally managed natural resource management program in Ethiopia involving a wide spectrum of activities, including livelihoods development (e.g. marketing and entrepreneurship).
- One of the four "Local Economic Development" projects described in chapter 3.7, i.e. the IRDS project in Kosovo (while the CIDEL and CENPROMYPE projects are classified as SME development and the JOIN project as "strengthening civil society").

Apart from providing another illustration of the fact that classification is arbitrary, the above list demonstrates that there may be a very strong PSD dimension in what is defined as support to rural development. The rural development portfolio in ADC has strong similarity to elements of the portfolio of the NGO framework agreement (see below), hence jointly they constitute a substantial share of ADA's operations. The importance of systematically applying 'best practices' is obvious, but there is no institutional mechanism in ADA to assure that this takes place.

4.4 PSD and energy

ADC's Policy on *Energy for Sustainable Development*, issued in 2006, and reprinted in 2010 has many explicit references to private sector development. Thus:

- ADC seeks greater involvement of the private sector and other funding sources, for example through increased orientation to the flexible Kyoto mechanisms
- Provision of energy (and economic infrastructure in general) is a central factor in an enabling business environment, which is a vital condition for the development of an efficient private sector and for the creation of employment.
- The policy states that cooperation with the private sector in the provision of energy services should be sought so as to multiply the effect of public investments. For this reason a strategy to promote the private sector and an income-generating strategy for poor population groups must be devised.
- Particular potential exists with regard to hydropower and modern biomass, where Austrian enterprises are very successful internationally. ADC, in cooperation with the institutions of the Austrian industry, should support Austrian enterprises in projects

⁴⁷ Another project, which like the Burkina Faso project is also described by ADA as "regional development", is the "Strategic Partnership in support of the Integrated Regional Development Plan of the Autonomous Province of Vojvodina" in Serbia. This project contains substantial PSD elements (like business certification, quality control of food processing, business incubators etc.). It has been classified as support to "Economic and Development Policy/Planning", i.e. another DAC code under which one may projects with strong PSD-dimensions.

with focus on development aspects and will help finance business-to-business partnerships and development partnerships (public-private cooperation). The targeted involvement of Austrian enterprises in suitable energy partnerships will be actively encouraged in this new ADC segment.

Energy is in financial terms surprisingly a fairly small focus area of ADA in spite of its consistent high priority in the ADC programming. Thus, according to CRS for 2011, disbursements under energy were only EUR 4 million, or only a third of disbursement under water & sanitation. Apart from a country program in Bhutan, ADC's activities in the field of energy are mainly carried within the frame of ADC's regional programs. For example, ADA has entered into a delegated cooperation within Finland to support several innovative *Energy and Environment Partnerships* (EEP). The first one was successfully implemented in Central America. This led to new EEP programs being initiated in Southern & Eastern Africa and in the Mekong Region. The EEP programs are based on calls for proposals open to public and private entities as well as to research institutions and civil society.

The EEP approach reminds of a challenge fund, a financing mechanism especially designed to support innovation and private sector development. During the last decade such funds have become increasingly popular and applied to different sub-sectors and regions/countries. One such fund, the AECF REACT which has been set up by the multi-donor Africa Enterprise Challenge Fund (AECF), is specifically targeted at private sector innovation in renewable energy. The strong interest shown by the private sector for this kind of flexible and rapid financing mechanisms is a clear indication of its future potential for increasingly involving private sector actors in finding innovative solutions to renewable energy. It is also interesting to note that the AECF is applying practices aimed at maximizing the impact at market level of its contributions to individual businesses.⁴⁸

We conclude that in terms of renewable energy, PSD is well integrated both into policy and implementation. However, there is clearly a discrepancy between policy and implementation on the energy theme to judge from disbursements in a similar fashion as for PSD. As further discussed in chapter 8, we believe that a comprehensive approach on renewable energy with PSD as a key dimension not only would address this policy gap, but also fit a broader Austrian ODA PSD approach.

4.5 PSD and Water & Sanitation

Water & sanitation is a priority in ADC of tradition with disbursements in 2012 of EUR 12 million making it the largest 'sector'. A policy on *Water supply, Sanitation and Water resources* was issued by ADA in 2009. This policy has numerous references to the private sector and private sector development. The policy notes for example that a clear focus resulting from previous work lies in the development of adapted, integrated approaches for improving water supply and sanitation in rural areas, including the development of the necessary decentralized institutions and the creation of capacities in a weak environment as well as involvement of the local private sector. The private sector involvement in water infrastructure and service delivery needs to be seen in a nuanced light since there are a large variety of models and experiences, including sometimes massive resistance and problems in connection with 'privatization' in the water sector. Austria's own experience with communal and cooperative management of water supply systems provides useful references in this context.

⁴⁸ Mitchell, C. and Scott H., (2011), *Shaping the power of markets for the poor*

The role of the private sector as an investor is limited in the water sector, since here high initial investments face limited potential profits which (in an uncertain environment) can only be achieved in the long term. This is particularly true for the rural areas in developing countries, where ADC concentrates its efforts, where given the low financial power of the population it is already a challenge to cover the running costs of operation. These challenges were according to ADA staff illustrated by a failed initiative in partnership with PIDG and IFC in Uganda to promote private sector participation in the water sector.

ADC supports only those models that ensure and enhance access to basic, affordable water supply for all parts of the population and ensure the sustainability of resource use. ADC does not support activities which may lead to privatization of the infrastructure assets or private ownership of water resources.

Possible synergies with development programs in the area of micro-, small- and medium-sized enterprises mainly consist in including water supply and sanitary infrastructure in decentralized financing mechanisms (small loans) as well as in providing water for small businesses. The “Output Based Aid” (OBA) funding mechanism developed by the multi-donor initiative Global Partnership for Output Based Aid (GPOBA) may be of specific interest in this context.⁴⁹ One interesting example is a project for supporting domestic private sector participation in small piped water systems in Kenya.⁵⁰

4.6 Higher Education and Scientific Cooperation (and Vocational Training)

A strategy for *Higher Education and Scientific Cooperation* was issued by ADA in 2009. The strategy noted that an approach would be of fostering cooperation between stakeholders in the scientific and business communities, particularly when it comes to public-private partnerships and supporting the establishment of technology and business centers for innovation and technological/economic development. The linkages and potential synergies between support to higher education and PSD are clearly illustrated by the interesting Knowledge Economy Project in Macedonia elaborated in annex 4.

Support to vocational training constitutes about 15% of ADC’s education sector support. There are obvious synergies between such support and PSD. One example is Burkina Faso where vocational training is a priority sector. Another is the agriculture/viticulture vocational training project in Moldavia which appears to have been successful in creating linkages between local wine farmers as well as with Austrian knowledge within viticulture. At the same time there might be scope for giving more attention to the actual demand from the private sector for trained staff and to trace and report on the impacts of the vocational training program. Also the Bhutan tourism project (see below) has a strong focus on vocational and management training for the hotel and tourism industry in Bhutan, using Austrian expertise.

4.7 PSD and Tourism

ADC does not have guidelines or thematic policy for tourism, neither is it a priority sector as such. Nevertheless, ADC has a considerable portfolio under the DAC category 33210 tourism policy and administrative management. Thus, ADA lists 12 projects with a total grant volume of about EUR 10 million for the period 2008-13. A closer look at these projects indicates that they have strong elements of PSD. One of example is ADC’s involvement in tourism in Bhutan which has its origins from the early 1990s and is still ongoing. This cooperation has

⁴⁹ www.gpoba.org

⁵⁰ Water Sector Program (2011), *Financing Small Piped Water Systems in Rural and Peri-Urban Kenya*, World Bank

helped Bhutan to develop a master plan in tourism, trained a number of Bhutanese in Austria on a yearly basis, provision of technical advisers to the Bhutan Department of Tourism, and, since the mid-2000s the establishment of a hotel and tourism management training institute in Bhutan. Tourism in Bhutan was a public sector undertaking until 1991, when the sector was privatized and is now seen by the government as a private-led priority sector for creation of economic growth, jobs, entrepreneurship and self-employment. Bhutan's policy of a restricted, low impact form of tourism at the higher price range put specific demand on the quality of the services offered, a justification for the training focus of the cooperation.

The long-term ADC cooperation in tourism in Bhutan since the Bhutanese government introduced the privatization policy in 1991 has strong features of PSD in the sense of strategizing for an important economic sector, upgrading the skills of persons working in the sector, as employees, managers and entrepreneurs. Entrepreneurship development is also part and parcel of the training. Overall, the fit between the Bhutanese government's priorities and the unique competence of Austrian providers in an 'industrial sector' seems strong in this case. It appears to be an area where Austrian development cooperation can provide high value for money, possibly better than most donors. It is also a form of development cooperation that could have natural linkages to the ADC's Business Partnership program and also OeEB's lending operations. The Bhutanese government is inviting foreign investors for investment in the high class segment of the tourism sector. So far neither WIPA, nor OeEB have a project in Bhutan.

In general, considering Austria's own competence in tourism as a country with a long historical record in tourism, the sector could be a niche for even stronger involvement. Tourism is one of the fastest growing global businesses, and often one of the few sectors where poor countries have a unique competitive advantage in the global economy based on their cultural and natural features. At the same time there has been some kind of "stigma" around development cooperation in this sector. However as demonstrated by analytic work carried out by the Overseas Development Institute (ODI) some years ago, support to tourism may be designed in such a way that pro-poor outcomes are achieved.⁵¹ As many donors continue to be less inclined to focus upon tourism, hence the risks for over-supply and crowding of donor support are less.

4.8 PSD and ADC's NGO Cooperation

ADA offers co-funding for NGOs through the following funding instruments: "Development Education and Communication" (for awareness raising projects in Austria/Europa) and "NGO-Cooperation International" (for projects in developing countries), with a total amount of funding of EUR 17 million per year. A considerable part of these NGO co-financed projects and programs include private sector development. NGO-Cooperation International has "Framework Program agreements" with a dozen Austrian NGOs and cooperates in total with over 50 NGOs. The budget for NGO-Cooperation International is about EUR 13 million per year and has been kept untouched by the recent reductions in ADC's budget. The largest agreement in financial terms is by far with HORIZONT3000 with ADA funding of about EUR 9 million for 2010-12, and secondly with Care, Austria with funding of about EUR 2,3 million for the same period. According to ADA staff in charge of the cooperation, private sector development in a wide sense accounts for a considerable share of the activities of the NGOs under these agreements, and it is, furthermore, an increasing share. Most of the underlying projects with such dimensions are in agriculture development for smallholders,

⁵¹ Ashley et.al. (2001)a

economic empowerment of women through income generation activities, micro finance projects, cooperative development, craft development, vocational training, fair trade, etc. It should be noted also that Austrian NGOs are important partners in other ADC financed projects such as in PSD, rural and regional development, tourism and education. Overall, Austrian NGOs are very important partners in general to ADC, possibly to a higher extent than in many other donor countries.

ADA has special guidelines for PSD and NGOs as referred to above. Project proposals (which are mandatory also under the Framework Program agreements) are submitted to the PSD unit in ADA for comments (if the focus of the project lies on PSD). The ability of the unit to respond to this is severely hampered due to staff constraints. Furthermore, the technical requirements are such that the unit hardly can provide strong support. There is within the NGO community skills development also in the application of PSD through various means, allowing ADA to rely on the organizations' ability to adhere to best practices. There is a severe capacity constraint for such screening to be meaningful. There is also a case for ADA to play a stronger role in promoting and disseminating best practices to the partner NGOs.

4.9 PSD and ADC's cross-cutting themes

ADC has a number of other policy papers, strategies and guidelines for major overarching and cross-cutting themes. The treatment of private sector and private sector development varies considerably between these policies and strategies.

Environment An inter-ministerial *Strategic Guideline on environment and development in Austrian Development* was issued in 2009. These guidelines make multiple references to the private sector and private sector development. The guidelines note, for example, that equitable and sustainable development at global level can only be achieved if all social forces cooperate, and that NGOs and the private sector therefore are important partners in development cooperation. These include the Austrian Development Bank and the Austrian Control Bank, which support private sector investments in developing countries. According to the guidelines, all these partners have to face the challenge of thoroughly integrating environmental sustainability in their development policy activities, ranging from the design of instruments to investments, projects or programs to implementation and evaluation. The guidelines stipulate that all interventions for private-sector development should be mainstreamed as to their role in contributing to cleaner production in agriculture, trade and industry.

In its thematic work, ADA gives high attention to the link between environment and economy. One example is the conference organized in 2011 on the "Green Economy". At the same time, it appears that - although there are formal routines in place for handling environmental aspects in the preparation of PSD projects - uneven attention is given in practise to these aspects in the preparation phase. Our project reviews show that environmental sustainability has not been properly highlighted in available evaluations reports (see chapter 5).

Gender equality and empowerment of women A policy on *gender and empowerment of women* was issued by ADA in 2006 and reprinted in 2010. The Policy indicates that in order to increase the empowerment of women as entrepreneurs and merchants, ADC should promote training in business skills and economic literacy to enhance economic and business expertise. This training should include strategies for women to obtain control of property, loans and income. The Policy also states that in order to enhance the economic opportunities for women, ADC offers access to loans and ensures that women have control over these loans,

so as to prevent others from using them. The Policy notes that for companies with a majority of female workers, ADC is guided by *Calvert Women's Principles*, formulated with UNIFEM as a *global code of conduct for corporations* and containing specific steps for gender equality. As a means of increasing the political influence of women, ADC believes that it is vital for women running small businesses to participate in the planning of infrastructural measures such as roads, transport, electricity and water supply. From our review of PSD and other projects, the gender dimension is generally well covered by ADA.

Good governance A policy on *Good governance* was issued in 2006, and reprinted in 2011. The policy noted that Good governance also plays an essential role in private sector development, where transparency, responsibility and accountability – of both state and corporate actions – not only make a positive contribution to private sector development, but also reduce the risk of corruption. Formal entrepreneurship and investments are inconceivable without an existing legal framework and the possibility of asserting rights. As there was no governance projects included among the projects reviewed by us, we have not further explored the synergies between ADC's support to governance and private sector development.

4.10 Summary of PSD in ADC's policies

The treatment of the private sector and the synergies between private sector development and ADC policies, strategies and guidelines for sectors and cross-cutting themes are summarized below.

Table 7: PSD in relation to overarching policies and other sectors and themes

<i>ADC Policy, strategy and guidelines</i>	<i>PSD references</i>	<i>Comments</i>
Poverty reduction	None	The private sector increasingly recognized as a key engine for poverty reduction through economic growth, investments, jobs, services and innovation. This is not recognized or discussed in the policy
Gender	Some	Gender well mainstreamed in ADC with independent assessment at project level. Policy, however, not sufficiently recognizing women in business, especially agriculture, small scale trade etc.
Good governance	Some	Governance in the private sector recognized both as an issue and an underlying condition
Peace & Conflict prevention	None	The role of the private sector in conflict an issue increasingly discussed in the donor community as opportunity and threat, and also as a base condition for business. No reference in current policy
Environment	Some	Environment well mainstreamed at policy level in ADC
Energy	Numerous	PSD well integrated into policy.
Water and sanitation	Numerous	PSD well integrated into policy.
Rural development	Some	PSD both treated as a threat to the poor and an opportunity. Formal business seems to be considered mostly a threat
Higher education & science	Some	PSD as innovators and engine for economic transformation not covered

4.11 Mainstreaming PSD in all relevant themes of ADC

It is obviously beyond the capacity of a single person working half time to provide any substantive technical support to such a variety of private sector development dimensions in the different thematic areas of ADC as elaborated above. Desk officers in country programs

and the thematic specialists have to keep abreast with relevant PSD knowledge and best practices in their different fields. There seems to exist an overall professional approach to this in ADA through staff participation in conferences and networks, etc. There are, nevertheless, generic dimensions of PSD more or less common for any type of activity. An example of this is ten questions for PSD developed by Sida in 2008 (see box below).

Ten questions on PSD practices

1. Is the design of the intervention based on a comprehensive assessment of the functioning of the specific market or the market segment(s) which is targeted by the intervention?
2. Have potential linkages between interventions at different system levels been identified (including international trade opportunities)?
3. Are there specific constraints for poor women and men to gain access to this market? Does the intervention target these constraints?
4. Is the intervention justified by some kind of “market failure”? In such cases, is the intervention focused on the causes of market failure rather than its symptoms?
5. If there is no specific market failure, is the intervention justified by equity or social concerns? Is the intervention achieving a more equal income distribution or social goals in an efficient way?
6. Does the intervention involve direct support to market actor(s)? Is such support allocated through competitive processes?
7. Is there a clear exit strategy for support to market actor(s)?
8. Is direct support to market actor(s) designed in such a way that it will have a positive impact (leverage) on market development?
9. Public (and donor) interventions may cause market distortions. Have such risks been identified and mitigated?
10. In cases where there is a need to reform the provision of public services: have opportunities to involve private actors and/or private capital been considered?

It is essential that ADA establish sufficient technical competence in the PSD unit to provide such generic PSD back-stopping through advice, review and training. The technical back-stopping should also be delivered through systematic training activities for the staff of ADA in line with the training systems in place in ADA. Today PSD sticks out in ADA as an area within which little or no training and knowledge development is provided to the rest of the organization.

5. REVIEW OF TEN PROJECTS BASED ON DAC’S EVALUATION CRITERIA

In line with the first objective of this evaluation, we present in this chapter an analysis of a 10 ongoing or completed projects. These are the projects listed in table 1, but exclude two newly began projects (STAR project and SME Promotion Project in Kosovo) for which an evaluation cannot be done. It should be noted that three of the “PSD projects” selected by ADA for this evaluation are classified in the DAC reporting system under other sectors than “core” PSD. We refer to the Knowledge-Based Economy Project in Macedonia and to the

rural development projects in Kosovo (IRDS) and South Caucasus (JOIN). These projects are consequently examples of the fact that projects in other sectors may overlap with PSD, i.e. that there may be a strong PSD dimension also in other sectors. Our reviews of the selected 10 projects are presented in Annex 5 based on a reporting format along the DAC criteria. Some key evaluation questions have been included.

5.1 The quality of the evidence base in relation to the DAC criteria

In order to provide evidence on the key DAC criteria for evaluations, i.e. *relevance, effectiveness, efficiency, impact* and *sustainability* for a portfolio of projects as is the case in this Strategic Evaluation, independent mid-term reviews and/or evaluations are essential. Preferably, such *ex-post* information should also be based on an *ex-ante* log frame or similar document to provide the bench-mark for the assessment in terms of expected outputs, outcome and impact, as well as the underlying assumption on the result-chain. Progress reporting or self-evaluations in project completion reports undertaken by the implementing agency might provide information on the DAC evaluation criteria, but such reporting risk of having a bias in overstating the results, or omitting evidence which indicate poor performance. Most important, they rarely have information on results as seen by the beneficiaries, but provide the perspective of the implementing agency. Furthermore, they tend to be focused on what has been delivered (outputs) and not what has been achieved in terms of outcome or impact.

Project documents, concept notes etc. established *ex-ante*, although often containing statements on the DAC criteria as assumptions cannot be used as proxies in evaluations of results. It is obvious that projects which are in an early stage of implementation or which have not yet begun implementation cannot be evaluated against the DAC criteria, or be evaluated at all. Such projects can only from secondary sources be assessed in the sense of their *ex-ante assumptions*, besides a basis for an analysis of the quality of document for a future ex-post analysis (such as availability of a log frame, etc).

Apart from an evaluation which is seven years old – only three mid-term evaluations and no ex-post evaluation after project completion have been carried out. This means that the opportunities to draw firm conclusions with regard to DAC criteria based on this sample of projects are limited. This limitation is most obvious in relation to DAC's impact and sustainability criteria. However, as further discussed below, the desk review of projects still serves a useful purpose in relation at least to some of the evaluation questions and to the broader purposes of this Strategic Evaluation.

5.2 Relevance

DAC defines relevance as “the extent to which the objectives of a development intervention are consistent with beneficiaries’ requirements, country needs, global priorities and partner’ and donor’s policies.”

Available documents provide references which certify the relevance of reviewed projects in relation to **partner country policies**. In the case of Kosovo references were made to the Government's “Private Sector Development Strategy” from 2008, which highlighted the relevance of the FDI promotion as well as SME development.⁵² Furthermore Government documents underlined the importance of locally driven economic development and the role agriculture in such development.⁵³ Numerous interviews with stakeholders during our visit to

⁵² ECIKS (2009)

⁵³ CARE (2009)

Kosovo demonstrated consistently a high level of *partner priority* given to the three projects financed by ADC in the economic field.

In the regional program in Central America, CENPROMYPE, the focus on SME development originates in a strong priority given to such development in the regional economic cooperation. The same applies to the REPARIS program which supports the EU integration agenda. In the case of a global program like PIDG the assessment of relevance becomes very difficult.

ADC's PSD programs are rarely integrated into joint donor programs led by partner countries. Instead ADC projects are frequently the result of applications by NGO's or other kinds of partners. This may increase the risk that ADC's activities become delinked from the national policy agenda and priorities. It should however be noted that among the projects reviewed we have not observed any clear cases of such "policy deviation".

All the reviewed projects were found to be relevant in relation to *ADC policy guidelines and country strategies* in broad terms. Some, however, deal with issues that are not explicit in these policies such as improving accounting principles. Most of the projects selected by ADA for the purpose of this evaluation are easily related to *ADC's thematic priorities* as defined in the PSD Guidelines. A large majority belong to the area of support to enterprise development (column 2). Only one of the project deals specifically with business environment (REPARIS) and in this respect a very specific and technical issue.

It is interesting to note that the three projects which are classified under other sectors codes than "core" PSD, are all relevant also in relation to ADC's PSD Guidelines. Our visits to Macedonia and Kosovo clearly confirmed that the Knowledge Economy Project and the IRDS rural development projects provide interesting examples of the synergies between the PSD Guidelines and other sector policies (i.e. the 2009 Strategy for Higher Education and Scientific Cooperation and the Rural Development Strategy from 2003/2006 respectively).

As already mentioned, the recent controversy between ADA and its implementing agency CARE regarding the JOIN project illustrates the reverse situation where contradictions arise between different thematic policies are applied to the same project. In that specific case ADA staff felt that suggestions by CARE to increase the focus on PSD/market dimensions would come at the expense of municipal decentralization objectives.

5.3 Effectiveness

DAC defines effectiveness as "the extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance."

In an "older generation" of projects, like the handicraft project in Burkina Faso, the result chain seemed to assume that increased capacity of business service providers would have an "automatic" impact on income poverty. In other words there was a kind of "missing link" in the impact logics. In several cases it was not obvious that the design of the project was based on a proper analysis of systemic obstacles to the development of markets and entrepreneurship, or that any kind of poverty assessment had been carried out (see also section 5.3 below).

Later generations of projects show improvements in the results frameworks (including monitoring and results measurement systems) and include well-defined result chains based on the sequence: activities → results → objectives. The JOIN Rural Development Project in South Caucasus provides an interesting example of a well-developed system for results

measurement (including preparation of a baseline study) as well as an attempt to apply the “Making Markets work for the Poor” (M4P) approach in a rural development context.

Progress reports give clear pictures of achievements related to such frameworks. The final report from the first phase of the CIDEL project is a good example of how a systematic quantitative and qualitative assessment could be made for each indicator in the results framework, e.g. that 1442 small enterprises benefitted from the program and that the turnover of these enterprises increased by between 20 and 40%.⁵⁴ Overall the level of goal achievement was high.

Only in one case, i.e. the micro-finance project in Burkina Faso and Senegal, there were substantial deviations from plans. The cause of the failure of this project seem to be a combination of (i) too optimistic assumptions regarding the capacity of concerned micro-finance organizations to borrow on commercial terms and (ii) an unforeseen deterioration of the political and economic environment in the two countries. In the two projects reviewed which are multi-donor programs (PIDG and REPARIS) no underlying log frame exists and, overall, and – although both projects are considered success stories – the measuring of effectiveness is difficult to verify. In the case of PIDG, Austria is a small player and has limited options to create a demand for certain types of results-analysis. In the REPARIS project, on the other hand, ADC (and the Ministry of Finance) are the key donor(s) and have the possibilities to demand stronger results-oriented reporting, including a log frame and independent reviews. According to REPARIS staff, ADA and Min of Finance (and the other donors (Switzerland and Luxembourg) considered the internal quality control systems of the Bank sufficient. It can in this context be noted that other Multi-donor trust funds to the World Bank tend to have a condition of and a budget for external evaluation(s).

According to progress reports and evaluations, implementation arrangements in most cases appear to have worked reasonably well. Due to the high level of diversity among the reviewed projects, it is difficult to generalize with regard to the types of challenges met and adaptations made.

5.4 Efficiency

DAC defines efficiency as “a measure of how economically resources/ inputs (funds, expertise, time, etc.) are converted to results.”

Available evaluation reports are highly positive regarding the approaches and modalities applied in the implementation of the three evaluated projects. However two of the three evaluations do not comment explicitly on efficiency in the way defined by DAC (i.e. the **cost-efficiency** of a project). The same applies to **cost-effectiveness**, i.e. the relation between input of resources and outcomes or impacts (or in other words the “**value for money**” generated by the project).

Only one of the evaluation reports, i.e. the mid-term evaluation in 2010 for the IRDS rural development project in Kosovo⁵⁵, contains an explicit statement on these issues: “*In general, spectacular impact in comparison to the cost. This compares very well against the huge sums spent on economic development in Kosovo by the larger donors*”. Unfortunately this strongly-worded statement is not substantiated with quantitative evidence. The report mentions

⁵⁴ GEZA (2009)

⁵⁵ Mann, M. (2012)

deficiencies in official statistics, and refers instead to visible impacts in the local economy.⁵⁶ Since the evaluation was made, the project has prepared a draft “impact study” (see next section on impact).

One of the factors which may influence efficiency is the extent to which the Paris Declaration principles (alignment, harmonization etc.) are adhered to in project implementation. Available evaluations have very little to say on this issue. Our review of project documents shows that a wide spectrum of modalities has been applied by ADA: two projects have been implemented by national public agencies, one by a local NGO, one by a regional public institution, three by Austrian NGOs, one by an Austrian public agency and two by multi-donor structures.

It is interesting to note that apart from the two multi-donor projects, ADA has not participated in any co-financing with other donors (such as pooled funding, basket arrangements etc.). This might be interpreted as an indication of a lack of interest in applying the Paris Declaration principles. However, our interviews with a number of stakeholders in Kosovo and Macedonia do not confirm this hypothesis. In Macedonia, ADA has chosen to channel funds through public channels, while in Kosovo ADA appears to be actively trying to coordinate its PSD activities with other donors. One example is the new SME Promotion Project where ADA has agreed on a co-financing arrangement with another donor (SDC of Switzerland). In addition, ADA participates in local donor coordination mechanisms and is perceived by another donor in the PSD sector to be “well networked”.

In this context it is important to note that practices in the PSD sector deviates considerably from sectors like education and health where program budget support and similar arrangements are quite common. Although the Donor Committee for Enterprise Development recognizes that “collaborative programs and basket funding provides a very practical and effective way of ensuring donor coordination in BER-supported programs”⁵⁷, such arrangements are not always feasible in private sector development. However, a strong coordination mechanism, preferably under partner government leadership, is essential.⁵⁸

An important aspect of efficiency assessment is parallel financing by other donors which sometimes takes place in ADC funded PSD projects. Such parallel funds are often not acknowledged by progress reporting or even external reviews, hence achievements by a ADC funded project can not only be attributed to the ADC project alone, but needs to be shared with parallel project. As case in point is the FDI project in Kosovo. The institutional strengthening of IPAK was not only carried out by ADC, but also a parallel World Bank project, not mentioned in the 2012 evaluation of the project.

5.5 Impact

DAC defines impact as “the positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.”

Evaluations illustrate in different ways the challenges involved in the measurement of impacts on incomes, jobs and investment:

⁵⁶ The report also states that “There is a significant and tangible impact on the community. This is not evident in official statistics which are either not available or are unreliable, but in the quantifiable growth in the community itself which is a micro economy where the visible results impact on the population of the area. Significant increases in output of livestock, poultry, dairy products, bee honey and associated products, fruit and vegetable crops is evident as well as improved and expanded conditions for dairy cows, storage facilities etc.”

Ref. Mann, M. (2012)

⁵⁷ White (2010)

⁵⁸ Ref Principle 13 in DCED (2008)

- As mentioned above, the mid-term evaluation of the IRDS project in Kosovo claimed that there were large visible impacts but did not make any efforts to quantify them. Recently the project has carried out an impact study which presents data on the number of jobs generated in various sub-sectors.⁵⁹ The study does not provide any data on changes in turnover in concerned enterprises nor on changes in incomes among the beneficiaries. The absence of a “contra-factual” (e.g. based on comparison with developments in other municipalities) also makes it hard to substantiate statements on impacts which could be attributed to the IDRS project.
- The evaluation of Knowledge Economy project in Macedonia contained information on the changes in national indicators related to numbers of new SMEs, changes in unemployment etc. As it is unrealistic that this project in the short run could have had an impact on this kind of indicators, such data do not seem to be quite meaningful.
- The evaluation of the FDI project in Kosovo reported in accordance with the results framework for this project on the goal of “fighting poverty” by reporting that two investments had been facilitated and 13 supported and that on 253 new jobs had been generated directly and indirectly. It may be observed that while such impacts are clearly relevant, their linkages to poverty reduction objectives are complex.

These examples illustrate that there is a need for ADA to improve the quality of impact analysis. DCED’s Results Standard may be useful as one of the points of departure. Evaluation reports contain scattered examples of impacts on poor target groups and on empowerment of poor people. An assessment of the impact of a project on poverty reduction would require more in-depth analysis of the character and mechanisms of poverty than has been presented in available documents.⁶⁰

Our review of ADA’s decision documents indicate that ADA has a solid system for assessing *gender equality* and/or *women’s economic empowerment*. These issues are in various ways highlighted in evaluation reports:

- The evaluation of the Knowledge Economy in Macedonia mentioned that the entrepreneurial training institute NCELS organized entrepreneurship courses especially targeted at Roma women and was carrying out research on the topic “women and entrepreneurship”. There is however no discussion of the impact of these activities.
- The evaluation of the FDI Promotion project in Kosovo commented that the project had “limited exposure to gender issues”. At the same the report highlighted that the results of the project in terms of increased foreign investment in Kosovo “has a big indirect impact on gender relations” due to the fact that “western companies with their standard work ethics and international work place ethics form new environments at the traditional male dominated work place in Kosovo”.⁶¹ References to international research on this subject would have strengthened the argument.

The evaluation of the IRDS project in Kosovo mentions that “there is a strong willingness to promote women in business” and gives several examples of such initiatives including a reference to a “one-woman project, which can be regarded as an absolute success story with

⁵⁹ CARE and Lk-projekt (2013)

⁶⁰ OECD (2006)

⁶¹ Fehlinger G. (2012)

substantial demonstration effect”. It is at the same time noted that the evaluation report seems to argue against giving special preferences to women or vulnerable ethnic groups.⁶²

While ADC has explicit considerations on gender and women empowerment, in ADC’s participation in multi-donor funding, these dimensions seem poorly followed up. An example is PIDG which is general has been criticized by the donors of taking the gender dimension lightly or not at all.

While ADA applies the same procedures during project preparation to the second cross-cutting dimension, i.e. *environmental sustainability*, as to the gender dimension, we have noted that all three available evaluations are completely silent in this respect. This is somewhat surprising given the fact that there must be interesting issues that could have been high-lighted in such areas as entrepreneurial training, FDI and rural development. It is especially remarkable in the case of the IRDS project where one of the evaluation questions explicitly mentioned environment as a cross-cutting issue (which seems to be a clearly relevant question given the agricultural focus of this project).

5.6 Sustainability

DAC defines sustainability as “the continuation of benefits from a development intervention after major development assistance has been completed, i.e. the probability of continued long-term benefits and the resilience to risk of the net benefit flows over time”.

Our reviews of projects show that ADA usually gives high priority and put considerable efforts into capacity building at the levels of individuals and organizations. Available evaluations describe these efforts as clearly successful. Experience shows that in order to properly assess whether the benefits of capacity building have the potential to become sustainable or not, it is actually necessary to let time pass after the completion of project activities before an ex-post evaluation is carried out. The three evaluations that are available in our case were either mid-term evaluations or carried out at project completion. For this reason it could not be expected that these evaluations could give a full picture of the potential for long-term sustainability.

This observation was confirmed during our visits to Kosovo and Macedonia where recent evaluations of the FDI Promotion Project in Kosovo and of the Knowledge Economy Project in Macedonia had painted quite positive pictures of the potential for sustainability. Our interviews with stakeholders in the two countries demonstrate that ADA’s efforts to build sustainable capacity in the Investment Promotion Agency in Kosovo (IPAK) and in the Agency for Promotion of Entrepreneurship in Macedonia (APRM) are highly vulnerable to the frequently changing political priorities and to the politically driven appointments of agency managers.

The situation is quite different with regard to the second institutional component of the Knowledge Economy Project in Macedonia which was targeted at building capacity of the Faculty of Mechanical Engineering in Skopje. In this case the potential for sustainability appears to be much better due to the initiative of this “locally-owned” project to establish non-for-profit National Centre for the Development of Innovation and Entrepreneurial Learning (NCDIEL), which according to interviews with stakeholders appear to have a good potential

⁶² The report claims that “the real impact has been on farmers in Suhareke which are a forgotten vulnerable group on their own” and that “the poverty alleviation impact on this forgotten vulnerable group has been substantial and sustainable”.

for sustainability and in fact is developing into an NGO able to generate income from provision of services on a commercial basis to donors and government.

The IRDS rural development program is also an example of a project that has created a new institutional structure aimed at improving chances for sustainability in one of the three major components of that program. The project has established an NGO called the Local Development Fund (LDF) Foundation to manage the project's grant mechanism. Given the fact that there is no obvious mechanism in place through which this foundation could secure long-term funding, the chances for sustainability are probably small or nil.

Apart from the strong efforts put into capacity building of partner organizations, our review of project documents did not reveal planned attempts to establish *exit strategies* for ADA's involvement in specific projects. In the case of the handicraft project in Burkina Faso which was extended during a number of phases, the project appears to have been characterized by a lack of a conscious exit strategy. Exit seems to be a somewhat arbitrary process in ADC's project funding. Expanding the analysis to other ADC funded projects, the support have sometimes been carried out for ten years or more with explicit no exit strategy, while in other projects exit may be rather abrupt, for example if ADA or the Ministry decide to shift focus in terms of sectors (as in the case of Uganda in 2008). The assessment of exit strategies is complicated by the fact that ADA lacks a system for appraisal of projects in the project cycle management. Thus, there is no ADC decision memorandum for the decision to finance a project which, for example, discusses issues of exit. ADA differs in this respect from most other donors.

6. WHAT CAN ADC LEARN FROM OTHER DONORS IN PSD?

The Terms of Reference include five evaluation questions directly aimed at comparison with other donors for the purpose of identifying best practices and to develop recommendations and new practices for ADC and other PSD stakeholders. We have chosen to let these questions form the structure of the donor comparison presented in this chapter.

Selection of countries for donor comparison As mentioned in chapter 1, ADA decided that donor comparison should primarily focus on the development agencies in Sweden and Switzerland with additional references to other donors whenever relevant.⁶³ Both these countries have aid agencies which unlike in Austria's case are responsible for major shares of their respective countries' ODA (Sida 49% and SDC 61%). At the same time there are major structural differences in the aid architecture between Sweden and Switzerland affecting not least the PSD support.

Since 1995 the management of almost all Swedish bilateral and multi-bilateral assistance has been entrusted to the Sida (i.e. the Swedish Development Cooperation Agency), a government agency under the supervision of the Ministry of European and International Affairs. The Swiss development cooperation is divided between two major players: SDC (i.e. the Swiss Agency for Development and Cooperation) an agency within the Federal Department of Foreign Affairs, SECO (i.e. State Secretariat for Economic Affairs), within the Federal

⁶³ The information upon which we base the comparison with Sida and SECO/SDC has been derived from (i) our own in-depth knowledge of Sida from working during many years as staff member/consultants both with Sida's PSD function and with Sida's development of B4D approaches, (ii) experience from carrying out a major evaluation of SECO's support to Business Environment Reform (including a field visit to Serbia), (iii) experience from cooperating with SDC representatives in international PSD contexts (DCED, M4P Hub, etc), (iv) study of documents and websites, (v) complementary interviews with SECO and SDC staff (including an interview with staff at the Swiss Field Office in Pristina).

Department of Economic Affairs. While SDC works with a wide spectrum of sectors, themes and actors, SECO is primarily focused on economic dimensions in development. SECO works predominantly with multi-bilateral cooperation and as a provider of equity and loans.

6.1 PSD in other donors' strategic concepts

Sida Sida published in 2004 for the first time in its history a policy for support to private sector development.⁶⁴ This policy was the result of a process that involved representatives from different sectors. The policy was regarded as groundbreaking from several points of view:

- The policy took its point of departure from a pro-poor growth perspective and emphasized the importance of involving poor people in market development
- It underlined the cross-cutting nature of PSD implying that the PSD dimension should be integrated in all relevant sectors and themes
- It argued for flexibility both in relation to interventions at different system levels and to cooperation with different kinds of partners, and
- It argued against direct support to firms.

The 2004 policy had a considerable impact on Sida's operations as will be further described below.

In 2008 the Swedish Government decided that major thematic policies should be elaborated and decided upon by the Government. A process was started that led to a series of decisions on thematic policies including a "Policy for economic growth in Swedish development cooperation 2010-2014".⁶⁵ This policy substantially confirmed the main elements in Sida's PSD policy from 2004. In addition, the Government underlined the importance of coherence with other areas than development cooperation such as trade policy, migration as well initiatives for utilizing the contributions of the business sector with special references to the Swedish business sector. Against this background Sida has given gradually increasing priority and substantial staff resources to developing a substantial Business for Development Program (B4D) involving Swedish as well as international actors in the private sector. See further below.

Swiss development SDC and SECO are active players in private sector development, although with somewhat different role and focus. Both have formulated brief policy statements on private sector development: *Employment and Income*⁶⁶ by SDC and *Towards Better Access to Finance and Business Conditions for the Private Sector*⁶⁷ by SECO. In SECO's case the document primarily serves the purpose of describing SECO's program orientations. Given SECO's focus on economic development, PSD may be seen as the focal point of SECO's operations. SECO provides considerable support to business environment reforms in a number of countries.⁶⁸ Most of these projects are implemented by the IFC.

In SDC's case, PSD is only one of a number of sectors. What is interesting to note is the strong emphasis that SDC has put on knowledge development, learning and practical application of the M4P approach. M4P could be described as a tool for supporting private sector development geared towards achieving sustainable impacts at large scale for poor

⁶⁴ Sida (2004)

⁶⁵ Ministry for Foreign Affairs, Government Offices, Sweden (2010)

⁶⁶ SDC (2009)

⁶⁷ SECO (2011)

⁶⁸ Lindahl et.al. (2011)

people through changes in market systems. Through its cooperation with DFID and later Sida SDC has strongly contributed to the development of the international knowledge base for M4P. We conclude that private sector development is firmly integrated into the strategic concepts of both SECO and SDC.

Lessons for ADC Our analysis of PSD policy processes in Sweden and Switzerland demonstrates the important role that aid agency policies may play in directing the activities in a thematic area like PSD in a certain direction. We have previously described the systemic constraints in the Austrian aid architecture which may explain why the existing ADC PSD guidelines do not seem to have played a similar role.

6.2 Anchoring of PSD

In comparison to other donors is PSD sufficiently anchored in ADC?

Sida The 2004 policy had considerable impact on Sida's operations. It became the starting point for efforts during a number of years to disseminate PSD in the organization including its field offices. It also triggered a gradually growing interest in the M4P approach. In 2008 Sida decided to make M4P a major theme in internal staff training and since then Sida has regularly organized M4P courses for staff as well as partners (three such courses took place in 2012 with approximately 60 participants in total).

It is difficult to assess the extent to which PSD is "sufficiently anchored" within Sida. However there is no doubt that the 2004 PSD policy in combination with a series of developments in Sweden as well as internationally⁶⁹ led to a gradually decreasing tensions relating to what the Harvard economist Dani Rodrik in an article in 2001 called the "hollow debate" on what is most important: poverty reduction or economic growth.⁷⁰ It is also clear that there is today a substantial interest within Sida's operative departments for learning how to apply concepts like M4P as well as B4D. At the same time there is an obvious need to better define how the new B4D concepts relate to and could be integrated into the PSD policy area.

Swiss development The above description reveals that PSD is firmly anchored, although in somewhat different ways, within SECO as well as SDC. Our visits to Swiss Field Offices (Serbia in 2010 and Kosovo as a part of this evaluation study) show that the field office staff, and not least the locally employed PSD experts, is very well acquainted with the strategic PSD concepts of both SECO and SDC. It was especially interesting to note that the staff in Serbia were monitoring and learning from SECO's BER support through the multi-bilateral cooperation with IFC in the same active way as a M4P project directly implemented by SDC. While the communication between the two agencies at head office level might be problematic, it appears that the thematic integration functions quite well in the Swiss field offices.⁷¹

Lessons for ADC Sida's experience shows that a combination of factors, such as (i) a participatory policy process, (ii) a clear policy statement with high level backing from management, and (iii) strong efforts for dissemination, may be decisive in the anchoring of PSD within a development agency. The Swiss experience shows that in spite of a split

⁶⁹ This included the new overarching Swedish policy on global development approved by parliament in 2003 as well as the consensus within OECD-DAC on the concept of pro-poor growth; see OECD-DAC (2006)

⁷⁰ Rodrik (2000)

⁷¹ The same observation is found in DAC (2009), page 55

organizational structure at head office level, the end result at the field level may still be fully satisfactory.

6.3 Integration of PSD in other sectors

What could be learned from other donors regarding the considerations of PSD in other sectors (including cross-cutting issues)?

Sida As already mentioned, Sida's new PSD policy established formally that PSD should be integrated into Sida's organization at large. It was not expected that the implementation of this decision would be easy. Experience thereafter shows that, in spite of strong efforts for policy dissemination, the readiness to integrate fully the PSD dimension has varied considerably between different sectors. In several cases this process never took off. In the case of agriculture it took several years; only in 2008 after a major reorganization had taken place within Sida, a closer cooperation was established between PSD and agriculture aimed at developing a joint approach to market development in agriculture. Sida's experience also shows the importance of appointing a focal point for each PSD sub-theme (such as trade development, micro-finance etc.). In successful cases this person managed to establish close personal contacts with all relevant staff at headquarters and in the field offices and provided active advisory inputs whenever demanded.

Swiss development PSD is not formally described by SECO or SDC as a cross-cutting issue.⁷² However, the strong focus within SECO on economic development implies that PSD is actually highly integrated into the organization. The situation is different within SDC which like Sida cooperates in a number of sectors and where the PSD dimension in some cases might be controversial. It is therefore interesting to note that the M4P approach is firmly anchored within SDC's support to regional/rural development and that SDC might also be open for piloting the use of M4P in various sectors including the health sector.⁷³

Lessons for ADC Sida's experience demonstrates that integrating PSD across the introducing a "new" cross-cutting theme in an organization is always challenging. It needs a long-term introduction strategy and constant follow-up over time including staff training and advisory inputs. All this requires considerable staff resources which are very scarce within ADA. ADA's own experiences from promoting cross-cutting themes such as gender and environment sustainability may provide the best guidance for ADA's efforts to apply good PSD practices in different sectors. SDC's experience shows that the application of the M4P approach may serve a pedagogic purpose in the introduction of the PSD dimension in sectors where PSD might be a controversial issue.

6.4 Strengthening cooperation

What could be learned from others to potentially strengthen the cooperation with other stakeholders in Austria?

Sida The present Sida organization was created through a merger between five different Swedish aid agencies that took place in 1995. The difficulties that were experienced in the coordination of the activities of these five agencies before 1995, was one of the main reasons behind the Swedish Government's decision to create one large agency, i.e. the present Sida. The main challenges since then have been (i) the coordination between Sida and MFA which

⁷² OECD (2009)

⁷³ This was mentioned in Kosovo.

is responsible for the handling of multilateral cooperation and (ii) the cooperation between Sida and Swedfund, Sweden's DFI.

The problems related to the first challenge have been minimized through the Government's policy that the role of the MFA should in principle be limited to the handling of the core funding of the multilateral aid, while Sida should manage almost all multi-bilateral programs. This has largely facilitated the use of multi-bilateral cooperation as a part of Sida's "toolbox" for support to private sector development, e.g. in the field of business environment reform.

During the past 10-15 years the relation between Sida and Swedfund has been characterized by lack of cooperation. This has prevented these two organizations from cultivating potential synergies in the field of private sector development including learning from each other's experiences when operating in the same sectors, countries and regions. Sida's new B4D program should have created new opportunities for developing a more active cooperation with Swedfund, but the progress has been slow due to very different cultures of the two organizations.

Swiss developments According to the DAC peer review in 2009 of Swiss development cooperation the mechanisms for coordination and cooperation between SDC and SECO have gradually improved. The DAC report especially mentioned that *"the new thematic networks being set up in SDC could be useful tools for sharing experience and building cohesion in the Swiss aid system"*.

SECO has several instruments like equity capital, credits and guarantees at its disposal for private sector investments. In 2005 it outsourced the management of its investment portfolio in developing and transition countries to SIFEM, a private company based in Bern. SIFEM is Switzerland's DFI. SECO exercises a strong control of SIFEM activities implying that coordination and cooperation are not really important issues in their relation. In spite of the fact that SECO has set up a "SECO Start-up Fund", it appears that SECO (and SDC) has not put the same efforts like many other bilateral agencies into developing instruments for partnerships with private businesses.

Lessons for ADC The Swedish experience demonstrates first the benefits of creating close links between multi-bilateral cooperation and the regular bilateral cooperation and second the challenges involved in developing synergies between the main bilateral agency and the national DFI. The way that Switzerland has managed the structural split between SDC and SECO within the field of private sector development may be interesting for ADC to study in more detail than is possible in this report.

6.5 Enhanced efficiency

What could be learned from other donors in order to potentially improve the efficiency of ADC's PSD activities?

Efficiency in development is an elusive topic. One dimension is efficiency in aid projects as already discussed in Chapter 5. Another is the "aid effectiveness agenda" originally formulated in the Paris Declaration in 2005 which focusses on the way that aid is organized in partner countries. A third dimension of efficiency is the internal efficiency within aid agencies. Many efforts have been made in the history of aid to define and create indicators with which this third dimension of efficiency could be measured, but at least within Sida no attempts of this kind have been successful.

It is impossible to discuss measures that could improve the efficiency of ADC's PSD activities without considering ADC's smallness. Just to take one example: before Sida reorganized in 2008, Sida had a Division for Market Development with 15-20 officers specialized in trade, financial sector, private sector development and employment. Presently the corresponding resource within ADA is half a person excluding the head of the unit. Given the smallness of ADC/ADA it appears indispensable to (i) impose a stronger thematic focus in ADC's PSD portfolio and (ii) to cooperate with strong external partners. One interesting example is SECO that has chosen as a major focus area Business Environment Reforms (BER), in which it partners with agencies such as IFC and UNIDO⁷⁴.

7. CONCLUSIONS AND LESSONS LEARNED

This chapter is structured in two sections. The first provides some conclusions and lessons learned along the three overriding objectives of the evaluation. The second part is in the form of five tables with response to all the detailed evaluation questions raised in the ToR.

7.1 An overriding conclusion

Austria is a small player in ODA, and the split on many, largely independent providers, makes the level of funding implemented by ADA tiny in an international comparison. This fact permeates the ADC operations also in PSD. ADA is stretched in administrative resources and most thematic areas and country desks are manned by a single person. Field offices are small, and country allocations for priority countries are extremely small as compared to donors such as Sweden, Norway, Denmark and even Switzerland. The PSD support to the organisation of half a person is an indication of the situation. However, our review of the PSD projects does not indicate poor performance at project level, quite the contrary, nor that ADA always is relegated to marginal activities in the development cooperation field. One reason for this is that as compared to many much larger donor agencies, ADA is an *entrepreneurial* organisation, not a donor bureaucracy. ADA has developed a project approach which builds on flexibility, preparedness to use opportunities, a reliance on trusted implementing partners, especially Austrian NGOs, and a tight supervision of the portfolio. The smallness of the organisation has created a strong sense of responsibility among the single staff members who are in charge of a thematic field or a country. This quality is the most important asset of ADA's work in private sector development, but is an asset can be much strengthened and thereby provide more value for money and a greater overall impact.

The most important weakness of ADA in implementing private sector development is the spread on too many different approaches in often quite small projects with limited synergies in between these. The heterogeneity of the approach reduces overall organisational effectiveness, systemic learning and the ability to create excellence and clear value added. This weakness is the case in what we have defined as 'core PSD' as well as PSD as elements of other types of projects and programs. ADA might run a series of quite good projects with good effectiveness at project level, but the overall thrust is missing. The lack of focus is reinforced at the ODA level: implementing organisations in Austria have at least until recently operated largely on their own with partly different priorities, geographical focus, and to some extent low transparency and mutual distrust in what they are doing.

The focus of our recommendations in chapter 7 will be how Austria can overcome these weaknesses without losing the entrepreneurial spirit of the development cooperation in private

⁷⁴ Ref. Lindahl C. et.al.; (2011), *The Role and Effectiveness of SECO Cooperation in Business Environment Reform*

sector development undertaken by ADA. Prior to this, we will respond to the detailed evaluation questions of the ToR in the next section.

7.2 Responses to the Evaluation questions in the ToR

In the tables below, we summarize our assessment in line with the specific evaluation questions raised in the ToR for the Evaluation. These questions are arranged on the headings *relevance, effectiveness, efficiency, impact* and *sustainability*, and under sub-heading *strategic questions* and *project-related questions* in line with the ToR. References are made to the chapters in the report where further details are provided. Note that the tables do not include the third sub-heading *donor comparison* which is dealt with extensively in the preceding chapter. We have rated the ‘performance’ of ADC against the evaluation questions (when this is relevant) based on our assessments using a scale 1-5 with the following (qualitative) rating categories:

1= highly unsatisfactory; 2= unsatisfactory; 3= satisfactory; 4=very satisfactory; 5= excellent
n.r.=not relevant in the sense that the Evaluation question is mainly descriptive

7.3 Relevance

Evaluation questions	Assessment and remarks	Rating
<i>Strategic questions</i>		
How is PSD reflected in ADC’s strategic documents, e.g. ADC’s 3-years’-program?	PSD is well reflected in ADC’s 3-years programs as well as in some of ADC’s policy guidelines. As discussed in chapter 3, the issue is rather the weak coherence between policy as reflected in the 3-year program and actual implementation.	4
How is PSD incorporated in ADC’s country and regional strategies (Nicaragua, Central America, Burkina Faso, Southeast Europe, Kosovo)?	In general well incorporated. However, in some cases, project development steers policy development as, for example, in Macedonia where a project in the education sector became PSD which later was reflected in the 3-year program.	4
Does the theoretical approach of the ‘two columns’ of ADC’s PSD strategy reflect the reality and current/upcoming challenges in PSD? Are there any important components missing?	As shown in chapter 3, there is a clear imbalance between ADA’s work in column 1 and 2. In practise ADC does not give high priority to business environment reforms (column 1). Furthermore, the market level interventions (column 2) at least in the past have often been supply oriented in the form of business services. column 3, Business Partnership is largely operated in isolation from the other forms of PSD.	2
Which thematic priorities were developed in ADC’s approach to PSD and why?	Overall, there is a wide spread on types of interventions under column 2, pointing to a problem of focus in ADC, especially in the view of ADA’s limited and declining staff resources. The strong focus on a specific region in each partner seems to be the main reason why many interventions with a strong PSD element are targeted at local area development.	n.r
Under which names can PSD programs and projects be found within ADC? Is there a common understanding of the concepts behind these terms, e.g. regional development, rural development?	There are a number of PSD elements and linkages in almost all ADC’s sectors and thematic areas as discussed in detail in chapter 3 There is a wide interpretation of PSD in ADA and the organisation lacks a common, all accepted definition. In some respect the Business Partnership has become associated with PSD which by at least some staff members is seen as “alien” to good development cooperation.	n.r

Do ADC interventions reflect the new developments of international commitments (Post-Busan, others)?	ADC has a fairly narrow approach to cooperating with private business, i.e. the Business Partnerships program which is highly focussed on promoting an increased interest among Austrian and European small and medium-sized firms for investing in development countries. There are many different options for cooperating with private actors, also within market development (column 2).	3
<i>Project-related questions</i>		
Are ADC's PSD activities well aligned with national and regional policies and strategies of the partner countries?	The main picture portrayed in the projects reviewed is that ADC's PSD activities are well in line with national/regional policies and that project proposals generally make ample references to such strategies and policies. However, the fact that PSD programs are rarely integrated into joint donor programs led by partner countries, might create risks that ADC's activities become delinked from the main national agenda. For details, see chapter 5.	4

7.4 Effectiveness

Evaluation questions	Assessment and remarks	Rating
<i>Strategic questions</i>		
To which extent are PSD approaches and methodologies taken into account in other sector strategies and guidelines? Do PSD related interventions in other sectors comply with good PSD practice?	There is variation in the way that PSD dimensions are being dealt with in other sector strategies, policies and guidelines as elaborated in detail in chapter 4. There are good, explicit reference in, for example water and energy, while weak references in some other policies. The sample projects assessed are limited and do not allow generalisations for ADC. Among reviewed projects and policy documents, the answer is mixed. There are, for example, fairly weak references to concepts such as Making markets work for the poor, and there is a tendency on focus on supply issues and neglecting market aspects. For details, see chapter 4.	3 3
To which extent is PSD treated as a crosscutting issue within ADC?	The practice varies a great deal between sectors/themes, partly due to the fact that PSD is so heterogeneous depending upon the sector in which it is applied. The cross-cutting aspect is largely taken care of by the thematic and country/regional staff (including field office staff), and to a lesser extent through the PSD section due to the severe shortage of staff.	3
To which extent are cross cutting issues (gender, environment and human rights) mainstreamed in PSD?	ADA has a good, explicit practice in the gender theme in the project appraisal process. Problems have been reported in relation to the appraisal of environmental aspects, where the follow-up in progress reporting and evaluations is also less systematic and sometimes missing. Human rights are not covered by PSD projects.	3
Are the organisational, institutional, budgetary and personal requirements for an up-to-date policy and effective PSD involvement available in ADC (in headquarters as well as in the coordination offices)?	The requirements for such involvement are clearly not fulfilled in the current situation. It is also questionable if it is possible to achieve such involvement with today's overarching institutional structures and financial limitations.	1
How can effectiveness potentially be enhanced, even if the resources cannot be increased?	For details see Chapter 8.	n.r
How effective is the collaboration between different Austrian stakeholders? How can it be improved, if necessary	The cooperation within the Austrian ODA-PSD system does not work well as the main actors undertake their work largely independent of one another, with a few exceptions of parallel financing of projects (such as REPARIS and PIDG). The fragmentation of the Austrian ODA is commented upon by outsiders and applies also to PSD. The very recent efforts to create a joint PSD task force as indicated in chapter 2 might change the picture.	1

<i>Project-related questions</i>		
How have PSD projects/programs been developed? Were they planned strategically, or did they rather come about in an ad-hoc way?	It has not been possible to go into full detail on the history of the project portfolio. However most of the projects appear to have been developed in a reasonably strategic way based on partner country priorities, existing country strategies and ADC thematic priorities. We argue that one of ADA's strength is a flexible and <i>opportunistic</i> approach to project development as reflected, for example in Kosovo and Macedonia. Thus, ad hoc might be an advantage for a small donor such as ADC.	3
Which PSD related topics have been planned strategically? Which success factors can be defined for the planning process?	ADA has a long history of regional and rural oriented interventions with a PSD focus in some cases. The application of strategic approaches to PSD along current best practices is, however, not always there. The fragmentation of many different themes makes strategic planning difficult.	2
Were the different approaches and the intervention logics for PSD appropriate and justified?	In a number of projects reviewed the intervention logic is not fully developed. It appears as if the project designers have assumed an automatic link between the planned supply of PSD-related services and a reduction in income poverty of the intended beneficiaries. In other words there are substantial missing links in the results chain for a number of projects.	2
Have the supported PSD projects and programs reached the intended effects/are they likely to achieve the intended effects?	There are few evaluations available for projects in the reviewed PSD portfolio which describe effects (in terms of e.g. employment and/or incomes). This is partly explained by the fact that several projects are still being implemented, but there are also problems related to intervention logic (see previous remark).	Un-known

7.5 Efficiency

Evaluation questions	Assessment and remarks	Rating
<i>Strategic questions</i>		
To which extent is the alignment and cooperation with donors of other countries important for ADC's PSD activities? Could the efficiency of ADC's PSD activities be improved by enhancing donor cooperation in the specific countries?	There are only a few examples among the projects reviewed where ADC participates in joint donor-financed projects in line with the Paris agenda. PIDG is such an example. In some projects ADA cooperates with SDC, but seemingly with certain friction on both sides due to different administrative requirements. In a limited efficiency perspective focusing on ADA's staff inputs, an increase of such delegated co-operation would most likely increase ADA's "staff efficiency". If it in a wider perspective would increase the cost efficiency of projects (outputs in relation to inputs) or cost-effectiveness (value-for-money) is however an open question.	n.r
Have synergies between different activities (not only PSD but also other sectors and cross-cutting themes) been sufficiently exploited?	A substantial proportion of ADC's interventions are oriented towards rural development with an area focus. This greatly facilitates the exploitation of synergies between different types of activities (PSD and non-PSD). In the portfolio that we have reviewed there are several examples of programs/projects where such synergies play an important role. However, the portfolio as such is too diverse to allow effective synergies.	2
To which extent have lessons learned and good practices from related activities/ interventions been taken into consideration in the design of new interventions?	ADC projects are often carried out in several stages in partnerships with local or international implementing agencies which are given a considerable degree of influence over the formulation of the various stages of a project. This approach makes it easier take lessons from previous phases into account, but may at the same time make it more difficult to draw upon lessons from other projects (or from international experience). One example is the handicraft projects in Burkina Faso where the same agency was involved during more than 15 years.	3

<i>Project-related questions</i>		
Has actual implementation taken place according to the project document and logical framework? What kind of major challenges have been observed in course of the implementation? What kind of possible adaptations have been considered? Were they appropriate? Have they led to a deviation of the implementation?	As pointed out above, problems have been observed with the intervention logic primarily at the outcome/impact level. At the same time project reviews show that most projects are based on a well-developed logical framework with clearly defined results and that the project implementation usually follows these frameworks. Due to the diversity within the project portfolio, it is difficult to generalise with regard to the types of challenges met and adaptations made. However, ADA is working in a flexible and trial-and error fashion which facilitates learning and adoption. Small country teams are seemingly effective with closeness to their projects. ADA has a 'tight' management system of its portfolio. Challenges are often problems related to government institutions that are poorly staffed and sometimes wrongly staffed due to political appointments. See especially the Kosovo case study.	4
Were the applied modalities (partnerships, employment of consultants etc.) cost effective?	The few evaluations which are available generally have not made any assessments of cost effectiveness. Cost dimensions tend to be lacking in progress reviews and evaluations.	Un-known

7.6 Impact

Evaluation questions	Assessment and remarks	Rating
<i>Strategic questions</i>		
Which partners and approaches were especially useful to reach ADC's goals in PSD interventions? At which level of intervention? What was the role of cooperatives, for example?	The disparity between the projects reviewed, e.g. a major joint donor investment vehicle like PIDG as well as a handicraft project managed by an Austrian NGO, makes it very difficult to generalise conclusions regarding usefulness of partners and approaches. The one intervention that included any major support to cooperatives is the PROMART Handicraft Project in Burkina. According to an external evaluation in 2006, this project was successful in its efforts to strengthen local artisan associations. ADC has a culture of working with a diverse set of NGOs.	n.r
How have target groups of PSD interventions changed over time in ADC's interventions?	No such changes have been observed during the actual project periods studied.	n.r
<i>Project-related questions</i>		
What is the outcome and possible long-term impact of PSD projects/programs in ADC partner countries?	As mentioned above, there are few evaluations available. Outcome in terms of strengthened capacity of local organisations is well documented with varying results. When it comes to outcomes at market level and impacts on e.g. employment and incomes, evaluations are quite silent. Evaluations tend to be too output focussed. See further chapter 5.	Un-known
Have PSD activities actually addressed the articulated needs, interests and priorities of the projects/programmes' beneficiaries?	An assessment of such nature requires a much more in-depth analysis that what a portfolio analysis can achieve.	Un-known

To which extent did ADC's PSD interventions contribute to political, social and economic empowerment, especially of the poor? Where have PSD interventions reached the most significant effects and why? Which effects exactly were reached?	The same answer as above applies.	Un-known
Which approaches have proven most efficient towards income creation and for which target groups?	As evaluations are few and generally silent on impacts on income, it is not possible to answer this question.	Un-known
To which extent did ADC's PSD interventions contribute to women's economic empowerment?	The evaluations concerning the reviewed projects do not assess impacts on women's economic empowerment; hence the question cannot be answered.	Un-known
To which extent were gender specific measures developed and what were the results of these specific measures?	There are a number of examples of active measures to integrate gender dimensions and women's economic empowerment (e.g. PROMART handicraft project, JOIN, CIDEL, IRDS etc). However, reviews and evaluations are not very explicit regarding the actual results of these measures. In one case, i.e. the mid-term evaluation of IRDS, it appears that the evaluator seems to argue against giving special preferences to women or vulnerable ethnic groups.	4
To which extent were environmental effects of PSD interventions taken into account (in planning as well as in implementing projects)?	As mentioned above, problems have been reported regarding the appraisal of environmental aspects. There is also little evidence of concrete actions in this respect in progress reports and evaluations.	2

7.7 Sustainability

Evaluation questions	Assessment and remarks	Rating
<i>Strategic questions</i>		
Are there any elements of the "Guidelines Private Sector and Development" which should be updated in line with the results of the evaluation?	In the Recommendations we suggest a rewriting of the Guidelines, see further chapter 8	n.r
How can the sustainability of ADC's PSD be improved?	This question is difficult to answer given the wide spectrum of PSD projects in ADC's portfolio. One interesting option applied by the Knowledge Economy project in Macedonia is to create a non-profit entity organisation cooperating closely with the Faculty and being able to generate incomes that could finance the promotion of entrepreneurship. The literature on the M4P approach contains many examples on how sustainability may be achieved by applying market-based approaches. ⁷⁵	n.r
How can ADC institutionalise and maintain capacities for PSD in a sustainable manner?	Our recommendations are given in chapter 8.	n.r

⁷⁵ SDC/DfID (2008)

Project-related questions		
Are sustainability issues (economic, social and ecological sustainability) addressed sufficiently within the different interventions?	Many of ADC's PSD interventions give high priority to capacity building aimed at local organisations. Evaluations confirm that capacity building efforts have often been successful. However there is not so much information available on the financial sustainability of these organisations. There is also little information available on the outcomes at market level and their sustainability. Our field work in Kosovo and Macedonia indicates that the sustainability might be exaggerated in evaluations. As to social and environmental sustainability see further in chapter 5 and above.	3
Has capacity development of all stakeholders involved been addressed in an appropriate manner?	See previous remarks.	
To which extent have exit strategies been built into the project designs?	There is little information available on explicit exit strategies. Given the lack of information on the financial sustainability of the organisations involved, this may be a matter of some concern.	2
Are there possible wider effects and prospects for the executing organisations to continue after the programme has ended? (e.g. in SOE and Nicaragua)	See answer to the above question "How can the sustainability of ADC's PSD be improved?"	n.r.

8. RECOMMENDATIONS

This section is divided in two broad areas of recommendations in line with the request in the ToR:

- How can Austrian ODA overall be more effective in private sector development and have greater impact through synergies and linkages between different providers?
- How can ADA be more effective both in its core PSD activities and as a dimension in other sectors?

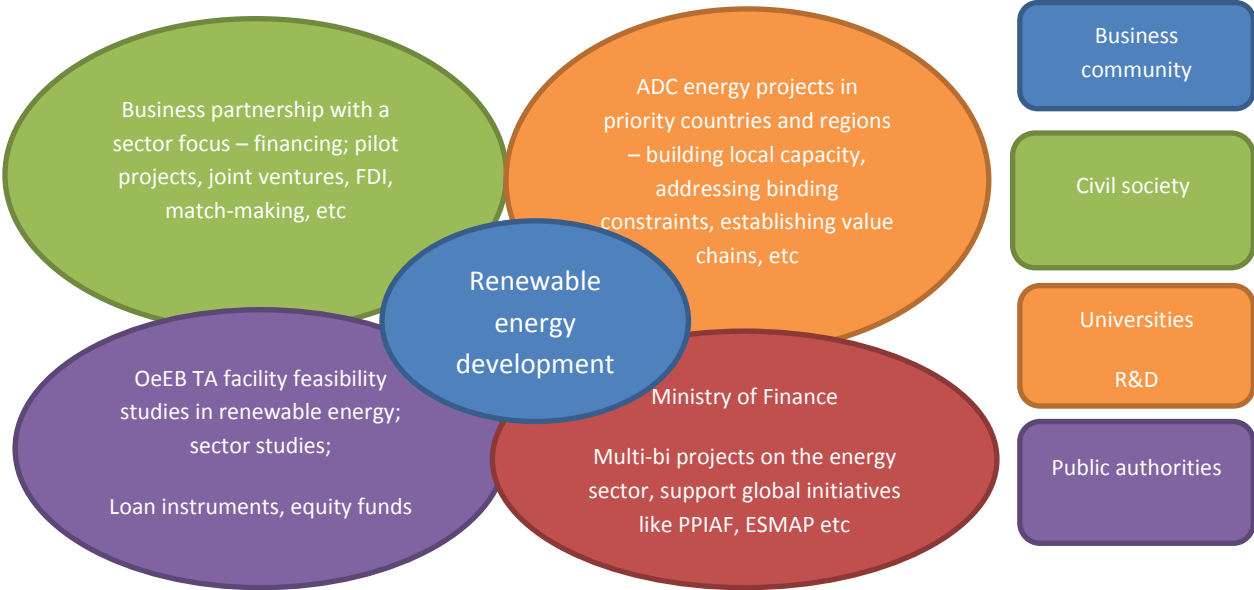
8.1 Make PSD a strategic priority in Austrian ODA

A more strategic approach We recommend that Austria strive to have a more focused and strategic approach to its private sector development work than what is the case today. Such a strategic approach could be achieved through concentration on a few selected themes for which Austrian development cooperation can build excellence. These themes and sector should build on the competence in the Austrian society, including its business community, civil society, research community and relevant public authorities. Certain sectors/themes have already been identified by the Austrian government, notably renewable energy. Renewable energy, on the other hand, has so far not been given the focus political statements indicate. Other themes/sectors can be added.

Building clusters Currently the linkages between the various instruments in the Austrian ODA system are few and the actors work largely in isolation of one another, following their own priorities. With a thematic focus this fragmentation could be overcome and the various inputs feed more strongly into one another. For example, a focus on renewable energy could involve OeEB and the Business Partnership along a joint effort, especially if the Business

Partnership targets somewhat larger companies than today and OeEB develops a new window for smaller loans and use its grant based facilities to support such development. Energy projects in ADC priority countries could have a linkage to such efforts by addressing constraints in the business environment in the (renewable) energy sector, by building value chains between local providers and Austrian and international partners, by addressing capacity issues in regulatory authorities, etc. Also the work by the Ministry of Finance in its multi-bi cooperation with the IFIs might identify or take initiatives to projects which have a bearing on such efforts. By cooperation on a few selected core themes, the different actors in the Austrian system would gain knowledge that is relevant for other actors. For example, Business Partnership projects might identify structural issues in the sector regionally or in specific countries which could be the subject for ADC interventions. Vice versa, work in renewable energy by ADC could identify value chain opportunities, linking local economic entities to international market players. We believe that such a “cluster approach” would make the Austrian development cooperation more effective as a means of addressing development issues as well as it would add value for Austria by incorporating a wider segment of the society. This is schematically described below:

Figure 8. A suggested holistic approach to PSD in Austrian ODA



Define Austria’s comparative advantage Renewable energy is one theme/sector well recognized in Austria as both a priority from a developmental perspective and one in which Austria has a strong resource base as discussed above. Another obvious sector is tourism, already having a certain profile in ADC. Much more could be done, however, making tourism a cluster theme. Tourism might be of special interest as a global business with rapid growth, one in which Austria has a strong resource base and long-time experience, as well as one on which other donors tend to focus less.

Build on Austria's innovative capacity Austria belongs to the countries in the world which spend the largest share of its GDP on Research and Development (R&D) and is one of the top countries in international comparisons in terms of innovations.⁷⁶ This capacity could be better reflected in Austria's private sector development, for example through involving the research community and the innovative segment of the business in ventures in emerging markets and poor countries. Innovation is becoming a key feature in development and Austria could join this force in its PSD oriented ODA. Many developing countries are today also trying to upgrade their innovation capacity – Austria should be able to provide support in such a field, for example, using its experience in higher education and science support as an entry point such as in the case of Macedonia referred to earlier.

Make an inventory of Austria's unique competence in development cooperation We recommend that ADC in cooperation with the other players and with the various segments of the Austrian society initiate a process to define in what sectors/themes that Austria has a comparative advantage of relevance for its development partners. Such a process might have the added value of lifting development cooperation on the political agenda. Finding themes that are perceived as “win-win” situations is the best and possibly the only way to create a greater political interest in development cooperation which would facilitate a more significant resource flow to ODA.

Update the Private sector and development Guidelines to an Austria wide PSD strategy. The guidelines for private sector development and development should be updated and made into joint Austrian PSD Strategy. We recommend that such a strategy is made Austrian ODA wide, i.e. incorporate what other actors such as the Ministry of Finance, OeEB and the Ministry of Economy do and/or could be doing. This new strategy should 1) focus on Austria's comparative advantage in development assistance as indicated above; 2) have a focused approach on what Austrian ODA should concentrate on; 3) build joint platforms for all the actors to cooperate; and 4) be stronger in line with international best practice in PSD, and also include the rapidly emerging experience in various Business for Development initiatives by other donors. This new strategy should preferably be developed jointly by the key stakeholders. It should be translated into English in order to facilitate communication both with other stakeholders in development cooperation and with partner countries.

The recommendations above are made to all the players in the Austrian ODA concerned with PSD, i.e. the ministries of foreign affairs, finance and economy, ADA and OeEB.

8.2 Strengthen ADA's capacity in private sector development

Reinforce and build on ADA's entrepreneurial capacity ADA is a professional, flexible and entrepreneurial organisation relative to many other in the field of development assistance. Being a risk-taker and a pioneer, ADA often is able to create good value for money and can sometimes have a greater role than its budget implies. ADA should make innovation, risk-taking and pioneering a hall-mark of its PSD operations. Part of this could be working with unconventional partners both in Austria and in partner countries such as specialized NGOs as in the case of Kosovo.

Mainstream PSD in other sectors We recommend that efforts should be strengthened to mainstream PSD broadly in ADC and in ADA's operations. PSD permeates most of the work in ADA and a systematic treatment of this would both facilitate competence building in the organization and assure use of best practices. Mainstreaming PSD in other sectors does not

⁷⁶ See for example European Commission (2011), Innovation Union Competitiveness Report

prevent a portfolio of PSD projects as today is the case. The difference between PSD and the formal cross-cutting themes *Environment & natural resources* and *Gender & development* should be recognized.

Strengthen the organisational linkages between PSD and other thematic areas There are perceived barriers in ADA's present organisation between PSD on the one hand, and other sectors and thematic priorities on the other. We recommend ADA to look for ways to reduce these barriers: a first step could be to set up joint working teams for better integrating PSD in other sectors. A more radical step would be e.g. to divide the present Quality assurance and Knowledge management section into two separate sections, one of which would focus on sustainable economic development including themes like sustainable energy, water & sanitation, rural development (including agriculture) and PSD. The organisational location of the Business Partnership program would have to be given special consideration. There are both pros and cons with the present mix of a thematic function like PSD and an operational function like Business Partnerships.

Staffing the PSD function Given PSD's role in the Austrian development cooperation, ADA should consider providing a two person team for the function even in the currently constrained budget environment.

Systematic training in PSD There has so far been rather limited efforts to provide systematic capacity building in PSD throughout the organization through training, etc. PSD should be made a subject for such training and capacity building in line with ADA's existing training and knowledge upgrading programs. ADA's annual staff training plan, the "Weiterbildungskonzept" is the obvious host of such training.

The option of a help-desk ADA should consider establishing an external 'help desk' for PSD. This might for example be achieved using consultants on a retainer basis. The option of involving selected representatives from the business community on a voluntary basis as a help desk might also be considered. There is often a considerable willingness by executives and other persons in key positions in business to provide services on a voluntary basis. Help desks are, for example, used by Sida.

Establish practical guidelines We recommend that ADA develop a "best practice check-list of guidelines for PSD" to be used both in PSD as a thematic subject and as a dimension in other sectors. The model used by Sida could be a start.

Apply the M4P approach Experience by SDC, Sida, DfID and others show that the Making Markets Work for the Poor (M4P) approach could be highly useful for donor agencies in their support to private sector development. It puts the focus on underlying causes of observed problems at market level and may contribute to finding systemic and thereby more sustainable solutions to such problems. For this reason we recommend that M4P is introduced as an analytic tool supporting the analysis of how a PSD project contributes to wider market changes (i.e. responses to the type of questions listed in the box "Ten questions on PSD practices", ref. section 4.1 above).

There are also interesting linkages between the M4P approach and some of the new mechanisms for "Business for development". One example is that M4P projects frequently develop partnerships with local (or regional) businesses. Another example is the way that

M4P thinking has guided the design of a major challenge fund, i.e. the Africa Enterprise Challenge Fund, AECF.⁷⁷

It must be noted that the full application of M4P approach may be highly demanding for a small development agency like ADA. It is therefore recommended that ADA should look for closer cooperation both with other donors and with stakeholders like NGOs in the continued development and use of M4P. This applies both to knowledge development where e.g. SDC is very active, and to the implementation of programs in partner countries.

The recommendations above are made to the management of ADA.

8.3 Enhance the Business Partnership program

While outside the mandate of this Evaluation we suggest some changes and complements to the Business Partnership to make it more effective, and especially for the program to fit into a holistic, strategic PSD program by Austria.

Create a match-making facility Our work in Kosovo and Macedonia pointed at a great demand from local companies to find Austrian and international partners. ADA might consider establish a systematic match-making program as a complement to the Business Partnership. Norway's scheme is an interesting model, which, with fairly small financial inputs has mobilized a large number of Norwegian companies to seek partners in selected countries.⁷⁸

Targeting also larger companies The current Business Partnership is used mainly by small and medium enterprises, and sometimes very small companies. This is a problem in terms of potential impact for example on employment and also on sustainability. WIPA might consider targeting larger companies than today for these reasons.

Applying a PPP approach The WIPA is basically a grant to international companies or their partners of up to EUR 200,000. An alternative model, and one which might be of greater interest as a development approach, is to create joint public private partnerships with Austrian and other international companies for development projects co-financed by ADC and the company and which both parties have an interest in. Such projects might be, for example, vocational training. The PPP program operated by Sida is an example.

The recommendations above are made to the management of ADA.

8.4 Some general remarks on ADC's project cycle management

Strengthen the linkage between policy and implementation As indicated in the report, the coherence between ADC policy as expressed in its 3-year programs and other documents on the one hand, and the ADA implementation on the other hand is not always strong. This is reflected in PSD. In its simplest form, better coherence can be achieved by a more accurate CRS classification in ADA. Of a more profound nature such coherence would require a better follow up system.

Lack of a decision memorandum ADC has an elaborate and good project cycle system, but we miss an 'appraisal type' of report by the organization as a basis for decision to fund a

⁷⁷ Reference is made to a presentation at an M4P conference in November 2011 by AECF: Scott, H. and Mitchell, C. (2011).

⁷⁸ The Norwegian Match-making program is described and assessed in Lindahl et al (2010) *Evaluation of Norwegian Business-related assistance*, Norad

project or not. Such a memo is essential to establish the expectations of ADA, the context of the intervention, dialogue strategy, risk assessment, etc. The project log frame should also be an integral part of these decision memos.

Make clear exit strategies from the beginning Ending project support is a general problem in the donor community due to the issue of aid dependency. In the decision memorandum suggested above, a clear strategy for (ADC) exit should be laid out,

Strengthen results measurement Although ADC project documents usually contain log frames of good quality, we have pointed out that there is a need to strengthen results measurement in ADC projects. This is also an integral part of the M4P approach. The DCED has developed a “Results Standard for Private Sector Development” which is applicable not only to M4P projects but more generally to PSD.⁷⁹ The use of this kind of standard mainly falls on implementing agencies. Some international NGOs have actually adopted the DCED Standard and apply it in all their projects. ADA is recommended to initiate a dialogue on results measurement with its main PSD partners, whereby the option to use the DCED Standard may be considered.

Strengthen independent evaluations In our review of the chosen PSD projects we were hampered to only a few of them had independent evaluation reports. As a learning tool, and as a means of assessing performance, independent evaluations tend to be an effective tool. However, the evaluations must be unbiased from vested interests. There is a clear risk in mainly using national consultants as they have might have ties to the implementing parties (even if not directly linked to these) as the ‘intellectual’ communities tend to be small in many developing countries. To judge from the evaluations we have seen, the quality could be enhanced. ADA should also consider undertaking ex-post evaluations occasionally to assess sustainability.

The recommendations above are made to the management of ADA and MFA.

⁷⁹ DCED (2010)

ANNEX 1: TERMS OF REFERENCE

Strategic Evaluation of Private Sector Development of the Austrian Development Cooperation 2008 - 2012

1. BACKGROUND

The main goal of most private sector development (PSD) interventions is to improve the conditions for creating jobs and to increase the income of the poor in developing countries. In order to achieve that private sector development covers a variety of instruments and methods. It deals with a multitude of different partners from the public and from the private sector. Target groups of the interventions are not necessarily private persons but can also be companies of different sizes, branches, associations and public entities.

Currently, there is an intense international debate taking place about the integration of private sector into development. Austria adheres to the outcomes of international conferences like Busan and LDC IV and has contributed with other donors to input documents such as

- the „Bilateral Donors’ Statement in Support of Private Sector Partnerships for Development”, presented 2010 at the MDG10 Summit
- “Partners in Development: How Donors Can Better Engage the Private Sector for Development in LDCs”, which was presented 2011 at the LDC IV conference and recently
- the Joint Donor Statement “Expanding and enhancing public and private co-operation for broad-based, inclusive and sustainable growth”, which was presented 2011 in Busan.

For the Austrian Development Cooperation (ADC) the three following ‘columns’ are relevant for private sector development (according to the Guidelines Private Sector and Development):

1. Improving the framework for private-sector engagement in partner countries

At this intervention level, the concern is to frame the enabling economic, social and institutional environment for private enterprise. Central measures here are securing rule of law, fair rules for improving competitiveness and trade relations as well as infrastructure development.

2. Business Development Services (BDS)

With the help of various instruments, the aim is to strengthen the market position of enterprises in partner countries, improve their information base and enable them to gain access to finance.

3. Greater involvement of Austrian and European industry and commerce

Successful economic relations between industrialised and developing countries make an important long-term contribution to improving the conditions of life for local populations. With its private-sector cooperation instrument, ADC provides support here.

The first and the second column of PSD are subject of this evaluation. (The third one was evaluated in 2008.)

Explicitly, PSD has been defined as a focus sector in the following countries/regions:

- in Nicaragua and Central America (with a focus on local economic development)
- in Burkina Faso (where the emphasis lies on the support of handicraft and micro and small enterprises through microcredits, organizational development and training and where other focal sectors rural development and education are also relevant for PSD)
- in Kosovo (where efforts are made towards strengthening SMEs)
- In other focus countries/regions PSD also plays a role, but in a more implicit way:
- In Southeastern Europe PSD is a cross-cutting issue called ‘generating employment and vocational training development’.
- In Bhutan there are activities emphasizing the creation of jobs in tourism.
- In the South Caucasus region PSD is part of the focus sector called ‘agriculture and forestry’.

Furthermore, ADC participates in a number of multi-donor initiatives which also deal with PSD, e.g. REPARIS, PIDG.

These are some examples showing that Private Sector Development is connected to or integrated in all of ADC’s major sectors and themes. This is especially true for rural development, education and ‘regional development programs’.

For the analysis it is important to know that many actors are involved in Austria’s Official Development Assistance (ODA): The Ministry for European and International Affairs (MFA) coordinates Austrian development policy and plans Austrian Development Cooperation. The Austrian Development Agency (ADA) is in charge of implementing programmes and projects. Also different ministries (Ministry of Finance, Ministry of Economy, Family and Youth) and other stakeholders (Austrian Chamber of Commerce, Austrian Development Bank) deal with private sector development. It is currently perceived that there is a potential to further strengthen the collaboration between different partners.

2. PURPOSE OF THE EVALUATION

The purpose of this strategic evaluation is threefold:

1. to analyze current and completed PSD programs and projects of ADC as well as the guiding documents for PSD in ADC (along the five DAC criteria) and to draw lessons learned from this analysis.
2. to screen subjects overlapping PSD, such as rural development, education and energy for activities that aim at developing and strengthening the private sector. Recommendations for ‘how to better use PSD knowledge and potential in these sectors’ need to be elaborated.
3. to present an analysis of possible synergies between different stakeholders engaged in PSD in Austria (with special emphasis on Austrian Development Bank and Ministry of Finance). Recommendations for an improved cooperation should be provided.

The evaluation should support the efforts to mainstream PSD knowledge inside and outside ADC and provide concrete recommendations for ADC’s policies and activities. The final report should contain findings and recommendations expressed clearly enough to be translated into operational terms for different strategic levels.

The evaluation should serve policy and sector decision-making and project management purposes. The PSD team in ADA’s headquarters and delegations in coordination offices with a focus on PSD and the Ministry for European and International Affairs will thus be the main users of the evaluation.

However, the evaluation should also generate results of interest to a wider audience, e.g. governmental and civil society partners and other stakeholders of Austria's Official Development Assistance.

3. OBJECTIVES

The current ADC evaluation plan includes the evaluation of ADC's support to private sector development. No strategic evaluation of this sector has been conducted so far.

The evaluation is also merited by the fact that rapid change is taking place in this field of development since it has been widely recognized that sustainable development needs a strong and independent private sector – in order to create jobs and income, and to reduce poverty.

This evaluation will be conducted in an environment of major changes:

- Some of ADC's coordination offices are about to be closed or have completed their activities, e.g. Nicaragua, Serbia and others in the Balkan region
- New geographic priorities with a PSD focus are established (South Caucasus region)
- In Bhutan/the Himalaya region the private sector's role is increasingly acknowledged and ADA responds to the strong interest of the partner country's government, especially regarding its activities in tourism
- New instruments are being applied by ADA, e.g. indirect centralized management (ICM), to implement measures which are not necessarily called 'private sector development' but imply the use of PSD approaches
- Austrian actors involved in the sector try to enhance coherence and work on new strategies to intensify their cooperation with the private sector (e.g. 3-years' program of ADC)

Therefore the objectives of the evaluation are:

- To work out lessons learned and good practices from completed programs and projects (ADC's PSD analysis) and use them not only for new projects and programs but also for an update of the strategic documents guiding ADC's PSD activities
- To uncover and define synergies with other sectors and cross-cutting themes in order to better use PSD knowledge (ADC wide analysis)
- To analyze the coherence of strategies and activities of Austrian PSD stakeholders (ODA dimension)

The purpose of the last objective is to find possible synergies in order to improve cooperation. To analyse the PSD portfolios of all Austrian stakeholders is not subject of this evaluation.

4. SCOPE OF THE EVALUATION

The period covered by the evaluation will be 2008 to 2012, as the guidelines for the sector, serving as a reference point, entered into force in 2008.

The evaluation will analyze ADC's strategies, approaches and interventions of PSD and related sectors, but will also have to take into account strategies and activities of other ODA relevant actors in Austria. The evaluation will be based on an analysis of policy statements, sector guidelines and sector interventions.

The evaluation will also contain a donor comparison, in order to identify best practices and to develop recommendations and new practices for ADC and other PSD stakeholders. The selection of donor countries for comparison will be made during the inception phase.

It is also expected that the evaluation team will take the latest guidelines and other international key documents (Donor Committee for Enterprise Development Standards, OECD DAC policy documents etc.) as reference points into consideration.

Additionally, a more in-depth assessment (desk review) of a sample of 10 to 15 selected projects (of all focus countries of ADC's PSD) to identify more specific results and to point to promising practices and methodologies, will be an important part of the evaluation. Part of this assessment will also be a visit to Kosovo, as Kosovo is the only focus country in the Balkan region where ADC will continue its PSD activities. Two on-going projects and one which is currently prepared can be evaluated there.

It is also recommended to conduct personal or telephone interviews with ADC staff with knowledge about Nicaragua and Central America (where the office was closed in May 2012, but PSD projects continue until 2013) and other countries and regions where PSD is defined as a focus sector.

5. EVALUATION QUESTIONS

The evaluation will use all five OECD/DAC criteria.

5.1 Relevance

Strategic Questions

- How is PSD reflected in ADC's strategic documents, e.g. ADC's 3-years'-program?
- How is PSD incorporated in ADC's country and regional strategies (Nicaragua, Central America, Burkina Faso, Southeast Europe, Kosovo)?
- Does the theoretical approach of the 'two columns' of ADC's PSD strategy reflect the reality and current/upcoming challenges in PSD? Are there any important components missing?
- Which thematic priorities were developed in ADC's approach to PSD and why?
- Under which names can PSD programs and projects be found within ADC? Is there a common understanding of the concepts behind these terms, e.g. regional development, rural development?
- Do ADC interventions reflect the new developments of international commitments (Post-Busan, others)?

Project Related Questions

- Are ADC's PSD activities well aligned with national and regional policies and strategies of the partner countries?

Donor Comparison

- How is PSD incorporated in other donors' strategic concepts?

5.2 Effectiveness

Strategic Questions

- To which extent are PSD approaches and methodologies taken into account in other sector strategies and guidelines? Do PSD related interventions in other sectors comply with good PSD practice?
- To which extent is PSD treated as a crosscutting issue within ADC?

- To which extent are cross cutting issues (gender, environment and human rights) mainstreamed in PSD?
- Are the organisational, institutional, budgetary and personal requirements for an up-to-date policy and effective PSD involvement available in ADC (in headquarters as well as in the coordination offices)?
- How can effectiveness potentially be enhanced, even if the resources cannot be increased?
- How effective is the collaboration between different Austrian stakeholders? How can it be improved, if necessary?

Project Related Questions

- How have PSD projects/programs been developed? Were they planned strategically, or did they rather come about in an ad-hoc way?
- Which PSD related topics have been planned strategically? Which success factors can be defined for the planning process?
- Were the different approaches and the intervention logics for PSD appropriate and justified?
- Have the supported PSD projects and programs reached the intended effects/are they likely to achieve the intended effects?

Donor Comparison

- In comparison to other donors is PSD sufficiently anchored in ADC?
- What could be learned from other donors regarding the considerations of PSD in other sectors (including cross-cutting issues)?
- What could be learned from others to potentially strengthen the cooperation with other stakeholders in Austria?

5.3 Efficiency

Strategic Questions

- To which extent is the alignment and cooperation with donors of other countries important for ADC's PSD activities? Could the efficiency of ADC's PSD activities be improved by enhancing donor cooperation in the specific countries?
- Have synergies between different activities (not only PSD but also other sectors and cross-cutting themes) been sufficiently exploited?
- To which extent have lessons learned and good practices from related activities/interventions been taken into consideration in the design of new interventions?

Project Related Questions

- Has actual implementation taken place according to the project document and logical framework? What kind of major challenges have been observed in course of the implementation? What kind of possible adaptations have been considered? Were they appropriate? Have they led to a deviation of the implementation?

Were the applied modalities (partnerships, employment of consultants etc.) cost effective? Donor Comparison

- What could be learned from other donors in order to potentially improve the efficiency of ADC's PSD activities?

5.4 Impact

The evaluation should explore, whether there are indications, that the projects and its interventions, will have the intended employment and income effects.

Strategic Questions

- Which partners and approaches were especially useful to reach ADC's goals in PSD interventions? At which level of intervention? What was the role of cooperatives, for example?
- How have target groups of PSD interventions changed over time in ADC's interventions?

Project Related Questions

- What is the outcome and possible long-term impact of PSD projects/programs in ADC partner countries?
- Have PSD activities actually addressed the articulated needs, interests and priorities of the projects/programmes' beneficiaries?
- To which extent did ADC's PSD interventions contribute to political, social and economic empowerment, especially of the poor? Where have PSD interventions reached the most significant effects and why? Which effects exactly were reached?
- Which approaches have proven most efficient towards income creation and for which target groups?
- To which extent did ADC's PSD interventions contribute to women's economic empowerment?
- To which extent were gender specific measures developed and what were the results of these specific measures?
- To which extent were environmental effects of PSD interventions taken into account (in planning as well as in implementing projects)?

5.5 Sustainability

Strategic Questions

- Are there any elements of the "Guidelines Private Sector and Development" which should be updated in line with the results of the evaluation?
- How can the sustainability of ADC's PSD be improved?
- How can ADC institutionalise and maintain capacities for PSD in a sustainable manner?

Project Related Questions

- Are sustainability issues (economic, social and ecological sustainability) addressed sufficiently within the different interventions?
- Has capacity development of all stakeholders involved been addressed in an appropriate manner?
- To which extent have exit strategies been built into the project designs?
- Are there possible wider effects and prospects for the executing organisations to continue after the programme has ended? (e.g. in SOE and Nicaragua)

6 PROPOSED METHODOLOGY

The evaluation team has to base its work on the OECD/DAC Evaluation Quality Standards and has to document its work in a manner that demonstrates that they have been adhered to.

Different quantitative and qualitative methods should be used during the various evaluation phases: analysis of documents, desk review of projects/programmes, qualitative interviews with different stakeholders, focus group discussions and others.

Data should also be collected through interviews at different levels (ministries, donors and other stakeholders). In Kosovo interviews with beneficiaries and key informants will be necessary. Intended methods have to be described in detail in the inception report.

It is expected that approx. 25-30 persons will be interviewed. Suggested interview partners are:

- ADA: 5-10 persons
- Ministry for European and International Affairs: 3 persons
- Ministry of Finance: 1-2 persons
- Austrian Development Bank: 1-2 persons
- Ministry of Economy, Family and Youth: 1 person
- Kosovo: 3-5 persons
- Others

Triangulation is an essential element of data analysis. The approach of triangulation has also to be outlined in the inception report.

The evaluation team will be provided with a CD Rom containing background documentation of ADA's PSD strategies, relevant projects and an overview of expenditures.

It is also expected that the recommendations suggested by the evaluation team will be realistic, concrete and practice oriented. Recommendations must be addressed to the relevant stakeholders.

The first phase of the evaluation includes the inception phase with the following steps:

- a) Study of relevant strategic and operational documents of ADC.
- b) Participation in a one-day workshop in Vienna, organised jointly by the ADA Evaluation Unit and the PSD Desk. At this workshop, the review team will be introduced to ADC in general and to PSD in ADC. A common reflexion about the ToRs will also take place.
- c) First personal and/or telephone interviews with key stakeholders.
- d) Organisation and analysis of relevant information from other donors and the suggestion of two donors for comparison. The selection criteria of these two countries must be comprehensibly outlined in the inception report. It is expected from the evaluation team, that it has the necessary experience and knowledge to be able to elaborate such a proposal.
- e) Preparation of an inception report, which should be sent to ADA at least one week before its presentation in Vienna and which should cover the following aspects:
 - Proposal of donor countries which should be compared with Austria and argumentation for choice
 - Specifying the sampling approach and method
 - Specifying the intended methodological approach for the following phases (planned instruments, methods for analysis and interpretation, data triangulation, quality assurance, etc.)
 - Presenting preliminary findings and possible hypothesis referring to the main evaluation questions. The use of an overview matrix, see data collection planning worksheet (model can be found under Annex 7.10 in the guidelines for project and programme evaluation on ADA homepage under "Evaluation"), is expected.

- Specifying the evaluation questions for Kosovo.
- f) Presentation and discussion of the draft inception report with MFA and ADA in Vienna.
- g) Interviews with key stakeholders.
- h) Incorporation of comments in the final inception report, subsequently approval of the report through ADA Evaluation Unit

The second phase includes:

- h) Execution of other interviews (personal and/or telephone)
- l) Discussions/ interviews with two other donors.
- m) Visit to Kosovo

In the third phase the evaluation team submits the first draft of the evaluation report. The report is distributed to MFA, ADA and other stakeholders with the invitation to provide comments. The evaluation team will present the report with its results and recommendations in Vienna approximately three weeks after the submission of the written draft report. Subsequently, the conclusions of the discussions and other comments need to be incorporated into the final report by the evaluation team. The ADA Evaluation Unit approves the final report. The decision of dissemination of the final report is taken in consultation with MFA.

Altogether three to four visits to Vienna are envisaged, one visit to each donor and one to Kosovo.

7 TENTATIVE TIME TABLE

The suggested time table is tentative and can be adapted if necessary.

Tender procedure	October 2012
Award of Tender	November 2012
First Phase (Inception Phase)	November/December 2012
Second Phase (Interviews Austria and other donors, Kosovo)	January/February 2013
Third Phase (Draft Report)	February 2013
Presentation final report, accounting	Early March 2013

8 EVALUATION TEAM

The evaluation team should consist of a core team with two experts, having the following qualifications and experiences:

- a) Outstanding knowledge regarding private sector development (policies, strategies, instruments, interventions; regarding business development services and enabling environment issues) in development cooperation (at least seven years of relevant experience).
- b) Knowledge about other donor countries PSD development strategies, policies, structures, etc. (bilateral and multilateral).
- c) Experience in conducting evaluations and/or reviews in the area of PSD-policies, strategies and interventions.
- d) At least one of the two experts should have experience as team leader of evaluations and/or reviews.
- e) Excellent knowledge in social science and evaluation methods.

- f) Excellent English and good German knowledge, as numerous documents are only available in German. French and Spanish knowledge is also an advantage, as some of the project documents are only available in these languages.
- g) Knowledge of at least one of the focus countries of ADC's PSD activities: especially Kosovo (field trip), Nicaragua, Bhutan or Burkina Faso is an advantage.

The technical expertise as well as the evaluation experience of the international experts needs to be proven in relevant CVs and reference evaluations/reviews.

If needed a national expert for Kosovo can be considered.

The offer should outline the required working time of all experts (in days, differentiating between field days and office days) and explain their role.

9 REPORTS

The following reports need to be prepared:

Inception report: This report has to be sent to ADA's Evaluation Unit for approval, comprise max. 20 to 25 pages and should be written in English.

Draft final report including a draft executive summary: This report should be sent to the ADA Evaluation Unit for approval (criteria for the draft report are the same as for the final report).

Final report: This report should have a maximum of 50 pages excluding annexes; it should be written in English and has to adhere to the DAC criteria. The report needs to be structured according to the main evaluation questions. An overview chart of the structure, organisation, instruments etc. of the two other donors needs to be listed in an annex. A five to six page executive summary listing the main findings and recommendations needs to be included. This summary has to be submitted in English and in German.

The final report with the incorporated comments has to be sent to ADA's Evaluation Unit for approval. It has to be written in a format that permits immediate publishing.

All strategic evaluations of ADC are published on the webpage under:
<http://www.entwicklung.at/aktivitaeten/evaluierung>

The following questions will be used to judge the quality of the final report and will be decisive for the approval of the final report:

- Have the ToRs been fulfilled in an adequate manner and is this reflected in the final report?
- Are the general OECD/DAC evaluation standards applied?
- Is the final report structured according to the OECD/DAC criteria and the evaluation questions?
- Are all evaluation questions answered?
- Are the conclusions/recommendations derived from the evaluation questions stated in the ToR?
- Does the report clearly differentiate between conclusions, recommendations and lessons learnt?
- Is it transparent how and why the evaluators come to their conclusions, recommendations and lessons learned?
- Have all key stakeholders been consulted?

- Have all key documents been taken into account and adequately presented in the report?
- Is it clear to whom recommendations are addressed?
- Are the methods and processes of the evaluation sufficiently presented in the evaluation report?
- Does the report include a clear and comprehensive executive summary?
- Does the report present its findings in a reader-friendly and logical manner?
- Can the report be published right away or does it need further editing?

10 COORDINATION AND RESPONSIBILITY

The ADA Evaluation Unit is responsible for managing the evaluation and for all contractual agreements with the evaluation team.

A reference group, consisting of the ADA Evaluation Unit, the ADA PSD Desk, the relevant department of MFA will be constituted during the preparation phase to guide the evaluation.

11 RELEVANT DOCUMENTATION

General Documents

Leitlinien „Wirtschaft und Entwicklung“ – Guidelines ‚Private Sector and Development‘

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<http://www.ada.gv.at/index.php?id=2225&L=0>

OECD DAC, Austrian DAC Peer Review, 2009

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<http://www.oecd.org/dataoecd/41/14/34225768.pdf>

Country Programs and sector specific documents from Burkina Faso, Bhutan, Nicaragua, Central America, Kosovo, other Balkan states

Project Specific Documents Will be provided

ANNEX 2: PERSONS INTERVIEWED

Vienna

Ministry for European and International Affairs

Anton Mair, Head of Evaluation
Stefan Scholz, Head of Department
Klaus Steiner
Stefan Weidinger
Reinhold Gruber

Ministry of Finance

Günther Schönleitner, Director

Ministry of Economy, Family and Youth

Irene Janisch, Head of Division
Vincenz Lerch

Austrian Development Agency

Birgitte Öppinger-Walchshofer, Ambassador and Managing Director
Robert Zeiner, Head of Programs and Projects
Helmuth Hartmeyer, Director of Funding Civil Society
Karin Kohlweg, Head of Evaluation Unit
Gunter Schall, Head of Unit Private Sector and Development
Margit Scherb, Head of Unit Knowledge and Quality Management
Andrea Schmid, Head of Unit NGO Cooperation
Ursula Steller, Head of Unit Countries and Regions
Hannes Bauer
Norbert Bieder
Johannes Binder
Robert Burtscher
Günter Engelits
Sonja Grabner
Laurence Hengl
Hubert Neuwirth
Maria-Waltraud Rabitsch
Susanne Thiard-Laforet
Monika Tortschanoff
Gottfried Traxler
Elisabeth Sötz, former Head of Office, Burkina Faso (written comments)

Oesterreichische Entwicklungsbank (OeEB)

Kristin Duchateau, Head of department
Michael Wancata, Executive board member
Andrea Hagmann, Executive board member

World Bank Centre for Financial Reporting Reform (CFRR)

Reinhard Haslinger
Liam Coughlan

Advantage Austria (Chamber of Commerce)

Michael Zimmermann

Economic Initiative for Kosovo (ECIKS)

Kujtim Dobruna, President

Entwicklungswerkstatt, Österreich (EWA)

Rudolf Graf, Director

Kosovo

Ministry of European Integration

Arbenita Mjekiqi

Ministry of Industry

Xhemajl Syla

Investment Promotion Office Agency

Valdrin Lluka, Chief executive officer

ADA Coordination office, Pristina

Christian Geosits, Head of office

Arsim Aziri

World Bank

Blerta Qerimi

USAID

Brian Fahey

Besa Ilazi

European Commission Liaison Office

Sirje Poder, Team leader

Swiss Cooperation Office

Christoph Lang, Deputy director

Arjeta Lleshi

Kosovo Chamber of Commerce

Berat Rukiqi, Secretary

Crimson Capital

Driton Fetahi, Dep. Managing director

Nysret Spahija

Integrated Rural Development project in Suhareke

Faton Krasniqi, Project manager

Bernadina Krasniqi

DekLens

Fisnik Neziri, Dep. Managing Director

RRota

Astrit Hyseni, managing director

Macedonia

Ministry of Education and Science

Igor Nikoloski, Adviser to the Minister

Cyril and Methodius University

Atanas Kochov, Dean

Radmil Polenakovik, Professor

Economic Chamber of Macedonia

Jadranka Arizankovska, Director

Ministry of Economy

Imerali Baftijari, Head of Entrepreneurship Department

ADA Coordination office, Skopje (former)

Robert Sarlamanov

Burkina Faso

ADA Coordination office, Ouagadougou

Rachel Ye (written comments)

Nicaragua

Yader, Baldizon, former ADA national program officer in Managua (written comments)

Swiss Development Cooperation

SDC

Simon Junker, PSD Advisor

SECO

Thomas Knecht, Head of Private Sector Development Division

ANNEX 3: LIST OF LITERATURE

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ANNEX 4: THE CASE OF KOSOVO AND MACEDONIA

Kosovo

The strategy formulation Austria's development cooperation with Kosovo goes back to 1999, a time when also an ADC office was established in Pristina. In the initial phase, ADC focused on higher education and water, while private sector development emerged as a priority sector in the mid- 2000s. There was no country strategy for Kosovo prior to 2008. In the ADC country strategy 2008-2011, ADC sets as the overarching objective to promote economic growth and employment creation with focus on the youth. The country strategy prioritizes three themes: rural development, education and private sector development. In PSD, the focus should according to the strategy be on: 1) improvement of the environment for PSD; 2) strengthening public institutions; 3) improving the access to know how, technology and finance in the SME sector and 4) involving Austrian and international partners. The country strategy for 2012-15 has been delayed, but there is nothing to indicate it will deviate in the focus on PSD from the past.

The PSD portfolio for Kosovo includes two projects:

- Investment promotion (2006-2012) in two phases. The project will end early 2013
- SME development (2012- 2015). The project has just started.

In addition, the following project has significant elements of PSD as was included in our 'PSD portfolio':

- Integrated regional development in the municipality of Suhareke (2009 – 2015). The second phase has just started.

The investment promotion project (IPAK) After a study in 2005 by the Vienna-based NGO the Economic Initiative for Kosovo (ECIKS) on the opportunities to promote Austrian investments in Kosovo as a means of creating value chains⁸⁰, a PSD project called Foreign Investment Promotion in Kosovo was developed and agreed for 2006-2009 with an ADC grant of EUR 0,5 million. The project aimed at strengthening a newly created Investment Promotion Agency of Kosovo (IPAK) and to attract investments in Kosovo through promotional activities in Austria, Switzerland and Germany. One element of the project was establishing an investment promotion office in Vienna. The project was unique in the sense that it had a clear linkage to ADA's then newly established Business Partnership program. The IPAK project, which was implemented by ECIKS, was evaluated in 2009 by an international consultant. He summarized his findings as

ECIKS project team has managed over the whole project life time to put itself on the map of European – Kosovo business relations and has served as a hub for economic relations between Vienna and Pristina. From the technical point of view ECIKS has managed to achieve best practice in promotion of investments into SEE. All stakeholders interviewed during the evaluation process have confirmed the excellent performance of ECIKS in terms of investor's relation, promoting Kosovo on the international arena, and serving investors needs for information or for on the ground support in Kosovo as well in a professional and excellent manner.⁸¹

⁸⁰ ECIKS (2005): *Potentialanalyse Kosovo*

⁸¹ G. Fehlinger (2009): *Evaluation of the Foreign Investment Project in Kosovo*

A second phase of the project was agreed by ADA for the period 2010-12 with a grant budget of EUR 0,8 million. Also this project with an identical approach as the first is being implemented by ECIKS. The second phase was evaluated in 2012 by an external consultant. He concluded that the achievements of the project had been good, but with some caveats. While outputs had been delivered at or above the targets set in the project proposal and log frame, the outcome in terms institutional capacity of IPAK showed some weaknesses, and the number of foreign direct investments that could be linked to some extent to the project fewer than planned. A major issue raised in the evaluation was that the investment promotion office in Vienna was still a facility run by ECIKS. While the 2012 evaluation saw extension of the support as desirable in order to create full sustainability, ADA decided to end the support mainly to avoid further aid dependency. The apparent low commitment by the government reflected in that IPAK had not taken over the Vienna office was a strong reason to end the project.

ECIKS claims that the IPAK project contributed in some 20 FDI's from Germany, Switzerland and Austria with a total investment volume of about EUR 40 million⁸²; the 2012 evaluation identified 6 FDI projects of which 2 had closed down. One of these projects which also got WIPA support, with a planned 300+ employment in a call center, turned out to be an illegal business, after which ADA withdraw the support.

A major issue in sustainable institution building has been that IPAK for a long time was plagued by what appears to be a generic problem in the Kosovo government – a recruitment policy not based on merits and a shortage of persons with professional skills, and a system of political appointments. For example, the former head of IPAK – an agency which is a front to the external world - did not speak English or German and a large share of the staff was and continuous to be unqualified. The Ministry of Trade and Industry's commitment to investment promotion has increased with a new minister since two years; the ministry is in the process to place promotion staff at Kosovo embassies in several countries, beginning with Brussels and Vienna, and is undertaking an increasing number of promotional events abroad. The commitment is also reflected in the management appointment at IPAK. The current head of IPAK is a well-qualified person with an international academic and business background, able not only to represent Kosovo abroad, but also to argue for investment promotion inside the government in order to strengthen the system. IPAK has become a focal point for the World Bank/IFC, the EU, and for providing continuous support for investment promotion. A series of donor projects are underway. (The World Bank began providing investment promotion support through IPAK already in 2009-10.)

Austria was the first donor to start to build the FDI promotion in Kosovo and can be credited with playing a pioneering role in this respect. A ground-work has been laid in terms of essential systems, promotion material and a pattern of promotional events. The long term impact of the project is difficult to determine. Kosovo is in dear need of business development and attracting foreign investments to combat an unemployment rate of 40-50% and possibly Europe's highest degree of poverty. However, Kosovo is fighting a battle as an investment destination perceived abroad for corruption and crime, and an uncertain political situation, in the midst of other countries in the former Yugoslavia (and other parts of Europe) aggressively promoting in-bound investments with various incentive packages and campaigns.

⁸² Interview January 2013

The Ministry of Trade and Industry is now in a process of merging IPAK with its Small and Medium Sized Enterprises Support Agency (SMESA). This is being done in order to provide a stronger business and investment support system, modeled after sister organizations in Ireland, the UK and other countries. A second reason for the merger is to allow recruitment of better qualified staff. The new agency will have the name SME Support Agency of Kosovo and is likely to be formally set up in the spring of 2013. It will have a staff of 18 persons and structured in to divisions, one for FDI promotion, the other one for SME promotion.

A critical issue of the future of IPAK/SMESA is the risk that the government after an election is replacing in principle the whole staff in key government institutions. Donors' strategy to counter this is building systems that are less 'personal skills dependent.' This has also been the strategy to a certain extent in the IPAK project. In terms of concrete evidence of impact, such as sustained investments for which the project clearly played a critical role, the performance has most likely been below expectations. The project must rather be seen as a small, but essential institution building input into a long and complex process of building what Kosovo itself calls a 'newborn country from 2008' where its ability to transform and modernize its economy to be competitive at least in an European context is paramount. Kosovo is just too small to rely on its domestic market.

The Kosovo SME project ADC began funding a new PSD project in late 2012 under the name of Kosovo SME Promotion (KOSME). The project has a long history of gestation in Austrian development cooperation, initially as an outcome of a series of meetings between the Austrian Ministry of Economy and the Kosovo Ministry of Trade and Industry in 2009. The project which eventually emerged, side-stepped the Austrian Ministry of Economy with ADA taking the lead. The development of the project is yet another example of the complex and fragmented ODA system in Austria with sometimes competing ministries. COSME is a three year project 2012-2015 with an ADC budget of EUR 0.6 million and an additional contribution by Swiss SDC of EUR 0.2 million for the inception phase, funds which are delegated to ADA for implementation. Also this project is implemented through ECIKS in collaboration with KMU Forschung Austria. It is hosted by SMESA currently in the process of being merged with IPAK as mentioned above.

The project has three elements: 1) strengthening SMESA; 2) installing a voucher system by which SMEs can 'buy' consultancy services from accredited providers in Kosovo, and 3) development of a credit guarantee scheme in order to improve access to finance for SMEs. In terms of the third element, the project will not provide guarantees as such, but design a system and promote funding from other sources. SDC is so far only co-financing the first element of reasons discussed below.

The KOSME project takes place in a donor environment with considerable focus on SME promotion and development, and what appears an oversupply of services to and through overall weak government institutions. Thus, the EU, USAID, IFC and the World Bank are major actors in this field with a series of large scale projects, also to some extent working with SMESA and IPAK providing technical assistance to these organizations. An example of the crowding of relevance in the COSME case is that there are at least four studies already conducted by different donors concerning a possible credit guarantee scheme. (This is a reason why SDC decided at this stage only partake in one of the components of the COSME project.) The Ministry of Trade and Industry, while welcoming donor support for SMEs, expresses some worries as to the capacity of the new SME agency to be able to manage the

projects that have started or are about to start. The experience of staff and language skills are in short supply.

It can be difficult for a small and non-specialized organization in SME development such as ADA to find a meaningful space in such a context. The possible comparative advantage and additionality of the ADC project in this context will largely depend on ECIKS competence and ability to provide services, probably mostly related to the ability learn in the process. This NGO in Austria has by now a record in development assistance in private sector development in Kosovo, and – as manned by diaspora Kosovars with training in economics – a special motivation for such work. Its draw-back is its location in Vienna and specialized technical competence in the field in which KOSME is heading. It will in practice be up to ECIKS to coordinate and work with projects by IFC, the EU, etc.

A major issue in PSD in Kosovo is to what extent efforts to build government institutions for the promotion of business is a strategy which provides value for donor (funds). The institutional problems of both IPAK and SMESA are noted above, which seems generic in Kosovo. Neither institution seems to have much respect in the business community in spite of long-term support by donors. Some donors, such as USAID, by-passes the government structure in PSD and prefer working through chambers and special funds. ADA has not so far considered this option.

Integrated regional development in the municipality of Suhareke in the sector of agriculture

Austria has a long history in the Suhareke municipality starting with Austrian military presence later followed by various activities financed by ADC in the field of infrastructure improvements and municipal development planning. The aim of this project has been the promotion of integrated, independent and sustainable rural development in the municipality Suhareke by strengthening existing local structures and potentials. The focus is on agriculture which is the main source of income for an estimated 80% of the population in Suhareke.

The project includes three main components: (i) establishment of a Municipal Development Centre (MDC) in the community; (ii) strengthening the capacity and skills of the community and representatives of the MDC and other stakeholders regarding regional development; and (iii) provision of funds to finance local development activities on a competitive basis within the MDC. The direct target group of the project was representatives of the public administration of the municipality Suhareke, the private sector and civil society (such as interest groups, cooperatives, etc). Indirect target group of the project was the rural population of the municipality Suhareke (an estimated 80,000 people).

The project has achieved the planned results in all three results areas (according to an independent mid-term evaluation presented in April 2012). These results are mainly defined in terms of capacity development. A draft impact study from February 2013 reported that about 260 permanent and seasonal jobs had been generated.

ADA's technical competence Both the FDI project and the new SME project in Kosovo are of a nature that ADA as an institution has limited technical experience and professional back-stopping capacity. They are in the portfolio of ADA's PSD projects technically quite 'odd creatures'. There is little institutional competence or experience in ADA to draw on 'how to do it' or experience of best practices. For example, setting up of credit guarantee schemes are complex and technically demanding with considerable risks involved. It is a tool ADA has no

experience from different from donors such as USAID. ADA is ‘competing’ in providing technical assistance services with the World Bank, IFC and USAID which all have considerable resources and specialization in PSD. Nevertheless, the two PSD projects in Kosovo point at what might be considered as ADA’s special competence in development assistance: first, a readiness to undertaking pioneering work and potentially higher risk work by using opportunities at an early stage; and secondly a tradition of relying on NGOs and in this respect also be prepared for risk-taking and flexibility. The field office in Pristina plays also a critical role: its ability with a very small staff to be able to network and supervise is critical. It is also essential to point to the transparency of the ADA operations by its routine of inviting and informing other donors in the sector. In spite of its smallness ADA seems respected in PSD development both in government and the donor community.

Linkages to the Business Partnership The Kosovo FDI project emerged as a means of exploring potential linkages to the ADC Business Partnership program. The opportunity to apply for support under the WIPA was a strong incentive offered for investors from Austria and other European countries when the IPAK project undertook investment promotions abroad. Kosovo also has a disproportionate share of Business Partnership projects, making Kosovo belonging to the top three destinations in the program, at par with the much more attractive FDI destination Serbia. The FDIs emerging from the combined efforts, however, seem to involve a greater risk – and failure – than in less complex investment environments. The supported projects are mainly smaller, service oriented investments, and not investments that are likely in the foreseeable future to create employment of any significance.

In the case of Kosovo it must be recognized that promoting investments which have a clear impact on technology transfers, employment creation and economic growth is highly complex and a long-term building of a business environment, including sustained promotional activities, especially in a context of global economic downturn and financial crises, and in a regional where a number of countries with similar conditions compete for foreign capital.

According to ADA staff, there is a considerable interest in the Kosovar business community to access the Business Partnership, but Kosovar SMEs have difficulties to find international and Austrian partners. A similar process in Macedonia points to a gap in Austria’s arsenal of tools in respect of active match-making between local and international/Austrian enterprises to promote investments, technology transfers and joint ventures as a complement to the Business Partnership We provide a potential model for this in the concluding chapter.

Macedonia

The strategy formulation The ADC 3-year program for 2005-07 did not include PSD as one of the priority sectors for the country. PSD became a cross-cutting issue in the update of the program in 2006, and in the 3-year program 2008 -10, PSD with focus on employment creation had become the sole priority besides governance. The ADC Country Strategy for 2010-12 has economic development as one of three priority sectors (the other being environmental protection and education) with EU integration as an overriding objective.

Knowledge based economy ADC's PSD support has mainly been in the form of one project which has been supported over six years (2006-2012) ⁸³ originating from a mission to Macedonia by a representative of the Austrian Center for Social Innovation during which consultations with different universities in Macedonia. A project was eventually developed with the Faculty of Mechanical engineering at the University of Cyril and Methodius in Skopje for the period 2006 – 2008 of EUR 0.5 million. The project had as an aim to promote innovation and entrepreneurship in the university and school curricula in Macedonia.

In 2008 a second phase of the project was discussed between ADA and the university concerning continuation of the activities under phase 1. However, a proposed project was turned down by central university management. ADA approached the Ministry of Economy and a new project called *Capacity building towards Knowledge-based economy* was created with two focal points: the Faculty of Mechanical Engineering (a scaled down version of the original proposal) and the Agency for Promotion of Entrepreneurship, an agency under the Ministry of Economy established in 2004.

The 2009-12 project was reviewed in 2011 by a local evaluator⁸⁴, and a final progress report was issued in late 2012. These reports gave overall quite a positive assessment of achievements by the project and indicated that nearly all of the outputs had been achieved or surpassed. A key achievement was the establishment of the National Center for Development of Innovation and Entrepreneurial Learning. The Centre had succeeded significant success helping young people to develop their business ideas in the process of training and awarding business plans, to start and to develop their business.

The final progress report concluded that:

“Although it is very difficult to quantify what was the real contribution of the project in numbers or percent to reforms, however, having in mind that this project was the pioneer in the implementation of this activities, and afterwards many of them were introduced as the regular activities of the Agency for Promotion of Entrepreneurship, Ministry of Economy, Ministry of Education and Science and became the Government priorities, anyone can concluded the project contribution was huge.”

In our assessment, the part of the project(s) at the Faculty of Engineering has been a clear success largely due to the work and capacity of a professor in the faculty, and, to some extent by the by-pass of the formal structure by establishing the Center for Development of Innovation and Entrepreneurial Learning as a NGO. The Center is today self-sustaining through contract work with various bodies such as the World Bank but also the government. The project facilitated the development of a start-up incubator to be set up at the university, today with about 40 surviving companies run by former student in various fields such as ICT, industrial design, agro industries, etc. The project also facilitated the spread of training in entrepreneurship and innovation throughout the education system, with plans to even introduce the subject at primary school level. The project also facilitated for the Faculty to host an international Conference on entrepreneurship which is now a yearly regional activity.

⁸³ Additional PSD activities are limited to Macedonia being a member of the regional REPARIS program and also that Macedonia is part of the UNIDO program *Clean energy*, financed directly by the Ministry of Foreign Affairs.

⁸⁴ BASME CT (2011): Independent External evaluation of the Capacity Building towards Knowledge Based Economy

The other component, added on in 2009 was less of a success in terms of a lasting institutional impact. Due to frequent management turn-overs, limited government budget and staffing issues, the agency has today a mixed reputation and ability to provide essential services.

The *Capacity building towards Knowledge-based economy* project seems to have emerged outside the ADC's planning mechanism as an example of ADA's *opportunistic* development approach. It seems that the project was not a result of an ADC country strategy, but that the country strategy changed as a result of the project. The success of the project is also influenced by ADA's preparedness to by-pass formal structures in a flexible manner. The project(s) shows the problems of sustainability in settings with heavy politicized context where politics rather than merit determine recruitments to higher positions in technical agencies. Major inflow technical assistance risks of becoming a peak of agency performance not possible to maintain. Systems development, on the other hand, can and was picked up by the Ministry. It was a stand-alone project by ADA in Macedonia in PSD, and is to a large extent also a stand-alone project in ADA's overall portfolio especially as a means of promote the emergence of a business incubator.

Linkages to the business partnership There are two WIPA projects in Macedonia in ADC's portfolio, both unrelated to the PSD project(s) in the country. The PSD projects seem not to have been designed, nor attempted to link to the Business Partnership. According to former ADA staff, there is nevertheless a considerable interest in the Macedonian business community to access the Business Partnership, but Macedonian SMEs have difficulties to find international and Austrian partners.

ANNEX 5: PROJECT ASSESSMENT TABLES

PIDG

The Program PIDG, which was established in 2002 with DFID as lead agency, is a multi-donor program which has attracted over USD 500 million in donor funding. Its purpose is to facilitate private investments in infrastructure in developing countries through a series of financial facilities designed to address market constraints for such investments.

PIDG claims it has facilitated USD 20 billion of private investments in some 40 countries, mostly in energy and telecom, but also including water, waste management, urban housing, etc. Africa accounts for about 60% of the PIDG investments. After 10 years of operation, the PIDG is generally seen as a major success in private-public partnership development, attracting additional donors almost on a yearly basis. The underlying objective of PIDG – to prove that private capital can fill the gaps of public funding of critical infrastructure in poor countries on a market-based principle – has been fulfilled. In fact, an issue has emerged in how the capital accumulated by some facilities, such as EAIF, will be used once the facility is closed.

PIDG was evaluated by DFID in 2011 in its major multilateral aid review, and the program was given a good record, concluding that: “The PIDG delivers good value for money with a lean PMU allowing the facilities appropriate flexibility to manage their operations dynamically within policies set by donors and subject to donors’ strategic guidance.” However, PIDG was given a low score on cross-cutting issues such as gender, and also on transparency.

ADA and PIDG PIDG is ADA’s largest PSD project in financial terms. ADA has been a member of PIDG since 2007 and has contributed EUR 8 million over the period 2007-2013. Including a parallel contribution from the Ministry of Finance, Austria has provided in total USD 20 million, or 4% of PIDG’s total donor contribution. Austria is the 6th largest contributor to PIDG as indicated below-⁸⁵ ADA is a member of the governing council of PIDG, jointly with the other donors. Currently, the head of the PSD section of ADA is chairman of the PIDG’s governing council. As noted earlier, also the Austrian Development Bank supports PIDG through a EUR 10 million loan to EAIF. ADA supports two of PIDG’s facilities, InfraCo and TAF, and also some of PIDG’s general administration costs.

TAF was established in 2004 and initially funded by the World Bank and operated from Washington DC. ADA provided the first support of TAF in 2007 and is currently one of eight donors to the facility. ADA’s support of TAF has been EUR 2.9 million. So far TAF has provided TA support to some 60 projects of in total USD 19 million. These projects include feasibility studies, training, consultancy services, etc. In a recent progress review by independent evaluators, TAF was given a high score on relevance, efficiency and effectiveness and considered as an essential tool in the PIDG framework.⁸⁶

InfraCo, established 2004, is a facility to reduce risks in early stages of green-field infrastructure investments in Africa. InfraCo has so far developed 11 projects with a total funding of about USD 40 million to be sold to investors. Most of the projects are in the energy sector. InfraCo was evaluated in 2007 and again in 2010. The latter review concluded that InfraCo is a worthwhile project with clear additionality and development impact. However,

⁸⁵ PIDG annual report 2011 (2012)

⁸⁶ R. Dauskardt et al (2013) Progress review of the Technical Assistance Facility of the Private Infrastructure Development Group 2008 – 2012.

InfraCo had not lived up to the expectations at the outset that the facility would generate a cash flow from sales of projects in order to be self-sufficient after the initial donor investment. Therefore, InfraCo needs additional donor funding in order to continue its work. The 2010 review could not determine if InfraCo eventually would be self-going, i.e. whether the sales would cover its costs. ADA's support of InfraCo from 2008 is so far EUR 5.2 million and is one of four donors supporting the facility.

Assessment table

<i>Evaluation criteria</i>	<i>Assessment</i>
Relevance	Both ADA supported facilities are clearly relevant given PIDG's overall objective and risk perception in private infrastructure especially in Africa
In relation to ADC strategic documents and country/regional strategies	Well in line with both PSD and Energy & water policies; Country strategies not relevant as PIDG is global
Alignment with partner country/region policies	Difficult to determine, given large number of countries
Focus on ADA priority countries	InfraCo general for Africa; TAF for all PIDG countries; nothing in Southern and Eastern Europe
Relevance of thematic priorities within PSD (two pillars)	PIDG deals with both pillars and is relevant for both
Effectiveness	Good for both facilities
Adherence to Logical framework	No log frames established in PIDG
ADC capacity in the PSD field	Not relevant
Collaboration with other Austrian stakeholders	Parallel financing with both MoF and OeB;
Cross-cutting gender	Gender poorly covered by PIDG in general; environment better
Cross-cutting theme environment	Overall PIDG explicit in environmental assessment
Efficiency	According to 2010 review, InfraCo more efficient than other similar facilities; TAF's rated as high by latest review
Donor cooperation	Strong – Austria part of a large group of donors and currently ADA holds chairmanship
Value for money	Good in terms of ADA's learning; given that PIDG does not have a problem to attract funding, the additionality of Austrian funds probably limited
Impact	Too early to judge for InfraCo; TAF must be judged in the context of other facilities; it is appreciated by the facility managers and given good reviews from independent assessment
Outcome on income and employment	No assessment attempted
Impacts on poor target groups, poverty focus	PIDG is not designed as pro-poor program; impact on poverty indirect through improved and access to services; no efforts on empowerment due to design
Impact on WEE and environment	Poor on women; no independent assessment on environment per se
Sustainability	InfraCo as a self-sustained facility without donor subsidies is too early to judge; TAF never intended as a sustained facility in its own right
Capacity development of stakeholders	Difficult to assess due to nature of program
Exit strategy	Exit not an issue as ADA small donor in a multi-donor context. The issue is almost the reverse – PIDG's requirement on minimum inputs makes it difficult for ADA to participate and requires co-funding with MoF
ADA's learning	Good in the PSD section - According to ADA-PSD staff, the main benefit for ADA to participate in PIDG has been ability to learn of different financial facilities.
ADA's additionality	Probably limited as ADA joined late and is providing a small share of the overall funding

REPARIS

The program The Road to Europe – Program of Accounting Reform and Institutional Strengthening (REPARIS) is a multi-donor trust fund which assist countries in adopting and implementing effective corporate financial reporting systems, aligned with the EU *acquis communautaire*. Participating countries are Albania, Bosnia and Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro, Moldova and Serbia. The trust fund finances a World Bank-executed program. ADA, the Austrian Finance Ministry, Luxemburg, and SECO are funding the program, which is managed by the World Bank Centre for Financial Reporting Reform (CFRR), based in Vienna. REPARIS was established in late 2008 and is currently due to run until the end of 2013. ADA is contributing EUR 5.3 million to REPARIS for the period 2008 – 2012, while the Austrian Ministry of Finance is co-financing REPARIS with EUR 1 million. ADA has supported REPARIS in two phases: 1) 2008 a strategic partnership with a support of EUR 1 million; 2) 2009- 2012 phase II with a ADA budget of EUR 4.3 million. While ADA will end its support to REPARIS by 2012, the EU will pick up the program for funding from 2013.

REPARIS consists of five components: 1) Reform Momentum and Regional Cooperation; 2) Curricula Development and Education and Training Reform in Accounting and Auditing; 3) Moving Forward in Accounting and Auditing; 4) Implementation support, Monitoring and Evaluation, Results Framework and Knowledge Management; 5) Program Management and Trust Fund Administration. The methodology of the program is based on expert workshops, face to face and distance knowledge exchange, building communities of practice as driving forces in the different countries, providing technical support to opinion leaders.

According to CFRR, the program has established effective regional communities of practice that bring together the stakeholders in corporate financial reporting from the Western Balkans countries; The program has assisted most of the professional accounting and auditing bodies in the region to achieve membership of the International Federation of Accountants (IFAC) and committing to implementing international standards. Several countries have started transposing the accounting and audit *acquis* into national law and have started to implement quality assurance systems for auditors. The program has fostered strong regional cooperation among stakeholders in corporate financial reporting. Bosnia and Herzegovina, Montenegro and Serbia now share a “single passport” for accountants, with full mutual recognition and reciprocity. This is in the process of being extended to Croatia and Macedonia.

REPARIS has a reputation in the Austrian development cooperation as a successful program, and one of the few examples of support for business environment (pillar 1). REPARIS has not been evaluated independently yet, but the matter was discussed in the last donor meeting in February 2013.

Assessment table

<i>Evaluation criteria</i>	<i>Assessment</i>
Relevance	
In relation to ADC strategic documents and country/regional strategies	The business environment dimension of REPARIS is not an explicit field in ADC policy, nor in the regional country strategies
Alignment with partner country/region policies	EU REPARIS addresses an essential aspect of economic integration with the EU, which is given high priority in the region
Focus on ADA priority countries	REPARIS target on Western Balkan is one of ADA's priority regions, including several priority countries
Relevance of thematic priorities within PSD (two pillars)	This is the only ADA project in our review which addresses the business environment dimension, i.e. column 1 in ADA's PSD Guidelines.
Effectiveness	
Adherence to Logical framework	No log frame established
ADC capacity in the PSD field	Highly specialized and ADA not expected nor able to contribute technical know how
Collaboration with other Austrian stakeholders	Co-financing with Ministry of Finance
Cross-cutting gender	Not addressed
Cross-cutting theme environment	Not addressed
Efficiency	
Donor cooperation	Co-financing with Luxembourg and SECO, Switzerland
Value for money	Good in the sense that ADA (and MOF) are key donors to a major World Bank initiative and placed in Vienna as a hub, also attracting other World Bank projects
Impact	No independent assessment
Outcome on income and employment	Only indirect – no independent assessment
Impacts on poor target groups, pro-poor focus	Only indirect – no independent assessment
Impact on WEE and environment	No assessments made
Sustainability	
Capacity development of stakeholders	Capacity and institutional development is a major priority in the REPARIS program.
Exit strategy	ADA making an exit in 2012 in line with project document
ADA's learning	Unclear due to ADA's limited staff capacity. REPARIS highly specialized and an 'odd' feature in ADA's overall portfolio.
ADA's additionality	Considerable as elaborated above

Inclusive value chains in Central America, CENPROMYPE

The project The overall objective of the project is to “contribute to poverty reduction through consolidation and strengthening of production chains that promote local development and decent employment, in a perspective of respect for the environment and gender equality”. The project is based on “inclusive value chain model” developed by the Centre for Promotion of Micro and Small Enterprise in Central America (CENPROMYPE), a public institution within the frame of the regional economic cooperation in Central America. CENPROMYPE is also the implementing agency and partner to ADA.

The Inclusive Value Chains project was preceded and based on the experiences from another regional project carried out by CENPROMYPE: i.e. the DELMYPE project (“Creation of Local Capacities for the promotion of Local Economic Development in Strategic Zones in central America”). ADA provided financial support to DELMYPE during 2.5 years (2009-2011). There were also strong linkages to the bilateral CIDEL project in Nicaragua (see below).

The total budget of the Inclusive Value Chains project is 1 205 000 Euros of which ADA contributes 1 100 000 Euros i.e. 91% and CENPROMYPE 9%. The target areas for interventions are the border regions between (i) Costa Rica and Panama and (ii) Belize and Guatemala. The project was initiated in November 2010 and will operate during a three year period.

The planned results are as follows:

- two value chains in each of the border regions will be strengthened
- increased capacity for business development and management of stakeholders in the selected value chains.
- new inclusive business initiatives will be developed with support from the project
- the institutional capacity of the Central American networks for wood/furniture and alternative tourism as well as the Central American MSME platform (CMC) will be strengthened
- the experiences of the inclusive value chain model will be disseminated.

Among the indicators are (i) number of jobs generated (in total 1600 directly and indirectly), (ii) number of businesses benefitting from the program (30) and (iii) number of advocacy initiatives promoted by the program (5).

Results An “evaluation report” published by ADC and CENPROMYPE in December 2011 on the DELMYPE project contained results information mainly at the output level and reported on lessons learnt. Almost no quantitative data were provided.

The progress report from August 2012 describes a number of activities that have been implemented. There are so far no reported outputs and outcomes.

Assessment table

<i>Evaluation criteria</i>	<i>Assessment</i>
Relevance	The chosen approach i.e. to focus specifically on local economic development and cooperation between border regions, is interesting, but fairly unusual (at least in a PSD perspective). It is based on positive experiences from previous similar projects in Central America.
In relation to ADC strategic documents and country/regional strategies	Well in line with the present regional strategy for Central America (while cooperation in this region is being phased out at the end of 2013)..
Alignment with partner country/region policies	The fact that the program has been initiated by an organization forming part of the Central-American regional cooperation is a clear indication that it has been given a high regional priority.
Focus on ADA priority countries	Guatemala is a “partner country”.
Relevance of thematic priorities within PSD (two pillars)	Appears to be well in line with Pillar 2. However it is unclear whether the program is based on a proper analysis of obstacles and opportunities in the economic environment. It is also unclear to what extent the project will deal with systemic problems in the business environment.
Effectiveness	So far only activities have been reported on the Inclusive Value Change Project.
Adherence to Logical framework	The logical framework contains a proper results chain and measurable indicators. Still the description feels somewhat vague and un-precise.
ADC capacity in the PSD field	The project was planned and monitored by the ADC Field office in Managua. Since this office was closed down in May 2012, the project is monitored from ADA’s Hq, inevitably resulting in a decrease of the monitoring capacity.
Collaboration with other Austrian stakeholders	In a previous phase there were advisory inputs by North-South Institute (GEZA).
Cross-cutting gender	High level of ambition with regard to gender and WEE
Cross-cutting theme environment	High level of ambition with regard to environmental issues
Efficiency	Impossible to assess expected level of efficiency in delivery of outputs
Donor cooperation	No other donor involved in this project, but CENPROMYPE has a number of international partners in various regional projects.
Value for money	Too early to assess
Impact	Too early to assess
Outcome on income and employment	- “ -
Impacts on poor target groups	- “ -
Impact on WEE and environment	- “ -
Sustainability	Too early to assess for the Inclusive Value Chain project. According to the above-mentioned report on the DELMYPE project the approaches applied by CENPROMYPE contribute to the strengthening of capacity at municipal level for promotion of local economic development.
Capacity development of stakeholders	Strong emphasis on capacity development
Exit strategy	Unclear, but CENPROMYPE seems to have the capacity to carry on with similar activities without ADA’s support.
ADA’s learning	The linkages between this project and the regional DELMYPE project and the bilateral CIDEL project created a good ground for learning: e.g. reflected in the initiative to organize a learning seminar in Nicaragua in 2012.
ADA’s additionality	High as ADA is the only external donor. However, the closing down of the ADA Field Office in Managua has obviously decreased ADA’s capacity for monitoring and influencing the implementation of the project.

Integrated Regional Development in the Municipality of Suhareke, Kosovo, in the sector of agriculture (IRDS)

The project Austria has a history in the Suhareke municipality which dates back to the late 90's when Austrian military became engaged in this area. Since then development support has been provided, e.g. to the construction of municipal infrastructure. The preparation of the project was done by ADA. The contract for implementation was tendered and won by the NGO Care Austria in cooperation with LK-projekt. A final project document was prepared by this consortium. The first phase was carried out between December 2009 and December 2012. A second phase running until December 2014 has just been started. The total budget for the first phase, which was fully financed by ADA, was 2,6 million Euro.

Agriculture is the main source of income for an estimated 80% of the population of the greater community Suhareke. The aim of this project has been the promotion of integrated, independent and sustainable rural development in the municipality Suhareke by strengthening existing local structures and potentials. This was to be achieved by

- Establishment of a Municipal Development Centre (MDC) in the community;
- Strengthening the capacity and skills of the community and representatives of the MDC and other stakeholders regarding regional development;
- Provision of funds to finance local development activities on a competitive basis within the MDC.

Direct target group of the project were representatives of the public administration of the municipality Suhareke, the private sector and civil society (such as interest groups, cooperatives, etc). Indirect target group of the project was the rural population of the municipality Suhareke (estimated 80 000 people).

Results The project has achieved the planned results in all three results areas (according to an independent mid-term evaluation presented in April 2012). These results are mainly defined in terms of capacity development. At the impact level, the mid-term evaluation reported "spectacular impact" but did not substantiate quantitatively. A progress report by the project from December 2011 reported that 91 jobs had been generated.

An Impact report prepared by CARE is available in draft format. This report gives a detailed description of various kinds of impacts including numbers of permanent and seasonal new jobs which have been generated in the areas where the project has been active, e.g. vegetables, broiler industry, cattle rearing, honey and non-timber forest products. No information is being provided on increases in turn-over or net income.

Assessment table

Evaluation criteria	Assessment
Relevance	Considered high by external evaluation
In relation to ADC strategic documents and country/regional strategies	Well in line with Kosovo country strategy 2008-2011 as well as ADC Rural Development Guidelines and PSD guidelines
Alignment with partner country/region policies	Well in line with Kosovo's decentralization and local economic development policies
Focus on ADA priority countries	Yes
Relevance of thematic priorities within PSD (two pillars)	The project provides a wide spectrum of business development services(in line with column 2 in ADC's PSD guidelines)
Effectiveness – reaching intended results	The project is reaching its intended results

Adherence to Logical framework	Log frame with clear indicators at the output level. Impact indicators like increases in GDP were unrealistic, while job generation is being measured.
ADC capacity in the PSD field	The project is monitored closely followed by an experienced national program officer at the ADA field office with.
Collaboration with other Austrian stakeholders	Two Austrian NGOs, CARE Austria and LK-Project, are implementing the project.
Cross-cutting gender	Strong emphasis on gender, even to the level of risking negative impact on effectiveness
Cross-cutting theme environment	Not quite clear how environmental sustainability is being safeguarded. External evaluation silent on environmental sustainability.
Efficiency	Efficiency is being reported as high by mid-term evaluation,
Donor cooperation	No other donors are directly involved. Strong efforts for coordination with various donor activities in the region and sector.
Value for money	According to external evaluation high impact in relation to costs. However this statement was not underpinned by quantitative data.
Impact	High impact reported by mid-term evaluation
Outcome on income and employment	No information on increases in incomes. A draft impact study indicated that a total of approx. 260 permanent and seasonal jobs had been generated.
Impacts on poor target groups; poverty focus	No clear analysis of character an magnitude of poverty. Evaluation report seems to regard all beneficiaries as a poor and vulnerable.
Impact on WEE and environment	High impact on WEE reported by the mid-term evaluation. Environmental impact is rather being described as “doing no harm”
Sustainability	Reported as high by mid-term evaluation. But given the fact that all investments are grant financed, is there true sustainability and replicability?
Capacity development of stakeholders	Strong emphasis on capacity development
Exit strategy	Unclear
ADA’s learning	ADA’s field office follows the project carefully and is considering expanding support based on the approach used in this project
ADA’s additionality	High, ADA is the only funder.

Programme de Promotion de l’Artisanat au Burkina Faso, PROMART

The project The handicraft development project PROMART was initiated more than 20 years ago by the Austrian NGO Entwicklungswerkstatt Austria (EWA). The last phase was carried out during the period 2007 – 2010 with a prolongation until March 2011. Its overall objective was to “increase the contribution of the craft sector in reducing poverty”. The specific objective was "sustainable increases in artisan income of Burkina Faso by transferring the self-management skills related to professional associations, funding agencies and the Fund for the Promotion of Crafts". The project covered six regions of Burkina comprising twenty four provinces. Funding was provided up to 95% by the ADC and up to 5% by the executing agency for the program, EWA, and by private donors (Friends of Djibo). The total budget was 1.7 Million Euro.

ADC provided as from 2006 a parallel support through the Austrian Kontrol Bank (OEKB) to provide a credit line to the savings and loan fund (MECAP) providing local artisans in Burkina Faso with micro-finance services.

During 2008- 2010 EWA carried out another parallel project: “Projet d’Appui à la Commercialisation des produits du Textile Artisanal” (PACoTA) in Burkina Faso. The purpose of PACoTA was to contribute to increased local processing and marketing in

Burkina. There was a clear potential for synergies between the two ADC-supported projects PACoTA and PROMART.

Results The annual progress report by EWA from 2009 reported on a number of positive results with regard to capacity development, e.g. that the objective to establish artisan associations in 12 provinces was fully achieved and that 8 339 craftsmen/women had benefitted from the program during 2009. A final report on the prolongation phase 2010-11 confirmed the high level of goal achievement related to capacity building. At the same time a number of problems that had been encountered during the last phase of the project were listed including the international financial crisis and the local political instability.

An external evaluation was carried out in 2006 of the initial phase of support. The report was mainly focused on outcomes related to capacity development, but it also referred to an impact study based on control group methodology. Highly positive impacts on artisan incomes were mentioned, but no quantitative or any other details were provided.

The ADA office reports that the Austrian involvement in the handicraft sector during almost 20 years has had a number of positive impacts regarding the structural transformation of the sector, development of textile production, training of artisans and apprentices with a particular focus on women and the emergence of micro and small businesses. Austria's pioneering role in vocational training and handicraft is claimed to be recognized and clearly visible on the ground, especially after the end of the project.

Assessment table

Evaluation criteria	Assessment
Relevance	
In relation to ADC strategic documents and country/regional strategies	Handicraft (and small trade) is a "stand-alone" area within private sector development that emerged from support to rural development. It may play an important role in generating incomes and reducing poverty among rural poor.
Alignment with partner country/region policies	The project was part of the country's PRSP, but in practice the political system in Burkina Faso as well as all major donors give very low priority to support to micro and small enterprises (according to an ADA staff member).
Focus on ADA priority countries	Yes
Relevance of thematic priorities within PSD (two pillars)	Capacity support to producer associations is well in line with ADC's PSD policy. Available documents contain almost no documented analysis of constraints in the business environment of the handicraft sector..
Effectiveness	
Adherence to Logical framework	The logical framework seems to be based on the assumption that BDS support to artisans "automatically" will be translated into increased revenues and poverty reduction.
ADC capacity in the PSD field	ADA office with national program officers
Collaboration with other Austrian stakeholders	An Austrian NGOs was the driving force behind the project and its implementing agency
Cross-cutting gender	Strong emphasis on WEE
Cross-cutting theme environment	Examples were provided by an ADA staff member of mal-practices in treatment of chemicals.
Efficiency	No information available.
Donor cooperation	ADA was the only donor.
Value for money	No information available.

Impact	
Outcome on income and employment	No information available of employment/income effects. This level of impact seems to have been “above the focus” of the PROMART project. However, reference is made in the 2006 evaluation report to an impact study in 2006 which reported positive results
Impacts on poor target groups, pro-poor focus	Evaluation 2006 claimed that the project had a clear poverty focus
Impact on WEE and environment	High impact on WEE, unclear on environment
Sustainability	Little is said in available reports on the future viability of artisan associations. Associations visited in various regions by the ADA Coordination Office in 2012 and 2013 were found well operational and participating in vocational training offered to craftspeople.
Capacity development of stakeholders	The 2009 progress report indicated that capacity development had been reasonably successful.
Exit strategy	Unclear.
ADA’s learning	Little evidence of systematic learning. No evaluation planned. No written document available that takes stock of ADA’s experience. However, a “capitalisation exercise” is planned later in 2013 in the framework of the Indicative Cooperation Programme.
ADA’s additionality	Strong

Local Economic Development in nine municipalities, Masaya, Nicaragua

The project The overall objective of the project is to "contribute to inclusive local economic development and business of MSMEs in the nine municipalities of Masaya, to reach most of the MDGs, with emphasis on reducing poverty and generating employment and quality worthy of increased welfare". The specific objective is to “promote more investments, municipal strategic projects and business development in the areas: production, trade, value chains, business cooperation, export markets integration and public/private partnerships”.

The project is being implemented by the Corporacion Intermunicipal para el Desarrollo Economico Local, CIDEL. It was preceded by a similar local economic development project in the same region implemented during 2006-2009 by the Austrian NGO North-South Institute (GEZA). The program involves 9 municipal governments which promote projects to strengthen and revitalize the local economy and departmental business involving 1500 businessmen /women. There are three result areas:

1. Enhancing municipal and business competitiveness
2. Strengthening the institutional framework of the Department of Masaya
3. Development of strategic investments to strengthen capabilities

The project is being carried out during a three year period starting in January 2010. The total budget is 2.2 million Euros, of which ADA contributes 1,7 million Euros i.e. 79% and municipal governments contribute CIDEL 16 %. Remaining funds are provided by MSMEs participating in the program (1%) and other partners and sponsors (4%).

Results The final report from the first phase 2006-2009 reported a number of positive results, e.g. that 1442 small enterprises had benefitted from the program and that the turnover of these enterprises increased by between 20 and 40%. Overall the level of goal achievement was high. CIDELs progress report from the second phase describe activities which have been

carried out (like implementation of workshops etc) or to outputs (like e.g. construction of a market place).

Assessment table

<i>Evaluation criteria</i>	<i>Assessment</i>
Relevance	There is no analysis among available documents of the character and mechanisms of poverty in the Masaya region.
In relation to ADC strategic documents and country/regional strategies	Well in line with country strategy for Nicaragua
Alignment with partner country/region policies	Well in line with government policies in Nicaragua. Implementing agency is a local organization (CIDEL).
Focus on ADA priority countries	Yes
Relevance of thematic priorities within PSD (two pillars)	Appears to be well in line with PSD column 2. Available documents do not give any references to obstacles to economic development in the Masaya region from the perspective of the private sector, i.e. local “business environment”.
Effectiveness	Final report from a previous phase contains a detailed account of recorded changes in indicators at the level of results as well as objectives. Level of goal achievement appears to be high.
Adherence to Logical framework	The project document contains a detailed log frame with impact indicators, e.g. increase in no of jobs in participating SMEs
ADC capacity in the PSD field	Local ADC office with experienced national program officer.
Collaboration with other Austrian stakeholders	North-South Institute (GEZA) was responsible for implementation of a previous phase and provided support to the ongoing phase.
Cross-cutting gender	Gender discussed in the project document, and in some workshops. Possibly there could have been an ever stronger emphasis on opportunities for WEE?
Cross-cutting theme environment	Environmental issues highlighted in project document and in certain workshops
Efficiency	Difficult to assess due to lack of external evaluation
Donor cooperation	No other donors involved.
Value for money	The information provided on increased turnover of enterprises participating in the first phase should in principle make it possible to quantify benefits and compare with the invested amount (2.2 million Euros). However no such analysis is available.
Impact	No external evaluation is available, but an ex-post evaluation is being planned. Information on jobs, SME turnover etc provided in final report from previous phase.
Outcome on income and employment	- “ -
Impacts on poor target groups	No references to income poverty of the target group.
Impact on WEE and environment	No information available.
Sustainability	Too early to assess, but it appears that sustainable impacts have been achieved on target enterprises.
Capacity development of stakeholders	Strong emphasis on capacity development both related to targeted entrepreneurs and to the implementing agency CIDEL
Exit strategy	Unclear, but CIDEL appears to have the capacity to carry on with similar activities even without ADA support
ADA’s learning	A seminar was organized in 2012 to take account of experience from working with PSD in Nicaragua.
ADA’s additionality	High: ADC is the only external funder and field office strongly involved in monitoring. However, the closing down in May 2012 of the ADA Field Office in Managua has obviously decreased ADA’s capacity for monitoring and influencing the implementation of the project.

Local Actors for inclusive economic development and governance in the South Caucasus (JOIN)

The project The project, with an ADA budget of EUR 1,019,700 was initiated in November 2011 and is planned to be completed in 2014. It is implemented by Vienna based CARE International in the South Caucasus. The project is a follow up of an earlier project STAGE II which was carried out by the same organization in Armenia and Georgia in 2009-2011 with a focus on “strengthening civil society organizations and local authorities and increased cross-border cooperation for sustainable rural development”. The overall objective of the JOIN project is “to contribute to poverty reduction in the border regions of Georgia and Armenia through improved cooperation between government, civil society and the private sector in the socioeconomic field”.

JOIN will build capacities of local farmers by engaging them in analysis of market systems, identifying their competitive advantages as potential entry points to agricultural value chains. Based on this analysis, the project will facilitate the development of strategies to change market systems in order to make them more inclusive (i.e. an M4P approach). Measures for market interventions will focus on information exchange on rules that govern the market (e.g. quality standards, export, packaging, etc.) as well as supporting functions (e.g. skills and capacity). JOIN is based on a comprehensive logical framework matrix and an impressive monitoring plan.

Results The project document outlines the following three planned “results” (i.e. outputs according to DAC terminology): (i) LG, CS and the private sector jointly plan and implement gender-sensitive municipal development plans for sustainable socioeconomic development; (ii) sustainable Business Development and Information Centers (BDICs) provide market-relevant information and trainings to LG, CS and the private sector in support of strengthening local value chains; (iii) institutionalized coordination mechanisms between national and involved local stakeholders are established to effectively address local socioeconomic development needs.

As JOIN has only been operating for slightly more than a year, there are so far no results reports available.

Assessment table

<i>Evaluation criteria</i>	<i>Assessment</i>
Relevance	A controversy has arisen between ADA and CARE with regard to the policy direction of the project. CARE has suggested a stronger market development focus, while ADA maintains that municipal decentralization should be the main aim.
In relation to ADC strategic documents and country/regional strategies	Well in line with PSD guidelines and partly with “Regional Concept South Caucasus 2006-08 (which has strengthening of local organizations as a thematic focus)
Alignment with partner country/region policies	Unknown
Focus on ADA priority countries	South Caucasus is a priority region
Relevance of thematic priorities within PSD (two pillars)	M4P approach may be seen as a development of ADC’s second PSD Pillar

Effectiveness	Too early to judge
Adherence to Logical framework	Log frame with clear indicators for outputs and outcome established and followed up
ADC capacity in the PSD field	ADA has got a Field Office in Georgia
Collaboration with other Austrian stakeholders	CARE is an experienced Austrian partner
Cross-cutting gender	Gender addressed in project design and monitoring plan
Cross-cutting theme environment	Environmental aspects addressed in project preparation
Efficiency	Most inputs and outputs delivered as planned. Inputs in relation to costs not known
Donor cooperation	No formal cooperation, but good access to information and well developed contacts with other donors
Value for money	No information provided, e.g. on expected numbers of jobs to be generated. However given the existing log frame and monitoring plan information will be provided ex-post which could provide a basis for assessing “value for money”.
Impact	Too early to judge
Outcome on income and employment	-“ -
Impacts on poor target groups, poverty focus	Clear poverty focus
Impact on WEE and environment	Too early to judge
Sustainability	-“ -
Capacity development of stakeholders	Major objective
Exit strategy	Unclear
ADA’s learning	Too early to judge
ADA’s additionality	High, as ADA is the only donor and actively supervises the project

OEKB Refinance of microfinance organizations in Senegal and Burkina Faso

The project ADC provided in 2009 an amount of 130 000 EUR to the Austrian Control Bank (OEKB) to refinance previous credit lines provided in 2006 to microfinance organizations in Senegal and Burkina Faso. The total loan amount is 250,000 EUR for UMECAS and 545 000 EUR for MECAP.

The aim of the credits were to improve sustainable access to credit for local craftsmen/women and farmers in Burkina Faso and Senegal, who otherwise would have no access to financial resources. The organizations receiving these credit lines were the savings and loan funds of artisans in the Luga region in Senegal (UMECAS) and the savings and loan fund for farmers in Burkina Faso (MECAP) a low-interest loan. In 2009 UMECAS had 13 882 members and MECAP 15 646 members.

This intervention is parallel with the support provided through the PROMART/B project in Burkina Faso to capacity building of local artisans associations. The expected results of the support to MECAP were (i) to increase MECAP loan funds to respond to an increased demand for credit, (ii) to contribute to the consolidation MECAP in 12 provinces and to the planned expansion to 24 provinces of Burkina Faso and (iii) to reduce the distances between MECAP and their customers.

Results According to OEKBs progress report from 2011, the two microfinance organizations appear to have been struck by severe financial problems caused by weak governance and economic problems in Senegal as well as Burkina Faso. Contractual loan installments and interest payments have not been adhered to and OEKB even seems to have had problems to get into contact with its borrowers. The situation appears to have led to unclarities regarding what strategy to apply under the circumstances. One problem may be the contradiction between a more normal type of lending operation (although on soft terms) and grant support provided through EWA.

Assessment table

<i>Evaluation criteria</i>	<i>Assessment</i>
Relevance	It appears that provision of credit lines to the two MFOs was not an appropriate approach, given existing capacity weaknesses and the existing culture of subsidized funding
In relation to ADC strategic documents and country/region strategies	Supporting increased access to credit to local artisans is well in line with ADC policies, while the chosen approach, i.e. provision of credit through OEKB, according to ADCs PSD policy should be used restrictively.
Alignment with partner country/region policies	Unknown, but see comment on the PROMART handicraft project.
Focus on ADA priority countries	Yes
Relevance of thematic priorities within PSD (two pillars)	See above
Effectiveness	
Adherence to Logical framework	No meaningful logical framework had been made available.
ADC capacity in the PSD field	ADA's involvement is unclear.
Collaboration with other Austrian stakeholders	OEKB's use of EWA as advisor may be questioned given EWA's role as advisor to the MFIs.
Cross-cutting gender	N.a.

Cross-cutting theme environment	N.a.
Efficiency	No outputs recorded.
Donor cooperation	No other donors were involved.
Value for money	No recorded impact (value) for money invested.
Impact	No impacts recorded
Outcome on income and employment	- “ -
Impacts on poor target groups	- “ -
Impact on WEE and environment	- “ -
Poverty focus – pro-poor and empowerment of the poor	- “ -
Sustainability	
Capacity development of stakeholders	EWA’s efforts to develop capacity of the two MFOs does not seem to have had expected results
Exit strategy	Credit line approach should in principle constitute an appropriate exit strategy
ADA’s learning	No written evidence. See comment on the PROMART handicraft project.
ADA’s additionality	Unclear

Capacity building towards knowledge based economy in Macedonia

The project The project, with a grant by ADA of about EUR 0.5 million, was implemented 2009 to 2012. The implementing agency was the Agency for Promotion of the Entrepreneurship in Skopje with support of University of Cyril and Methodius; (Faculty of Mechanical Engineering) and the Centre for Research, Development and Continuous Education (CIRKO). Its main objective was to foster the economic development of Macedonia through promotion of entrepreneurial learning, “innovation and knowledge” – based economy and to contribute in reducing the unemployment rate in the country. The project had a number of concrete outputs with quantifiable targets such number of seminars conducted; number of people trained; promotional events such as fairs arranged; institutions established and activities performed; number of business plans and new companies established, etc. A detailed log frame was established for the project. The project was a follow up of an earlier project from 2005.

The project(s) coincided and possibly contributed to a number of initiatives by the government towards fostering entrepreneurship and innovation in the country, also promoted by the European Union.

Results The project was evaluated in 2011, and a final progress report was issued in late 2012. These reports gave overall quite a positive assessment of achievements by the project and indicated that nearly all of the outputs had been achieved or surpassed. Interviews with beneficiaries indicated a positive or very positive attitude towards the project and its achievements. A key achievement was the establishment of the National Center for Development of Innovation and Entrepreneurial Learning (NCDIEL). It has become a partner of the Government and other institutions in drafting, preparation and implementation the policy and actions related to innovation. The Centre had also recorded significant success helping young people to develop their business ideas in the process of training and awarding business plans, to start and to develop their business.

The final progress report concluded that:

“Although it is very difficult to quantify what was the real contribution of the project in numbers or percent to reforms, however, having in mind that this project was the pioneer in the implementation of this activities, and afterwards many of them were introduced as the regular activities of the Agency for Promotion of Entrepreneurship, Ministry of Economy, Ministry of Education and Science and became the Government priorities, anyone can concluded the project contribution was huge.” (Progress report, 2012).

The project also contributed, according to the reviews, in increasing the capacity of the APPRM, SME Department within the Ministry of Economy and the regional centres to better cope with the needs of the SME’s through the provision of technical assistance in drafting the policy documents.

Assessment table

<i>Evaluation criteria</i>	<i>Assessment</i>
Relevance	
In relation to ADC strategic documents and country/regional strategies	Project included in ADC strategy for Macedonia 2010-12 as final element before phasing out
Alignment with partner country/region policies	Focus by government on economic growth, innovation and SME development
Focus on ADA priority countries	Macedonia a priority to 2012, and a phase out country from 2013
Relevance of thematic priorities within PSD (two pillars)	The project a mixture of business environment and direct support to businesses. It is fully in line with the PSD guidelines
Effectiveness	In terms of outputs and possibly outcome the project achieved what was intended according to reviews
Adherence to Logical framework	Good quality log frame developed and followed up in progress reporting
ADC capacity in the PSD field	The project was monitored by a National Program Officer in the ADC Field Office
Collaboration with other Austrian stakeholders	Austrian Centre for Social Innovation has provided advisory inputs.
Cross-cutting gender	An expert opinion on gender (and environment) issued in 2009; Gender part of the project with a certain focus on female entrepreneurs
Cross-cutting theme environment	An expert opinion on environment issued in 2009; Environmental concern seems low priority in project implementation and not followed up in progress reporting
Efficiency - delivery of inputs and outputs	Overall good according to reporting
Donor cooperation	No other donors directly involved in this project.
Value for money	No possible to assess.
Impact	Claimed to be good in reporting by contributing to government’s strategy and institution building
Outcome on income and employment	Not directly assessed
Impacts on poor target groups, pro-poor focus	Not assessed. No direct objective.
Impact on WEE and environment	
Sustainability	Initiative to create the NCDIEL has considerably increased the potential for sustainability in the Faculty for Mechanical Engineering. The potential for sustained impacts with the SME department of the Ministry of Economy appears to be weaker.

Capacity development of stakeholders	Seemingly good
Exit strategy	EU involved in several similar projects. Exit should be a major concern. No explicit strategy, but to plan for an extension beyond 2012
ADA's learning	Unclear.
ADA's additionality	High as ADA was the only donor and the project would probably not have been carried out without ADA's participation.

FDI promotion through the Investment Promotion Agency of Kosovo

The project The project, with an ADA budget of EUR 845 000, was carried out 2009-2012 and implemented by the Vienna based NGO Economic Initiative for Kosovo, ECIKS. The project was a follow up of an earlier project during 2006-09 by the same organization.

The purpose of the project was strengthening of the Investment Promotion Agency of Kosovo (IPAK), which included training of staff, development of data bases; development of a FDI strategy, development of guidelines, production of printed materials, newsletter etc. The project also included investment promotion in German-speaking countries (Austria, Germany and Switzerland. Specific outputs targets were established for the IPAK strengthening activities and also for the investments that would be attracted, including employment from these.

Results The project delivered basically the outputs envisaged, but in terms of outcome (for example, investments and employment), the results according to the Evaluation carried out in 2012 have so far been below expectations. The independent evaluation concluded that IPAK had been strengthened through the activities from a low basis, but much more was required for the organization to be an effective instrument for FDI promotion. A key issue was staff quality and high turn-over of staff, besides that Kosovo is a difficult environment to attract FDI. The evaluation provided a number of recommendations for continuing support.

According to ECIKS some 15 foreign countries had used the services of the project for

Assessment table

<i>Evaluation criteria</i>	<i>Assessment</i>
Relevance	Considered high by independent evaluation;
In relation to ADC strategic documents and country/regional strategies	Well in line with PSD guidelines and to a certain extent also with Kosovo country strategy 2008-11 (which has PSD as theme, but mainly SME and regional.)
Alignment with partner country/region policies	FDI a major need of Kosovo as expressed in government plans and strategies
Focus on ADA priority countries	Yes – Kosovo priority country also in the future
Relevance of thematic priorities within PSD (two pillars)	Second pillar – Business services
Effectiveness	Mixed – some objectives achieved, but less investments and employment than envisaged according to evaluation
Adherence to Logical framework	Log frame with clear indicators for outputs and outcome established and followed up
ADC capacity in the PSD field	EKICS experienced partner
Collaboration with other	Not known

Austrian stakeholders	
Cross-cutting gender	Addressed in design and in implementation, but a 'difficult' theme in DFI promotion
Cross-cutting theme environment	Addressed in design and in implementation, and to some extent achieved through investments
Efficiency	Most inputs and outputs delivered as planned. Inputs in relation to costs not known
Donor cooperation	ADC was the only funder of this project, but several donors financed parallel projects.
Value for money	Unclear.
Impact	Uncertain - Too early to judge, but questions as to IPAKs ability to provide strong FDI support; major weakness as to the lasting impact on FDI promotion in German speaking countries
Outcome on income and employment	Employment less than anticipated; income unknown
Impacts on poor target groups, poverty focus	Not a pro-poor form of assistance; no proof of empowerment of the poor. Effects on poverty indirect through growth and employment
Impact on WEE and environment	
Sustainability	Questions as to IPAK's ability to maintain quality due to high turnover of staff. Need for further support
Capacity development of stakeholders	Major objective, partly achieved, but sustainability a question
Exit strategy	ADA decided not to prolong support due to concerns regarding the inability by Kosovo Government to appoint effective management
ADA's learning	Not documented, but strong knowledge on the project is available in the ADC Field Office.
ADA's additionality	High.